

Understanding Home Warranty Insurance – The Builder’s Information Kit



*NewBuilder Access
Warranty Insurance*



*Rapid Access
Warranty Insurance*



*Experienced
Builder Access
Warranty Insurance*

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> How To Use This Kit

HIA Insurance Services understands that Home Warranty Insurance is a complicated and complex issue.

To assist you in your understanding of Home Warranty Insurance and to provide you with access to all necessary information, we have developed the Builders Information Kit.

The purpose of the Builders Information Kit is to allow you to access all of the information that you may need to help you understand Home Warranty Insurance and how it is assessed and transacted, and as a result this kit is quite lengthy. Therefore to assist in your navigation throughout this document we have incorporated links to related sections.

The links to the information that you require can be located within the [Table of Contents](#), throughout the text of the document and from the [Glossary](#) located at the back of this document.

By clicking on any of the links that are highlighted in red, you will be able to directly access that section of the Builder Information Kit or the relevant page or document contained within the HIA Insurance Services website.

If a link takes you to another part of our website, you can return to the Builders Information Kit by clicking the “Back Arrow” located at the top of your screen

To assist with navigation throughout the Builder Information Kit, a Table of Contents link can be found at the bottom of every page. The Builder Kit has been presented as a powerpoint presentation, therefore your page up, page down and space bar will allow you to progress page by page. To ensure that you have continual access to the Table of Contents, which can be used as a navigational tool, please click on the Bookmarks Tab, which is located to the left hand side of your screen.

This Builder Kit will continue to be developed and fine tuned to suit the needs and requirements of our clients. We would welcome any feedback concerning the layout, presentation or any other aspect which can be used to further improve this document.

Your suggestions on the Builders Kit can be e-mailed to hiaiswebsite@aon.com.au

> HIA Insurance Services

As a builder, construction should be the main focus of your business - not the complicated issues of insurance and government legislation.

Aon Risk Services and the Housing Industry Association have teamed up to provide you with a solution to these issues. This partnership has seen the establishment of HIA Insurance Services (HIAIS).

For over ten years HIA Insurance Services has been the builders one stop insurance shop and continues to ensure that our clients' exposures are comprehensively covered.

From Home Warranty Insurance to construction works or motor vehicle, even financial planning and advice, we understand why you need insurance.

We have dedicated professionals whose job is to understand your industry and assist you with providing insurance solutions for your business, including:

- home warranty insurance
- [construction works](#)
- [builders public and products liability](#)
- [tradesman/ sub contractor liability general property / tools of trade](#)
- [motor vehicle](#)
- [display homes](#)
- [domestic insurance](#)
- [professional indemnity](#)
- [workers compensation](#)

With Aon you have access to:

- our in depth knowledge of the housing industry
- over 40 Aon offices throughout Australia
- practical insurance policies tailored for the Construction Industry

For more information about the vast range of insurance products please contact your local HIA Insurance Services office on 1800 633 467

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What is Home Warranty Insurance

Home Warranty Insurance is designed to protect home owners against losses caused by the Death, Disappearance or Insolvency of their Builder during the construction period or for a defined period of time after completion.

One misconception that exists in the marketplace is that Home Warranty Insurance protects the builder

Home Warranty Insurance does not protect builders.

Losses incurred by the Owner can include the additional costs to complete the construction project along with any defective works caused by a breach of one or more of the statutory warranties.

Home Warranty Insurance is a product that has been developed following the introduction of building related consumer protection legislation across Australia. It has gradually been introduced by all state governments other than Queensland and the Northern Territory.

The commencement of Home Warranty Insurance schemes occurred in:

South Australia	1979
ACT	1985
Western Australia	1985
Tasmania	1993
Victoria	1996
New South Wales	1997

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what is home warranty cont...

Although policy limitations (and the types of projects that are required to be insured), vary from state to state, the fundamental principle of warranty legislation is to protect consumers (home owners) against a Builder's breach of statutory warranty, where the Builder is unable to continue trading as a direct result of Death, Disappearance or Insolvency.

In essence the statutory warranties require that builders do work :

- In a proper manner;
- Using good and suitable materials;
- Using new materials unless otherwise stated;
- In accordance with the plans and specifications in the contract;
- In accordance with the laws including the Building Act and regulations;
- Within the time specified in the contract;
- So as to be fit to be occupied when completed, if occupation is intended;
- So as to live up to any result your builder agrees it must achieve;
- So as to comply with the standards set out in the contract.

> Insurance Coverage

If you are a licenced building contractor dealing directly with home owners and you undertake work that is required to be warranted in your state then you must purchase Home Warranty Insurance prior to commencement of the work.

Legislation outlining the extent of Home Warranty Insurance cover to the Home Owner varies across the country, the following chart provides a brief comparison of the various state requirements.

	VIC	NSW	SA	QLD	ACT	WA	TAS
Period Of Warranty Cover	6 years	6 years	5 years	6.5 years	5 years	6 years	6 years
Maximum Payout	\$200,000	\$200,000	\$80,000	\$200,000	\$85,000	\$100,000	\$50,000
Minimum Value of Work to be Insured	\$12,000	\$12,000	\$12,000	\$3,300	\$5,000	\$12,000	\$5,000
Excess Payable	YES	YES	YES	NO	YES	YES	YES
Private or Public Scheme	Private	Private	Private	Public	Private	Private	Private

NB: All information and limits noted in the above table are provided for comparison only. Full details in respect to the complete state requirements should be sought from your state government authority.

Should you require additional information on the legislative requirements of your state, we have provided the website address for the governing bodies in each state for your reference:

ACT – www.palm.act.gov.au

SA – www.ocba.sa.gov.au

NSW – www.fairtrading.nsw.gov.au

VIC – www.buildingcommission.com.au

WA – www.docep.wa.gov.au

QLD – www.bsa.qld.gov.au

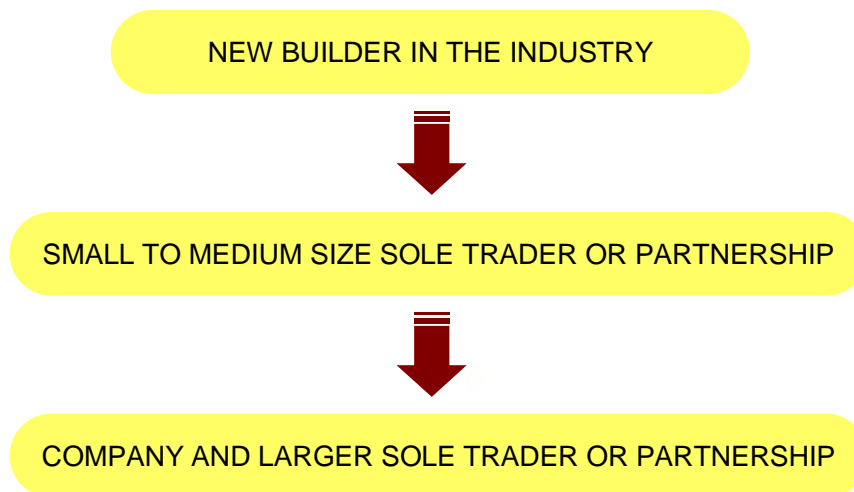
TAS – www.justice.tas.gov.au

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> Our Home Warranty Insurance Products

At different stages throughout the development of your building business you will have different requirements. This will also apply to your Home Warranty insurance and as such we have developed a range of Home Warranty Insurance applications that are designed to reflect and cater to the progression and growth of your business.

