ESSENTIAL SERVICES COMMISSION

Domestic Building Insurance Premium Validation Review

Summary Report 2016-2018

30 April 2019

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Contents

Summary

Domestic Building Insurance (DBI) is mandatory on all domestic construction contracts over $16,000 in value[1], such as new dwellings, renovations and swimming pools. It is purchased by the builder and allows the home-owner to make a claim up to six years from completion if the work is defective or uncompleted, but only if the builder has died, disappeared or become insolvent.[2] DBI is a last resort scheme as it is only available where all other avenues for resolution have been exhausted.

Following the exit of five private insurers from the DBI market in 2010, the Victorian Managed Insurance Authority (VMIA) began offering DBI following an official mandate from the Victorian government.

The VMIA is the main provider of DBI. A new private insurer, AssetInsure, began offering DBI in late 2015. Another private insurer, Berkshire Hathaway Speciality Insurance (BHSI) also began offering DBI in 2018. No other private insurers provide DBI, although the insurers who exited the market are still responsible for claims made against the DBI they issued before leaving the market.

On 1 July 2017, the VMIA introduced a new multi-agent distribution model, in which builders now choose from a (VMIA appointed) panel of 6 distributors, in order to purchase DBI. Builders no longer require a broker to purchase DBI, as they did previously when the VMIA used a single agent, QBE, to distribute DBI.

Our task

We were asked by the Minister for Finance in 2010, to examine the adequacy and validity of the VMIA's DBI premiums on a biennial basis. Specifically, the terms of reference require us to report on whether the VMIA's:

- premiums are sufficient to cover its expenses, risks and long-term claim costs
- premiums are not set above the level required by the VMIA to cover its expenses and the risks and the long-term claim costs (which we have termed 'premium coverage')
- underwriting standards conform to commercial standards.

We must consider:

[1] Prior to 1 July 2014, DBI was compulsory on all domestic constructions over $12,000.

[2] Since 1 July 2015, the Victorian Managed Insurance Authority has added a fourth condition by which a home-owner can make a DBI claim – failure to comply with a tribunal or court order.

- the government's objective that there is no net cost to taxpayers over time from the scheme
- the information used by the VMIA in setting premiums
- the methodology and assumptions used by the VMIA in setting premiums.

This is the fourth of our biennial reviews and covers the period from 1 July 2016 to 30 June 2018.

We engaged KPMG to provide independent, specialist actuarial advice on the VMIA's premium structure and underwriting standards. The VMIA provided KPMG with various actuarial and financial data, policy and premium information, which in conjunction with databases and manuals that we provided, were utilised for its analysis. KPMG's findings were set-out in a confidential report which we have used to produce this report.

The VMIA's premiums are sufficient

During the 1 July 2016 to 30 June 2018 period, the VMIA's DBI premiums appear to have been set at sufficient levels to cover expected expenses, risks and long-term claim costs.

The VMIA's expected average costs increased by 0.9 per cent in 2016-17 and 10.1 per cent in 2017-18. Much of this was due to an increase in the number of large builder insolvencies and claims relating to structural defects.

While claim costs increased, expenses – the costs associated with handling and administering claims – declined significantly during the review period. Much of this was driven by a large reduction in the commissions the VMIA paid to agents to distribute DBI. This reduction more than offset an increase in administration expenses that were incurred with the VMIA's new multi-agent distribution model.

The VMIA's premium coverage is not excessive

The VMIA's premiums are reasonable and not set above the level required to meet expenses and long-term claims costs.

The VMIA cut its premiums by 22.5 per cent on 1 July 2017. This was despite the costs of its claims being higher than expected at this time, due to a number of large builders that had become insolvent. However, the VMIA expected to reap large cost savings from its new multi-agent distribution model, which in turn led to a decrease in its premiums.

While the VMIA reduced the overall level of its premiums, it chose to hold-off making potential improvements to the differences between its premiums – the premium relativities. We consider this to be a reasonable decision for it to have made at the time, given the already significant reductions in premiums that were occurring due to its new multi-agent distribution model.

The VMIA’s underwriting standards conform to commercial standards

Underwriting standards outline the criteria an insurer takes into consideration when accepting a risk or issuing a certificate to a builder. The VMIA have established a set of underwriting guidelines for its agents to follow in acting as the distributors of the VMIA’s DBI product. These guidelines instruct its agents on how to rate insurance risks and the premium rates to apply.

