

What is an Insurance Backed Guarantee?

What exactly is an "Insurance Backed Guarantee"? Who can apply for such? For which applications can it be requested? Who can benefit from this? How can I obtain such a Guarantee?...

*All questions that we frequently get at **SCICON worldwide bvba**, hence this brief explanation on this topic.*

Without an Insurance Backed Guarantee

Let's first take a look at what can happen when a coating- or renovation-project is done under 'standard contracting-warranties' in the event a premature failure occurs within the warranty-period:

- The Owner will notify the contractor that a premature failure has occurred, at which point the contractor will most likely invite the coating-manufacturer to come and take a look at the problem at hand as well.
- Hopefully for the Owner, the contractor involved at the time of the project, still exists at the time when the premature failure occurs, otherwise he may not have anyone left to address his claim to (and the same goes for the contractor towards the coating-manufacturer).
- In most cases, we see the 'warranty-period' having been defined properly (at the time of execution). However, in most cases the warranty-definition did not include what exactly is to be regarded as 'normal wear & tear' versus a 'premature failure'. So fairly quickly there will at least be discussion about this.
- If all involved parties still exist and it is feasible to bring everyone together to come and take a look at the problem at hand, then usually everyone will have their own interpretation of what has caused the damage, read: about the responsibilities, in which obviously all will defend their own proper interests. It speaks for itself that there will be little 'neutral arbitration' in such cases.
- In the (rather unlikely) event that a product-related error can be determined, then the 'product-warranty' of the coating-manufacturer will kick in (if there was one) and if you look at most warranty-terms of coating-manufacturers, they will supply new paint to cover for the repairs of the damage. Which obviously does not cover for the actual repair-works themselves...
- If the smoking-gun points towards the contractor, then the Owner can only hope that the contractor will have sufficient financial resources to go out & repair the failed coating (because his other/normal insurances will typically NOT cover such failures, see also below).
- In brief: in the event of a premature failure it is very likely that either no amicable solution will be found, or that all involved parties (Owner, Contractor, Coating-Manufacturer, ...) will end up having to pitch in hoping to come to some sort of commercial solution. In both cases, it can easily take several months, if not years, before a premature failure actually gets repaired, which in the mean time can only increase the extent of the damage.

WITH an Insurance Backed Guarantee

- Must be requested PRIOR to the start of the coating- or renovation-works, at which point **SCICON worldwide bvba** will make a technical evaluation of the feasibility of the requested guarantee.
- **SCICON worldwide bvba** will execute a number of unannounced spot-check inspections throughout the Works in order to safeguard the quality and minimize the risk of premature problems.
- In the event of a failure, the Owner notifies the Contractor, **SCICON worldwide bvba** or the Insurance-broker.
- The latter will appoint an independent expert who will come and assess the nature & extent of the damage to verify if the damage complies with the Insurance-Policy conditions (which also are defined before the start of the works).
- When the damage meets the Insurance Policy's criteria, then the Insurance-broker will provide for the funding to repair the damage(s) at hand, regardless of whether or not the Contractor or Manufacturer still exist or want to cooperate in the investigation.
- In short: a speedy, independent & expert treatment of the problem at hand.

What is an Insurance Backed Guarantee NOT?

A Insurance Backed Guarantee is NOT a Professional Liability Insurance, nor a Professional Liability after Completion-Insurance or a Jobsite Safety Insurance Policy.

Jobsite Safety Insurance Policy ()*

Such insurance will cover for damages to 'third parties during a construction- or job-site phase'. In other works ONLY when the works are still in progress AND only if the damages are incurred by a party not contractually involved in the project. For example, when a can of paint falls off a scaffolding onto a parked car (that does not belong to the Owner or Contractor).



Professional Liability after Completion ()*

Collateral damage, e.g. a production-outage, water-damage, etc... caused by the premature failing of a coating- or renovation-job typically falls under the "Professional Liability after completion" insurance.

As Owner, of course, you can only hope that the contractor who executed the work back then still exists and/or that he has good coverage of his "Professional Liability after Completion", because such damage will ONLY be refunded by the insurance-company IF the contractor still exists AND he currently still has such an insurance-policy running.



Professional Liability Insurance ()*

When a contractor or manufacturer makes a wrong proposal for a certain job, this typically falls under a Professional Liability Insurance.