The following chart reflects the general pattern of growth for Builders through the Home Warranty Insurance cycle



Our Home Warranty Insurance applications have been designed to reflect the different stages of a Building business.

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> our home warranty cont...

Which is the product for you?

The following diagram briefly outlines the products that are available and the businesses that each application type has been developed for.

NEW BUILDER ACCESS

Sole Traders and Partnerships who are new Building Businesses in the Construction Industry and are licenced to build new dwellings and/or alterations and additions



RAPID ACCESS WARRANTY

Sole Traders and Partnerships with a turnover of less than \$1,000,000 and an individual job limit of less than \$250,000 and are licenced to build new dwellings and/or alterations and additions



EXPERIENCED BUILDER ACCESS

All Companies and Trusts and larger Sole Trader and Partnership businesses who do not meet the criteria of Rapid Access Warranty or New Builder Access, but require Home Warranty Insurance



BUILDER PROFILE CHANGE

Current clients of HIA Insurance Services who wish to apply for a change to their approved profile

Approval for Home Warranty insurance is subject to a financial assessment undertaken by the Insurer. Fortunately, not all application types require the same level of assessment, therefore it is important that you determine which of our application types will best suit the needs of your business.

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our home warranty cont...

For instance our Rapid Access Warranty application has been designed to cater for Sole Traders and Partnerships, who hold a Full Builders Licence (i.e. licence to build new dwellings and/or alterations and additions) and who do not require an approved turnover of greater than \$1,000,000 or a per dwelling contract value of greater than \$250,000.

We have negotiated this application with our Insurer to reflect the need that smaller Sole Traders and Partnerships do not need to undergo the complex financial assessment that is required for Companies.

[New Builder Access](#), [Rapid Access Warranty](#), [Experienced Builder Access](#) and [Builder Profile Change](#) are all covered by a section in this information kit, and we recommend that you refer to the various sections for further details on the pre-requisites and assessment processes.

To also assist you in your understanding of the assessment process we have developed the [Accountant's Guide to Warranty Insurance](#) which provides an in depth explanation as to the Insurer's underwriting requirements.

> NewBuilder Access



NewBuilder Access
Warranty Insurance

When you are just starting out in the building industry getting warranty insurance can not only be complicated but often very difficult. Insurers have looked for a strong trading history and a solid financial platform, which of course if you are in a new business does not exist.

New Builder Access warranty is designed to assist Builders entering the Building Industry for the first time by removing the hurdles associated with obtaining Home Warranty Insurance.

If you can answer “YES” to each of the following questions then New Builder Access is for you.

- Are you a new Builder in the Building Industry and have not previously traded as a registered Builder
- Do you currently hold or do you intend applying for a Full Builder licence (i.e. licenced to build new dwellings and/or alterations and additions)
- Will you be trading your Building business as a Sole Trader or Partnership
- Do you understand that New Builder Access will not allow you to undertake any contracts, over the next 24 months, whereby the work is tendered through an Architect or Designer.
- Do you understand that New Builder Access will not allow you to undertake any [High Rise Developments](#) or [Multi Unit Developments](#) or work involving a [Developer](#).
- *And Additionally for Victoria only* – Is the individual who holds the full Builders Licence that your business builds under, a director of the Company or a partner of the Partnership or the Principal of the Sole Trader business under which you trade.
- *And Additionally For All States Other Than Victoria* - Is the name on your full Builders Licence/Licence Application and the name under which all finances for your business are recorded, in your own name, if you are a sole trader, and also in your partners own name if you operate as a Partnership business

If you have answered NO to any of the above questions then you are not eligible for New Builder Access and will have to apply for either [Rapid Access Warranty](#) or [Experienced Builder Access](#).

Having answered YES to all of the above questions means that you may now apply for cover by completing the [New Builder Access Application form](#) and returning it to our office along with your application fee.



newbuilder cont...

Once approval is granted by our Insurer New Builder Access will operate as follows:

- Cover will be granted for your first job only, limited to a contract value of \$250,000. It is important to note that contracts over \$100,000 will require you to provide additional skill references from your previous employers, in respect to your ability to undertake jobs in this price range
- On completion of this initial project (Certificate of Occupancy) the Insurer will require a letter of satisfaction from the Owner which will include comments on workmanship and completion within time frames etc
- Once this first project is completed and the paperwork provided, the Insurer will review the information regarding your first project and if satisfactory will then grant cover for another project, again up to a maximum of \$250,000
- This process will continue until either a turnover of \$1,000,000 is reached or the Insurer recommends a full review (either through Rapid Access Warranty or Experienced Builder Access)
- During the year the Insurer will ask you to provide financial information in respect of the margins achieved on given projects, creditors, debtors etc. In short this enables the Insurer to work with you to ensure the long term stability of your business.

As the New Builder Access program is a 24 month process, in the Second Year the Insurer will:

- Following the same process mentioned above, at their discretion, grant cover for two new jobs for every one job completed subject to the maximum contract value limit of \$250,000 and the turnover limit of \$1,000,000 per annum
- During the Second year the Insurer will ask for additional financial information which demonstrates that your business is not only developing but also that assets remain in the business

Towards the end of your Second Year under New Builder Access, the Insurer will require an assessment to establish a profile for your business going forward. This means that as you can now demonstrate your previous Building experience and financial stability, you will be able to apply for an increase in your approved annual turnover and maximum contract values.

Should you require an increase in your approved annual turnover or maximum contract values sooner you will need to undergo a full assessment and should contact your local [HIA Insurance Services office](#) for more information

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> RapidAccess Warranty



HIA Insurance Services have been working with the warranty insurers to simplify the warranty maze for sole traders and partnerships that hold Full Builders Licences (i.e. licenced to build new dwellings and/or alterations and additions).

We understand that sole traders and partnerships have been caught up in the Insurer's standard assessment process that has been focused on the complexities of companies and their capitalisation.

Rapid Access Warranty has been designed to suit the needs of the majority of Sole Trading and Partnership Building businesses who hold a Full Builders Licence. Rapid Access Warranty is Warranty Insurance made simple!

If you can answer "Yes" to all of the following questions then you may meet the criteria for Rapid Access Warranty.