Based on KPMG’s findings, we consider the VMIA’s underwriting standards to be appropriate in determining the relative risk of builders and in deciding whether a risk should be declined. The process it undertakes is broadly in line with that of a commercial insurer in the DBI market.

The VMIA provides DBI to some builders that it regards as 'higher-risk'. It manages the additional risk associated with such builders, by placing conditions on their eligibility for DBI (as commercial insurers prepared to accept such builders might do). The VMIA’s acceptance and management of ‘higher-risk’ builders is possible because of its position as the main provider of DBI.

1. Introduction

Domestic Building Insurance (DBI) is mandatory on all domestic construction contracts over $16,000 in value. It allows a home-owner to claim up to six years after construction has been completed, if their builder's work is defective or uncompleted, but only if the builder has died, disappeared or become insolvent.

The Victorian Managed Insurance Authority (VMIA) has been the main provider of DBI since 2010. It has also been provided by AssetInsure and Berkshire Hathaway Speciality Insurance (BHSI) since 2015 and 2018 respectively.

Our role is to examine the adequacy and validity of the VMIA's DBI premiums. To assist us, we engaged KPMG to provide independent, specialist actuarial advice.

1.1. What is domestic building insurance?

Domestic Building Insurance (DBI) is mandatory on all domestic construction contracts over $16,000 in value[3], such as new dwellings, renovations and swimming pools. It is purchased by the builder and allows the home-owner to make a claim up to six years from completion if the work is defective or uncompleted, but only if the builder has died, disappeared or become insolvent.[4] DBI is a last resort scheme because it is only available where all other avenues for resolution have been exhausted.

DBI is provided in the form of a project certificate which is issued to an eligible builder[5] for each building project. A home-owner has six years from completion to make a claim, although experience shows it is possible for claims to be made up to 11 years following the issuing of a project certificate.[6]

A home-owner who is legally allowed to undertake building work valued over $16,000 on their property (defined as an 'owner-builder'), must also take out DBI, if they sell the property within six

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[3] Prior to 1 July 2014, DBI was compulsory on all domestic constructions over $12,000.

[4] Since 1 July 2015, the Victorian Managed Insurance Authority has added a fourth condition by which a home-owner can make a DBI claim – failure to comply with a tribunal or court order.

[5] Eligibility is a pre-approval from an insurer to take out DBI project certificates/policies. All builders are required to obtain eligibility with a DBI insurer in order to maintain their registration as a builder with the Victorian Building Authority.

[6] An insurer is liable for a claim from the time a certificate is issued at the start of a project, until 6 years after the project has been completed. Therefore, the period for which the insurer is liable varies with the length of the project. In some circumstances, a home-owner can make a claim after the liability period has expired (s.54, *Insurance Contracts Act 1984* (Cth)).

and a half years of completion. DBI cover for owner-builders is referred to as a policy rather than a project certificate.

DBI is often referred to as a ‘long-tail’ scheme, since there can be a significant delay between when the premium is received and when a claim is made and finalised. In contrast, insurance such as home and contents policies, where claims are submitted and paid out within 12 months, are known as ‘short-tail’ schemes. While insurers make their best estimate of future costs when setting premiums, the delay in claims with long-tail insurance means there is a risk that the pool of premium funds may not be sufficient to cover claims when they are lodged. Where this occurs, insurers must use other funds to cover the cost of claims.

1.2. How has domestic building insurance developed over time?

In Australia, domestic building (construction and renovation of private homes) is subject to various protections to safeguard consumers from sub-standard and defective work. Prior to 1996, all domestic building contracts in Victoria required the builder to make a contribution toward the Housing Guarantee Fund (HGF), which held the funds to be paid out to rectify any faults in construction. Home-owners could claim from the HGF to cover any structural faults in construction for six years after completion of a project.

In 1996, the HGF was replaced by a mandatory Builders Warranty Insurance scheme offering the same level of cover. This was provided by competing private sector insurers. A building contract could not proceed without a warranty insurance policy, and builders needed to show eligibility for insurance to maintain registration with the licensing body.

In 2002, upheavals in the insurance market – notably the collapse of HIH Insurance Limited – reduced insurers’ appetite for the scheme. Without a suitable form of insurance being offered, activity in the domestic building sector had the potential to be constrained.

