# Construction defects Insurance

## Insurance Product Information Document

**Company: If P&C Insurance Ltd (publ), branch in Finland** **Product: Construction defect insurance**

Complete pre-contractual and contractual information on the product is provided in the Policy Document and in the Terms and Conditions.

**What is this type of insurance?**

Construction defects insurance is a type of surety that property developers must have in place when they first begin to sell new residential units to consumers. This insurance covers latent construction defects for which the property developer is liable in the event of the property developer's insolvency.

### What is insured?

- ✓ This insurance covers expenses incurred from investigating construction defects that are discovered in a housing company's residential, storage or utility buildings.
- ✓ The cost of repairing the defect and any damage caused to the building as a result of the defect is also covered.
- ✓ The cover extends to any extra housing expenses incurred by residents and their family members from not being able to use the residence due to the defect, damage caused by the defect or ongoing repairs.

This insurance only pays out for defects for which the property developer is liable and that the property developer is unable to rectify due to insolvency.

### What is not insured?

- ✗ Normal wear and tear.
- ✗ Improper use.
- ✗ Damage to residents' movable property.

### Are there any restrictions on cover?

General exclusions include the following, among others:

- ! This insurance does not cover defects discovered before the one-year inspection.
- ! Defects for which compensation can be sought from some other party, such as a supplier or a subcontractor, are not covered.
- ! As this insurance is a type of surety, there cannot be compensation unless the developer is insolvent.
- ! The policy is subject to a deductible equal to 2% of the original cost of construction in the case of defects discovered in structural components the maintenance of which is the company's responsibility and to a deductible equal to 1.5% of the original debt-free purchase price of the residential unit in question in the case of defects discovered in structural components the maintenance of which is the resident's responsibility. The applicable deductible depends on the division of responsibilities as stipulated in the Limited Liability Housing Companies Act.
- ! The sum insured is 25% of the original cost of construction across the entire insurance period for all shareholders and the company together.
- ! Temporary housing expenses are covered for up to six months per residential unit.
- ! Both the deductibles and the sum insured are subject to indexed annual increases.

## Where am I covered?

✓ This insurance is valid at the address specified in the Policy Document.

## What are my obligations?

✓ Providing accurate and complete information about the development when entering into the contract.

✓ Supplying reports of the following inspections to the insurance company:

- Final inspection
- Acceptance inspection
- Guarantee inspection
- One-year inspection

✓ Telling the insurance company promptly of any mistakes or omissions that I notice and that may have a bearing on the policy (policyholder).

✓ Promptly reporting any construction defects that I notice to the insurance company (residents and representatives of the company).

✓ In the event of a loss, providing the insurance company with all the information necessary to process the claim (owners of units and representatives of the company).

## When and how do I pay?

✓ The premium must be paid in advance for the full insurance period. The policy takes effect once the premium has been paid and the insurance company has issued a certificate of insurance.

## When does the cover start and end?

✓ The policy is effective from the date of the one-year inspection or the date by which the one-year inspection should, by law, have been held.

✓ The policy expires automatically 10 years after the date of the commissioning inspection.

## How do I cancel the contract?

✓ As this insurance guarantees the rights of a third party, the policyholder cannot cancel the contract once the certificate of insurance has been issued and the residential units have been offered for sale.