

icare's responses to Customer Advocate icare HBCF Homeowner and Builder Recommendations

18 December 2020

Recommendations for Homeowners

Recommendation 1

Develop and make readily available a short plain English icare HBCF claims process fact sheet for homeowners outlining the claims process covering claims lodgement, claims assessment and settlement stages, applicable auxiliary expenses and the amounts covered and roles and responsibilities of the homeowner and case manager. The fact sheet should be accessible on the Claim Manager and icare HBCF websites and distributed with notification and claim receipt acknowledgement correspondence.

Response

icare HBCF agrees with this recommendation and is in the process of creating a simple, plain English fact sheet that complies with Digital NSW web content principles. Once complete, it will be promoted on both icare HBCF's and the Claims Manager websites.

Actions completed

From September 2020 onwards homeowners are receiving pro-active calls outlining the claims process, timelines and expectations. These calls are and will continue to be reviewed as part of our quality assurance program.

Recommendation 2

Amend the Certificate of Insurance to include a product description so homeowners have the opportunity to appraise themselves of the policy details including losses covered and indemnified, period of insurance cover and the amount of cover afforded.

Response

icare HBCF agrees with this recommendation. Ideally, the builder and homeowner would receive the Certificate of Insurance when the policy is issued. Legislative requirements under the *Home Building Act 1989* may need to be amended to allow icare HBCF to send policy information and Certificate of Insurance directly to the homeowner. Currently, there are penalties for builders who do not supply the Certificate of Insurance.

Actions completed

We are currently exploring ways to supply the Certificate of Insurance and policy information directly to homeowners – these are reliant on the builder submitting the homeowner contact information.

In October 2020, the Certificate of Insurance was updated with additional wording requiring the insurance contract needing to be provided to the beneficiary, as well as details on the absolute limits that can be paid under this insurance.

Recommendation 3

Provide homeowners and the Claims Manager explicit clarity of the application of the 90-day timeframe for determining status of the builder and where the decision cannot be made within the timeframe and agreement is not provided by the homeowner, the Claims Manager implement the options as per the icare HBCF guidelines. Where a decision cannot be made within the timeframe, mandate the Claims Manager incorporate a two person sign off to ensure the correct application of the Regulation and Management oversight. icare HBCF ensure compliance by the Claims Manager through its quality assurance program. Incorporate into the icare HBCF claims fact sheet (Recommendation 1) and rewrite the relevant standard letter to ensure compliance with Regulation 39 and the Home Building Regulation 2014.

Response

icare HBCF agrees and recognises the current 'extension of time' letter is technical in outlining when an extension may be granted or denied under the *Home Building Act 1989*.

We will rewrite all standard letters and supporting documents in plain English and will update the 'extension of time' letter so it clearly demonstrates that the claim and decision have been reviewed independently as part of the two-person sign off.

We will design the review process, so it clearly shows the claim as it currently stands was completed and any obvious entitlements under the policy were progressed and paid (i.e. legal fees, alternative accommodation etc), while the claim is continuing to be assessed. This will also be included in the icare HBCF quality assurance program.

All standard letters will be reviewed annually to maintain quality and relevance.

Recommendation 4

icare HBCF review the current Claims Manager Service Standards to ensure there is a stronger focus on delivering an improved customer experience and outcome. The Service Standards should also be reviewed to ensure compliance with the State Insurance Regulatory Authority's (SIRA) customer service conduct principles. The Service Standards should address the main service issues identified through this review, for example communication response times, claims process delays, accessibility to staff.

icare HBCF ensure compliance through their quality assurance program rather than relying on self-reporting by the Claims Manager through Guidewire activity reports.

Response

icare HBCF agrees with this recommendation. SIRA's Customer Service Conduct Principles have been adopted and will be more formally incorporated into the Claims Manager's Service Standards. Targets will be established and monitored by icare HBCF.

The current icare HBCF quality assurance framework performs a review of the monthly audits completed by the Claims Manager.

