

DELHI DEVELOPMENT AUTHORITY

GUIDELINES FOR DECENNIAL LATENT DEFECT LIABILITY

A. Preamble:

Whereas, the Real Estate (Regulation and Development) Act, 2016 (RERA), provides that any structural defect or any other defect in workmanship, quality or provision of services or any other obligations of the promoter as per the agreement for sale relating to such development is brought to the notice of the promoter within a period of five years by the allottee from the date of handing over possession, it shall be the duty of the promoter to rectify such defects without further charge, within thirty days, and in the event of promoter's failure to rectify such defects within such time, the aggrieved allottee shall be entitled to receive appropriate compensation in the manner as provided under RERA.

Whereas, Clause 2. 10 of the Unified Building Bye-Laws (UBBL) 2016 provides:

- a) the following shall be held liable at the time of release of sanctioned building plans/s, in all risk category of buildings having plot area 750 sqm after it is in use
 - i. Architect.
 - ii. Structural Engineer.
 - iii. Site Supervisor/ Site Engineer.
 - iv. Developer/Landowner/ Construction Company including contractor / sub-contractor.
- b) The above mentioned professionals and the Developer/Landowner/ construction company including contractor/ sub-contractor shall take decennial professional liability insurance to cover for such liability, *subject to such guidelines as may be prescribed from time to time.*

Whereas, Decennial Latent Defect Liability Insurance Policy (DLDLIP):

- i. provides a risk transfer mechanism to the Promoters / Developers / Landowners / Occupants for transferring the financial consequences of faulty-material, faulty-workmanship, faulty-design in *Structural Components* which threaten the stability of the building due to a *Latent Structural Defect* to the insurance companies.
- ii. provides a cover to the professionals engaged for a construction contract in respect of their professional conduct and services;
- iii. provision for Technical Inspection from the Insurers during the course of construction to establish that the risk is a normal risk, and this will immensely help the quality of construction in the country.

Accordingly, as per the clause 2.10 of the UBBL 2016, Delhi Development Authority has formulated these Guidelines which shall be applicable to the area under the jurisdiction of the concerned Sanctioning Authority and for all the purposes the provisions of UBBL 2016 shall be followed.

B. Guidelines:

I. Definitions

In these Guidelines, unless the context otherwise requires:



- (i) *“Approved”* means Approved by the concerned Sanctioning Authority.
- (ii) *“Sanctioning Authority”* means the Authority having jurisdiction, i.e., the Delhi Development Authority, New Delhi Municipal Council, South Delhi Municipal Corporation, North Delhi Municipal Corporation, East Delhi Municipal Corporation, Delhi Cantonment Board.
- (iii) *“Building”* means any structure for whatsoever purpose and whatsoever material constructed and every part thereof whether used as human habitation or not and includes foundation, plinth walls, floors, roofs, chimneys, and building services, fixed platforms, verandas, balcony, or projection part of a building anything affixed thereto or any wall enclosing or intended to enclose any land or space and signs and outdoor display structures, monuments, memorials or any contrivance of permanent nature/stability built under or over ground.
- (iv) *“Building Permit”* means the consent of the concerned Sanctioning Authority conveyed by way Grant of Sanction in Form B-1 or Occupancy-cum-Completion Certificate in Form D-1 as per UBBL 2016.
- (v) *“Latent Structural Defect”* means any defect or deficiency or flaw in the Structural Components attributable to errors, faults or omissions in design, calculation, specification, workmanship, materials, geological investigation or the interpretation thereof or to otherwise adverse conditions of rock or soil supporting the Insured Property or to a combination thereof, provided such defect or deficiency existed and was undiscovered at the Date of Issue of the Taking-Over Certificate or Occupancy cum Completion Certificate .
- (vi) *“Structural Components”* mean all load-bearing parts of the Insured Property essential to the stability or strength of the Insured Property being foundations, pillars, bearing walls, beams, slabs, floors, staircases, external walls, external cladding and roofing, but excluding any item defined as Internal Components, Fittings, Installations and Contents or External Components.
- (vii) *“Decennial Latent Defect Liability (DLDL)”* means liability arising out of Latent Structural Defect discovered or which becomes apparent during a period of 10 years from the date of issue of the occupation cum building completion certificate issued by the Sanctioned Authority.
- (viii) *“Professional in a construction contract”* in addition to the professionals defined in clause 2.10 of UBBL 2016, i.e., architect, engineer, structural engineer and supervisor, include geotechnical investigator, surveyor, consultant or any other professional providing professional advice / service in relation to a construction project.

II. Types of insurance to be taken:

- a. Decennial Latent Defect Liability Insurance Policy (“DLDLIP”) which would be First party policy and project specific, and
- b. Decennial Professional Liability Insurance Policy (“DPLIP”) which would not be project specific.



III. Latent Defect Insurance Matrix:

Policy name	Who will purchase	Insured Entity	Sums Insured	When to purchase	Duration of the policy liability	When to mandatorily submit to the Sanctioning Authority
DLDLIP	Developer, landowner, construction company including contractor/ subcontractor of any tier.	The concerned non-certified Professional in a construction contract	At the Date of Policy Coverage Inception, the Sum Insured of the Insured Property shall correspond to the Estimated Value of the Insured Property at that date including costs of construction, design.	Prior to start of the construction activity at the site.	for a period of 10 years from the date of receipt of the Occupation cum completion certificate.	At the time of sanctioning of the plans and drawings.
DPLIP	Each professional in a construction contract to buy for himself/itself an annual policy	The concerned non-certified Professional in a construction contract	Two times of the last two-year average financial year turnover.	At the start of the financial year but not later than start of the professional activity.	for a period of 10 years from the date of receipt of the Occupation cum completion certificate.	At the time of sanctioning of the plans and drawings.

Note:

- i. In case of part occupancy cum completion certificate the DLDLIP shall be applicable from the date of the certificate issued for that part.
- ii. In case of any material change of risk (not limited to FAR / FSI / BUA increase, change of purpose of use) the insured shall seek an insurance endorsement and submit the same to the sanctioning authority.

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- iii. The Defects Liability Cover (extended maintenance) cover under the Contractors All Risk policy shall not substitute the Decennial Latent Defect Liability Cover.

IV. Revocation of Building Permit:

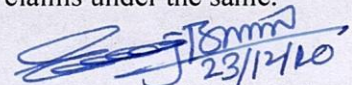
- (i.) Upon the revocation of the Building Permit by The concerned Sanctioning Authority, as per sub-clause 9.1 UBBL 2016, the concerned Sanctioning Authority shall in writing inform the Developer / Owner / Promoter and the Insurer of such revocation as per provisions of UBBL 2016.
- (ii). In case of revocation / suspension of DLDLIP and DPLIP by the insurer, the Insured Party shall forthwith inform the concerned Sanctioning Authority in writing of such cancellation and shall ensure the DLDLIP or the DPDLIP, as the case may be, is restored without any break.

V. Purchase and operability of Insurance Policies:

- (i). The insurance policies shall be purchased from any Insurance company with specific products registered with the IRDAI. Following an indemnifiable loss, the Insurers of the policy under DLDL may seek subrogation from the Insurers of DPLIP loss in proportion to the respective established liability.
- (ii). The Insured entities shall cooperate and render all assistance as and when required with the Technical Inspectors during the construction phase to minimize the Latent Structural Defects.

VI Savings

The compliance of terms and conditions of the insurance policy shall be a pre-requisite for any indemnity under the said policies and the concerned Sanctioning Authority shall in no manner be responsible for recovery of claims under the same.


23/12/10
Director (Bldg)DDA

