

Understanding your new premium

How is my HBCF premium determined?

Your HBCF premium is determined by risk-based premium pricing assessment, introduced in 2017 by icare. The premiums for your project take into consideration the type of project, its total contract value, your individual loading or discount rate and the project's location. This rating structure reflects a builder's level of risk, and each builder is allocated an individual loading or discount to the base premium - so high-risk builders pay a higher premium and low-risk builders pay a lower premium.

Will this risk-based rating structure change?

No, the risk-based rating structure used to determine builder risk factors will remain unchanged.

Why have premiums been changing?

Changes to premiums have been made to ensure the Home Building Compensation scheme will eventually be sustainable. In its previous form, the scheme was not sustainable. We have been working towards achieving sustainability and slowly phasing out government subsidisation since July 2019. To achieve this, premiums have progressively been increased to ensure they meet the expected costs of future claims. We have been moving to a solid financial footing in this way with the goal to break-even by 2021/22.

What premium adjustments have been implemented so far?

In August 2020, premiums were adjusted to reflect the progress made towards fund sustainability.

Will there be further premium changes in 2021 and if so when will they change?

Yes, to reflect the latest assessment of breakeven premium rates for all construction types. In addition to the previous increases, the premium changes aim to make the fund sustainable by reaching the break-even position.

The new rates and premium weighting factors will apply to all policies (certificates of insurance) quoted and issued from:

- 1 January 2021 for all multi-unit dwelling projects for multi-dwelling construction types C02, C03 & C08
- 1 January 2021 premium increase for construction types C04 - Single dwelling alterations and Additions and C09 - Duplexes, Dual Occupancy, Triplex & Terraces

What changes will affect multi-dwelling construction types?

The October 2018, premium increases excluded multi - dwelling construction types to allow for further consideration and analysis. The next multi-dwelling premium increase will take effect from 1 January 2021. A special review of multi-dwelling and other premiums has been undertaken which has considered the impact of COVID-19 on the residential building industry.

Premium separation for Single Dwellings and New Duplex/Triplex construction Types

Premiums for Single Dwellings and the New Duplex/Triplex construction types will no longer continue to be aligned from 1 January 2021 following a review of the portfolio and adverse emerging claims experience/trends.

Will the minimum premium change?

No, the minimum premium of \$200 plus statutory changes, stamp duty and GST will remain unchanged.

Will there be further premium changes in 2021?

Yes, further premium changes will take place from 1 January 2021 and 1 July 2021 to make the fund sustainable by reaching the break-even position. Known details of these changes can be found in the tables below.

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.

Builders who have registered or plan to register as a user of the HBCF Builder Self Service Portal can obtain premium calculations which automatically reflect premium weightings (discounts or loadings).

How much are the premiums changing by?

The changes vary depending on construction type. The following table sets out the changes, if any and the date they are effective from:

Premium rate change from 1 January 2021 for Multi-unit dwelling Construction Types C02, C03, C08

% Change in Base Rate

Construction Type	1 January 2021
C02 - Multi Dwelling Alterations	70%
C03 - New Multi Dwelling Construction Up To 3 Storeys	30%
C08 - Multi Dwelling Renovations	28%

Metro Area Base Rate

Construction Type	1 January 2021	
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty
C02 - Multi Dwelling Alterations	4.2542%	5.1008%
C03 - New Multi Dwelling Construction Up To 3 Storeys	4.4557%	5.3424%
C08 - Multi Dwelling Renovations	1.4543%	1.7437%

Note: rates in the table above are for metro areas. A 20% discount applies for rural areas.

Rural Area Base Rate

Construction Type	1 January 2021	
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty
C02 - Multi Dwelling Alterations	3.4033%	4.0806%
C03 - New Multi Dwelling Construction Up To 3 Storeys	3.5645%	4.2739%
C08 - Multi Dwelling Renovations	1.1634%	1.4421%

Note: rates in the table above are for rural areas. A 20% discount applies.

Premium changes from 15 August 2020 for Construction Types C01, C05, C06 & C07.

% Change in Base Rate

Construction Type	15 August 2020	1 January 2021
C01 - New Single Dwelling	-6%	No change to the following Construction Types
C05 -Swimming Pools	-24%	
C06 - Renovations	-19%	
C07 - Other - not included above	-29%	

Metro Area Base Rate

Construction Type	15 August 2020		1 January 2021
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty	
C01 - New Single Dwelling	0.8891%	1.0660%	No change to the following Construction Types
C05 -Swimming Pools	0.5137%	0.6159%	
C06 - Renovations	0.2579%	0.3092%	
C07 - Other - not included above	0.2612%	0.3132%	

Note: rates in the table above are for metro areas. A 20% discount applies for rural areas.

Rural Area Base Rate

Construction Type	15 August 2020		1 January 2021
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty	
C01 - New Single Dwelling	0.7112%	0.8528%	No change to the following Construction Types
C05 -Swimming Pools	0.4110%	0.4928%	
C06 - Renovations	0.2063%	0.2473%	
C07 - Other - not included above	0.2090%	0.2506%	

Note: rates in the table above are for rural areas. A 20% discount applies.

Premium changes from 1 January 2021 for Construction Type C04 - Single dwelling alterations and additions and C09 - Duplexes, Dual Occupancy, Triplexes, Terraces (and new Single Dwellings with a Granny Flat)

% Change in Base Rate

Construction Type	1 January 2021
C04 - Single Dwelling Alterations	9%
C09 - Duplexes, Dual Occupancy, Triplexes, Terraces (new Single Dwellings with a Granny Flat)	69%

Metro Area Base Rate

Construction Type	1 January 2021	
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty
C04 - Single Dwelling Alterations	0.8239%	0.9878%
C09 - Duplexes, Dual Occupancy, Triplexes, Terraces (new Single Dwellings with a Granny Flat)	1.5035%	1.8027%

Note: rates in the table above are for metro areas. A 20% discount applies for rural areas.

Rural Area Base Rate

Construction Type	1 January 2021	
	Base rate excluding GST and stamp duty	Base rates including GST and stamp duty
C04 - Single Dwelling Alterations	0.6591%	0.7903%
C09 - Duplexes, Dual Occupancy, Triplexes, Terraces (new Single Dwellings with a Granny Flat)	1.2028%	1.4421%

Note: rates in the table above are for rural areas. A 20% discount applies.