

Domestic Building Insurance Assessment of Eligibility

How is the assessment for eligibility for domestic building insurance (DBI) determined?

In determining whether to provide eligibility for DBI to a builder, Building and Plumbing Commission (BPC) will consider the risk of the builder undertaking works which might not be completed or which are defective and the risk of the builder becoming insolvent.

The assessment of an application for eligibility for domestic building insurance will include a review of the builder's and its directors' or partners' past building performance, their abilities with respect to the quantity and type of projects they propose to undertake, and their management and technical skills.

The assessment will also involve a review of the builder's business history, recent financial reports, and key financial indicators associated with the business to demonstrate its solvency and ongoing financial viability.

The financial assessment process may include (but is not limited to) the following:

- net tangible assets
- net turnover growth
- shareholders' funds/sales
- gross & net profit margins
- interest cover (times covered)
- work in Progress reports
- debtor collection days
- creditor payment days
- working capital position
- return on equity
- return on assets
- cash flow projections against actuals
- statement of assets and liabilities of the
- directors/sole trader/partners
- trust deeds.

Depending on the sufficiency of the information which has been provided in support of an application for eligibility, the complexity of builder's trading structure and whether the builder or persons associated with the builder have any adverse building or financial history, there may be a delay in assessing an application for eligibility and any application for eligibility may be declined.

Please note BPC will only give consideration to providing insurance to the legal entity i.e. sole trader, partnership or company. Insurance will not be provided to a partnership of corporate entities or a Trust structure. Where eligibility for DBI has been granted, BPC reserves the right to review the status of a builder's eligibility for domestic building insurance at any time at its discretion.

If the financial information provided does not support the requested annual turnover from domestic building works and/or if the builder or the entity's directors or partners have any history of the following, the application will be referred to the Builder Assessment Team (BAT) for further assessment:

- external administration, receivership, liquidation, bankruptcy or the company having a controller appointed
- entering into a scheme of arrangement (formal or informal) to repay outstanding creditors or current outstanding creditors, debt agreement or a personal insolvency agreement
- legal judgments or current legal proceedings
- disciplinary findings by any regulatory authority in relation to building work
- DBI claims (including any builders warranty claims with previous insurers)
- non-disclosure or failure to respond to any reasonable request for information.

Note:

The BAC will consider referrals from the BAT that recommend a builder's facility be restricted, suspended, cancelled or declined (the Chief Officer, DBI is not a member of this committee).

In those instances where the Builder Assessment Committee (BAC) considers a referral:

The builder is to be notified within 48 hours of any decision.

The builder may appeal within 28 days to the BAC for a review of the decision.

If the builder is dissatisfied with the BAC's subsequent decision, the builder can appeal within 28 days to the Chief Officer, DBI for a review of the decision.

The Chief Officer, DBI will provide a response within 14 days.

More information

For more information on how to lodge an eligibility application, visit our website dbi.bpc.vic.gov.au

If you have any questions, please contact your nominated distributor for further information.