



Draft Home Building Insurance Guidelines Consultation Paper Feedback

Strata Community Association (NSW) Submission
15 February 2023

INTRODUCTION

1. Strata Community Association (NSW) Overview

Founded in 1980, Strata Community Association (NSW) was formerly known as the Institute of Strata Title Management. SCA (NSW) serves as the peak industry body for Strata and Community Title Management in New South Wales. The association proudly fulfils a dual role as both a professional institute and consumer advocate.

2. Membership

SCA (NSW) boasts a membership of over 3,000 members, including lot owners, suppliers, and professional strata managers who oversee, advise, and manage a combined property portfolio estimated to be worth over \$450 Billion.

3. Strata and Community Title Schemes in NSW

NSW is home to 89,049 Strata and Community Title Schemes. A significant 95 per cent of these schemes are comprised of residential lots. Altogether, the total number of Strata and Community Title lots in NSW stands at 1,043,690.¹

4. NSW as a Leader in High-Density Living

According to the 2022 Australasian Strata Insights Report, there are 2,501,351 people residing in apartments across Australia. A majority of these apartment dwellers (51 per cent) are in NSW.² NSW also leads the way in the trend to higher density living in Australia and boasts the highest proportion of apartment households relative to all occupied private dwellings, standing at 22 per cent.

5. Employment Impact

Strata is a significant employer, directly providing jobs to 1,413 managers throughout NSW, as well as an additional 1,317 other related employees.³

6. Promoting Professionalism

1. SCA (NSW) is dedicated to fostering a high standard of professionalism in the strata industry with initiatives like the Professional Standards Scheme (PSS), which contributes to ensuring strong consumer outcomes for over 1 million strata residents in NSW.
2. SCA (NSW) membership encompasses a wide range of entities, from large corporate companies to small family businesses to dedicated volunteers. Members possess expertise in all aspects of strata management, service provision, and governance.

For further information about this consultation, please contact Dylan Lin, Policy and Advocacy Officer, SCA (NSW). Dylan.lin@strata.community

¹ Hazel Easthope, Danielle Hynes, Yi Lu and Reg Wade, Australasian Strata Insights 2022, City Futures Research Centre, UNSW, Accessed at https://cityfutures.adu.unsw.edu.au/documents/717/2022_Australasian_Strata_Insights_Report.pdf

² Ibid, p.8-13

³ Ibid, p.8.

SCA (NSW)'S RESPONSE TO THE DRAFT HOME BUILDING INSURANCE GUIDELINES CONSULTATION PAPER

Overall Feedback

SCA (NSW) welcomes the NSW Government's efforts to engage and seek feedback from stakeholders regarding the Draft Home Building Insurance Guidelines Consultation Paper published by the State Insurance Regulatory Authority (SIRA).

SCA (NSW) provided stakeholder feedback to the NSW Government's Draft Home Building Insurances Guidelines Consultation Paper as these new guidelines will regulate matters such as insurance premiums, eligibility of businesses to buy insurance, handling of insurance claims made by homeowners, and some other matters.

Overall, SCA supports the proposed changes highlighted in the Draft Home Building Insurance Guidelines Consultation Paper. The SCA feedback is provided in the same order in which the guidelines are raised in the consultation paper.

Draft Home Building Compensation Insurance Guidelines Consultation Paper Feedback

Guidelines for APRA-authorized insurers

1. Prudential standards

SCA Response

SCA supports proposed changes to private insurers approved by the Australian Prudential Regulation Authority (APRA) to continue insurance business which will automatically satisfy SIRA's prudential requirements.

Guidelines for APRA-authorized insurers

2. Business Plan

SCA Response

SCA approves of proposed changes to SIRA's expectations for business plans to align with APRA's requirements.

Guidelines for APRA-authorized insurers

3. Premiums

SCA Response

SCA supports proposed changes where actuarial sign offs stating that premiums are not excessive or inadequate will not be sufficient for SIRA to reject premiums. SCA agrees with the change that APRA-authorized insurers must publish their premiums on their website.

Guidelines for APRA-authorized insurers

4. Eligibility

SCA Response

SCA approves of proposed changes where APRA-authorized insurers must have an eligibility model with certain minimum parameters.

Guidelines for APRA-authorised insurers

5. Claim handling

SCA Response

SCA supports proposed changes to claim handling where there are minimum requirements for handling of claims which align with requirements for NSW Self Insurance Corporation (SICorp). Additionally, SCA supports every proposed change to claim handling as listed in the consultation paper.

Guidelines for APRA-authorised insurers

6. Market practices

SCA Response

SCA approves of proposed changes to clarify SIRA's expectations about insurers recording complete data about insured projects and other matters. In addition, SCA also supports setting clear expectations around insurer communication with beneficiaries and contractors while also specifying circumstances when a certificate of insurance may be cancelled.

Guidelines for NSW Self Insurance Corporation (SICorp)

1. Prudential standards

SCA Response

SCA agrees with all proposed changes to remove reliance on APRA prudential standards along with the implementation of a requirement for SICorp to comply with standards that are relevant for the State insurer.

Guidelines for NSW Self Insurance Corporation (SICorp)

2. Business Plan

SCA Response

SCA supports proposed changes to abolish the requirement for preparation of business plan aligning with APRA's requirements.

Guidelines for NSW Self Insurance Corporation (SICorp)

3. Premiums

SCA Response

SCA approves of proposed changes to provide an option to SICorp to apply premium loadings to contractors who fail to declare or do not pay premiums for variations to the contracts. Furthermore, SCA approves of all other proposed changes to premium filing guidelines as listed in the consultation paper.

Guidelines for NSW Self Insurance Corporation (SICorp)

4. Eligibility

SCA Response

SCA agrees that SICorp may require contractors to obtain a specific rating from a credit rating agency. Additionally, SCA agrees with all other proposed changes to eligibility guidelines as listed in the consultation paper.

Guidelines for NSW Self Insurance Corporation (SICorp)

5. Claim handling

SCA Response

SCA supports proposed changes to continue to prescribe minimum requirements for handling of claims which align with requirements for APRA-authorised insurers. In addition, SCA supports every other proposed change to claim handling guidelines as listed in the consultation paper.

Guidelines for NSW Self Insurance Corporation (SICorp)

6. Market practices

SCA Response

SCA approves of new guidelines to clarify SIRA's expectations about insurers recording complete data about insured projects and other matters. Furthermore, SCA approves of all other proposed changes to market practice guidelines as listed in the consultation paper.

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