Recommendation 5

Improve claims management service provision by introducing mandatory case conferences at key claim milestones to ensure expectation and accountabilities are clear, decisions and rationale are explained, agreement is reached and there is clear sign off processes at key milestones. Case conference attendees should include the homeowner, case manager and the decision-making technical advisor with the key milestones being:

- *Claim receipt (lodgement)*
- *Liability determination and agreement of scope of works*
- *Settlement offer*
- *Claims finalisation*
- *Claim lodgement correspondence and the claims process fact sheet (Recommendation 1) should include details of milestone conferences.*

Response

icare HBCF agrees with and accepts this recommendation. We will standardise the practice of contacting homeowners at the four key milestones of the claim's lifecycle.

This process will be conducted by our claim consultant managing the claim and the consultant will also be required to update the homeowner every month.

Actions completed

This recommendation was implemented as of 26 September 2020.

Recommendation 6

Confidential mental health support is offered to all claimants with the provider's details displayed on all claim correspondence. Case managers be trained in the identification and de-escalation of mental health distress.

Response

icare HBCF agrees and accepts this recommendation.

Actions Completed

A counselling provider was engaged in December 2019 to provide this service and both icare HBCF and Claims Manager staff are being upskilled to be able to identify customers who may need these services or cater to those who request it. We will also promote these services in homeowner communications, as well as on our website.

Recommendation 7

icare HBCF review and where appropriate rewrite, all standard letters used by the Claims Manager to ensure plain English is utilised, they are 'customer friendly', outline and explain important customer information (for example, timeframes for decisions, actions, required information) and incorporate complaints and internal review processes including relevant external bodies.

Response

icare HBCF agrees with this recommendation. We acknowledge the importance of clarity and consistency in our messages and will work through the program outlined in our response to Recommendation 1.

Recommendation 8

The Claims Manager develops a complaints management framework for complaints regarding services, staff, engaged external service providers or the handling of a complaint where a response or resolution is expected. This framework should be separate to internal reviews (the mechanism homeowners invoke to dispute a claim determination) as defined by SIRA.

The complaints framework should adopt the standard AS/NZS 10002:2014 definition of a complaint and incorporate a clear complaints management process, roles and responsibilities, timeframes for review and customer response, the specific information that will be recorded. The Claims Manager's complaints management framework should be approved by icare HBCF.

Response

icare HBCF accepts this recommendation. We will enhance the existing complaint handling framework for service levels, external service providers and internal staff complaints so it more clearly aligns with the necessary SIRA guidelines and Australian Standards definitions.

The current icare HBCF quality assurance framework will also be updated to include a monthly review of reported complaints.

We will include how homeowners can lodge a complaint when we rewrite the standard letters as outlined in Recommendations 1 and 7.

Recommendation 9

Claims staff should be trained in the complaint's framework including the identification, management and recording of complaints, with systemic issues identified. Complaints training should be incorporated as part of onboarding and refresher training undertaken annually with training records kept.

Response

icare HBCF agrees and will incorporate this recommendation as part of development of the complaints' framework from Recommendation 8. The Claims Manager will also make complaints training part of its annual compliance program.

Recommendation 10

icare HBCF assume responsibility for all homeowner requested claim determination internal reviews. Both the Claims Manager and icare HBCF advised that claim determinations are technical and internal review requests by homeowners must be completed by someone with the appropriate technical expertise. To ensure homeowners have confidence that they are receiving procedural fairness and there is objective decision making, the internal review process should ensure a separation between original decision maker and reviewer.

Response

icare HBCF partially agrees with Recommendation 10.

For the Claims Manager to be accountable for the performance of the portfolio under their contract, they are required to resolve complaints. icare HBCF provides an escalation point if an internal review is requested. The current SIRA approved complaints review process is transparent and provides homeowners with an additional avenue for an appeal before they venture out to seek legal action.

icare HBCF agrees that procedural fairness needs the decision maker and the review panel to be separate. In response, our Claims Manager will change their current internal dispute resolution (IDR) process to establish an IDR review committee to operate under SIRA's HBCF claims handling guidelines. The committee will be made up of a member of the Claims Managers Technical team who has not been involved in the claim, along with the Claims Consultant handling the claim and a member of the Claims Manager's management team.

icare HBCF will continue to review all matters that are raised to by this Claims Committee and will call on expertise from external law firms, building consultants and engineers if needed. The Claims Manager will continue to maintain a register of all decisions the IDR review committee makes. These will be reviewed on a monthly basis and the update of standard letters, process documents and websites will feature information on how to access the IDR process.