- Is your business currently operating as a Sole Trader or Partnership?
- Is your estimated annual turnover less than \$1million per year?
- Do you understand that your structural contracts will be limited to a per dwelling contract value of \$250,000 ?
- Do you understand that your non-structural contracts will be limited to a per dwelling contract value of \$25,000?
- Do you currently hold a full Builders Licence (i.e. Licence to build new dwellings and/or alterations and additions)
- Do you understand that Rapid Access Warranty will not allow you to undertake any contracts whereby the work is tendered through an Architect or Designer
- Do you understand that Rapid Access Warranty will not allow you to undertake any High Rise Developments or Multi Unit Developments or work involving a Developer
- Do you understand that Rapid Access Warranty does not include cover for the construction of Swimming Pools
- And Additionally for Victoria only – Is the individual who holds the full Builders Licence that your business contracts under, a director of the Company or a partner of the Partnership or the Principal of the Sole Trader business under which you trade.
- And Additionally For All States Other Than Victoria - Is the name on your full Builders Licence/Licence Application and the name under which all finances for your business are recorded, in your own name, if you are a sole trader, and also in your partners own name if you operate as a Partnership business

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> rapidaccess cont...

To obtain Rapid Access Warranty you will need to complete the [Rapid Access Warranty Application](#) and return to our office, along with your application fee. This will then be submitted to the Insurer for acceptance, approval and profile setting. The maximum allowable profile, (turnover and contract value limits), under Rapid Access Warranty are detailed in the following table

PROFILE	MAXIMUM CONTRACT VALUE
Turnover Limit (12 month period)	\$1,000,000
Job Limit – Single Dwelling	\$250,000 per dwelling
Job Limit – Alterations & Additions	\$250,000 per dwelling
Improvements	\$25,000 per dwelling
Unit/Duplex/Villa	\$250,000 per dwelling

Important notes:

1. Whilst the above are the maximum limits that can be approved under Rapid Access Warranty, your profile will be based on the details contained in your application and the Insurer may set limits less than those listed above.
2. If you require higher limits than the approved by the Insurer, you will need to apply for [Experienced Builder Access](#) and suggest that you read this section of the Builder's Kit.
3. Multi-Unit Developments (3 or more) or work involving a Developer are excluded from Rapid Access Warranty.
4. Only applicants holding a Full Builder's Licence (that is licence to build new dwellings and/or alterations and additions) are eligible for Rapid Access Warranty
5. If you have previously traded your Building business as a company or trust you are not eligible for Rapid Access Warranty and are required to undergo assessment through Experienced Builder Access.

Once you have successfully applied for Rapid Access Warranty Insurance, you will be supplied with a [Certificate of Eligibility](#) which will detail your approved maximum moving year turnover and maximum contract values.

Prior to the commencement of any projects you will need to supply our office with a completed project application form and payment of premium. For further information on this process please refer to the [Project Applications](#) section of this booklet

> Experienced Builder Access



Experienced Builder Access has been designed to cater for Companies/Trusts and larger Sole Trader and Partnership business that are required to secure Home Warranty Insurance for the homes they build.

What are the Insurers looking for

Many of our clients ask why they have been asked for extensive financial information when applying for Home Warranty Insurance; quite often we hear, "I have been a builder for 20 years and have never had a claim why do you need to know this?"

Home Warranty Insurance provides the consumer with protection arising from warranty related losses and non completion of the building contract in the event that you, the Builder, die, disappear or become insolvent during the contract period.

The Insurer is providing a financial guarantee, to the home owner, that you will not only be able to complete the work but also be around to remedy any defects.

The major risk for the Insurer is the insolvency of a Builder. Whilst technical construction competence is vital, this alone will not prevent insolvency if a Builder's financial position is not strong. For this reason the Insurer undertakes a detailed financial assessment of all builders who apply for Home Warranty Insurance.

When you apply for car insurance, the Insurer considers all aspects of the risk e.g. claims, type of vehicle, driving convictions etc. In the same way, they consider all of the following to assess the risk for Home Warranty Insurance:

- Net Tangible Worth (NTW) of Trading Entity
- Gross Profit Margin
- Debtor Days
- Creditor Days
- Turnover Growth
- Changes to Work-In-Progress
- Builder Size and Areas of Construction Activity
- Length of Time in Business
- Adverse Information
- Frequency of your Financial Management Reporting
- Job Costing System
- Claim/Complaint Free Record

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> experienced builder cont...

To assist you and your accountant in determining exactly how you will be assessed by the Insurer, we have developed an [Accountants Guide to Warranty Insurance](#).

This guide will allow you and your accountant to work together to ensure an appropriate outcome for you and the Insurer.

The Assessment Process

Before applying for Home Warranty Insurance, the first thing you must do is determine whether your business meets the requirements of that of a Sole Trading, Partnership, Company or Trust business. The following will assist in determining your correct legal entity for Home Warranty Insurance,

**The name on your building licence
and
The name under which all finances for your business
are recorded (e.g. revenue, operating profit etc)
and
The name under which you are applying for Home Warranty Insurance**

**You are a Sole Trader if all of the above information is in your name only
You are a Partnership if all of the above is in the name of you and your partner/s
Your are a Company or Trust if all of the above is in the name of your Company or Trust**

For Builders in Victoria, the rules in respect to licencing are slightly different to other states. In Victoria, you are licenced as an individual and if you wish to trade as a Company or a Partnership the licenced individual must be a director of that Company or a partner of that Partnership.

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How do I apply for Experienced Builder Access

To be assessed for Experienced Builder Access, you will need to complete an application form. A list of additional documentation required by the Insurer, is attached to your application form. It is imperative that all information is provided when you submit your application form to us, so that the assessment can be undertaken by the Insurer.

Once a complete application form and all required documentation has been received, your application will be forwarded to the Insurer for their initial assessment. Whilst the greatest care has been taken to list all documents required by the Insurer additional supporting information may be requested by the Insurer after the initial assessment. We will advise you in writing if anything else is required.

The Experienced Builder Access application form asks you to estimate your annual turnover and the type and maximum contract values of the work which you intend to do over the coming year.

Deeds of Indemnity

A deed of indemnity is a document from one party in favour of another, indemnifying them to the extent of any future loss.

Deeds of Indemnity have historically been relied upon by the Insurer to support an application for Home Warranty Insurance.

Due to the various reasons for requesting a Deed of Indemnity, several different types have been developed. A brief description of each of the deeds of indemnity currently in circulation is tabled on the next page.

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> experienced builder cont...

