

# Defects Insurance Scheme for ASUC



The  
**DEFECTS INSURANCE**  
g u a r a n t e e



Presentation by  
Gary Devaney  
Managing Director  
M D Insurances Services  
Limited



## Who are M D Insurance Services Ltd?



- specialists in long term warranties
- housing
- commercial buildings
- niches of the house building construction industry
- winner of the Insurance Times schemes intermediary of year award.
- Fasttrack 100 company 3 years in succession



## Who are M D Insurance Services Ltd?



- insurance coverholder
- in-house surveying teams
- Approved Inspectors
- Regulatory services provider



# Brands



- Premier Guarantee
- Labc New Home Warranty
- Branded niche schemes



# Operate In



- United Kingdom
- Spain
- Ireland
- Starting in Cyprus in the new Year



# Why long term warranties?



- Recommended in various reports
- Uncertain world



# Why long term warranties?



- Desire to improve standards
- Emphasis on quality
- Contractors all working to high key standards



# Why long term warranties?



- An independent set of eyes
- Ridd Wood Partnership
- Combination of desk top reviews and selected site visits



## The Defects Insurance Guarantee Scheme



- available through ASUC members only
- As an association committed to high standards for members: set standards for health & safety, technical standards, financial probity of members etc
- taken out on all contracts



# Features



- first party policy
- duration 12 years
- assignable
- technical audit
- covers defect in work
- alternative accommodation costs
- consequential damages



# Benefit to the householder



- kite mark
- enhances quality
- assignable
- customer care
- certainty in the event of a problem



# The Audit



- Ridd Wood Partnership
- experience in technical auditing
- 10 years experience of auditing members activities



# The Process



- notification on web enabled database
- technical information
- queries
- site visits



# What is covered?



- Housing and light commercial only
- Remedial works and single units
- Extensions
- underpinning of all types traditional, including partial
- Ancillary repair works
- Access works
- piling of all types
- structural repairs, ties, brick reinforcement and some rebuilding
- Basements without waterproofing cover



# What is not covered?



- If partial underpinning only the works are covered
- Pressure grouting isn't covered unless specifically agreed
- Design for wall ties, transition beams, wall plates
- Design for structural repairs if not carried out by the ASUC member
- Ring beams are covered if a defect in the beams but not if building not strengthened sufficiently



# Scheme Benefits



- The main benefits of ASUC's Guarantee are:
  - Improvement in standards
  - Marketing tool
  - RWP can be used as a 'sounding board' to sense check schemes
  - First party policy - client does not have to prove negligence
  - Remains in force even if the contractor fails



# Scheme Benefits



- 12 year term
- Covers ALL the contract works and defects in workmanship or design
- Up to 25% of the contract sum is insured for consequential losses
- Alternative accommodation is covered for up to 26 weeks
- Contract sum is index linked
- Can be passed to any subsequent owner of the property
- Available on domestic and commercial property



## Comparison with P.I. Insurance



PII	Annual claims made policy
DIG	12 year non cancellable
PII	Liability policy
DIG	First party policy
PII	Negligent design only
DIG	ASUC members contractual responsibility – design, workmanship & materials
PII	Protects ASUC member
DIG	Protects policyholder



## Comparison with an Insurance Backed Guarantee



IBG	Only if ASUC member is insolvent
DIG	First party policy
IBG	Usually not assignable
DIG	Assignable
IBG	No cover for consequential loss
DIG	Alternative accommodation costs, repair and redecorating costs, additional fees
IBG	No indexation
DIG	Indexation of sum insured



# Claims



- A relatively high number of small claims
- A limited number of larger claims over £10,000
- Largest claim paid to date around £80,000



# Claims



- Basement tanking
- Piles under a conservatory
- Temporary props left
- Piles not sleeved
- Underpinning not below root level
- Partial underpinning – trees removed



# Claims lessons



- Robust quality checks for removal of props
- To understand ground conditions
- For partial underpinning jobs to ensure all parties understand the extent of cover



# Why long term warranties?



- The DIG scheme promotes good standards
- Independent checks avoid future claims
- When claims do occur a first party policy provides security
- Takes emotion out of dealing with the claims
- Kite Mark
- Helps sale process