



FAQ for Brokers - New HBCF Eligibility Model 2022



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1 General Questions

1.1 What is icare HBCF changing?

icare HBCF is taking over Risk Management Services from Corporate Scorecard (CSC).

- In June 2021, we successfully transitioned Eligibility Risk Management services for Major Builders in-house. In April 2022, we transitioned these services for all other Builders.
- These changes are improvements to the Eligibility Assessment process, risk management, administrative overheads, and the use of plain English in communications and documentation.
 - Taking over all Eligibility Risk Management services enables icare HBCF to simplify and streamline risk management and administrative process.
 - Simpler processes explained in plain English language will makes Eligibility Assessments easier to understand.
 - Greater consistency in the data capture and monitoring process.

icare HBCF is streamlining the Eligibility Assessments for System Reviewed and Small Builders (as defined in version 10 of the Eligibility Manual). The main improvement we are bringing to the industry is a new Auto-assessment process for System Reviewed and Small Builders.

1.2 When will the changes happen?

- icare HBCF has already taken over Risk Management services for the Major Builder segment of HBCF Builders (in June 2021).
- In April 2022, we took over Risk Management services for all other Builders.
- By July 2022, we will introduce the auto-assessment option.
- However, because existing Eligibility decisions remain valid, Builders will experience the changes over the next three years, when their assessment is due.

1.3 What are the benefits?

One icare HBCF team

- Direct access to the icare HBCF team
- Better communication with icare HBCF
- Closer collaboration with icare HBCF
- Fewer and simpler processes

Faster, easier assessment

- Most applications will require minimal paperwork
- Far less financial information will be required
- Most applications will be decided within two business days
- Simpler processes will enable innovation and better customer service
- Better identification of higher risk Builders will mean increased Eligibility limits for the majority of Builders

1.4 How will it impact me?

Approximately 94% of icare HBCF Builders will qualify for auto-assessment. Most eligible Builders will be able to submit an application for Eligibility and receive an outcome within two business days.

1.5 Who can I contact if I have general questions?

For general enquiries about this change and other general questions, you can contact icare HBCF at enquiries.hbcf@icare.nsw.gov.au.

Our credit report agency will also have a dedicated team to respond to customer enquiries.

2 Automated Builder Scorecard Review (ASR) Questions

2.1 What is Automated Builder Scorecard Review (ASR)?

icare's investigation of the existing Eligibility process has determined that by taking a risk-based approach, we can limit the number of Builders that require in-depth financial assessment. For most Builders, we can use commercial credit information and apply a few other simple criteria to assess Eligibility, in a more accurate, consistent, and transparent way than we do it now.

2.2 How does the ASR process work?

The findings contained in December 2020 IPART and Customer Advocate reports, noted that the process for obtaining home building compensation Eligibility from icare HBCF, particularly for Builders with small operations, was quite onerous.

icare HBCF engaged Equifax Australia, a multinational credit reporting agency, in early 2021 to analyse the information it holds on its portfolio of Builders in combination with Equifax's own data sources. The engagement resulted in the development of a bespoke scoring algorithm which:

- Assesses Builders based on various risk characteristics.
- Reduces the information a Builder needs to provide for Eligibility Assessment to a simple application form.
- Reduces the expected turnaround time for Eligibility Assessment decisions from average of one month to two business days.
- Better identifies 'risky' Builders than the previous manual underwriting process for Small and System Reviewed Builders.

The ASR process will be applicable for (based on existing Builder Size classifications in Eligibility Manual v10):

- New Builders
- System Reviewed Builders
- Small Builders

To assist with implementing the new automated process, Builders are planned to undergo a phased transition (subject to Builder Profile Changes etc. initiated after implementation date) based on:

- | | |
|----------------------------|---|
| ▪ New Builders | Once the automated assessment process commences |
| ▪ System Reviewed Builders | When their current Certificate of Eligibility expires |
| ▪ Small Builders | When their 2022 PER is scheduled for submission |

The algorithm uses the following characteristics to generate an Eligibility Score for a Builder for an automated assessment:

Characteristic	Description
Entity Type	Type or structure of the entity at the origination date (for example, sole trader, company)
Credit File Enquiries	Total number of broker dealer enquiries made of the Builder within the last five years
Commercial Adverse Developments	Total number of commercial adverse developments within the last five years (equal to the sum of numbers of commercial Writs and Summons, Defaults and Judgements)
Credit Enquiries	Total dollar value of credit enquiries made more than 12 months ago but less than five years ago for the Builder
Proprietorships	Number of Proprietorships associated with the Builder
Adjusted Bureau In-depth Trading History Score	<p>A score which obtains a full picture of a company, its proprietors and directors and any other commercial entities associated with them.</p> <p>Characteristics in In-depth Trading History Score include all available credit and demographic attributes from Equifax databases to form future risk estimates. Some examples of the final characteristics that form the In-depth Trading History Score are as follows:</p> <ul style="list-style-type: none"> ▪ Age of file ▪ Time since incorporation ▪ Number of trading addresses ▪ Security information ▪ Trade payment data ▪ Directors' information ▪ Public record information for instance defaults, judgements, and court writs, ▪ ASIC information

In summary, this is how the automated Eligibility process will work:

1. A broker submits a completed Builder Eligibility and Profile Change Application form for a Builder in the Builder Eligibility Assessment Tool (BEAT).
2. An underwriter uses the information in the form to assess whether the Builder meets the requirements for automated assessment
3. If the Builder meets the requirements for automated assessment, an underwriter obtains an Eligibility Score for the Builder.
4. If the underwriter does not identify any Unacceptable Risks (that is, Eligibility can be offered to the Builder), and the Eligibility Score is sufficient for the underwriter to issue an automated outcome, the underwriter will initiate an email from BEAT to the broker outlining:
 - Approved Open Job Value (**OJV**)
 - **Unlimited** Open Job Number (**OJN**) so long as it does not exceed the approved OJV (this will be their approved Open Job Value divided by \$20,000)

- Standard construction profile limits (subject to licence class and previous higher construction limit approvals)
- Whether the Builder will be required to participate in the Building Contract Review Program (BCRP) (for New Builders only)
- A report outlining the Builder’s Eligibility Score for the assessment and the key factors contributing to the score

2.3 What is the Minimum Eligibility Score threshold to obtain Eligibility?

Below is the range of scores that each characteristic can generate for a Builder for an automated assessment.

Characteristic	Description	Score range
Intercept	Starting point for every Eligibility Score generated	204
Entity Type	Type or structure of the entity at the origination date (for example, sole trader, company, partnership, etc)	-87 to 177
Credit File Enquiries	Total number of broker dealer enquiries made of the Builder within the last five years	-37 to 2
Commercial Adverse Developments	Total number of commercial adverse developments within the last five years (equal to the sum of numbers of commercial Writs and Summons, Defaults and Judgements)	-24 to 0
Credit Enquiries	Total dollar value of credit enquiries made more than 12 months ago but less than five years ago for the Builder	-2 to 1
Proprietorships	Number of Proprietorships associated with the Builder	-2 to 62
Adjusted Bureau In-depth Trading History Score	<p>An Equifax Score which obtains a full picture of a company, its proprietors and directors and any other commercial entities associated with them.</p> <p>Characteristics in In-depth Trading History Score include all relevant and available credit and demographic attributes to form future risk estimates. Some primary examples of the final characteristics that form the In-depth Trading History Score are as follows:</p> <ul style="list-style-type: none"> ▪ Age of file ▪ Time since incorporation ▪ Number of trading addresses ▪ Security information ▪ Trade payment data ▪ Directors’ information ▪ Public record information for instance defaults, judgements, and court writs ▪ ASIC information 	0 to 600
Eligibility Score		52 to 1,046

Builders will need to achieve the minimum Eligibility Score to obtain or maintain Eligibility:

Builder size	Open Job Value	Minimum Eligibility Score required
New Builder	\$1M	406 (below this score requires manual review)
System Reviewed Builder (Tier 1) (formerly System Reviewed Builder)	\$1M	406 (below this score requires manual review)
System Reviewed Builder (Tier 1)	\$2M	577
System Reviewed Builder (Tier 1)	\$3M	736
System Reviewed Builder (Tier 2) (formerly Small Builder)	\$3M	444 (below this score requires manual review)
System Reviewed Builder (Tier 2)	\$4M	555
System Reviewed Builder (Tier 2)	\$5M	697

Builders seeking to transition from delivering \$3m or less to delivering between \$3m and \$5m, will also require an underwriter to perform a financial assessment to assess whether they meet the minimum financial requirement for a \$3m+ Eligibility Profile.