FORM	DESCRIPTION	CIRCUMSTANCES OBTAINED
1	National General	Obtained from partners, directors, associated companies (including related party Developers/Owners, other than NSW), and other third parties as deemed appropriate.
2	National (other than NSW) Job Specific	Obtained from non-related Developers/Owner and other third parties as deemed appropriate.
3	NSW Job Specific	Obtained from a NSW Developer/Owner.
5	VIC Job Specific, Non Completion	Obtained from individuals where the Developer/Owner in some way related to the Builder. Usually family members or associated/ related parties
6	National (other than VIC) Job Specific, Non Completion	Obtained from individuals where the Developer/Owner is in some way related to the Builder. Usually family members or associated/ related parties

The requirement for Deeds of Indemnity is constantly being reviewed by the Insurer and as such we continue to see various deeds removed as a means of support for a Home Warranty Insurance application.

For example, Deeds of Indemnity are no longer required from the Directors of building Companies to support an application for Home Warranty Insurance. Instead, the Insurer now requires that a Building Company must maintain an appropriate level of Net Tangible Worth to support the Home Warranty Insurance application.

If you have previously supplied a Deed of Indemnity to the Insurer, and this type of Deed of Indemnity is phased out, your Deed of Indemnity will be handed back to you within the next 2 years, provided that a Builder can show to the satisfaction of the insurer that its performance is such that it's Net Tangible Worth can be relied to support the Maximum Moving Year Turnover required by the builder... As such, all future assessments will require your building business to meet the underwriting criteria and net tangible worth in it's own right.

Further information on Deeds of Indemnity can be found in our [Accountant's Guide to Warranty Insurance](#)

> Builder Profile & Premium Categories

When you first apply for Home Warranty Insurance, your Insurer will set a 'profile' on your business based on the information you provide in your application; at the same time they will set your premium rating category.

Your profile sets the parameters for projects that the Insurer will approve for you. This profile will have limits approved for your business in respect of the following (jobs falling outside these limits can only be accepted following referral to the Insurer) :

- The total value of works that can be insured before a review of your profile is required by the Insurer. This is known as "Maximum Moving Year Turnover"
- The maximum contract amount for each dwelling type e.g. single dwellings, alterations and additions. These are known as "Maximum Contract Values"
- The types of construction projects that you have nominated. (*and have been approved by your Insurer*) These are known as "Dwelling Types"
- Frequency of financial reporting to the Insurer
- Architect/Designer Tendered Approval

Your Insurer will look at many details when assessing your profile. Ideally Builders would prefer to have the lowest premiums available to them. We call these premium rating category 1 premiums.

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> builder profile cont...

As a guide to achieving an optimum premium category the following highlights the major items considered by the Insurer:

- that you have operated in the Building Industry for over five(5) years
- that you can establish a minimum 2 years trading with the current Insurer
- that the Net Tangible Worth in your trading entity (i.e. the entity through which all finances for your building business are recorded e.g. revenue, operating profit) is adequate to support the Maximum Moving Year Turnover that you seek - as a guide this is around 10% of your Maximum Moving Year Turnover
- that you have a successful record of gross profit in excess of 15% of turnover and a net profit return to Principals of between 5% - 8% of turnover
- payment of creditors is within 30 days and debtors payments are collected within 14 days that there are no past claims or adverse credit history.

Your premium rating category may also be reviewed at your request. To apply for a review of your profile you will need to complete a [Builder Profile Change Application form](#) and submit updated information on your business.

Further information can be found in our [Accountants Guide to Warranty Insurance](#).

Review of your profile

Your profile can be reviewed following application to the Insurer. For example if the Insurer has provided you with an approved turnover limit of \$1,500,000 and you have a very busy year and look like you may actually require \$2,000,000, the Insurer will need to undertake a review prior to approval of the increased turnover.

All Builders will generally undergo reassessment by the Insurer on an annual basis, however there are certain circumstances that require a review of the approved profile to be requested by either the Insurer or you, the Builder.

Circumstances that can trigger a review are listed as follows:

Review Requested by Builder

- An increase in [Maximum Moving Year Turnover](#)
- An increase in Maximum Contract Values
- Approval for [Architect/Designer Tendered](#) Projects
- Approval for a new Dwelling Type
- Improvement in Premium Rating Category

Review Requested by Insurer

- Dishonoured premium payments/cheques
- Adverse information
- Work that is outside of the current approved profile
- Excessive growth in turnover
- Claims/Complaints against the Builder

Builders showing signs of distress may require assessment on a six monthly or quarterly basis, depending on their position.

To undergo a review of your profile, either on your own request or that of the Insurer, you will need to complete a [Builder Profile Change Application form](#), and submit it to your local HIA Insurance Services office, along with all supporting documentation as noted on the application form checklist.

It is important that all information requested on the checklist be attached to your application form so that the Insurer can undertake the review of your profile.

Maximum Moving Year Turnover

Maximum Moving Year Turnover stands for the “Approved Moving Annual Turnover”. This is a maximum limit applied, by the Insurer, to a Builder’s turnover during a rolling 12 month period.

Maximum Moving Year Turnover works on a 12 month rolling average beginning at any point in time. The value of Maximum Moving Year Turnover includes all contracts entered into within a 12 month period based on the date the certificate for Home Warranty Insurance was issued to you, the Builder.

Example: How Maximum Moving Year Turnover is calculated

If on the 30 June 2002 you, the Builder, have an approved Maximum Moving Year Turnover of \$2million and you are given the go ahead by the Owners to build their house for \$250,000 on the same day; and

You proceed to apply for Home Warranty Insurance for that project on the same day; and

On the 30 June 2002 the Home Warranty Insurance certificate, for that project, is issued and as a result the building contract is entered into; then

On 30 June 2003, whether you have completed the project or not, the value of the contract entered into on 30 June 2002, being \$250,000, will “fall off” your Maximum Moving Year Turnover

Maximum Moving Year Turnover is monitored by the Insurer through the processing of project applications. Each project application you submit uses up some of your Maximum Moving Year Turnover limit. The amount of Maximum Moving Year Turnover used is equivalent to the contract value relating to a particular project. The amount applied against the Maximum Moving Year Turnover limit is applied on the date the Home Warranty Insurance certificate for the particular job is issued.

Would knowing how much Moving Year Turnover you have available or what your Maximum Contract Values are, assist you in better managing your Home Warranty Insurance. We think it will, and as a result we have developed our new HIA Insurance Services Profile Statement.

At the end of every month that you declare a project to us, you will receive a Profile Statement. The Profile Statement will give you an up-to-date snapshot of your current approved profile including what turnover you have available, what turnover is going to become available and your maximum contract values.

A preview of the profile statement can be found on the following page of the Builders Information Kit. The first Profile Statement will be sent out to our clients at the end of October 2002.

Further information on Maximum Moving Year Turnover can be found in the [Accountants Guide to Warranty Insurance](#).

