

GUIDE TO NOTIONAL PRICING CHANGES

QUEENSLAND HOME WARRANTY SCHEME (THE SCHEME)

THEN

On **28 October 2016**, the Scheme was expanded to include other building work such as painting.

From this date, other building work, including painting, valued at more than \$3,300 required insurance.

In these cases, insurance paid on multiple dwellings (such as units and duplexes) used notional pricing to calculate the premium payable.

OCTOBER 2016

Mon	Tue	Wed	Thu	Fri	Sat	Sun
24	25	26	27	28	29	30
31						

NOVEMBER 2016

	1	2	3	4	5	6
7	8	9	10	11	12	13
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21	22	23	24	25	26	27
28	29	30				

NOW

On **2 December 2016**, some of the changes to the Scheme were wound back to make the premiums fairer.

Other building work, including painting, valued at more than \$3,300 still needs insurance but it is calculated differently.

In these cases, insurance for multiple dwellings (such as units and duplexes) now **does not attract notional pricing**.

DECEMBER 2016

Mon	Tue	Wed	Thu	Fri	Sat	Sun
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NOTIONAL PRICING

What is notional pricing?

Notional pricing is a term we use when the premium is calculated by dividing the total value of the work by the number of units. The value of the work is divided between the units, and the premium payable is calculated as if each unit was having that portion of the work performed for them.

Why use notional pricing?

As insurance is based on risk, a special calculation is needed to determine the risk associated with carrying out building work on multiple dwellings.

CALCULATING THE RIGHT AMOUNT

After 28 October 2016 and before 2 December 2016



STEP 1
USE
AVERAGE VALUE
OF WORK PER UNIT

= contract price / number of units



STEP 2
WITH
PREMIUM
AMOUNT

Use average value to identify
premium amount



STEP 3
TO FIND
TOTAL PREMIUM
PAYABLE

Total premium payable =
premium amount x number of units

From 2 December 2016



STEP 1
PREMIUM IS BASED
ON CONTRACT
PRICE

WHEN TO APPLY NOTIONAL PRICING

The changes to notional pricing apply only to contracts entered into **on or after 2 December, 2016**.

When notional pricing **DOES NOT** apply:

- painting
- floor finishing (for example, sanding and applying coatings)
- applying wall paper and texture coatings
- preparing surfaces for application of paint or other protective or decorative materials
- constructing and erecting non-load bearing internal partition walls (for example, on slab in a lobby area)
- plastering or fixing or repairing internal linings, panelling and mouldings (please note, notional pricing does apply for replacing or relocating internal linings)
- fixing or repairing tiling, example re-grouting tiling in a lobby area (please note, notional pricing does apply for replacing or relocating tiling, or tiling work in a bathroom or kitchen)
- resurfacing bench tops other than in a bathroom or kitchen
- installing new cabinetry (please note, notional pricing does apply if the cabinetry affects the structural performance of the building, constitutes the relocation or replacement of a wall, or is in a bathroom or kitchen)
- fire protection work including the installation of smoke alarms
- physical termite management
- rendering
- solid plastering
- swimming pools, which are not built in or on multiple dwelling or duplex
- related roofed buildings, such as sheds.

When notional pricing **DOES** apply:

- erection or construction of a multiple dwelling or duplex
- work on the footings of a multiple dwelling or duplex
- work on the roof of a multiple dwelling or duplex if the value of the work is more than \$5,000
- swimming pools built in or on multiple dwelling or duplex.
- for all work on common property (other than work to which notional pricing does not apply, footings or the roof) on a multiple dwelling or duplex itself when the insurable value exceeds \$20,000 (other work includes, for example, external walls, internal walls, floors, ceilings, halls, carparks, stairwells and other common areas).

For any building or trade work where notional pricing was applied before 28 October, 2016, it continues to apply.

Anyone with questions about when notional pricing does or does not apply is encouraged to **call the QBCC on 139 333**.