

THE ASUC*plus* WARRANTY SCHEMES

Introduction

ASUC*plus* has two warranty schemes both based on Latent Defects Insurance, and it is important to understand the differences behind varying Guarantees.

Insolvency guarantees – only operate if the contractor has ceased to trade and then still a client would have to prove negligence against the contractors' insurer which involves heavy legal expenses.

Company guarantees – often written for long periods say 20 years are completely worthless if the company ceases to trade and their insurances would not operate to settle a claim against them.

Latent defects insurance - also known as a 'first party policy' – this is what ASUC*plus* members operate and incept on behalf of their clients.

The key points of Latent Defects insurance are:

1. It is the building works that are insured not the person – thus freely transferable on sale.
2. It is not dependent on the contractor who carried out the work continuing to trade.
3. It is a direct contract, albeit incepted by the contractor, between the underwriting insurer and the building owner.
4. A latent defects cover operates where a claim is valid and there is no need to prove negligence.

ASUC*plus* operates two schemes

DIG - Defects Insurance Guarantee: period 12 years, this is used for underpinning, piling and foundations, and remedial structural repairs.

BIG – Basement Insurance Guarantee: period 10 years, as the name suggests is used for basement works in the domestic retro-fit market and can include waterproofing cover if required.



TEN GOOD REASONS FOR HAVING AN ASUC GUARANTEE

1. Exclusive to ASUC*plus* members and offer a unique opportunity to engage with an approved contractor that has been independently vetted on technical, insurance, health and safety, training and financial matters.
2. Warranties are considered to be better than collateral warranties and/or certificates of adequacy, because these require the continuance of professional indemnity (PI) cover at levels suitable for the contracts undertaken. If the company who undertook the work is not trading there is NO policy to claim under.
3. The cost of DIG or BIG will be included in the contract sum and is for 10 or 12 years as noted above , so any costs associated can be considered spread over the whole period, although the premium is paid at completion of the works.
4. No one expects their company to fail, but there have been some notable collapses of companies during the recession and construction companies often fail as the market comes out of recession and cash flow becomes a major issue for them.
5. For ASUC*plus* members, issuing DIG or BIG helps protect their balance sheet against a claim, costs associated with disproving negligence claims against them and enables the negotiation of reduced rates on their general basket of insurances: PI, products liability and the like.
6. Many clients including insurers, lenders and London estates have appreciated that engaging an ASUC*plus* contractor reduces their own risk management, because members are pre vetted and offer the guarantees.
7. At point of sale solicitor enquiries will reveal if underpinning of any form has taken place and trigger the question - is there a warranty?
8. Covers ALL the contract works and defects in workmanship or design.
9. Up to 25% of the contract sum is insured for consequential losses and alternative accommodation is also covered for up to 26 weeks.
10. Contract sum is index linked.