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> Profile Statement



www.hiainsurance.com.au

Profile Statement

WARRANTY

ABC Homes Pty Limited
 Builders Licence Number: **123456C**
 HIA Membership Number: **N/A**
 Builder Category: **Category 1**

Your Customer Service Officer is:

John Smith
 Phone: (03) 1234 5678
 Facsimile: (03) 8765 4321
 Email: john@hiainsurance.com.au

For the period ending **30th June 2002**

Your profile sets the parameters for contracts that Royal and Sun Alliance have approved for **Home Warranty Insurance**. This profile details the limits as at **30th June 2002**, approved for your business in respect to **Maximum Moving Year Turnover, Dwelling Types and Maximum Dwelling Type Limits and Architect/Designer Tender Approval**.

MAXIMUM MOVING YEAR TURNOVER: \$ **5,000,000**
CURRENT ACTUAL (USED) TURNOVER: \$ **3,000,000**

CURRENT AVAILABLE TURNOVER: \$ **2,000,000**

OTHER IMPORTANT PROFILE INFORMATION

Actual (Used) Turnover as at 31st May 2002: **\$2,300,000**
 Turnover Used in June 2002: \$ **700,000** Number of Contracts Declared June 2002: **10**

Total Number and Value of Contracts to be Released During Each of the Next Three (3) Months:

July 2002	Turnover to be Released:	\$1,000,000	Number of Contracts to be Released:	20
Aug 2002	Turnover to be Released:	\$1,000,000	Number of Contracts to be Released:	20
Sept 2002	Turnover to be Released:	\$1,000,000	Number of Contracts to be Released:	20

40% of your Approved Maximum Turnover has been used as at 30th June 2002.

Architect Tender Approval: **YES**

DWELLING TYPE	MAXIMUM DWELLING TYPE LIMIT
Single Dwellings	\$ 500,000
Alterations/Additions	\$ 150,000
Improvements	\$ 25,000
Multi Units	\$5,000,000
Units/Duplexes/Villas	\$ 250,000

PS040022

HIA Insurance Services PTY LTD • ABN 84 076 460 967 • An associated company of Aon Risk Services Australia Ltd **Aon**
 PO Box 241, Ryde New South Wales 2112 Phone: (02) 9808 7222 Facsimile: (02) 9808 7233

> Certificate of Eligibility

After the insurers have completed your Home Warranty Insurance assessment and your application has been approved you will be provided with a Certificate of Eligibility.

This Certificate of Eligibility can be provided to builder licencing and registration bodies to assist, where required, in your licence renewal process. Your Certificate of Eligibility will also contain important information relating to the limits set by the Insurer this is known as your “profile” and has been based on the information contained in your application.

Your profile sets the parameters for projects that the Insurer will approve for you. This profile will have limits approved for your business in respect of the following (Jobs falling outside these limits can only be accepted following referral to the Insurer) :

- The total value of works that can be insured before a review of your profile is required by the insurers. This is known as “[Maximum Moving Year Turnover](#)”
- The maximum contract amount for different types of construction projects e.g. single dwellings, alterations and additions. These are known as “Maximum Contract Values”
- The types of construction projects that you have nominated.
(*and have been approved by your Insurer*) These are known as “Dwelling Types”
- Frequency of financial reporting to the Insurer.
- [Architect/Designer Tender](#) Approval

For information on your profile including how to have your limits increased and your premium reviewed please refer to the [Builder Profile and Premium Categories](#) section of this booklet.

Please note that following receipt of your Certificate of Eligibility all construction projects must be declared to our office individually.

The process of doing this is explained in full in [How Do I Get Home Warranty Insurance on My Jobs?](#)

> Project Applications

What is a Project Application

Once you have undergone an assessment and received your Certificate of Eligibility, which details your approved [Maximum Moving Year Turnover](#) and Maximum Contract Values, you will need to know how to apply for individual project certificates.

The first thing you must ask yourself before commencing work is:

“Do I require Home Warranty Insurance on this job?”

If you answer “Yes” to this question then you will need to submit a project application to HIA Insurance Services for this job.

A project application is the form that is required to be completed and submitted for each contract that you require Home Warranty Insurance for. HIA Insurance Services does not offer an annual policy to cover all your projects, instead a project application must be completed and payment included, for each and every job that you require cover for.

Please note that a project application cannot be used to apply for Home Warranty insurance on a [High Rise Development \(NSW Only\)](#) or [Multi Unit Development](#). Please contact your local [HIA Insurance Services office](#), should you require the High Rise or Multi Unit application form.

How do I get Home Warranty Insurance on my jobs

Along with your Certificate of Eligibility, you will also receive a project application and your premium rating category chart.

It is this [project application form](#) that will allow you to apply for the Home Warranty Insurance on your individual jobs, and the premium rating category chart that will help you work out the premium you need to pay for each job.

Once the project application has been completed, it can be submitted to any one of our offices along with your premium payment.

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> project applications cont...

Project Application lodgement and methods of payment

In Person



Present your Project Application along with your cheque, money order or credit card details and payment authorisation to any one of our [HIA Insurance Services offices](#). Cheques and Money Orders to be made payable HIA Insurance Services

By Mail



Post your Project Application along with your cheque, money order or credit card details and payment authorisation to any one of our [HIA Insurance Services offices](#). Cheques and Money Orders to be made payable HIA Insurance Services

By Fax



Fax your Project Application along credit card details and payment authorisation to any one of our [HIA Insurance Services offices](#).

Providing that the project application is fully complete, the premium is attached and correct, and the project is within your current approved profile (i.e. maximum moving year turnover and maximum contract value) then the certificate for Home Warranty Insurance can be issued without delay..

Three sets of certificates are issued once your project application has been approved and processed. They are:

- **Builder Copy** – this is your copy and is to be retained for your records.
- **Local Authority Copy** – this is the copy for the council, as they often require evidence that Home Warranty Insurance has been effected on a particular project.
- **Owner's Copy** – this is the copy for your client (the owner) and will be sent directly to them by HIA Insurance Services along with a policy wording booklet to evidence that you, as the Builder, have effected Home Warranty Insurance on their project.

Guide to completing the Project Application form

As the requirements under state legislation vary across the country, so do the [project application forms](#) for each state. As the differences are minor, the following provides a general guide to completing a project application:

Question 1- Builder/Contractor Details

You are required to provide details which will help our office identify your Building business and issue the certificate under the correct Name and Licence Number

Question 2 – Client Details

In this question you are required to provide your clients details, that is the name of the person/s with whom you have a contract to perform work. The current address of your client must be provided so that their copy of the Home Warranty Insurance certificate can be posted directly to them

Is there any relationship between the client and the builder

If you answer “Yes” to this question, you are required to provide written details of the relationship and may also be required to provide a Job Specific Deed of Indemnity for this project. You will be advised whether a deed is required once your project application has been received in our office. It is important to note, that if a Job Specific Deed of Indemnity is required your certificates for this project cannot be processed until the Deed has been received and your project application approved by the Insurer. Therefore if there is a relationship between yourself and the client please submit your application as early as possible to avoid unnecessary delays in the issuing of the certificate.

