

Decennial Liability Insurance

This special form of cover for buildings originated in France. Buildings are insured against total or partial collapse for a period of ten years (hence the term “decennial”) following their completion, provided that the loss is attributable to a defect or fault in the performance of one of the parties involved in construction during the construction phase. This form of long-term cover has only become established in a few markets and is normally limited to buildings, including high-rise buildings. The scope of cover varies. The commonest extended cover includes leaks in under-ground levels, facades and the roof, which can prove problematical due to the frequently unknown long-term performance of seals and the highly complex, cost-intensive repairs.

A distinction is made between countries, such as France, in which this cover is obligatory and markets, which only offer this form of cover in isolated cases. Technical inspection of the construction work by an independent inspection agency or engineering office is normally essential before decennial liability cover can be granted. The availability of such cover is dependent on this agency or office having submitted a satisfactory final report stating that it has no reservations as regards the stability of the high-rise building.

The principal is the insured party and also beneficiary in the event of a loss. However, the insurer can also seek recourse from contractors, subcontractors and suppliers if they can be held liable for the loss.

Due to the long period of liability, insurers must make adequate provisions with regard to administration and when carrying forward reserves.