Recommendation 11

icare HBCF develop and implement an internal review framework which is accessible to homeowners on the Claims Manager and icare HBCF website. The internal review framework should include roles and responsibilities, timeframes, and the subsequent options of referral to NCAT or the Magistrates Court depending on value.

Response

icare HBCF agrees in principle. Our current internal review framework aligns with the SIRA HBCF claims handling guidelines. The update of standard letters, process documentation and website will also include information on how the IDR process works and how to access it.

Recommendation 12

icare HBCF Complaints and Dispute Handling Procedure is referenced in all claims letters and incorporated into the Claims Process Fact Sheet (Recommendation 1).

Response

icare HBCF agrees with this recommendation and will implement it as part of Recommendation 1 and 7.

Recommendation 13

icare HBCF mandate the Claims Manager establish and publish Service Level Standards (SLS) for all technical consultants engaged for the purposes of assessing and managing claims. The Claims Manager should monitor technical consultant compliance and ensure referrals for services are based on performance to minimise the poor-quality reports and delays in claims decision making.

Written referrals for work should incorporate the service standards and require technical consultants to commit to meeting them as a condition of accepting the referral. This will improve responsiveness and accountability from technical consultants and expedite the claims process.

Response

icare HBCF agrees with this recommendation. Our Claims Manager will review the service standards of all external providers and create a monthly reporting framework so they can track performance.

The standard letters review and high-level overview from Recommendation 1 and 7 will include relevant service standard summaries and direct homeowners on how to escalate issues if necessary.

Recommendation 14

icare HBCF amend the Claims Information for Homeowners guideline and the 'Letter to homeowner - what happens next' standard letter to clearly stipulate the process for engaging rectifying builder quotes including the number of required quotes and option for homeowners to obtain a compliant quote from their own builder. This should be also incorporated into the plain English claims process fact sheet (Recommendation 1).

Response

icare HBCF agrees with this recommendation which we will implement as part of the operationalisation of Recommendation 1 and Recommendation 7.

Recommendation 15

icare HBCF appoint technical consultants to support the homeowner during the remedial building works. The technical consultant should be the point of contact for the homeowner and rectifying builder queries regarding the scope of works and for issue resolution and onsite mediating between the homeowner and rectifying builder.

Response

icare HBCF agrees with this recommendation. Roles will be recruited for resolving issues between the homeowner and their rectifying builder.

icare HBCF will assist the Claims Manager to establish a new service standard for all external service providers to ensure timely resolution and complaints escalation.

Recommendations for Builders

Recommendation 16

icare HBCF explore the extent to which financial information requested of the Builder can be aligned to and/or in the same format to accounts prepared for income tax purposes.

Response

icare HBCF agrees with this recommendation in principle. We note the simplification of how builders supply financial information needs to be balanced with the purpose of the Eligibility Assessment, which is to protect homeowners and the taxpayer supported icare HBCF Scheme from financially unsustainable builders.

SIRA's Home Building Compensation Eligibility Guidelines includes requirements beyond income tax reporting that limits full alignment between the icare HBCF eligibility assessment and a tax assessment. Noting that both the customer advocate and the Independent Pricing and Regulatory Tribunal (IPART) have recommended that icare HBCF and SIRA review the eligibility assessment criteria and process, icare HBCF will conduct an Eligibility Enhancement Project. This will be conducted through a staged approach through 2021.

Recommendation 17 and Recommendation 23

icare HBCF investigate the feasibility of implementing builder flexibility on the date of Eligibility Review and Application.

And icare HBCF explore and implement a fast track assessment and approval mechanism for applications to increase eligibility specifically for Builder tenders.

Response

icare HBCF partially agrees with Recommendation 17 and 23. We will promote the existing eligibility rescheduling process and make builders aware of their options. We will examine the capacity for urgent out-of-cycle reviews for adequacy, and whether the icare HBCF underwriting team is sufficiently resourced to meet demand.

Previous actions

To address previous builder complaints, in 2019 we amended the process so that assessments happen across the year at a consistent rate, rather than ebbing and flowing at key times, causing delays.

In July 2020, we made available a formal process for builders so they could request a change of their scheduled review date and ensured the dates were listed online. While there are restraints on scheduling, by giving builders the choice to request a deferral or acceleration of their scheduled assessments, we are ensuring they have an extra level of flexibility that we believe will meet this recommendation's intent.

