



Changing the landscape of consumer protection

Sedgwick & Resilience Insurance

9 March 2023

- 1 Latent Defect Insurance
- 2 Independent Construction Industry Rating Tool (iCIRT)
- 3 Project Intervene
- 4 Other ways consumers can protect themselves

- 340,000 strata schemes (2.8M + lots) nationally
- Some 15% of us live in these communities
- Industry issues
 - supply chain disruptions,
 - cashflow restraints,
 - labour shortages,
 - increased costs,
 - Significant number of builder insolvencies,
 - delivery of defective construction.
- Cost of defects for Class 2 and commercial building is \$1.76B every year
- What can we do to resolve the above issues
 - Currently available in NSW
 - Moving nationally in next 12 months +



What is Latent Defects Insurance?

Building consumer confidence through trustworthy buildings

- **Latent Defect Insurance – delivering trustworthy buildings**
 - Delivered around the world for over 70 years – now available in Australia
 - Providing protection against structural defects for 10 years
- **10 years or 2 years? What level of protection do you expect?**
 - Resilience LDI provides 10 years first resort and strict liability insurance protection
 - Is an alternative to the 2 year limited value NSW Strata Bond
 - Quality assurance of design and construction during the build phase
 - No purchase cost implications – LDI = 1.5% OR the Bond = 2.3%
- **Long term insurance protection to the Strata**
 - 10 years protection from OC in favour of the Strata and the owners individually
 - Significantly erodes the notorious scourge of necessary litigation to effect remediation of defects
 - Includes additional protection for alternative accommodation



Do you want
2 years or 10 years?



Cheaper input cost
than the Bond



Protection for 2% or
full building value?



Quality Assured
during construction?



Strict liability – eroding
litigation expense



Trusted practitioners
delivering trusted product

Technical Inspection Service (TIS)

Quality assurance and confidence delivered by market leading oversight of design and building – during construction

The TIS process

Assuring Quality during construction



Building insured with quality assurance and confidence

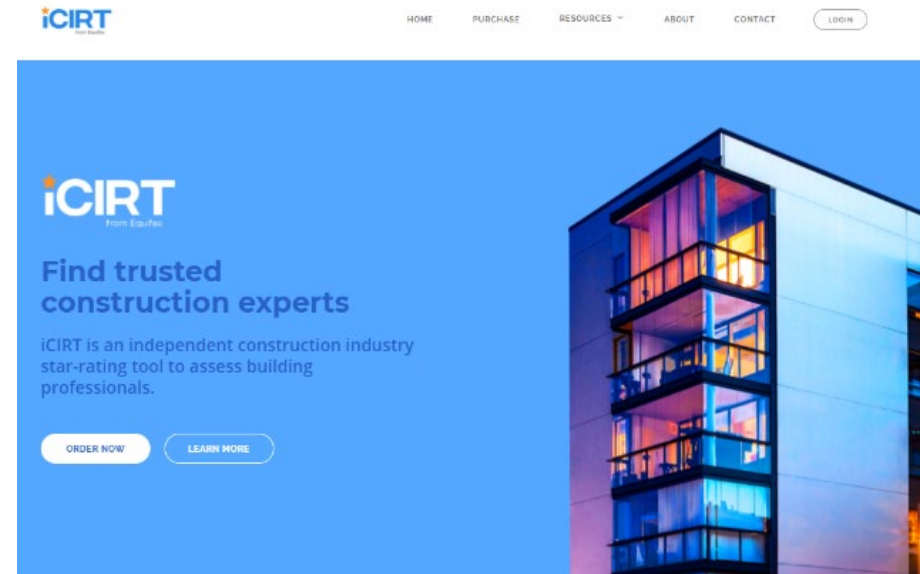
TIS appointment

Technical risk analysis

TIS inspections and final reports

TIS is required to formulate a scope of inspection and monitor for defect issues based on construction and risk factors specific to each project – program is building specific and a first for construction in Australia

- Trustworthy Constructors
- Difficult Season
- Government Reform
- Improving Transparency
- Lifting Capability
- Boosting Buyer Confidence



Make informed decisions with confidence



Trusted

Independent data analysis and insights provided by an established ratings entity.



