

Inherent Defect Insurance Policy - Prospectus

INTRODUCTION

This Policy provides protection against the cost of repairing, restoring or strengthening of the insured building if the “ Damage” is caused by an “ Inherent Structural Defect”.

The cover is only offered for new buildings or civil structures.

SCOPE OF COVER

“Damage” means total or partial collapse of a building’s load bearing structure or a condition requiring immediate remedial action to prevent such a collapse.

Inherent Structural Defect is a defect which existed prior to the date of issue of the “Taking Over Certificate” however was not, or could not have been discovered prior to that date. It includes design, workmanship and material defects.

The Policy cover commences at the completion of the project and the maximum policy period that can be opted by the Insured would be 10 years. The period of 10 years is recommended as 99% of the defects manifest within 10 years of construction. The Insured also has an option to opt for a period less than 10 years but this will deprive the Insured of the full benefits as Inherent Defects insurance

The building needs to be covered before the start of the construction since technical inspections during construction are a critical feature for the success of this product. But in exceptional cases cover can be provided for buildings where piling works is in progress or just completed provided there is evidence available that the building design and quality conforms to the desired standards.

During the course of construction, underwriters appoint an Independent Technical Inspection Service to carry out monitoring activities on quality of the building. These range from sample design checks to witnessing some tests at site.

After all the technical inspection reports are submitted, the Technical Inspection Service Company is allowed to issue a “Certificate of approval” that the risk offered is a normal risk and may be accepted by the Insurers.

INHERENT DEFECTS INSURANCE policy has overlap with “Maintenance Period” of a construction policy which is normally one or two years. The coverage under INHERENT DEFECTS INSURANCE policy covers consequences of faulty material, workmanship and design happening anytime before the issue of Taking Over Certificate, including the design phase and manifesting for a period of ten years post construction. The coverage also includes the cost of relieving the defective part. Hence INHERENT DEFECTS INSURANCE policy is much wider and longer in time, making it a more comprehensive cover.

SALIENT FEATURES OF THE PRODUCT :

- **First Party Policy** - No Blame game as this is a first party policy, which implies that in the event of the claim this policy can take precedence over any contractual or legal rights. (subject to Subrogation and Modification of rights as per the policy wording).
- **Assignable** - This policy is assignable during the ten year period which means that the subsequent owners of the property will be assigned the rights of this policy.
- **Advantageous over Traditional policies –**
 - o Inherent defects not covered under the traditional policies of Engineering, Fire and Professional Indemnity.
 - o Recourse under the law of contract or law of tort is expensive, tedious, and only a first step to recovery.
- **Improves Quality –**
 - o Technical inspection by independent engineers improves quality
 - o Stronger Letting position for developer and at rent renewal negotiations

MAIN EXCLUSIONS

Insurers shall not be liable for Loss arising from or consequent upon the following regardless of any other cause contributing concurrently or in any other sequence to the Loss:

- (a) Inherent defects of material, workmanship, design, plan or specification of:
 - (i) Internal Components, Fittings, Installations and Contents;
 - (ii) External Components;
- (b) Use of the Insured Property for any purpose other than that for which it was intended and/or as stated in the Schedule including but not limited to loading by any weight greater than that for which the structure of the Insured Property was designed for;
- (c) Inadequate maintenance;
- (d) Fire, lightning, explosion;
- (e) Flood, inundation, storm surge, earthquake, tsunami, volcanic eruption, frost, drought;
- (f) Wind, Precipitation, Groundwater and/or water of any origin, unless the primary cause is collapse of the Insured Property caused by an Inherent Structural Defect;
- (g) Subsidence, ground heave, landslip, unless the primary cause is an Inherent Structural Defect;
- (h) Pressure waves caused by aircraft or other aerial devices travelling at subsonic or supersonic speed;
- (i) Wear and tear, corrosion, oxidation, deterioration, ageing, change in colour or texture, discoloration and/or staining;
- (j) Alterations of geological conditions, including but not limited to changes of the Groundwater level or flow, whether due to a natural event or man made, suffered after the Date of Issue of the Taking-Over Certificate;
- (k) Any additions to or alterations or modifications of the Insured Property made after the Date of Issue of the Taking-Over Certificate;
- (l) Any consequential or economic loss or damage of any kind, including but not limited to loss of use, loss of rent, penalties;
- (m) Any defect or deficiency referred to as a reservation in the Certificate of Approval, unless such defect or deficiency has been subsequently rectified and the approval of such rectification has been confirmed to Insurers in writing by the Technical Inspection Service;
- (n) Any outstanding work or known defect of which the Insured is aware at the Policy Coverage Inception Date, including but not limited to any such work or defect recorded in the Taking-Over Certificate, unless such work has been completed and/or such defect has been remedied and Insurers have been advised thereof in writing by the Insured;
- (o) The failure or omission of the Insured to substantially undertake the repair, replacement or strengthening of those parts of the Insured Property for which indemnity is provided under this Policy within a reasonable period of time or such other period of time as may be agreed in writing by Insurers;
- (p) Any loss of or damage to ground or property other than what is specified in the Schedule as Insured Property;
- (q) The use of any unproven and/or non standard and/or innovative material or product, unless:
 - (i) It has been certified by a recognized national or international organisation, and
 - (ii) Such certification has been made available to the Technical Inspection Service and Insurers, and
 - (iii) Insurers have confirmed in writing their approval of such use;
- (r) Any alterations, additions or improvements except as otherwise provided for in this Policy;
- (s) Any defect notified by the Insured within the Defects Liability Period, unless the contractor’s business be wound up or carried on by a liquidator or receiver or be permanently discontinued.