Question 3 – Job Location

We need to know the address of where the work is being done. We also need to know if you are building more than one dwelling under the same contract, and if so how many. (i.e. Duplex is two dwellings under the same contract)

Question 4 – Building details

You are required, in this question, to nominate the type of contract under which the work is being performed, including the Contract Value and the date the contract was signed. The contract value must include GST.

If the work is being undertaken for yourself, this is termed speculative and therefore you will need to nominate the replacement cost of the work

> project applications cont...

Question 5

Question 5 asks for details of the actual work being done. Some construction types have been supplied as a guide, however if you are undertaking Alterations and/or Additions or Improvement work, a brief description of the work is required.

Question 6

Relates to the type of soil on which the slab/foundations are being laid (in accordance with the Building Code of Australia classification) and the Engineer who prepared the footings for the work. Neither of these may be applicable to the work you are undertaking, however if they are please ensure they are completed.

Builder's declaration

This must be read and signed by you, the Builder

Question 7 – Schedule of Progress Payments

This is a replication of the schedule of progress payments as shown in your contract with your client. This section must be completed

Questions 8

Please advise how many storeys is your construction project

Question 9

What dates do you expect to start and finish the work you are wanting to insure

Question 10 – 15

These questions relate to the general construction of the work you are undertaking. Although all questions may not be applicable to the construction work that you are requiring cover for, please ensure that you read each question and provide answers where appropriate

Question 16

There is sometimes confusion associated with this question. In essence the question asks whether you entered into a tender process through an Architect/Designer to win this contract. This question should be answered "No" if the Architect/Designer only designed the project

Credit card details

These must be supplied if you are not attaching a cheque or money order with your project application form or if you are faxing your project application to our office

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> project applications cont...

What should i do if...

- [I Need Retrospective Insurance](#)
- [I Have an Architect/Designer Tendered Project](#)
- [I am Doing Work to Common Areas](#)
- [I Need Cover for a High Rise Development](#)
- [I Need Cover for a Multi Unit Development](#)
- [I Have a Project that is Outside of my Profile](#)

Some situations which occur as a matter of course for a Builder, may be seen by the Insurer to increase Home Warranty Insurance risk. To assist you in better managing your Home Warranty Insurance requirements we have provided an explanation for some common scenarios which must be referred to the Insurer for review and may delay the issuing of the Home Warranty Insurance certificates for the project in question.

Retrospective Insurance

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

As a Builder you are required by the legislation of your state to effect Home Warranty insurance on all projects whereby you have entered into a contract with a consumer for residential construction and the value of that project exceeds the prescribed threshold in that state. This insurance is required to be effected prior to the enforcement of these construction contracts.

The exception to this rule is Victoria, whereby Home Warranty Insurance for speculative dwellings is only required in the event that the Builder sells the property within six(6) years from the date of completion.

It is not normal practice for the Insurer to issue Home Warranty Insurance on a project that has already commenced. However it is recognised that occasionally Builders for one reason or another, may overlook the requirement for Home Warranty insurance on a construction project. For this reason we have negotiated with the Insurer that Builders are able to submit applications for retrospective cover to be reviewed on a case by case basis.

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> project applications cont...

In determining your application for Retrospective Insurance the Insurer considers the following:

- Was the Builder approved for Home Warranty Insurance through the Insurer at the time of commencement of the project and is the Builder currently approved through them
- Will the Owner provide confirmation that they are satisfied with the work that has been undertaken by the Builder and that they are unaware of any circumstances which may give rise to a Home Warranty Insurance claim
- Has a Defects report been undertaken on the construction project, and if so, does this report show any defects which may give rise to a Home Warranty Insurance claim. The Insurer will only accept a defects report that has been carried out by a qualified Building Surveyor, Engineer or Architect who has also provided a current Certificate of Currency for their Professional Indemnity insurance

To submit an application for Retrospective Insurance, the following must be provided:

- A fully completed project application form accompanied by your current, applicable premium
- A defects report carried out by a qualified Building Surveyor, Architect or Engineer
- A Professional Indemnity Certificate of Currency from the Building Surveyor, Architect or Engineer who provided the defects report
- A letter of satisfaction from the Owner

Upon receipt, your application will be referred to the Insurer for approval and we will advise you accordingly as to the Insurer's decision.

Architect/Designer tendered projects

Quite often Owners seek comfort by engaging an Architect or Designer to oversee the design and management of their construction project. Architect/Designer Tendered projects are those that are designed and administered by the Architect or Designer as an agent for the Owner. They are not those projects that have simply been designed by an Architect or Designer.

Architect/Designer Tendered projects are more detailed in their specification and engineering than that of a normal residential construction project. For this reason the Insurer's criteria for Architect tendered projects differs to that of a normal residential construction project.

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> project applications cont...

As this is highly specialised work, the Insurer needs to be confident that the Builder has the proven skills and expertise to undertake work of this nature.

In addition to the requirements for a normal residential construction project, the following additional criteria is also reviewed by the Insurer:

- Builders past experience in Architect Tendered projects
- The Builders tender price and scope of works as compared to other tenders
- The cost and specification detail of the project

When applying for Home Warranty Insurance you may also apply to have Architect Tendered projects approved as part of your approved profile. To do this you must supply two references for work previously completed in a builder or management role for architects.

Once you have been approved for Architect/Designer Tendered work, this then forms part of your overall profile and project applications for Architect/Designer Tendered jobs can be submitted subject to the limitations of your approved profile.

Work to common areas

New South Wales - Where the cost of the works is less than or equal to \$200,000 then only one Home Warranty Insurance certificate is required, in the name of the Body Corporate.

Where the cost of the works exceeds \$200,000 then a Home Warranty Insurance certificates are required to be issued in the name of each unit holder. The contract value for each unit holder is the total amount of the contract divided by the number of units even if this contract value is less than the \$12,000 threshold. The Insurer requires a Multi Unit application form to be completed for the project where the total number of units is more than 3.

Victoria - Where the cost of the works is over the \$12,000 threshold the total contract value is divided by the number of units and where this is greater than or equal to \$12,000, Home Warranty Insurance certificates are required to be issued in the name of each unit holder.

This does not apply to High Rise (units over 3 storeys) as these are excluded from Home Warranty insurance in Victoria.

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High Rise developments

High Rise is defined as residential buildings greater than 3 storeys containing lifts.
(excluding the lowest level if used for the purposes of residential parking)

In every state except New South Wales, High Rise Development is excluded from the requirement of Home Warranty Insurance.

In New South Wales, Home Warranty Insurance is required and in most cases the insurance capacity is being provided by the NSW Government; as such the underwriting guidelines, for High Rise Development, are set by the Government.