Below is an example of an Eligibility Score calculation for a Builder (containing attributes for the score calculation and indicative numbers).

Characteristics	Data return	Eligibility Score Contribution
Intercept	Same for all scores generated	204
Entity Type	"Company"	-46
Credit File Enquiries (#)	"N/A"	2
Commercial Adverse Developments	"0"	0
Credit Enquiries (\$)	"\$15,000"	0
Proprietorships	"0"	-2
Adjusted Bureau In-depth Trading History Score	"811"	406
Eligibility Score		564

If the Builder is:

- Tier 1 Builder (\leq \$3m): Builder will be offered \$1M OJV
- Tier 2 Builder (\geq \$3m to \$5M): Builder will be offered \$4M OJV

2.4 How different are the drivers of credit scores from the current factors used by icare HBCF to determine Eligibility?

The Eligibility Score shares the following common drivers with the historic icare HBCF scores in determining Eligibility under the current manual assessment process.

Equifax Score	icare HBCF scores
Entity types	Trading Structure
Age of file, Time since incorporation, Number of trading addresses	Years trading
Directors' information, including director's commercial adverse	Director's information, including director's commercial adverse
Public record information for instance past insolvencies, defaults, judgements, and court writs	Public record information for instance past insolvencies, defaults, judgements, and court writs
Trade payment data	Trade history and commercial track record

2.5 When will icare HBCF provide details about the ASR process to the Builders?

More detail about the ASR process, criteria and dispute handling procedures will be included in the icare HBCF Eligibility Manual, to be published in July 2022.

2.6 Will manual assessments change?

Manual assessments will remain largely unchanged, requiring the same underlying information and being conducted in the same timeframes.

2.7 Who can Builders contact about their assessment outcome?

Builders should contact their brokers about the outcome of Eligibility Assessments (as they do today).

For general enquiries, the icare HBCF team may be contacted:

- Email: enquiries.hbcf@icare.nsw.gov.au
- Phone: (02) 9216 3224

3 Dispute questions

3.1 What is a dispute?

A dispute is an issue, or part of an issue raised by a customer, that is recognised as a 'dispute' or equivalent by relevant scheme legislation or regulation and has a prescribed process for resolution involving parties external to icare HBCF but does not include Complaints escalated to SIRA. Disputes include requests to review Eligibility and premium determination decisions.

3.2 Will the dispute process change?

The process of raising the dispute will not change and all disputes must be raised through BEAT.

The main changes to the dispute process are:

- CSC is no longer involved. This makes the process simpler because you only deal with icare HBCF.
- The auto-assessment process includes very few factors to dispute. This further simplifies and streamlines the process.
- icare HBCF will determine decisions on all disputed matters.
- The outcome of the icare HBCF Underwriting Appeals process (including appeals within that process) is the final decision, with less layers of review.
- A Builder may request that SIRA review icare HBCF's handling of an application if the Builder believes that icare HBCF has not complied with the Act, the Regulation, the Guidelines, or its published processes.

3.3 What is the dispute process?

The process of raising the dispute will not change and all disputes must be raised through BEAT. Builders, through their broker, must formally dispute the decision in writing and provide supporting information for HBCF to investigate. For details of the process, please refer to the document HBCF Complaint and Dispute Handling Procedures for Eligibility.

3.4 How should brokers respond to disputes?

The broker must raise a dispute through BEAT and provide supporting documents provided by the Builder, within allowed timeframes.

3.5 Can the Builder dispute an automated assessment decision?

Yes. The Builder (or broker on behalf of Builder) will be able to dispute an automated assessment decision through BEAT. Because auto-assessment is based on the Eligibility Score and there is less financial complexity in the assessment, there are fewer things to dispute. This makes the dispute process much simpler.

