

# JLT NEWS FLASH

## Home Warranty Insurance

# Builders, Contractors & Trades



### Tasmanian Home Warranty

Introducing Jardine Lloyd Thompson, Builders Insurance Services (JLT BIS).

JLT BIS, in conjunction with W Logan & Associates are pleased to introduce Vero Insurance to Tasmanian Builders and Contractors.

Residential Construction Warranty Insurance also known as Home Warranty Insurance is legally required for builders before they can commence residential construction projects, provided the contract is over \$12,000. The Builder is also required to be licensed.

You are not however, required to take out Home Warranty on the following types of work:

- A building comprising of 3 or more separate dwellings situated directly one above the other
- A building designed to house more than 12 persons who are not members of the same family.

### Entering into Contracts

Ensure when entering into a Contract, your accreditation, and name on the contract is to be the same.

Only a builder eligible for Home Warranty Insurance cover can enter into a residential building contract with an owner. It is important to apply for eligibility in the name of the party that enters into contracts with owners.

### Cover

Vero offer cover as per the Housing Indemnity Act 1992 and Housing Indemnity Regulations 1993. It provides cover for the consumer for loss resulting from non completion, due to the death, disappearance or insolvency of the Builder. The policy remains in place for 6 years from completion of the works and provides cover of \$200,000 per dwelling.

You do not require Home Warranty if you enter into a contract solely for demolition work.

### Vero

Website available: [www.veroengineering.com.au](http://www.veroengineering.com.au).

With Home Warranty Insurance, Vero are guaranteeing that the builder will complete the work and remedy any defects after completion. Vero are required to assess the risk carefully before accepting the builder for eligibility.

There are several types of assessment Vero offer, some are summarised below. Vero offer Job Specific policies, which mean you are required to apply for "eligibility" to be approved to insure projects on a job by job basis. Once approved, Vero issue a Certificate of Eligibility that summarise your approval limits. You are then able to apply for insurance when you are entering into a contract to start a project.

JLT BIS and W Logan & Associates assist you in this process, by providing professional advice in relation

to your eligibility assessment, which can sometimes seem quite onerous.

## Some Products Offered by Vero

### Express Assess

The majority of Builders in Tasmania have an annual turnover of less than \$2,000,000 and would be eligible for what Vero call an "Express Assess Application". The only information to be accompanied by your application is a copy of your builders accreditation. No Financials are required and the minimum Net Asset requirement is \$25,000.

Within 72 hours of Vero receiving your application, you can have your eligibility approved with \$2,000,000 annual limits, and sub-limits up to \$350,000 for dwellings, alterations, and additions and \$50,000 for improvements.

### Experienced Builder Assess

This application is for builders who have an annual turnover in excess of \$2,000,000. As the turnover is higher, the eligibility process becomes more involved, requiring 3 years Financial Statements, along with other checklist requirements. The minimum Net Tangible worth requirement is at least 10%.

When applying for eligibility, your ABN, Financials, and License are all required to be under the same name.

Key Financial Factors Include:

- Gross Profit Margin
- Debtor/Creditor Collection Days
- Turnover Growth
- Changes to work in progress
- Builder size and areas of Construction Activity
- Length of Time in the industry
- Adverse commercial and claims information
- Frequency of Financial Reporting
- Job Costing System

## Trusts New to Vero

Vero do NOT accept Trusts new to Vero after 31st October 2004. Those Trust entities that qualify for

the Express Assess product will continue to be considered for Eligibility.

## Discounts

Vero offer discounts on insurance for the following:

- Vero Loyalty Discount (if you have been with Vero for at least 1 year (10%))
- Professional Association Discount (ie MBA, HIA, SPASA) – applies to 1 membership only (5%)

## Retrospective Insurance

Retrospective Insurance refers to insurance provided on a project where work has already commenced prior to applying for Home Warranty Insurance.

As a builder you are required by law to provide a Home Warranty insurance certificate on all projects whereby you have entered into a contract with a consumer for residential construction. However, builders may overlook the requirement for Home Warranty Insurance.

Although it is not normal practice for Vero to issue Retrospective Insurance, they may consider an application and review on a case by case basis. Eligibility would need to have been current with Vero at the time when the project commenced and have a current eligibility profile.

## Works for Owner Builders

If you enter into a contract with an Owner Builder, and the works are over \$12,000, you are still required to get Home Warranty Insurance.

Owner Builders are required only to take out Home Warranty Insurance if they sell the dwelling within 6 years from completion of the works. They take out the insurance before the sale of the property, and are required to produce a Certificate at the time of sale.

## Summary

Contact either JLT BIS or W Logan & Associates to discuss your requirements on the numbers 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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