In response, the government mandated a new style of insurance for domestic building. The new DBI would now cover home-owners against defects only in the event that the builder had died, disappeared or become insolvent. If a builder was still trading, home-owners would need to pursue the builder directly to rectify faults. This represented a move from ‘first resort’ to ‘last resort’ cover for domestic building.

Five private insurers offered last resort DBI policies until early 2010, when all except one of the insurers announced that they would not be issuing any more policies. At this point, the Victorian Managed Insurance Authority (VMIA) began offering DBI following an official mandate from the Victorian government (see box 1.1).

One private insurer, Calliden, continued to offer DBI to registered builders until 31 December 2013 and owner-builders until 31 December 2015. Since these dates, the VMIA has been the main provider of DBI to registered builders and owner-builders. However, a new private insurer, AssetInsure, began offering DBI to owner-builders in late 2015 and to registered builders in late 2016. Another private insurer, Berkshire Hathaway Speciality Insurance (BHSI), began offering DBI to registered builders in 2018. Aside from these insurers, no private insurers provide DBI to either registered builders or owner-builders, although previous insurers are still liable for any eligible claims made against the DBI they issued before leaving the market.

Box 1.1 The government mandate for the VMIA to provide DBI

In March 2010, the government directed the VMIA to provide DBI to domestic builders (and owner-builders), as per s. 25A of the Victorian Managed Insurance Authority Act 1996.

Builders are provided DBI where they can demonstrate to the VMIA that:

a) the DBI required is of the type specified by the Domestic Building Insurance Ministerial Order published in the Government Gazette No. S 98, dated 23 May 2003; and

b) they comply with the underwriting terms and conditions as determined by the VMIA. In setting these terms, the VMIA should have regard to current commercial criteria.

At the date of the government's direction, builders who held DBI within the previous 15 months (effectively from the start of 2009), were to be provided comparable terms and conditions as their previous insurer, for at least 12 months, until they could be commercially assessed.

The VMIA is to determine underwriting terms and conditions as to premium and security and any other conditions it might reasonably require to provide DBI.

The VMIA is permitted to charge builders a percentage loading, in addition to its commercial premium, to recoup taxpayer funded costs for the provision of DBI and associated services. The design of this loading is to be developed in consultation with the Department of Treasury and Finance.

This direction was effective from 31 March 2010 to 30 June 2013. A second direction was issued effective from 1 July 2013 to 30 June 2016. A third direction was issued effective from 1 July 2016 to 30 June 2021.

Source: Victoria Government Gazette No. S115 Wednesday 31 March 2010, G 25 Thursday 20 June 2013 and G 50 Thursday 17 December 2015.

1.3. What have we been asked to do?

We were asked by the Minister for Finance in 2010, to examine the adequacy and validity of the VMIA's DBI premiums on a biennial basis. Specifically, the terms of reference require us to report on whether the VMIA's:

- premiums are sufficient to cover its expenses, risks and long-term claim costs

- premiums are not set above the level required by the VMIA to cover its expenses and the risks and the long-term claim costs
- underwriting standards conform to commercial standards.

We must consider:

- the Government's objective that there is no net cost to taxpayers over time from the Scheme
- the information used by the VMIA in setting premiums
- the methodology and assumptions used by the VMIA in setting premiums.

The objective of this work is to inform the Government, builders and consumers of the validity of the VMIA’s DBI premiums.

This is the fourth of our biennial reviews and covers the period from 1 July 2016 to 30 June 2018. It follows our first review which covered the period 1 June 2010 to 30 June 2012, our second review which covered the period 1 July 2012 to 30 June 2014 and our third review which covered the period 1 July 2014 to 30 June 2016.

1.4. Our approach

We engaged KPMG to provide independent, specialist actuarial advice on the VMIA’s premium structure and underwriting standards. The VMIA provided KPMG with various actuarial and financial data, policy and premium information, which in conjunction with databases and manuals that we provided, were utilised for its analysis. KPMG’s findings were compiled in a confidential report which we have used in the compilation of this report.

This report outlines our main conclusions about the adequacy and validity of the VMIA’s DBI premiums, drawing on KPMG’s advice and our own experience in monitoring the DBI sector.

2. Pricing

The Victorian Managed Insurance Authority's (VMIA) Domestic Building Insurance (DBI) premiums are at sufficient levels to cover expenses, risks and long-term claim costs. While claim costs increased during our 1 July 2016 to 30 June 2018 review period, expenses declined significantly.