Where a Builder's Eligibility Score is low due to adverse considerations, icare HBCF can at its absolute discretion, initiate a manual assessment or review on the Builder rather than applying the Eligibility Score. This will protect the HBCF against deteriorating or unacceptable risk factors when we identify them.

The Builder must contact Equifax to answer any questions about their score.

3.6 Can a Builder reapply for Eligibility after a dispute?

Yes, the Builder or broker on behalf of Builder, will be able to reapply for Eligibility at any time after 30 days from the

finalisation of previous disputed assessment.

3.7 What is the timeframe for disputes?

For auto assessments, the broker must raise a dispute within five business days of receiving the Eligibility Assessment outcome.

For manual assessments, there is no change. The broker must raise a dispute within twenty business days.

4 Technology questions

4.1 What will change in BEAT?

For manual assessments, the BEAT process will remain largely unchanged.

For automated assessments, key changes include:

- A simplified Builder screen will include the following:
 - A Builder Tier to identify the corresponding Builder classification (that is, Tier 1 or Tier 2).
 - Two new questions for experienced Builders in relation to their building experience (not new Builders).
 - Eligibility details in other states (if applicable).
- The simplified Eligibility details screen will no longer show the assumed NSW HBCF turnover.
- The simplified checklist screen will include only one mandatory document - the 'Eligibility Application form'.
- The modified output screen:
 - Will show the Eligibility Score, for Automated Builder Scorecard Review (ASR) assessments.
 - Will no longer include an option to download a Builder Eligibility Assessment Report (BEAR).
 - Will include an option for the Builder to either accept or dispute the outcome.

4.2 What will change in CIMS?

The CIMS process will largely remain unchanged.

4.3 Will there be new forms?

There will be a new Eligibility application form for automated assessments.

4.4 Will there be training?

Yes. icare HBCF will provide training between May and July 2022. We will provide further information about the training schedule in 2022 as it becomes available.

5 Broker Distributor questions

5.1 How will the BCRP requirement work with the new eligibility model?

(Business Contract Review Program)

The BCRP will remain a requirement for new builders and for builders where certain challenges with contract price sustainability or project management are identified. In cases where the underwriter is not satisfied that the Builder fully meets the Eligibility criteria, the Builder may need to participate in the BCRP for projects with a contract price of \$250,000 or more (or such higher threshold as determined by the underwriter).

For more information, please refer to HBCF Eligibility Manual, section 22.2.1.

5.2 How can distributors and builders query the score with Equifax?

Communication of Eligibility decisions will include a report outlining the Builder's Eligibility Score and the key factors contributing to the score. Distributors and builders may query the score and the underlying information, if they believe it is not accurate. The process of disputes is outlined above, and Equifax has a dedicated team to respond to customer enquiries:

- HBCF@corporatescorecard.com.au
- 02 9465 8035.

5.3 If a builder changes entity from sole trader to a company with no change to construction profile and limits, do they have to go through a manual assessment?

A builder will remain classified as a system or small builder if they continue to meet the criteria (for example, if they are seeking under \$5m in Open Job Value and otherwise meet the ASR criteria in the Eligibility Manual). The change may impact the outcome of future ASR assessments.

5.4 Does a Builder Profile Change (BPC) require a manual assessment, that is, a financial assessment?

A BPC does not require a manual assessment in most cases. Where a BPC review identifies a heightened risk, icare may require a manual review in limited and rare circumstances.

5.5 Will the ASR reduce the number of Programmed Eligibility Reviews (PERs)?

Builders identified as appropriate for ASR will only be reviewed every 3 years, unless adverse information triggers a review condition or the builder seeks an earlier review to support business growth .

5.6 What is the max an OJV can be reduced for a builder? How does this work?

As with any change of rating characteristics, there will be changes to the outcomes for individual builders. While most builders will be provided higher eligibility limits under the ASR model, there will also be those who have their OJV reduced. To mitigate the impact on builders and ensure opportunity to respond to the information in the eligibility report, icare will not reduce a builder's OJV by more than 30% of their prior limits unless an Unacceptable Risk scenario is identified. Please refer to section 9.5.4 of the Eligibility Manual for more details.

