DOMESTIC
BUILDING
INSURANCE

Assessment of Eligibility

for Domestic Building Insurance

In determining whether to provide eligibility for domestic building insurance to a builder, Victorian Managed Insurance Authority ('VMIA') 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 or disappearing.

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.

This assessment is undertaken by VMIA's agent for the provision of domestic building insurance, QBE.

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 & 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 VMIA 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.

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Where eligibility for domestic building insurance has been granted, VMIA reserves the right to review the status of a builder's eligibility for domestic building insurance at any time at its discretion.

QBE will refer applications for eligibility to VMIA 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:

- 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.

A Builder Assessment Committee comprising VMIA and QBE representatives has been established to consider referrals from QBE that recommend a builder's facility be restricted, suspended, cancelled or declined (the General Manager, DBI is not a member of this committee). In those instances:

- The builder is to be notified within 48 hours of any decision.
- The builder may appeal within 28 days to the Builder Assessment Committee for a review of the decision.
- If the builder is dissatisfied with the Builder Assessment Committee's subsequent decision, the builder can appeal within 28 days to the General Manager, DBI for a review of the decision.
- The General Manager, DBI will provide a response within 14 days.

If you require any assistance applying for eligibility, please consult your Broker.

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