Recommendation 18

icare HBCF explore the feasibility of introducing a risk-based approach to eligibility assessment that continuously monitors key eligibility metrics, requiring builders to respond to underperforming criteria only and limiting the burden of annual reviews in full.

Response

icare HBCF agrees with Recommendation 18 in principle, noting it may need to be limited to specific cohorts of builders for example those with lower complexity or lower fund risks.

The NSW Government is currently investing in the development of an automated multi-factor rating tool through the Building Commissioner's Office. If successful it could be used as a basis to expand automation so builders can be effectively reviewed by an equivalent system. This project is due for completion in mid-2021 and will be investigated for re-use by HBCF once completed.

Recommendations 19

icare HBCF make visible to builders the extent to which additional factors other than the existing financial and non-financial requirements, impact the eligibility assessment and outcome. These should incorporate as a minimum builder qualification including those not directly related to building, experience, complaints history and claims history.

Response

icare HBCF agrees with this recommendation. Being transparent about all eligibility criteria a builder is assessed against is essential for delivering the balance between protection for homeowners and eligibility for builders, whilst maintaining the solvency of icare HBCF.

icare HBCF currently provides details of non-financial factors considered in eligibility assessments in the current Builder Eligibility Assessment Report (Eligibility Report) issued with each completed eligibility assessment. However, we know not all builders receive this and more prominence should be given to this information along with clearer commentary tied to icare HBCF's guidelines. We are developing new processes to ensure all builders receive a copy of the Eligibility Report as part of the icare HBCF distribution tender award in January 2021.

Recommendation 20

icare HBCF investigate working collaboratively with key stakeholders to design and make available to Builders, education modules on basic financial principles. Education could be voluntary for builders or mandatory according to the level of risk that their eligibility is based upon.

Response

icare HBCF agrees in principle to recommendation 20, noting there is a limit to icare HBCF providing financial advice on commercial management where it has tax or commercial implications.

Simplification and clarification of eligibility principles through the Eligibility Enhancement Project may assist with builder understanding of the process and what criteria they need to align with. Education modules will also be assessed, targeting accountants and finance brokers, as well as builders.

Recommendation 21

icare HBCF incorporate in the notice the Assessment Outcome, formulas, calculations and explanations for every metric that support the outcome. This transparency should extend to the calculations and decision-making rationale for any loading and discount outcomes.

Response

icare HBCF agrees to Recommendation 21. We already provide an Eligibility Report with relevant information, calculations, and reasons for decisions on every eligibility review.

icare HBCF will review the Eligibility Reports and make sure they are in plain English while including more relevant detail and clearer explanations.

Recommendation 22

icare HBCF investigate the possibility of implementing a controlled process to increase open job and cap limits for Builders with high numbers of dormant projects.

Response

Recommendation 22 is not supported.

icare HBCF understand the contractual environment around the pool building industry and have already made allowances in the Eligibility Manual to accommodate dormant projects. Pool builders are allowed to take on significantly more projects at any time compared to other building businesses. For example, a

medium building business constructing new homes can undertake eight to 29 jobs at any time compared to a medium pool builder that can undertake up to 99 jobs at any time.

Nonetheless, while dormant projects may be a common practice for particular industries, they still pose a risk for the scheme if the builder goes insolvent, and further concessions would be outside the existing SIRA guidelines.

Recommendation 24

icare HBCF explore relevant options for internet banking options for paying for Certificates of Insurance.

Response

icare HBCF agrees with recommendation 24. Introducing a billing and payments system with an online capability would decrease customer costs and increase speed of service, especially if the government supports the recommendation from IPART to transition to a model where brokers are at the election of icare HBCF customers.

icare HBCF will tender for its policy platform and portal in 2021. The introduction of a payment platform to the Building Self Service Portal (BSSP) will be included in the requirements.

Recommendation 25

icare HBCF identify opportunities for improved information sharing and consultation through electronic communications and forums.

Response

icare HBCF agrees with this recommendation. Brokers currently receive regular one-way electronic communications that provide guidance, instruction and information. icare HBCF will investigate with industry reinstating information forums on a permanent basis to facilitate two-way communications.