Transparent

Visibility of overall risk, performance factors and industry-based comparison.



Best Practice

Government-industry-consumer collaboration to drive sustained change in construction.

Accessible from:
www.buildrating.com



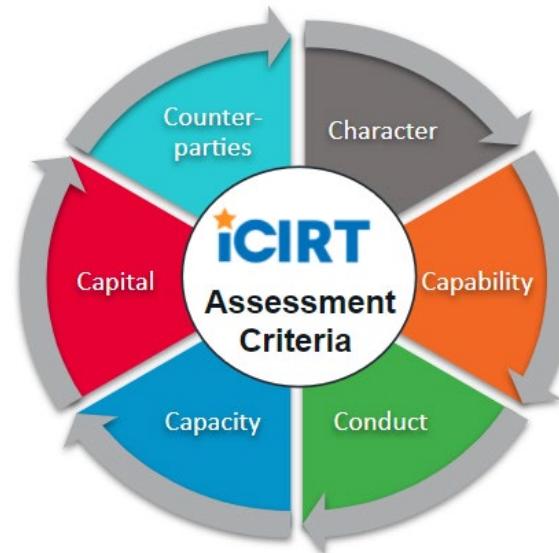


A data driven, holistic & performance based assessment, providing insights on a builder, developer or practitioner, considering:

- their past projects,
- their related businesses,
- the people behind those businesses,
- and their key suppliers & partners

Building confidence, transparency and trust across the broader construction industry

iCIRT Assessment Criteria



iCIRT Ratings Methodology

iCIRT uses thousands of data points to evaluate 150 key attributes to determine the star rating outcome

- 20% relate to the business & its **key people**
- 20% cover **operations**, quality, safety & capability
- 25% legal, **compliance** & regulatory data
- 25% cover its **cash flow**, capacity and financials
- 10% include **related parties** and third-party risk

www.buildrating.com

Companies don't collapse overnight. There are early warning signs well in advance. A public and private sector working group was shown the iCIRT rating distribution following an assessment of thousands of Constructors rated during Oct-Nov **2020**, and the following table demonstrates the iCIRT rating on those that have subsequently collapsed

Companies	Rating Date	Months before Default	iCIRT Rating
• EQ Constructions Pty Ltd	31-Oct-20	27	2
• Caydon Property Group Pty Ltd	31-Oct-20	21	2
• Delco Building Group Pty Ltd	31-Oct-20	27	2
• Lanskey Constructions Qld Pty Ltd	31-Oct-20	24	2
• Willoughby Homes Pty Ltd	31-Oct-20	20	2
• Merhis Corp Pty Ltd	31-Oct-20	20	1
• Next Constructions Pty Ltd	31-Oct-20	18	2
• Condev Construction Pty Ltd	31-Oct-20	16	2
• Probuild Constructions (Aust) Pty Ltd	2-Dec-20	15	2
• Dylam Developments Pty Ltd	31-Oct-20	13	1
• Privium Pty Ltd (Privium Homes)	3-Nov-20	12	2

8 out of 10 business' with serious **defects** or regulator action had only 1 or 2 stars

9 out of 10 **insolvencies** had only 1 or 2 stars 12 months before insolvency

- Aim: to provide a way forward for Owners Corporations to have serious defects remediated by the developer/builder
- Registration to participate – Owners Corporations should register by 30 June 2023
- Misconceptions – Project Intervene can be run in parallel with Owners Corporations participating in litigation
- Register at **nsw.gov.au/project-intervene**

