

JLT NEWS FLASH

Home Warranty Insurance Information for Builders in NSW & Victoria

Builders, Contractors & Trades



August 2004

The NSW Government's Office of Fair Trading has introduced the Building Sustainability Index (BASIX) and Vero have announced changes to their Risk Underwriting.

BASIX

The NSW Government's Office of Fair Trading introduced BASIX on 1 July 2004. The new rule has been put in place to ensure new homes or dual occupancy use less water and energy.

This rule applies to any of the local government areas in the Sydney metropolitan area, unless you entered a contract to build before 1 July 2004. Other parts of the state will come under BASIX from 1 July 2004.

For further information on BASIX you can go to their web site at www.basix.nsw.gov.au

VERO

Vero announce changes to Risk Underwriting:

Licence-Only Eligibility - Vero will not provide eligibility or have it renewed / extended for the purposes of builders renewing their builders licence only.

New Vero Customers - Vero will only accept builders who are new to Vero for Home Warranty Insurance eligibility if they present as a category rating 1 or 2 (new business to Vero as previously defined). Where the builder presents as a category rating 3 Vero may offer terms in an attempt to improve the builder's position to a category rating 2 by way of a capital injection or rectification of other issues.



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Category Rating 4 & 5 Builders - Vero have announced their position on category 4 and 5 builders as follows:

A builder new to Vero (as defined) returning a category rating of 4 or 5 will not be accepted or offered terms for eligibility. The only way these builders will be accepted by Vero is for the builder to comply with requirements to become a category rating 2 builder. If accepted in this fashion, builders will be monitored monthly by Vero to ensure continuous maintenance of their capital position.

Existing builders who have a category rating of 4 or 5 will be moved to a "Job on / Job off" basis and given until 31 January 2005 to improve their position to a category rating 2. If a category rating 2 cannot be achieved within this timeframe, or no significant progress is demonstrated, the builder will eventually be declined eligibility.

Trusts New to Vero - Vero will not accept Trusts new to Vero after 31 October 2004. Those Trust entities that qualify for the Express Assess product will continue to be considered for eligibility.

Existing Trusts with Vero - Existing builders with Vero eligibility and who are operating through a Trust entity, with a category rating 1, 2 or 3, will continue to operate under the terms of the Vero existing underwriting criteria for all Home Warranty products.

Existing builders with Vero eligibility that operate through a Trust entity and have a category rating 4 or 5 will move to a "Job on / Job off" basis until such time as they present a trend as a Vero category rating 2 builders in an acceptable structure. Vero does not provide advice on builder's structures other than to note that adequately capitalised companies, sole traders and partnerships are acceptable.

Form 2 - Job Specific Deed of Indemnity - Vero utilises a Form 2 - Job Specific Deed of Indemnity where there is a relationship between the builder and the owner for individual and multi-unit projects. This deed allows Vero to seek possible recourse with the indemnifier in the event that Vero pays a claim following a trigger event (ie; death, disappearance or insolvency of the builder).

It does not stop the owner from lodging a claim or benefiting from a policy resulting from a trigger event.

It simply allows Vero to seek recourse against the indemnifier should it be considered that the original contract owner benefits financially from the transaction.

Group Trading Agreements - Vero's Group Trading Agreement (GTA) will only be available for building entities with an annual turnover of \$10 million or more and will be entirely at Vero's discretion. The use of a GTA can only result in a category rating 2 at best. This will be effective 31 October 2004.

Effective immediately, Vero will generally apply the following guidelines:

- If a Group Trading Agreement (GTA) is held and the owner entity is a party to the GTA, then Vero will not require a Form 2 - Job Specific Deed of Indemnity;
- If a builder has a category rating 1 or 2, Vero will not require a Form 2 - Job Specific Deed of Indemnity;
- If a builder has a category rating 3, the requirement of a Form 2 - Job Specific Deed of Indemnity will be at the discretion of Vero;
- If a builder has a category rating 4 or 5 - Job Specific Deed of Indemnity will be required;
- If the project is for a multi-unit development (excluding NSW) then a Form 2 - Job Specific Deed of Indemnity will generally be required;
- In all other cases, the requirement for a Form 2 - Job Specific Deed of Indemnity will be at the discretion of Vero.

Note: In all cases Vero will provide advice as to the need for this type of Deed. No Deed will be requested or prepared without the express approval of Vero. Vero will prepare all Deeds and forward these to JLT Builders Insurance. Services for execution by the indemnifier. Vero will retain these Deeds for the full warranty period. Please note the term "new to Vero" relates to builders who Vero do not currently underwrite, or Vero has not issued a warranty certificate for 24 months through any of its distribution channels.