The VMIA's premiums are reasonable and not set above the level required to cover expenses and long-term claims costs. The VMIA decreased its premiums by 22.5 per cent on 1 July 2017 due to expected large cost savings from its new multi-agent distribution model.

The VMIA's underwriting standards conform to commercial standards. While the VMIA provides DBI to some builders it regards as 'higher-risk', it manages the additional risk by placing conditions on their eligibility for DBI. This is possible, given the VMIA's position as the main provider of DBI.

2.1. How are the VMIA's premiums set?

There are three key concepts to consider in setting the premium of an insurance product, which provides the context for understanding how Domestic Building Insurance (DBI) premiums are set by the Victorian Managed Insurance Authority (VMIA). These are:

- **Breakeven premium** – the total expected cost for the insurer of issuing a project certificate or policy, taking into account claim costs and all expenses.
- **Book premium –** the standard rates charged to customers, these are typically based on the breakeven premium but may apply a factor (known as relativities) to differentiate project certificate/policy characteristics (such as a builder rating, which differentiates builders according to the risk a claim will be made).
- **Actual premium –** the premium charged to customers (excluding broker charges). The VMIA does not allow discounting so this should be the same as the book premium.

Builders may also incur additional fees from brokers or building agencies which are added to the actual premium charged by the VMIA. However, these fees are likely to be less prevalent since the VMIA's adoption of a multi-agent distribution model on 1 July 2017 (see box 2.1), as builders no longer require a broker to purchase DBI (although they may still do so if they choose). These additional fees are not available to the VMIA to cover expenses and claim costs and are outside the scope of our review.

The VMIA reviews their premiums annually. Prior to the start of a financial year (1 July to 30 June), the VMIA engages its actuarial consultants, Finity, to estimate and determine the claims cost component of the breakeven premium. That is, the expected average claims cost per project certificate/policy.

The remaining components of the breakeven premium – expenses and other loadings – are specified by the VMIA. In setting the breakeven premium the VMIA:

- determines the administrative and claims handling expenses to be allocated to DBI based on budgeted expenses
- determines the loading required to meet a required return on capital
- applies a loading to allow for commissions to its distribution agent/s[7] to provide the underwriting service.

From time-to-time, the VMIA has also engaged Finity to assist in reviewing its premium relativities. That is, to examine the factors used to differentiate characteristics of builders according to the risk that claims will be made. The most recent review was completed in May 2017, in which the VMIA chose not to make any changes to its premium relativities. As noted above, premium relativities applied to the breakeven premium determines the VMIAs book premiums. The VMIA does not allow discounting, so the book premiums that are determined are the actual premiums that builders and therefore homeowners are ultimately charged.

Box 2.1 The VMIA's new multi-agent distribution model

On 1 July 2017, the VMIA introduced a new model for distributing DBI. Under the new model, a builder chooses a distributor from a (VMIA appointed) panel of 6 distributors. The distributor then assesses the builder's eligibility and enables them to purchase DBI. Once a builder has chosen a distributor, they are able to use the VMIA's newly established online portal, BuildVic, to purchase and manage their DBI certificates and policies.

Under the new model, a builder does not require a broker to purchase DBI. However, once a builder has chosen a distributor, they may use a broker to manage DBI on their behalf.

Prior to 1 July 2017, the VMIA used a single agent, QBE, to distribute DBI. Under this arrangement, a builder had to use a broker to purchase DBI. In return for assisting the builder with their application, the broker charged a brokerage fee that was in addition to the actual premium charged by the distributor, QBE.

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[7] Prior to 1 July 2017, the VMIA used a single agent (QBE) to distribute DBI. From 1 July 2017, it has used multiple agents to distribute DBI.

2.2. The VMIA’s premiums are sufficient

The VMIA’s DBI premiums appear to have been set at sufficient levels to cover expected expenses, risks and long-term claim costs from 2016-17 to 2017-18. This is indicated by KPMG’s assessment of the VMIA’s average breakeven premium during this period, as being reasonable.

In terms of the claim costs component of the breakeven premium, that is the amount insurers pay-out in claims, Finity estimated the VMIA’s expected average costs to have increased by 0.9 per cent in 2016-17 from the previous financial year. This increase relates to the impact of inflation and the VMIA adding (on 1 July 2015) a fourth condition by which a home-owner can make a DBI claim – failure to comply with a tribunal or court order.

Finity then estimated the VMIA’s expected average costs to have increased by 10.1 per cent from 2016-17 to 2017-18, which was mainly due to an increase in the number of large builder insolvencies and claims relating to structural defects.