But NOT the erroneous execution of the coating- or renovation-work itself, or the supply of faulty materials & products.

In short, IF the involved contractors and/or manufacturers have insured themselves properly & completely, the above insurances will, with some luck, pay for possible 'collateral damage', however will typically NOT cover for the repairs of the actual coating- or renovation-work itself (being the actual product- & application-cost).

Which is the reason why "Insurance Backed Guarantees" have been brought to life, to cover for the **product- & application-cost** (including any & all related secondary costs such as scaffolding, accessibility, etc...) It speaks for itself that Insurance Backed Guarantees will NEVER cover for collateral damage, which is supposed to be covered by any of the other above-mentioned Insurance-policies.

(*) The names of the above-mentioned insurances may vary from country to region, but typically these are the 'types' of professional insurances a company can & should obtain when selling professional products or services.

Insurance Backed Guarantee – the Pro’s & Con’s

What is so special about an Insurance Backed Guarantee that makes Owners, Contractors, Manufacturers, etc... opt for such an Insurance-policy?

The advantages

Suppose that a premature failure occurs in such an insured project within the warranty-period:

WITHOUT Insurance Backed Guarantee	WITH Insurance Backed Guarantee (I.B.G.)
First of all, the Contractor and/or Manufacturer will need to be notified about the premature failure.	The same applies with an I.B.G., only also SCICON worldwide bvba and/or the insurance-broker need to be notified as quickly as possible.
<p>If the Contractor and/or Manufacturer are not in business anymore, then the 'standard warranty' will also have vanished!</p> <p>If the involved parties still exist, then the Contractor will come on-site typically assuming that he carried out the works as per the Specifications and/or the Rules of Good Workmanship. Subsequently, the Contractor is likely to address the Coating-Manufacturer, whom will hopefully also dispatch a representative to come and take a look at the failure at hand.</p> <p>After this, typically a long & tedious discussion arises between Owner, Contractor & Manufacturer about what went wrong and who's responsible. A discussion that not seldom lasts months if not years (if they get resolved at all).</p>	<p>The Insurance-Broker will appoint an independent & specialized expert whom will visit the structure in order to determine:</p> <ul style="list-style-type: none"> • Determine the nature & extent of the damage • Investigate into the cause of the damage • Evaluate practical repair-methods <p>If the damage meets the definitions & criteria of the Insurance-policy (which was defined unambiguously), then the Insurance-Broker will immediately provide for the necessary funding to repair the damages at hand so that the remaining warranty-period can be completed.</p> <p>In this case, it is totally irrelevant whether or not the Contractor or the Product-Manufacturer is at fault, because the Insurance-Policy covers both product- & application-cost and the ultimate beneficiary in the policy is the Owner.</p>
<p>If the Product-Manufacturer recognizes a product-error (which happens only quite rarely, partly because product-errors are quite rare), then the Manufacturer will typically commit to supplying new products to repair the failure.</p> <p>However, this does not cover for the actual repair-costs involved.</p> <p>And in the event that the fault can unambiguously be attributed to the Contractor, he will hopefully be sufficiently financially sound to cover for the repair-costs.</p>	<p>The damage can be repaired in a couple of months time.</p> <p>Note that an Insurance Backed Guarantee through SCICON worldwide bvba also stands for independent & specialized third party inspection.</p> <p>Knowing that, at any given point in time, a knowledgeable inspector can & will look over the contractor's shoulder, typically increases the focus for quality with that contractor, which in itself is a better guarantee for quality.</p>
<p>Conclusion: Often long & difficult discussions with no guarantee whatsoever of any kind of repairs.</p>	<p>Conclusion: A quick, simple and more importantly PRACTICAL solution for a premature failure without any supplemental cost (except the exemption) to any of the parties involved.</p>

The disadvantages

In a best-case scenario, there was no premature failure on the insured objects throughout the warranty-period.

Granted, at that point you have paid an insurance-premium in vain, but it looks like the independent **third-party inspection** sure was **worth the investment**, not?

Do not hesitate to contact us back for further information regarding such Insurance Backed Guarantees. We have over 15 years of experience with such Insurance-policies for plenty of coating- & renovation-projects.