HIA Insurance Services act as the intermediary between the Builder and the Government for the arranging of Home Warranty Insurance, and the Insurer assesses these risks in their normal manner on behalf of the Government

How does the Insurer assess high rise in NSW

Whilst the assessment of High Rise Developments is subject to the Insurer's standard assessment criteria, there are six facets of the project that will be evaluated to satisfy the requirements of the New South Wales Government and their Reinsurer. These are as follows:

- The Builder
- The Developer
- The Project
- The Underwriter
- The Reinsurer
- The Process

> project applications cont...

1. The Builder

- The builder must be approved for Home Warranty Insurance with the Insurer
- The builder must have the profile to match the project requirements
- The builder must have sufficient available turnover to be accommodate the project
- The builder must have a Premium Rating Category of Category 1 or 2 (any other premium rating category will require formal reference to the Reinsurer)
- Builders who have not been previously approved for Home Warranty Insurance by the Insurer will be required to submit an [Experienced Builder Access](#) application form which must include supporting documentation to demonstrate previous High Rise Development experience.
- Builders undertaking [Architect/Designer Tendered](#) High Rise Developments must be approved for Architect/Designer Tendered works under their current approved profile
- High Rise Developments that exceed the current approved profile may be required to be supported by a Share Capital or a Bank Guarantee sufficient to support the level of turnover required. The Share Capital will be calculated at a level of 10% of the difference between the current profile and the requested profile

2. Developer/Owner

- The Developer/Owner must be the registered owner of the property and a copy of the relevant Certificate of Title or Rates Certificate to verify the ownership of the property is required
- The Certificate of Title or Rates Certificate must be in the same name as the Owner/Developer
- A copy of the Contract between Builder and Owner/Developer is required to be supplied to support the application for High Rise Development Home Warranty Insurance
- As the Insurer requires the Owner/Developer to demonstrate their financial capacity in New South Wales they require a copy of the Owner/Developer's current financials. The Owner/Developer is also required to provide supporting documentation which confirms of the funding of the project.
- A Developer Deed (Form 3 Developer Policy Indemnity) is required to be completed noting the Developer/Owner as the Indemnifier and the Builder as the Proposer. The site address must be specified.

> project applications cont...

3. Project

- Must be more than 3 stories with 1 basement level
- Is the project within the current approved profile
- Does the Developer/Owner have the financial stability to support the High Rise Development project

4. The Underwriter

- NSW is the only state in which Home Warranty Insurance is required for High Rise residential developments.
- The NSW Government is underwriting any building project, which exceeds, "3 levels excluding the lowest level if used for the purpose of parking only".

5. The Reinsurer

Applications for High Rise Development Home Warranty Insurance are assessed by the Insurer subject to the Insurer's standard underwriting criteria, however certain applications must be referred to the New South Wales Government's Reinsure for assessment. These are as follows:

- Any application for High Rise Development which exceeds \$15million in total contract value
- Any application for High Rise Development where the Builder has an aggregate insured contract value, with the Insurer, in excess of \$25million
- Any application for High Rise Development where the construction description is unclear
- Any application for High Rise Development where the Builder has a Premium Rating Category of Category 3, 4 or 5

6. The Process

In order for the Insurer to submit any referrals to the NSW Government's Reinsurer the following information is required to be supplied with the application for High Rise Development Home Warranty Insurance:

- Multi Unit application form
- Detailed Project description
- Builder History, supported by references where applicable
- Current Government exposure to Builder's previous High Rise Development
- Details of Claims experience, if any including under the previous Government scheme
- Historical Profile including details on previous High Rise Development construction, list of projects, construction costs, job status report
- Security offered to support the project , if any

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Multi Unit developments

Multi Unit refers to any development where there are 3 or more residential dwellings/units (4 or more in NSW) in the one construction contract or on the one construction site

Home Warranty Insurance on Multi Unit Developments is required in every state, provided the Multi Unit Development is not also a High Rise Development.

How does the Insurer assess multi units

Multi Unit Development applications are subject to assessment by the Insurer based on their standard underwriting criteria. When assessing a Home Warranty Insurance application for a Multi Unit Development, the Insurer must determine that the application satisfies all of their underwriting criteria. There are several aspects that are taken into consideration by the Insurer when undertaking the assessment, however the following can be used as a guide:

- The Builder
- The Developer
- The Project

1. The Builder

- The builder must be eligible for Home Warranty Insurance with the Insurer
- The builder must have the profile to match the project requirements
- The builder must have sufficient available turnover to be accommodate the project
- The builder must have a Premium Rating Category of Category 1, 2 or 3
- Builders who have not been previously approved for Home Warranty Insurance by the Insurer will be required to submit an Experienced Builder Access application form which must include supporting documentation to demonstrate previous Multi Unit Development experience.
- Builders undertaking Architect/Designer Tendered Multi Unit Developments must be approved for Architect/Designer Tendered works under their current approved profile
- Multi Unit Developments that exceed the current approved profile may be required to be supported by a Share Capital or a Bank Guarantee sufficient to support level of Turnover required. The Share Capital will be calculated at a level of 10% of the difference between the current profile and the requested profile

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> project applications cont...

2. Developer/Owner

- The Developer/Owner must be the registered owner of the property and, to verify the ownership of the property, a copy of the relevant Certificate of Title or Rates Certificate is required
- The Certificate of Title or Rates Certificate must be in the same name as the Owner/Developer
- A copy of the Contract between Builder and Owner/Developer is required to be supplied to support the application for Multi Unit Development Home Warranty Insurance

NSW ONLY

- As the Insurer requires the Owner/Developer to demonstrate their financial capacity they require a copy of the Owner/Developer's current financials.
- The Owner/Developer is required to provide funding confirmation which includes details of the project and the terms and conditions of any loan agreement from the Developer/Owner's financier who will fund the project
- A Developer Deed (Form 3 Developer Policy Indemnity NSW) is required to be submitted to support all Multi Unit Developments in NSW. This Deed must note the Developer/Owner as the Indemnifier and the Builder as the Proposer. The site address must be specified.

ALL OTHER STATES

- The Developer/Owner is required to supply confirmation of the funding of the project. This funding confirmation must have full details of the project and the terms and conditions of any loan agreement from the Developer/Owner's financier who will fund the project

3. Project

- Must be less than 4 stories
- Must be more than 3 dwellings (4 or more in NSW)
- Is the project within the current approved profile
- Does the Builder have demonstrated expertise to undertake and complete the Multi Unit development

To apply for Home Warranty Insurance on a Multi Unit Development, a Multi Unit application form must be completed and forwarded to your local HIA Insurance Services office along with all supporting documentation. The Insurer's cannot assess the application unless it is accompanied by all of the required documentation. Further information on the Insurer's underwriting criteria can be found in our Accountant's Guide.



Projects outside of my approved profile

You can apply for a review of your profile by completing a builder profile change application form and submitting it to our office along with updated information on your business. In most cases we will be unable to process your project application until this assessment is undertaken by the Insurer and therefore we suggest that you submit your builder profile change application form as early as possible prior to commencement of the project.