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GENERAL EXCLUSIONS

- (a) War and Allied Perils
- (b) Extended Nuclear Risks
- (c) Willful Acts and Gross Negligence
- (d) Terrorism

(Pls refer to the Policy wordings for detailed conditions and General Exclusions.)

MINIMUM PREMIUM

About 30 % of the insurance premium is collected at the beginning of the construction project and 70% of the premium is collected at the beginning of the policy coverage period.

The Technical Inspection Service fee is collected at the start of the construction and it is proposed that this inspection fees be paid by the insurers to the Technical Inspection service after collecting it from the Insured.

The premium will be derived basis , type of Occupancy such as Residential, commercial building, bridges etc, Number of storey, site Location , Geological characteristics, quality of construction anticipated, , topography, foundation type, proven methods or unproven methods deployed, Contractors / Designers reputation, past loss experience of contractor preferably with past loss mitigation measures undertaken etc.

Indicative minimum premium is Rs.5,00,000/- +Service tax.

CANCELLATION

The Insured can cancel the policy at any time during the policy term, by informing the Company. The Company can cancel the policy only on the grounds of established fraud, by giving minimum notice of 7 days to the Insured. The Company shall refund proportion premium for unexpired policy period subject to no claim(s) made during the policy period.

FOR MORE COMPLETE DESCRIPTION OF COVERAGE / EXTENT THEREOF AND EXCLUSIONS PLEASE REFER TO THE POLICY WORDING.

CLAIMS INTIMATION

In the event of loss of an insured event the insurance company must be informed immediately.

Our contact details are as follows:

Toll Free Helpline 022-6234-6234

GRIEVANCE REDRESSALPROCEDURE

If you have a grievance that you wish us to redress, you may contact us with the details of your grievance through:

Our Grievance Redressal Officer

- **Call Centre** - 120 6234 6234 / 022-6234 6234
- **Emails** – grievance@hdfcergo.com
- **Contact Details for Senior Citizens:** 022 6242 6226 | **Email ID:** seniorcitizen@hdfcergo.com
Designated Grievance Officer in each branch.
- **Company Website** – www.hdfcergo.com
- Courier - Any of our Branch office or corporate office

You may also approach the Complaint & Grievance (C&G) Redressal Cell at any of our branches with the details of your grievance during our working hours from Monday to Friday.

If you are not satisfied with our redressal of your grievance through one of the above methods, you may contact our Head of Customer Service at

**The Complaint & Grievance Redressal Cell,
HDFC ERGO General Insurance The Company Limited
D-301,3rd Floor, Eastern Business District (Magnet Mall),
LBS Marg, Bhandup (West),
Mumbai – 400078, Maharashtra**

In case you are not satisfied with the response / resolution given / offered by the C&G cell, then you can write to the Chief Grievance Officer of the Company at the following address

**To the Chief Grievance Officer
HDFC ERGO General Insurance The Company Limited
D-301, 3rd Floor, Eastern Business District (Magnet Mall),
LBS Marg, Bhandup (West),
Mumbai - 400078, Maharashtra
e-mail: cgo@hdfcergo.com**

Grievance may also be lodged at IRDAI Integrated Grievance Management system- <https://bimabharosa.irdai.gov.in>

You may also approach the nearest Insurance Ombudsman for resolution, if your grievance is not redressed by the Company. The contact details of Ombudsman offices are below if your grievance pertains to:

- Insurance claim that has been rejected or dispute of a claim on legal construction of the policy
- Delay in settlement of claim
- Dispute with regard to premium
- Non-receipt of your insurance document

You may also refer Our website www.hdfcergo.com <https://www.hdfcergo.com/customer-voice/grievances> for detailed grievance redressal procedure.

DISCLAIMER: THE ABOVE IS DESCRIPTIVE ONLY. THE ACTUAL TERMS AND CONDITIONS CAN BE FOUND IN THE POLICY DOCUMENT. INSURED'S ARE ADVISED TO READ THE POLICY DOCUMENT COMPLETELY FOR A FULL DESCRIPTION OF THE TERMS AND CONDITIONS OF COVERAGE AND THE EXCLUSIONS RELATING THERETO. IRDA Reg No. 125 Form No./UID No. 535

PROHIBITION OF REBATES

Section 41 of the Insurance Act 1938

1. No person shall allow or offer to allow, either directly or indirectly as an inducement to any person to take out or renew or continue an insurance in respect of any kind or risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept any rebate, except such rebate as may be allowed in accordance with the prospectus or tables of the Insurer.
2. Any person making default in complying with the provisions of this section shall be punishable with fine, which may extend to **Ten Lakh** rupees.