

# Latent Defects Insurance

For Property Developers and Builders

Latent Defects Insurance (LDI) provides property owners with 10 years of insurance protection against physical damage arising from an inherent defect.

The security provided by a LDI policy can help to make your building more attractive to investors and accelerate sales. An LDI policy will generally cost much less than the current 2% Developer Bond.

In NSW, the Strata Scheme Management Act 2015 Section 208 requires all developers to pay a bond on completion of any class 2 building.

In late 2022, the NSW Government approved an application for the Resilience Latent Defects Insurance product to be listed as an alternative to the Developer Bond. It is currently the only product with this approval in place.

## Improving Buyer Confidence

Latent Defects Insurance offers buyers a new level of protection and certainty in their property investment.

According to a 2022 McCrindle Report commissioned by the NSW Government to measure buyer confidence in class 2 residential properties:

- 30%** were confident purchasing medium to high-density property
- 64%** of respondents were concerned about defects
- 74%** said they would be more confident with LDI policy in place
- 49%** were prepared to pay more for a property with LDI in place

In addition to providing 8 years extra coverage over the Developer Bond, an LDI policy provides your buyers with a greater degree of certainty around build quality, due to the technical quality assurance inspections involved in obtaining the cover.

## Understanding LDI

LDI provides cover for the cost of repairing, replacing, and reinforcing the insured structure, where a covered inherent defect is detected within the insurance period.

It will also typically provide cover for Temporary Accommodation, Waterproofing, Removal of Debris, Professional Fees & Reinstatement costs, up to the policy limits.

Though LDI is purchased by the developer, the policy is transferred to the owners corporation at practical completion, providing direct access to the insurance product for lot owners.

This alleviates the requirement to sue the builder for structural and/or waterproofing defects.



For further information, or an indicative quote, scan the QR code.