The VMIA changed its expense assumptions, with total expenses – the costs associated with handling and administering claims – decreasing significantly during the review period. Much of this was driven by a large reduction in the commissions paid to agents to distribute DBI on the VMIA’s behalf – moving from a single agent (QBE) in 2016-17 to multiple agents in 2017-18. The reduction in commissions was large enough to more than offset an increase in administration expenses that were incurred in adopting the new multi-agent distribution model.

Overall, the VMIA’s premiums are reasonable and appropriate in meeting the VMIA’s expenses, risks and long term costs.

Conclusion

Based on the actuarial advice provided by KPMG, we consider that the VMIA’s premiums are sufficient to cover the VMIA’s expenses, risks and long-term claim costs.

2.3. The VMIA’s premium coverage is not excessive

Overall, KPMG’s findings indicate the VMIA’s premiums are reasonable and not set above the level required to cover expenses and long-term claims costs.

The VMIA decreased its premiums by 22.5 per cent on 1 July 2017. This was despite the costs of its claims being higher than expected at this time, due to a number of large builders that had become insolvent. However, the VMIA expected to reap large cost savings from its new multi-agent distribution model, which in turn led to it reducing its premiums.

While the VMIA reduced the overall level of its premiums during the 1 July 2016 to 30 June 2018 review period, the relative differences in premiums paid by various builder types remained the same.

The same premium is not charged to all builders for all types and values of works. The VMIA charges differential premiums based on the type of work (for example, structural, non-structural, multi-unit, swimming pool), the value of the work and the risk categorisation of the builder (for example, financial soundness, historical complaint experience). A rating of A, B and C is used to determine the premium relativities for the various risk profiles. A builder with an A rating is determined to have a lower insurance risk than a builder with a B rating, who in turn is considered to have a lower risk than a builder with a C rating.

Although the VMIA has been providing DBI since 2010, it has not been able to fully base ratings on its claims experience. The pragmatic approach adopted, was to initially use the A, B and C ratings developed by that of its former distribution agent (QBE, which as a private insurer had provided DBI before exiting the market in 2010) and then gradually adjust the ratings based on emerging claims experience. In doing this, the VMIA has aimed to ensure that premium increases for builders were substantiated and that there was sufficient evidence to justify changes to premiums.

As noted above, the VMIA did not change its premium relativities during the 1 July 2016 to 30 June 2018 review period. It did however, with the assistance of Finity, conduct a review of the appropriateness of its premium relativities in May 2017. While some potential improvements to rate relativities were identified, the VMIA chose to hold-off in applying them, given the already significant reductions in premiums that were occurring due to its new multi-agent distribution model. KPMG considers this to have been a reasonable decision for the VMIA to have made at the time.

Conclusion

Based on the actuarial advice provided by KPMG, we consider that the VMIA's premiums are not set above the level required by the VMIA to cover its expenses, risks and long-term claim costs.

2.4. The VMIA's underwriting standards conform to commercial standards

Underwriting standards outline the criteria an insurer takes into consideration when accepting a risk or issuing a certificate to a builder. While each insurer will have similar criteria they take into consideration, they will have different limits or tolerance levels. The criteria are driven by an insurer's risk appetite and market strategy.

The underwriting standards adopted by an insurer will have a significant impact on the sustainability of their product. An insurer that prices its risks inappropriately and/or accepts risks it should not, may find that it has not collected sufficient premiums to make claim payments.

KPMG's findings indicate the VMIA's underwriting standards are reasonable and appropriate in determining the relative risk of builders and to decide whether a risk should be declined. The process it undertakes is broadly in line with that of a commercial insurer in the DBI market.

In commercial insurance markets, there is often a difference between insurers, in terms of the level of risk they are willing to accept from prospective insurance applicants. While most insurers will accept low-risk applicants, some may not be prepared to accept 'higher-risk' applicants. Other insurers, however, might be prepared to do so. In return for accepting the additional risk associated with 'higher-risk' applicants, these insurers may place stricter conditions on the applicants and/or charge a higher premium.

The VMIA provides DBI to some builders that it regards as 'higher-risk'. The VMIA manages these 'higher-risk' builders, by placing conditions on their eligibility for DBI. For example, the VMIA may impose annual turnover limits (the maximum value of building works a particular builder can undertake) based on its assessment of the value of works that a builder can prudently undertake given their financial position. Such conditions are common in the underwriting of 'higher-risk' builders.

