



the state of play for builders

The building industry in particular is faced with uncertainty in this tough economic climate. So, we thought it was timely to ask David Turner, CEO of HIA Insurance Services, for his thoughts on how the current financial crisis will impact the building industry and how builders can best guard against these risks.

How is the current economic crisis likely to impact housing construction?

When confidence leaves the system, the economy naturally slows. With a slower economy forecast this year we can expect a decline in housing production levels, rising unemployment and an upward pressure on costs. So far this year we have already seen the number of housing construction activities decline, pushed along by lenders' reluctance to write loans and an overall slump in demand.

However, the government has responded quickly with a substantial Federal commitment to housing (Building News reported in February a Federal commitment of approximately \$9,000 million dollars to housing) and many builders are still engaged in contracts from last year so it is likely the effects won't be largely felt until the later part of 2009. It's important for businesses to start tackling the challenges now.

What are the main challenges HIA member businesses will face in this climate?

HIA Insurance Services have identified several key challenges that businesses will face over the next 12 months:

- Credit will become more difficult and expensive to obtain and borrowers will be far more closely scrutinised meaning your business will need to preserve capital, minimise borrowings and avoid surprise costs.

- As the economy slows, new business will be harder to come by. Sales volumes will be lower and vendors will be forced to accept more generous credit terms, whether they like it or not. The challenge for builders will be the possible insolvency or non-payment from customers which has a drastic effect on business cash flow.
- Difficulty to maintain morale and employee engagement as well as your concern to protect the welfare of your staff.
- The business environment will be less forgiving, and disputes, bankruptcies and litigation will undoubtedly increase.
- The incidence of theft and malicious damage may also increase as tougher times take their toll on people's lives.

How can I protect my risks?

HIA Insurance Services offers advice to minimise your businesses risks, including insurance cover for contract works, tools and equipment and public and products liability.

Contract works insurance provides you with income protection on large contracts. Cover is provided for fire, theft, water damage, flood, malicious damage, tools and storm on site as well as cover for your profit margin on contracts so you can insure there are no surprise costs. Tools and equipment insurance covers your equipment on and off site so your most important assets are protected around the clock.

HIA Insurance Services also provides protection for businesses or subcontractors against litigation.

We work hard as your insurance broker to provide you with cover to protect your business and ensure our risk advisory services and capabilities keep pace with the evolving needs of our clients.

Speak to HIA Insurance Services today to receive an obligation free quote on your insurance!

1800 633 467