

Halo 10 year Residential Guarantee Insurance Scheme



Frequently Asked Questions

What is the new Halo 10 year Residential Guarantee Insurance Scheme?

As a result of an overall review of Guarantee Schemes by the Board of Certified Builders Association – the Halo 10 year Residential Guarantee Insurance Scheme is a new scheme that is tailor made for and exclusively available to members of Certified Builders Association.

The policy has been negotiated with BrokerWeb Risk Services Limited and is underwritten by Lloyd's of London.

The exclusive coverage the scheme offers will give you (the Builder) and your clients extended comprehensive protection from what you have had in the past

BrokerWeb Risk Services Limited have been appointed insurance brokers and advisors to Certified Builders Association for the scheme which immediately replaces the current scheme (Homefirst Guarantee) promoted by Bultin Limited and provided by CBL Insurances Limited.

What benefits does the scheme bring?

The Halo 10 year Residential Guarantee Insurance Scheme Policy has been specifically designed to provide cover for Certified Builders Association members for your warranty obligations under the new Building Act amendments which came into effect in January this year, implied warranties under the Building Act and other pieces of legislation including the Consumers Guarantee Act.

What are the scheme features?

There are a number of features in the scheme all of which are exclusive to Association Members.

They include:

- A guarantee insurance policy underwritten by Lloyd's of London and carrying an "A+" rating from Standard and Poor's
- The widest home guarantee insurance cover available in New Zealand
- Easy application process.
- The most cost effective premiums currently available in New Zealand.
- Automatic insurance acceptance for every new home build or home building alteration.
- Easy premium calculation. Set premiums for contracts up to \$2,500,000.
- No GST payable on premiums.
- Minimal policy excesses payable by the property owner.

What are the direct benefits to the builder?

In addition there are new unique direct benefits for the builder.

A new simplified policy wording extending the cover to not only fixing the defect but also the damage caused by the defect

“SLEEP EASY COVER”:

Should there be any claims on the policy after 12 months the policy includes:

- A “Waiver of Subrogation and Indemnity” cover, separate from the guarantee insurance cover, indemnifying the builder from the insurer recovering any claims costs from the builder. (refer below)
- Cover for the builder’s liability for any defect caused by any subcontractor or supplier.
- Separate legal costs cover if the builder is joined as a third party in an action brought by the insurer against any subcontractor or supplier.

Cover is also provided for the builder’s liability for any defect caused by any subcontractor or supplier.

What does the waiver of subrogation and indemnity cover mean?

During the first year of the 10 year guarantee period, the insurance cover applies (protecting the homeowner) where the builder has ceased trading or refuses to honour the terms of the warranty given under the building contract. In this case the insurer will pay to fix the damage and will then recover the money paid from the builder, or the subcontractor or supplier.

From years 2 to 10 of the guarantee period, the builder is covered – in that - should there be a claim the insurer will not recover any claim’s costs from the builder under the *Waiver of Subrogation and Indemnity* cover. The *Waiver of Subrogation and Indemnity* cover, is issued as a separate document to the builder, waives the right the insurer has to recover any claims cost from the builder. The Insurer does however have the right to pursue a recovery from any subcontractor or supplier. If the builder is joined as a third party in an action brought by the insurer against any subcontractor or supplier to recover its claim’s costs, the insurer will pay the builder’s legal costs.

What does the Guarantee Insurance cover for the Homeowner/Property Owner?

The Halo 10 year Residential Guarantee Insurance will provide cover to the Property Owner for:

- Loss of deposits if the builder doesn’t start the building works.
- The builder starts but doesn’t complete the building works.
- 10 year cover for the full contract price, for structural defects including weather tightness issue, once the building works have been completed.
- 10 year cover for the full contract price, for non-structural defects as prescribed by Section 362 of the Building Act, once the building works have been completed.

The Insurance also provides cover for:

- Full Contract Sum Insured. The sum insured will be the full contract price meaning full cover is provided.
- Alternative Accommodation Expenses. The policy will pay for the property owner's reasonable accommodation if necessary while the rectification works are carried out.
- Builder First Party Indemnity cover. The insurance automatically provides an indemnity to the builder after the first 12 months of the 10 year guarantee period meaning the insurer will take over the warranty dispute from the builder, negotiate with property owner and pay the cost to remedy the defect.

What is the Halo 10 year Residential Guarantee Insurance Scheme application process?

The application process has been simplified from that required in the past.

a. If you are using a standard Certified Builders Association Building Contract document, either:

- Complete in full the Halo 10 year Residential Guarantee Insurance Scheme APPLICATION, have it signed (by both the builder and the homeowner) and scan and email it to application@bwrs.co.nz

Or

- Sign only (both the builder and the homeowner) the Halo 10 year Residential Guarantee Insurance Scheme APPLICATION form and provide a copy of the contract document when it has been signed and write "As Per The Detail In The Attached CBANZ Building Contract" across the body of the 10 year Residential Guarantee Insurance Scheme Application form. Scan and email both documents to application@bwrs.co.nz

b. If you are using a different contract form from the Certified Builders Association one,

- Complete and sign (both the builder and the homeowner) the Halo 10 year Residential Guarantee Insurance Scheme APPLICATION form and scan it as well as the contract document when it has been signed and email both documents to application@bwrs.co.nz

We note no other documentation is required

BrokerWeb Risk Services will email back an acknowledgement of the application and print an invoice for the appropriate premium.

