

Home building compensation (business plan) insurance guidelines

January 2018

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1. Introduction

- 1.1 The State Insurance Regulatory Authority (SIRA) is the NSW government organisation responsible for regulating insurance and alternative indemnity products (building cover contracts) under the *Home Building Act 1989* (the Act).
- 1.2 Licence holders and potential licence holders are required to submit business plans to SIRA for review as part of an application to become a licence holder for the HBC scheme in NSW and in association with premium filings. This enables SIRA to assess whether the licence holder or potential licence holder has developed a well formulated approach for the implementation of its strategic objectives including undertaking a proper risk assessment of its business.
- 1.3 The practices of licence holders, and those acting on their behalf, should align with these Guidelines.

2. Commencement

- 2.1 The Guidelines apply from 1 January 2018, until revoked or replaced.

3. Definitions

- 3.1 The terms used in these Guidelines have the following meanings:

Term	Definition
Act	<i>Home Building Act 1989 (NSW)</i>
AIP	alternative indemnity product
APRA	The Australian Prudential Regulation Authority established by the <i>Australian Prudential Regulation Authority Act 1998</i> and any successor authority
building cover contract	A contract of insurance under Part 6 of the Act or a contract or arrangement for the provision of cover by means of an alternative indemnity product
contractor	A person who is required by Part 6 of the Act to enter into a building cover contract
Guidelines	<i>Home building compensation (business plan) insurance guidelines</i>
HBC	home building compensation
licence holder	A licensed insurer or licensed provider
Regulation	Home Building Regulation 2014
SIRA	State Insurance Regulatory Authority (SIRA)

4. Regulatory framework

- 4.1 These Guidelines specify the minimum requirements for licence holders when providing business plans to SIRA. They also describe how SIRA will assess the licence holder's business plans.
- 4.2 These Guidelines are issued under section 105S of the Act.
- 4.3 Under section 103ED (7) of the Act, it is a condition of licence issued under Part 6C that licence holders comply with the relevant provision of these Guidelines.

5. Business plan requirements

- 5.1 The business plan for each licence holder is to be prepared in accordance with section 105S of the Act and must:
 - 5.1.1 be approved by the licence holder's board or corporate trustee prior to submission to SIRA
 - 5.1.2 describe the manner that the licence holder's business will be conducted (including distribution channels, premium setting and collection, claims handling, team management, expenses and systems)
 - 5.1.3 include the licence holder's strategic objectives for their HBC business together with targets, timeframes and planned activities to achieve the strategic objectives. The strategic objectives should, as a minimum include the following:
 - a) premium setting and policy administration in compliance with the *HBC (premium) insurance guidelines*, or contribution setting and policy administration in compliance with the HBC (contribution) AIP guidelines
 - b) continual improvement of eligibility criteria in compliance with the *HBC (eligibility) insurance guidelines*
 - c) financial protection of the consumer against defective or incomplete work when the contractor disappears, dies or becomes insolvent
 - d) efficient, honest and fair customer service and complaints resolution processes (for contractors and consumers)
 - e) development and improvement of internal resource capability or identifying external expertise to conduct HBC business
 - f) building a strong governance and corporate culture, and
 - g) continuous improvement of the business model to deliver competitive and innovative products and services.
- 5.2 The business plan must include:
 - 5.2.1 HBC business objectives, mission and vision
 - 5.2.2 evidence of a strong governance framework, including a structural chart and summary of roles in the governance oversight committees
 - 5.2.3 an operational and organisational risk management plan (including the identification, assessment and mitigation of those risks)

- 5.2.4 an organisation structure and internal resource capability (and external expertise if applicable)
 - 5.2.5 a distribution plan (including channels, category of contractors targeted and ensuring ease of access)
 - 5.2.6 APRA documentation relevant to HBC submitted to meet APRA requirements including the business plan (where applicable), and
 - 5.2.7 a statement of business intent and business plan as submitted to Treasury (where applicable).
- 5.3 The business plan must be consistent with:
- 5.3.1 the licence holder's claims management model and organisation structure that supports the model
 - 5.3.2 the licence holder's complaints management model – in line with the requirements specified in the HBC (claims handling) insurance guidelines, and
 - 5.3.3 documents to satisfy compliance with prudential standards required under the HBC prudential guidelines.

6. Business plan filing process

Frequency of business plan submission

- 6.1 A business plan should cover a three-year period.
- 6.2 Licence holders are to provide their business plans to SIRA every year for the financial year beginning 1 July by 30 September of that year.
- 6.3 SIRA may make a written request for licence holders to submit an updated business plan at any time within the one year period, if SIRA deems it necessary to do so.
- 6.4 If the licence holder departs significantly from their previously submitted business plan, the licence holder must notify SIRA and upon the request of SIRA, must submit a revised business plan as per section 105S(2)(a) of the Act.

Assessment and management of business plans

- 6.5 SIRA will assess the business plans of licence holders against the requirements set out in section 5 of these Guidelines.
- 6.6 SIRA may request additional information or amendments to business plans in order to ensure business plan requirements of the HBC scheme are met.
- 6.7 Business plans may be used by SIRA to assist in the assessment of compliance with other HBC insurance guidelines including:
 - 6.7.1 HBC (eligibility) insurance guidelines
 - 6.7.2 HBC (premium) insurance guidelines
 - 6.7.3 HBC (contribution) AIP guidelines
 - 6.7.4 HBC (prudential) insurance guidelines, and
 - 6.7.5 licensing requirements.

- 6.8 SIRA will monitor and review the business plan compliance and/or HBC business of licence holders in accordance with these Guidelines.

Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident third party (CTP) insurance and home building compensation in NSW. It may include details of some of your obligations under the various schemes that the State Insurance Regulatory Authority (SIRA) administers.

However to ensure you comply with your legal obligations you must refer to the appropriate legislation as currently in force. Up to date legislation can be found at the NSW Legislation website legislation.nsw.gov.au

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