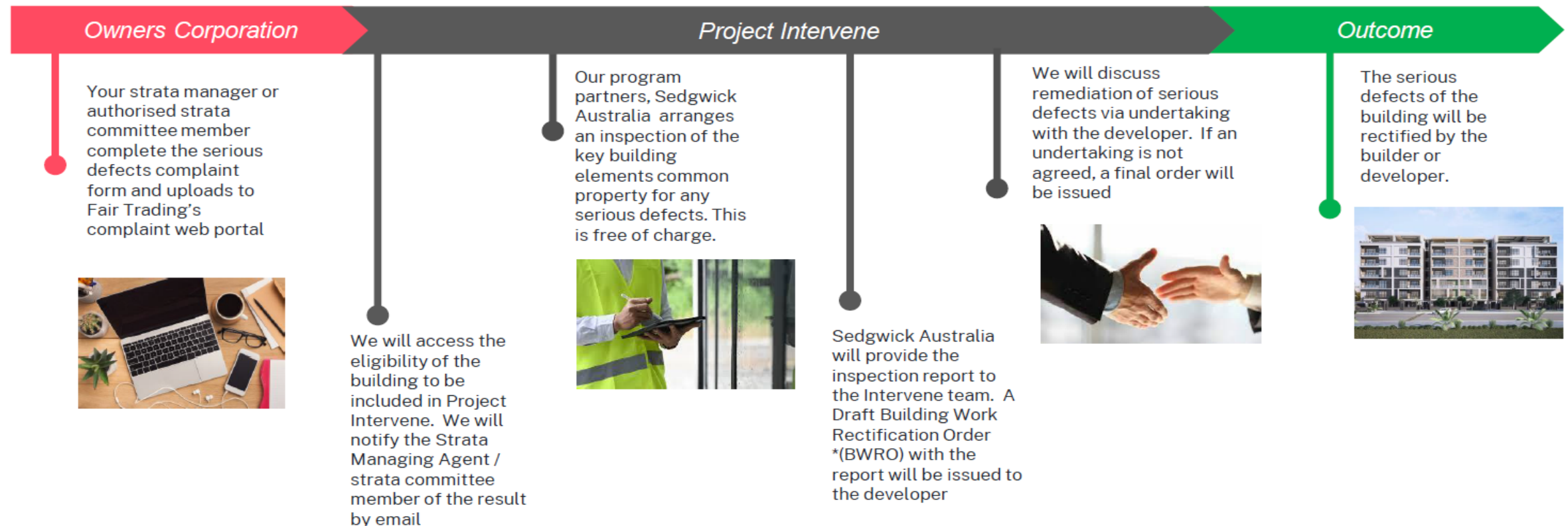


Project Intervene sees a new customer journey



Project Intervene is to provide a way forward for owners corporation to have serious defects remediated by the developer

What happens once you apply?



Project Intervene Criteria



How to be considered for Project Intervene and key messages

- The matter will be assessed for eligibility to participate in Project Intervene, based on:

- ✓ The developer (or builder) is active, to ensure rectification responsibilities can be enforced.
- ✓ An occupation certificate was issued with the last 6 years (statutory warranty).
- ✓ The residential apartment building is 4 stories or more
- ✓ The building is identified as having serious defects in the key *building elements of the common property



Lodgement of your complaint opens on:
2 November 2022, and closes: **30 June 2023**.



An authorised member of the strata committee or the strata manager to lodge the matter with Fair Trading.



NO cost to the owners corporation.



NO destructive testing (other than case by case).



The enforceable undertaking does **NOT** effect statutory warranty.

*The Design & Building Practitioners Act 2020 defines building elements, Part 1 section 6(1)



- Proactive maintenance – implement your 10-year maintenance plans/capital works programs
- Deal with issues as they arise
- Participating in respective State Government programs
- Working with Insurers to ensure you have adequate cover in place
- Engaging experts to assist you with remedial programs, do your research
- Introduction of Electric Charging stations in Class 2 Buildings



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THANK YOU!

QUESTIONS