

Building Act 2004 - Licensed Building Practitioners New Exposures For Building Trades

Vero Liability is pleased to announce its response to new exposures for Licensed Building Practitioners (LBPs).

The new provisions of the Building Act 2004 come into force on 1 March 2012. Full details of the LBP scheme are available on the Department of Building and Housing website www.dbh.govt.nz/lbp

Many policies are unlikely to respond to the new exposures for building firms and trades people. These new liabilities are well described in a report commissioned by Vero Liability Insurance Limited (VL) from its legal advisers, Gilbert Walker. This is available to you by clicking on this link: [Gilbert Walker Report](#)

It is important to note that this opinion was commissioned strictly for the benefit of VL and may not be relied upon by any other party.

VL is offering cover for the new liabilities under its Statutory Liability and Public Liability policies (including LegalEdge and SME products).

An additional premium will apply and a supplementary declaration form must be completed.

Statutory Liability

The amended Act provides for:

- new statutory offences with a maximum fine of \$20,000
- a complaints process to a statutory board

VL acknowledges that the Building Act is, implicitly, an insured 'Act' under its standard Statutory Liability policy but the functions of an LBP are deemed by VL to be a separate business activity which must be declared and agreed.

The key to applying for and explicitly effecting the cover is that the Business Description **must** include 'Licensed Building Practitioner'. You must instruct us specifically to this effect and a completed [supplementary declaration](#) must be submitted for mid-term endorsements and also for new business and renewals.

The endorsement that will apply can be viewed by clicking on this link: [SL Endorsement](#)

Significant features of this endorsement wording:

- the Insured can be a sole LBP or a firm employing LBPs
- it applies to restricted building work carried out by the Insured only
- costs inclusive limit of \$100,000 in the aggregate
- costs inclusive excess of \$1,000
- prosecutions will only be made against individual tradesmen, but the three-part Insuring Clause in the Statutory Liability policy will accommodate any indemnification from an employer
- the definition of Defence Costs in policies will cater for representation at complaints hearings
- this is a 'claims made and reported' cover
- no cover if no relevant current licence held

Additional premium will apply. Refer to your VL Underwriter for details.

Public & Products Liability and LegalEdge & SME Packages

The building industry perceives that the LBP regime will lead to an increase in claims against builders for third party financial loss arising from errors and omissions in the performance of restricted building work.

VL can offer a solution for the defence and settlement of such claims.

An errors and omissions cover is available as an extension to its Public Liability policy (including the Legal Edge and SME products).

This extension is available to building firms who employ LBPs and to individual LBPs, on application only, with a completed [supplementary declaration](#)

The extension wording which will apply can be viewed by clicking on this link: [PL Extension](#)

Significant features of the extension wording:

- the Insured can be a sole LBP or a firm employing LBPs
- covers third party claims for financial loss by way of damages

- covers Defence Costs
- costs inclusive limit of \$250,000 and in the aggregate
- costs inclusive excess of \$2,500
- it applies to restricted building work carried out by the insured only
- no cover if no relevant current licence held
- this is a 'claims made and reported' cover
- includes cover for past employees
- excludes claims under guarantees or warranties or failure to complete work on time or to an agreed standard

Additional premium will apply. Refer to your VL Underwriter for details.

NOTE: This cover is designed specifically for 'trades' licence holders and their employers. For Architects and Registered Engineers who hold Design and/or Site Licences we would expect that their existing Professional Indemnity policy would operate with an amendment in the Business Description to include 'Licensed Building Practitioner'.

Summary

The legislation coming into effect on 1 March 2012 has been watered down considerably since it was introduced in 2006, but there are still uncertainties as to how it will play out not only within the insurance industry but more particularly within the building industry at large.

VL will continue to monitor the developments after this legislation is introduced and provide simple solutions to accommodate this evolving area of risk.

Please feel free to discuss any aspects with your preferred VL underwriter. We would welcome your enquiry and will be only too pleased to assist wherever we can.