You will need to pay the invoice before the insurance policy and your Waiver of Subrogation and Indemnity cover is processed. Payment of the premium will be online to the bank account shown on the invoice.

Once the premium is received BrokerWeb Risk Services will issue and email the policy document, together with a covering letter, to the property owner and email you the builders a certificate for your Waiver of Subrogation and Indemnity cover. Copies will also be kept by BrokerWeb Risk Services

Is it compulsory to take up the warranty insurance on all building contracts?

The landscape of liability for the builder and also the expectations of homeowners has changed significantly over the years and will continue to come under greater scrutiny in the future. It is important for our members and our brand that we provide some security for homeowners.

It is also important that we introduce a service/insurance that will provide our members with some longer term 'sleep easy' cover for houses/alterations that have done.

The Board of the Association have adopted a Policy that will require all Business Members to take a Halo 10 Year Residential Guarantee Insurance Scheme Policy on all projects over \$30,000 (incl GST). The Association will advise more on this aspect over the coming weeks.

*You can buy the Guarantee Insurance, which will also include the SLEEP EASY COVER, for contracts under \$30,000 but this isn't compulsory.

How can I view the policy document and waiver of subrogation and indemnity cover?

A copy of the policy document and waiver of subrogation and indemnity is available in the Certified Builders Association Members tool box section of the Association's web site.

Note: It is important that the Waiver of Subrogation and Indemnity Cover document is kept confidential to the builder as this provides unique protection to the builder only.

Will this application process be simplified further?

Yes - over the next month or so we will be implementing a further simplified application system especially for those who use the online version of the Certified Builders building contracts.

When will the scheme be fully operational?

The scheme is fully operational now and applications can be made now. As mentioned further information will be provided on the mandatory need (as part of your membership of the Association) to take out this insurance on all building contracts over \$30,000 (inc GST) and also the simplified application process as mentioned.

What are the policy excesses?

The policy excesses, which will be payable by the property owner, are:

Claims notified prior to completion of the works	NIL
Claims notified after the completion of the works:	
- Within 3 months of Possession Date	NIL
- After 3 months but within 12 months of Possession Date	\$500.00
- After 12 months of Possession Date	\$750.00

What are the Policy Premiums?

The premiums, which will be charged exclusive of GST, are:

BUILDING CONTRACT VALUE (Incl. 15% GST)	GUARANTEE FEE (Excl. GST)
Up to \$30,000	\$300.00
\$30,001 to \$50,000	\$495.00
\$50,001 to \$100,000	\$570.00
\$100,001 to \$150,000	\$665.00
\$150,000 to \$200,000	\$740.00
\$200,001 to \$250,000	\$825.00
\$250,001 to \$300,000	\$900.00
\$300,001 to \$350,000	\$1,045.00
\$350,001 to \$400,000	\$1,115.00
\$400,001 to \$500,000	\$1,235.00
\$500,001 to \$600,000	\$1,330.00
\$600,001 to \$750,000	\$1,520.00
\$750,001 to \$1,000,000	\$1,660.00
\$1,000,001 to \$1,500,000	\$1,850.00
\$1,500,001 to \$2,000,000	\$2,240.00
\$2,000,001 to \$2,500,000	\$2,480.00
\$2,500,001 and above	Price on Application

How do we lodge a builder's guarantee claim?

Full details of how and when to lodge a claim is shown in the insurance policy document.

Claims are lodged by phoning +64 9 307 3346 or emailing claims@archergroup.co.nz . Archer Group Limited is the Lloyd's Coverholder Representative in New Zealand for this business.

Who are Lloyd's of London?

Founded in 1688 in a coffee house in London, Lloyd's of London is the oldest and one of the largest insurance underwriters globally; underwriting insurance risks right throughout the world.

Lloyd's is recognised as the leading market for specialist insurances and the natural place for the HALO 10 YEAR RESIDENTIAL GUARANTEE INSURANCE SCHEME to be placed. Unlike many other insurance underwriters Lloyd's is not a company; it's an organisation where members join together as syndicates to insure risks.

Lloyd's financial strength comes from its unique capital structure, underpinned by its members, which provides excellent financial security to policy holders. Lloyd's currently has a financial rating of 'A+' (Strong) from Standard & Poors and an A M Best 'A' (Excellent) rating.

Who are Archer Group Limited?

Archer group Limited are what is known as a Coverholder at Lloyd's. AGL acts as the agent for Lloyd's in New Zealand for the HALO 10 YEAR RESIDENTIAL GUARANTEE INSURANCE SCHEME; issuing policies and managing claims on behalf of the Lloyd's syndicate who are the insures of the scheme.

Who are BrokerWeb Risk Services Limited?

BrokerWeb Risk Services Ltd the largest New Zealand owned insurance broking company with branch offices throughout New Zealand; with its head office in Auckland. The HALO 10 YEAR RESIDENTIAL GUARANTEE INSURANCE SCHEME will be serviced by the BWRS Tauranga office. It will also provide the interface with Archer Group Limited (as the Lloyd's coverholder) arranging the insurance covers and attending to claims on behalf of the CBANZ builder members.

Who do I contact if I have a query of the Halo 10 year Residential Guarantee Insurance?

In the first instance contact:

BrokerWeb Risk Services Limited on 0800 644 444