

JLT NEWS FLASH

Additional Home Warranty Insurer for Builders in NSW & Victoria

Builders, Contractors & Trades



Not all Contract Works & Liability policies are the same

- Are you covered for damage to existing structures you are working on?
What if the damage is not as a result of your negligence?
Who is responsible to make good damage to the existing structures?;
- Do you carry out pre-fabrication other than on the construction site, if so, does your policy extend to cover this risk?;
- Are you responsible for materials included in the building contract whilst in transit?
Does your policy extend to cover loss &/or damage from this cause?;
- Where you build speculative homes or other projects, are they covered until sold?;
- Do you have property in your care, custody or control for which you are responsible to insure?;

Consider whether you need to extend your Contract Works & Liability policy to cover this risk.

Do you use Sub-Contractors or Hired Labour?

When a Sub-Contractor causes injury to third parties or to your employees or damage to third party property, who is responsible and is the Sub-Contractor adequately insured;

Does your policy cover against On-Site injury caused to Contractors, Sub-Contractors &/or Hired Labour.

Call JLT BIS on 1300 300 431 to discuss any of the above or other insurance enquiries and ask for obligation free cover comparison on selected insurers.

Excess Liability Coverage – do you have enough cover?

Cover under your liability policy is normally on a “losses occurring” basis. The indemnity limit needs to be set at an adequate amount to meet an award handed down by the courts in future years.

Depending on your business profile, turnover, third party injury and third party property damage exposures, you should ensure selection of a relevant level of cover.

In our experience, **most builders carry a minimum indemnity limit of \$10,000,000** any one occurrence, whilst large builders are insuring **in excess of this amount**.

Normally, the costs of increasing your limit is reasonable. Why not obtain a quote to increase your indemnity limit either now or at next renewal.

Lumley Home Warranty

JLT BIS have secured underwriting facilities with Lumley Builders Home Warranty for NSW and Victoria.

Whilst basic underwriting information (financials etc) is required, Lumley will also review builder track record and experience with appropriate consideration.

- Financial strength and consistency;
- Character and experience of the principals;
- History of the business;
- Business processes and controls to ensure consistent quality building;
- Industry reputation - e.g. industry awards, membership of industry associations.

Preferred builder profile is above \$5m turnover category. Market rates to apply. Application forms required for eligibility and projects, plus minimum 3 years financials.

Office of Fair Trading (OFT) – Home Building Service – Announcements

Home Warranty “Market Practice Guidelines” to assist builders with more comprehensive understanding of insurers risk underwriting and intermediary (Brokers) application turnaround times. www.fairtrading.nsw.gov.au/building

Newsletters are planned to be introduced on a quarterly basis according to the OFT. These will be on a range of subjects including:

- Continued Professional Development (CPD);
- Home Building Act and Regulation changes;
- Home Warranty insurance developments;
- TAFE (CPD) training courses for licence maintenance including distance learning;
- Courses dealing with Consumer Issues and Complaints Handling;
- Other government agencies information legislation requirements;
- Introduction of photograph for builders licences.

Advantages of paying insurance premiums by the month with Premium Funding

- Smooths cash flow;
- Alternative source of finance;
- Your insurance policy acts as security for the funding and your company assets work more beneficially;
- Tax deductible credit charge;
- Utilising this type of facility enhances the security of the business by making the option of insuring to the maximum level of protection more affordable;
- Incorporate Workers’ Compensation premiums to reduce the effective funding rate;
- Administrative solution for managing number of insurance policy payments.

Insurance Market Conditions

Contract Works & Construction Liability insurance costs are showing signs of being influenced by increased competition, except the impact of Worker Recourse claims by Contractors, Sub-Contractors and Hired Labour against Head Builders.

The General Liability market whilst not as competitive as the property insurance market is to some degree more attractive than the construction insurance risks.

Some insurers are still cautious in their approach to write liability business. Certain factors have caused these underwriting conditions, namely:

- Australian Prudential Regulation Authority increased capital requirements;
- More profitable lines of insurance classes to which insurance company capital can be allocated;
- Up to 40% builder insolvencies cause an unstable market;
- Home Warranty insurance has only just recently changed from “first resort” to “last resort” indemnity and coverage available to the consumer reduced by these changes to the *Home Building Act 1989* in NSW and other states in Australia. This is also a business with long-term future liabilities and capital utilisation can be substantial, especially during the period when insurers had to allocate capital against many high-rise developments with 6/7 year warranty periods;
- Plant & Machinery insurance, including Scaffolding Companies remain difficult placements with continued losses in this risk category.

Audit Insurance

What are the chances you may be subject to statutory audit or legal proceedings? An action could prove to be very expensive and may place a cash flow strain on your business. You can purchase “Audit Protection” or “Audit & Legal Defence Protection” insurance for between \$500 - \$1,000 depending on the coverage selected.

Home Warranty Applications

These can be completed at our office. Make an appointment with one of our Home Warranty Consultants (details below).

Disclaimer

The information in this publication is of a general nature as a service to clients and other interested parties. The articles included are not intended to provide a complete discussion of each subject. While the information is believed to be correct, no responsibility is accepted for its accuracy. No liability is accepted for any statements of opinion or any error or omission.

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