

## What risk factors impact on the premiums?

The final discount or loading will be a weighted outcome of all factors capped at either 30% discount or 30% loading impact. Each builder has been provided a risk based premium discount or loading in a letter from icare HBCF dated 14 June 2018. Builders and contractors should enquire with their broker if they have not received this letter.

- The factors do not differentiate on builder size, with all builders presented with the same criteria against any Eligibility review. Builders that are not required to submit annual programmed reviews and/or who have not had a review undertaken in the past two years (i.e. based on financials for 30 June 2016 onwards) are only assessed against the entity licence period/business structure risk factor.

Risk Factor	Pricing impact	Rationale
Entity licence period/business structure (i.e. sole trader, partnership, company) and trusts	Discount or loading	<p>icare HBCF's claims experience is that claims are significantly less likely where entities operate as sole traders or partnerships and the longer a licence is held.</p> <p>As a result, sole traders and partnerships (other than partnerships that include a company) receive a discount as do entities that have been licensed for longer periods. Entities that operate as companies (and/or through a trust arrangement) and entities that have been licensed for shorter periods will attract a loading.</p> <p>The longest held licence of an entity in a group secured by a Group Trading Agreement (GTA) will apply to all group members.</p> <p>For entities that operate in other jurisdictions the longest held licence will apply.</p> <p>Refer to pages 3 of the icare hbcf premium increase FAQs.</p> <p><b>NB:</b> <i>Where an assessment of a builder's or contractor's Eligibility has not been completed within the past two years (i.e. based on financials for 30 June 2016 onwards) the premium weighting will be based solely on this factor.</i></p>
Adjusted net tangible assets (ANTA) in entity	Discount or loading	<p>The adjusted net tangible assets (ANTA) retained in an entity can generate either a discount or loading impact for a builder based on the latest (June 30) financials:</p> <ul style="list-style-type: none"> <li>▪ Claims data shows the higher the levels of retained ANTA as a percentage of forecast revenue, the lower the frequency of insolvency;</li> <li>▪ Builders can choose whether to permit the level of ANTA retained in an entity to meet or exceed the minimum 3% benchmark to attract a discounting impact (e.g. reduce dividend payments,</li> </ul>

		<p>retain property assets or limit related loans for non-core activity);</p> <ul style="list-style-type: none"> <li>▪ Builders who choose to keep ANTA below the minimum 3% threshold will pay a premium loading.</li> </ul> <p>For GTA secured groups this pricing factor will consider ANTA retained in the grouping against GTA group turnover.</p> <p><b>NB:</b> For companies 'retained' ANTA does NOT include a director's personal ANTA.</p>
Net profit before tax or taxable income	Discount or loading	<p>Claims experience indicates that entities that have generated strong net margins for each of the past three trading years have a low likelihood of claims and as such will have a discounting impact.</p> <p>Entities that generate net losses for each of the past three trading years have a high likelihood of claims and as a result will have a loading impact.</p> <p><b>NB:</b> For GTA groups - this pricing factor is based on the combined Net Margin of the eligible builders within the GTA group (i.e. where only consolidated financials have been provided for the group the outcome will be a Nil impact).</p>
Adverse history	Loading	<p>Applies where there is significant and recent history of builder principals being linked to failed entities which have generated HBCF insurance claims or material unpaid creditors or other characteristics are identified as part of an assessment that present a substantial risk to icare HBCF.</p> <p>These cases will attract a loading impact that recognises the increased risk.</p> <p>For GTA groups - adverse history relating to <u>one</u> eligible builder group member will generate a loading impact on all eligible builders in group.</p>
Reviews not current	Loading	<p>Reviews are scheduled for higher risk businesses earlier in the annual review program.</p> <p>A scheduled review that is 30 days overdue and does not permit an assessment to begin will attract a loading.</p> <p>Overdue reviews include cases where:</p> <ul style="list-style-type: none"> <li>▪ no submission has been made within 30 days of a scheduled review date; or</li> <li>▪ a submission has been made on time but is materially incomplete, so an assessment cannot commence.</li> </ul> <p>For GTA groups - the overdue review pricing factor will be applied should required information for any GTA group member be overdue (including builder or non-builder members).</p>

<p>Building Contract Review Program (BCRP) participation</p>	<p>Discount</p>	<p>Participation in the BCRP can be a condition of Eligibility or applied to a project.</p> <p>Builders in the BCRP are less likely to generate claims based on icare HBCF data and as such attract a discount.</p> <p>For GTA groupings - any group member in the BCRP will activate a discount for all eligible builders within the group.</p>
<p>Audited accounts</p>	<p>Discount</p>	<p>The existence of additional controls and financial testing of reports increases the comfort in the financial statements reviewed and shows business maturity.</p> <p>The discount applies where a builder has submitted prior year end external audited accounts (covering accounting standards compliance and ongoing concern disclosure); and the most recent year-end account submissions have been audited or will be subject to audit.</p> <p>For GTA groupings - the discount impact applies if the above criteria are met for the financials of <b>all</b> GTA group members.</p>