For more information on updating your profile please refer to the [Builder Profile and Premium Categories](#) section of this booklet.

> **Frequently Asked Questions**

1. Q: Why do I have to pay an application fee?

A: The application fee contributes to covering the cost of undertaking the assessment of a builder's eligibility for Home Warranty Insurance.

2. Q: When can I expect to be notified of approval of my application?

A: Each application has to be individually assessed and presented to the Insurer. This process will not commence until all documents required have been received. Once all information and documentation required has been received, it will take approximately 20 working days for an application to be assessed for Home Warranty Insurance. Further information can be found in the [Accountant's Guide to Warranty Insurance](#)

3. Q: How do I become a premium rating category one?

A: The premium rating category system is based on assessed financial risk of a builder and is affected by the level of equity, Net Profit, Turnover, Gross margin, rate of growth, experience, no adverse credit or complaint experience, and the length of period previously insured with the Insurer. The better each of these over time, the better the premium rating category.

4. Q: Do I need to provide a Deed of Indemnity?

A: A Deed of Indemnity is no longer required from a director of a Building company. The Insurer requires that a Builder maintains an appropriate level of Net Tangible Worth to support the Maximum Moving Year Turnover limit sought.

5. Q: I previously signed a Deed of Indemnity. What happens now?

A: In future, the Insurer will not rely on Deeds from Directors when undertaking an assessment for Home Warranty Insurance. The Building applicant must meet the Insurer's financial criteria in its own right.

6. Q: When can I get my bank guarantee released?

A: The warranty provided by a Builder to an Owner is up to a six year period following completion. Providing there are no claims the Bank Guarantee may be released at this time. Further information on Bank Guarantee's can be found in the [Accountant's Guide to Warranty Insurance](#)

7. Q: Why can't I apply for Home Warranty Insurance in my own name because I only use a company for taxation purposes?

A: A Builder is required when entering into a residential building contract with an Owner to provide Home Warranty Insurance in accordance with the requirements of their state. The name of the Builder as shown on the contract must be the same name that appears on their licence and for taxation purposes

8. Q: When can I have a Certificate of Eligibility?

A: Once a full assessment has been completed and approved by the Insurer.

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9. Q: What is an annual limit?

A: An annual limit refers to the Maximum Moving Year Turnover. Please refer to the [Maximum Moving Year Turnover](#) section in this Kit for further information.

10. Q: What is Inactive status?

A: A Builder that has not insured a project with HIA Insurance Services during a 12-month period.

11. Q: How do I achieve lower premiums?

A: By achieving a stronger premium rating category. A premium rating category is a product of net worth, financial performance, stability, experience and turnover. Premium rating categories will increase as these variables improve over time. For further information please refer to the [Accountants Guide to Warranty Insurance](#) or the [Builder Profile and Premium Categories](#) section of this kit

12. Q: What are the financial requirements for the turnover I am seeking?

A: Positive profit performance and a net worth deemed capable of supporting the level of turnover sought. This is normally a net tangible worth (NTW) equal to or greater than 10% of the annual turnover limit sought by a Builder. The [Accountants Guide to Warranty Insurance](#) details more specifically the Home Warranty Insurance financial requirements.

13. Q: What if the assets and profits of my Building business are minimal?

A: During the course of the review of your Home Warranty Insurance application, the Insurer may deem that the entity through which you conduct your building operations is undercapitalised. In order to meet an acceptable assessment level, the Insurer may request that you inject capital into your business or provide a Bank Guarantee to improve and support your application. Further information can be found in the [Accountants Guide to Warranty Insurance](#).

14. Q: How can I get my building license if I don't have insurance?

A: Once you are eligible for HOW insurance you will be provided with a certificate that you can use to obtain your license.

15. Q: I am a company, why can't I have access to [Rapid Access Warranty?](#)

A: The financial structures of Companies and Trusts are far more complex than Sole Traders and Partnerships so the Insurer requires more information to assess the application and risk for Home Warranty Insurance.

> Glossary

To assist in your understanding of Home Warranty Insurance a list of definitions for Home Warranty Insurance jargon has been developed.

Additions > are construction projects undertaken on an existing residential dwelling, where the existing structure is added to. They are structural construction works.

Alterations > are construction projects undertaken, on an existing residential dwelling, where the existing structure is altered. They are structural construction works.

Common Areas > is an area connected to a group of units which is available for the use of all residents

Company > an incorporated entity (e.g. Pty Limited or Limited)

Developer > a person who is engaged in the business of developing residential dwellings. Specifically NSW definition of Developer is: *A person who engages in a development of 4 or more dwellings on the one construction site or under one contract.*

Specifically VIC definition of Developer is : *A person who engages in a development of 3 or more dwellings on the one construction site or under one contract*

High Rise > refers to any residential development where the building under construction is more than 3 levels (excluding the lowest level if this is used for residential parking only provided that the excavation of this lowest level does not exceed an excavation depth of 3 metres below ground) AMEND

Improvements > are construction projects undertaken, on an existing residential dwelling, where the existing structure remain unchanged. They are non-structural construction work.

Kit Home > is a set of building components and plans/instructions which, when offered for sale, is represented as sufficient to build a complete dwelling, carport, garage or other structure

Multi Units > refers to any development where there are 3 or more residential dwellings/units (4 or more in NSW) in the one construction contract or on the one construction site.

Net Tangible Worth > is the Net Capital worth of a business less liabilities and intangible assets (such as goodwill). Refer to the [Accountants Guide to Warranty Insurance](#).

Non-Structural > refers to construction works that do not effect or alter the existing structure. Home Improvements are referred to as non structural

> glossary cont...

Outbuildings > refer to inhabitable, detached structures

Owner Builder > a person who builds a home for themselves for the purpose of living in that home, and not for the purpose of carrying on the business of a home builder

Partnership > refers to a business which is owned, operated and traded by two or more people in partnership

Profile > sets the maximum value for each contract you declare and the maximum moving year turnover set by your Insurer when you apply for Home Warranty Insurance

Project Application > is the application form that requests job specific information, and allows you to obtain Home Warranty Insurance for a particular construction site

Retrospective > refers to a project that commenced prior to the date the insurance was applied for

Single Dwelling > refers to the ground up construction of a residential house/home

Sole Trader > is a business which is owned, operated and traded by a single individual

Structural > refers to construction works that effect or alter the existing structure

Technical References > attest to a Builders technical ability to undertake projects of a specific size or type by making reference to previous like projects that have been completed by the Builder within time, scope and cost. Technical References are provided by a qualified Architect, Engineer or Building Surveyor.

Trading Entity > is the entity, Sole Trader/Partnership/Company/Trust under which your business trades and contracts

Trust > is an entity governed by a trust deed, and managed by a trustee for the benefit of the beneficiaries

Turnover > is the total amount of money that goes through your building business