The VMIA's acceptance and management of 'higher-risk' builders is possible because of its position as the main provider of DBI. It is also a statutory requirement for registered builders to acquire DBI, so rejection by the VMIA, AssetInsure and Berkshire Hathaway Speciality Insurance (BHSI) notwithstanding, effectively prevents builders from operating. The VMIA is aware of this and has developed underwriting guidelines which allow for 'higher-risk' builders to be accepted, where it is feasible.

It should also be noted that even though the VMIA is the main provider of DBI, it may decline to insure, if it determines the additional risk associated with 'higher-risk' builders is too high. Less than four per cent of builders that apply for DBI with the VMIA are declined. While KPMG advises this declination rate could be considered low in a commercial context, they advise it is consistent with their overall findings of the VMIA's underwriting standards being appropriate in the context of the VMIA's role in DBI.

By providing cover to 'higher-risk' builders with additional review conditions and declining the worst risks, we consider the VMIA's underwriting standards to be in line with commercial practice.

Conclusion

Based on the actuarial advice provided by KPMG, we consider the VMIA's approach to underwriting appropriate and broadly in line with that of a commercial insurer in the DBI market.

2.5. Information, methodology and assumptions used by the VMIA

The available information used to set premium levels for 2016-17 and 2017-18 includes a combination of both pre-2010 data Finity obtained from QBE and Vero[8] and the VMIA's own experience with the policies it provided since its entry into the DBI market. The VMIA's own experience is still limited in setting premiums due to the long-tailed nature of DBI. The detailed policy and claims information produced by the VMIA will become more useful as it continues to gain direct experience in this market.

The specific methodologies for setting premiums adopted by the VMIA (using Finity's calculations) are summarised as follows:

- The claims costs are estimated via selected average claims frequencies, average claim sizes, and projected expected future claims costs. Assumptions have been adjusted over time to account for new information and claims experience.
- Expenses estimates are based on an allocation of budgeted expenses for DBI. The practice of allocating expenses within the organisation is standard industry practice and allows expenses to most appropriately be passed on to consumers.

We consider the assumptions adopted to be genuine best estimate assumptions without evidence of any bias to over- or under-estimation.

[8] QBE and Vero exited the Victorian DBI market in 2010

Glossary

Term	Definition
Actual premium	The premium charged to customers (excluding broker charges).
AssetInsure	A private insurer that started providing DBI in 2015.
Berkshire Hathaway Specialty Insurance (BHSI)	A private insurer that started providing DBI in 2018.
Book premium	The standard rates charged to customers, these are typically based on the technical premium/breakeven premium but may apply a factor (known as relativities) to differentiate policy characteristics.
Breakeven premium	The total expected cost of issuing a project certificate or policy for the insurer (the VMIA), taking into account claim costs and all expenses (including the commission the distributor charges the insurer to distribute the insurance product (DBI)).
Broker commission	The fee charged by a broker for facilitating the application of a project certificate.
Domestic building insurance (DBI)	A mandatory insurance that compensates home owners for non-completion or defect where the builder is unable to rectify the works because they have died, disappeared or become insolvent (also referred to as builders warranty insurance).
Eligibility	Pre-approval from an insurer for a builder to be issued project certificates.
First resort	An insurance scheme that provides compensation regardless of the builder's circumstances (as opposed to a last resort scheme).
Housing Guarantee Fund (HGF)	A statutory body that provided builders warranty insurance from 1984 until 1996.
Last resort	An insurance scheme where compensation is only available where all other avenues for resolution have been exhausted.

Long-tail insurance	Insurance products where the full cost of claims is not known for a long time after the premium is charged.
Owner-builder	A person who constructs or renovates a domestic building on his or her own land, who is not in the business of building.
Policy	For owner-builders, DBI coverage is issued in the form of a policy. Owner-builders are only required to take out a policy if they sell the property within six and a half years of completion of building works.
Private insurers	Independently trading insurance companies that compete in the market. Generally, these companies are publically listed entities, trading for profit.
Project certificate	For registered builders, DBI coverage is issued in the form of a project certificate that is specific to the domestic building work undertaken in a domestic building contract.
Run-off period	The time after an insurer has stopped issuing insurance, but is still responsible for claims on existing project certificates/policies.
Victorian Managed Insurance Authority (VMIA)	A statutory body providing DBI.