

FAQs - Understanding your new premium

What has taken place already?

- Government funding: The Government has injected additional funds as part of returning the scheme to a surplus;
- Broker commissions have been removed: The guaranteed commissions previously paid to brokers by icare HBCF have been removed, eliminating 15 per cent of the cost of a policy;
- Risk based premium pricing has been introduced: Premium prices now better reflect a builder's level of risk, resulting in high-risk builders paying a higher premium, and low-risk builders paying a lower premium; and
- Premiums will be sustainably priced: The shortfall between icare HBCF's costs and what is received through premiums was and is currently covered by the NSW Government. In its previous form the Home Building Compensation scheme was not sustainable. Government subsidisation is being removed and over time premiums will increase to ensure they meet the expected costs of future claims.
- icare has been moving to a solid financial footing by progressively increasing premiums to full break-even by 2019/2020. Three previous premium increases, as part of this programmed return to sustainability, occurred in April and October 2017 and October 2018. A fourth increase as part of this program will come into effect on 1 August 2019 for some construction types.
- Premium rates have been adjusted to reflect the latest assessment of breakeven premium rates for all construction types.
- Multi-dwelling construction types will move to break-even premium rates through four rate increases across FY 20 and FY 21 to alleviate the impact to building activities.
- Premiums for New Duplex/Triplex construction type will be aligned with the New Single Dwelling premium rate.
- The risk- based rating structure used to determine builder risk factors is unchanged.
- The minimum premium of \$200 plus statutory changes, stamp duty and GST remain unchanged.

What is happening from 1 August 2019?

Premiums are being adjusted to reflect the latest assessment of breakeven premium rates for all construction types.

Why are some premiums increasing?

In addition to the previous increases, the premium changes scheduled for 1 August aim to make the fund sustainable (or break-even position), consistent with the previously announced objectives of the Government's reforms.

How much are the premiums changing by?

The changes vary depending on construction type. The below table sets out the changes, if any, for each type except for multi - dwellings which will be shown in a different table.

Base premium rates by construction type – Non-Multi dwelling constructions

Construction Type	Metro		Rural		Base rate change %
	Excl. GST & stamp duty (%)	Incl. GST & stamp duty (%)	Excl. GST & stamp duty (%)	Incl. GST & stamp duty (%)	
C01 – New Single Dwelling	0.95	1.14	0.76	0.91	0
C04 – Single Dwelling Alterations	0.68	0.82	0.55	0.66	13
C05 –Swimming Pools	0.67	0.81	0.54	0.65	0
C06 – Renovations	0.32	0.38	0.26	0.31	-11
C07 – Other – not included above	0.37	0.44	0.29	0.35	-11
C09 – New Duplex, Dual Occupancy, Triplex, Terrace	0.95	1.14	0.76	0.91	-62

Why have the premium rates for new duplexes, dual occupancies etc. being aligned with new single dwellings?

We have listened to builder feedback on the risks associated with duplexes compared with new single dwellings and decided to align the premiums.

What about the increases for Multi-unit categories?

The October 2018 premium increases excluded multi- dwelling construction types to allow for further consideration and analysis. Multi-dwelling construction types (C02, C03 & C08) will move towards breakeven premium rates in four rate increases across 2019/20 and 2020/21 to alleviate the impact to building activities.

The following table shows the premium increases for multi-dwelling constructions which will occur in four tranches

Base premium rates by construction type – Multi dwelling constructions

Construction Type	Tranche I		Tranche II	Tranche III	Tranche IV	Base rate change %			
	Excl. GST & stamp duty (%)	Incl. GST & stamp duty (%)	Incl. GST & stamp duty (%)			Tranche I	Tranche II	Tranche III	Tranche IV
C02 – Multi Dwelling Alterations	1.22	1.46	2.23	3.00	3.77	111	52	34	26
C03 – New Multi Dwelling Construction Up To 3 Storeys	2.29	2.74	3.43	4.11	4.79	33	25	20	17
C08 – Multi Dwelling Renovations	0.60	0.73	1.04	1.36	1.68	78	44	30	23

*Note: rates in the table are for Metro area, a 20% discount applied to rural area.

When will the respective Tranches be implemented?

The proposed implementation dates are:

Tranche I 1 August 2019

Tranche II 1 January 2020

Tranche III 1 July 2020

Tranche IV 1 January 2021

Will there be any further premium increases?

There are currently no further planned material changes to premiums other than the multi-dwelling (unit) categories. However, we predict that premium filings to SIRA would be made if market circumstance and emerging trends suggest changes to premiums are required to ensure a financially sustainable fund.

When will the new premium rates start?

The new rates and premium weighting factors will apply to all policies (certificates of insurance) quoted and issued from 1 August 2019 onwards.

How can I calculate my new premium?

Builders can check premiums via the online calculator at www.icare.nsw.gov.au/premiumcalculator/

When using the Premium Calculator please ensure the Policy Issued Date is as accurate as possible.