



Inquiry into Annual and Financial Reports 2023–2024

Answer to question on notice

Asked by: Mr Andrew Braddock MLA

Addressed to: ACT Insurance Authority

Redirected to:

Reference: FINANCE/ CMTEDD

Hearing: 17/02/2025

In relation to: Builders' Warranty Insurance claims environment

Question received: 18/02/2025

Answer Due: 26/02/2025

Page 38 of the ACTIA annual report says:

In comparison to the 2022-23 actual result of \$4.4 million, other income increased by \$2.1 million. This is mainly due to higher insurance premium revenue for the BWI scheme due to the deteriorating claims experience in the residential building sector and indemnity fees collected from the out of home care providers under the PSA scheme.

(1) Can you clarify what is meant by a “deteriorating claims experience in the residential building sector”?

(2) What safeguards does the BWI scheme and policies have to ensure that builders don't “cut corners” on the basis that the insurance will cover things going wrong, and

(3) what measures (if any) are there of the effectiveness of these safeguards?

Ms Rachel Stephen-Smith MLA: The answer to the Member’s question is as follows:

The claims experience is considered to be deteriorating when the cost of the claims is higher than the historical experience. The deteriorating claims experience in the BWI scheme is largely being driven by the increase in the volume of claims being received because of builder insolvencies. There has been an increased rate of builder insolvencies over the past 2 years.

The BWI scheme is not intended to be a building compliance scheme. The purpose of the insurance is to provide a consumer protection mechanism if a builder disappears, becomes insolvent, or dies.

OFFICIAL

Approved for circulation to the Standing Committee on Public Accounts and Administration

Signature:

A handwritten signature in blue ink, appearing to be 'R. Stephen-Smith', with a long horizontal stroke at the end.

Date:

3 / 3 / 25

By the Minister for Finance, Rachel Stephen-Smith MLA