

Detailed Rules for the Implementation of Interim Measures for the Management of Latent Quality Defect Insurance for Housing Projects in Guangzhou

Article 1 These detailed rules are formulated to strengthen the management of various responsible parties to the latent construction quality defect insurance, facilitate the orderly functioning of the latent construction quality defect insurance system, and specify detailed operating procedures and working standards, to implement the *Interim Measures for the Management of Latent Quality Defect Insurance for Housing Projects in Guangzhou* (hereinafter referred to as “*interim measures*”).

Article 2 These detailed rules apply to the underwriting management, construction quality risk management, claims services, information platform management, etc. of latent quality defect insurance for new housing projects (including commercial residential housing, government-subsidized housing, and relocation housing) within the administrative division of Guangzhou. Insurance companies, risk management agencies, project developers, and relevant entities engaging in latent quality defect insurance for housing projects in Guangzhou should abide by the stipulations of these detailed rules.

Article 3 Building foundation and main structural engineering, as well as thermal insulation and waterproofing works, are within the basic underwriting scope; renovation works, water supply and sewerage projects, ventilation and air-conditioning projects, and electrical projects of buildings constitute mandatory supplementary insurance; “smart building” projects, building energy conservation works, and elevator projects are optional supplementary insurance. Whether optional supplementary insurance is covered or not shall be determined through negotiations between the project developer and the insurance company.

Article 4 The municipal competent authority for housing and urban-rural development shall be responsible for coordinating the implementation of the latent quality defect insurance system for housing projects in Guangzhou. Municipal and district-level competent authorities for housing and urban-rural development shall take charge of the progress and comprehensive management of latent quality defect insurance for housing projects within their jurisdictions according to the division of project management powers. Municipal and district-level planning and natural resources departments and local financial supervision departments shall assist in conducting the management of latent construction quality defect insurance in Guangzhou within their respective scope of official duties.

Article 5 The latent quality defect insurance for housing projects adopts a co-insurance model, with a consortium formed by one main underwriting company and no fewer than two subordinate underwriting companies. Among them, the main underwriting company must have the experience of serving as the main underwriting company of latent quality defect insurance for housing projects in two or more cities in China, with ten or more main underwriting cases. The share of the leading main underwriting company should not be lower than 50%, while the underwritten share and rights and obligations of each party to the consortium shall be defined in a consortium contract.

Insurance companies meeting the criteria for serving as the main underwriting company will be made public on the Guangzhou Construction Project Quality Insurance Information Management Platform (hereinafter referred to as “information platform”) upon confirmation by the competent authority for housing and urban-rural development. Before the information platform is put into operation, the municipal competent authority for housing and urban-rural development shall disclose information about main underwriting companies in the form of documents.

Article 6 For housing projects built using fiscal funds, the basic insurance coverage includes the main insurance and supplementary insurances, with the benchmark overall premium rate being 1.25%; for commercial residential housing, the premium rate, which must be no lower than 1.35%, shall be determined through negotiations between the project developer and the insurance company on an equal and voluntary basis, taking into consideration realities such as the overall quality conditions of the construction project, decoration standards, and the qualifications and credibility of entities participating in the construction.

For housing projects, the price in the general construction contracting contract shall be the basic premium factor. The contract cost serving as the basic premium factor for commercial residential housing shall be no lower than 90% of the reference cost of building construction projects released by construction project cost management departments of Guangzhou for the previous year or the latest time period. Insurance companies should not narrow the underwriting scope and lower the coverage through reducing constructed area, eliminating engineering costs of uninsured projects, and the like; they should not underwrite at a price lower than the normal market price, nor should they engage in unfair competition by imposing illicit fees.

Article 7 A single building with independent functions shall be deemed as one risk unit, while buildings with connected main structures shall be deemed as one risk unit. One risk unit shall correspond to one insurance policy. The project developer should not divide projects within a risk unit and insure them separately.

Article 8 The project developer should choose insurance companies meeting the criteria for serving as the main underwriting company made public on the information platform to provide latent quality defect insurance service for the residential property developed. Before the information platform is put into operation, the insurance company may be chosen from the list of insurance companies conforming to regulations in the document released by the municipal competent authority for housing and urban-rural development.

Article 9 The main underwriting company shall establish an IDI quotation management system to standardize quotations. When interested customers inquire about the price, the main underwriting company should quote the price to the customer in the form of a formal letter of quotation, which shall include without limitation the following content: the project name, location, constructed area, unit building and installation costs, total coverage of the project, benchmark premium rate, and the like; the letter of quotation shall be sent to the inquiring customer after signed by the person in charge of the IDI business department and affixed with the company’s seal, while informal means of quotation such as telephone, short message, e-mail, and WeChat are not allowed. As one

of the key official materials, the letter of quotation shall be uploaded to the information platform during the initial information input.

Article 10 The project developer seeking latent construction quality defect insurance should sign a latent construction quality defect insurance contract with the selected insurance company prior to handling construction permit formalities.

A project developer applying for the construction permit in stages should sign a latent construction quality defect insurance contract for the entire project with the selected insurance company prior to handling the formalities for the construction permit involving the structure.

During construction oversight clarifications, the construction quality oversight agency should check whether the project developer has purchased latent construction quality defect insurance as stipulated in the land-grant agreement. If the project developer is found to have dishonest behaviors, information about its dishonesty shall be recorded according to credit management authority.

Article 11 The main underwriting company shall choose companies specified in Article 12 of these detailed rules as the risk management agency, sign a risk management contract, and guide the risk management agency in adopting effective measures to strengthen quality control during the construction stage of housing projects.

The main underwriting company shall fulfill its responsibility to manage the risk management agency by establishing an evaluation system for risk management agencies to track, analyze, and evaluate the work of the risk management agency.

The main underwriting company shall issue a letter of authorization for risk management to the risk management agency, which shall be concurrently submitted to the project developer. The risk management agency shall enter the construction site to exercise risk management with the letter of authorization.

Article 12 Corporate organizations meeting one of the following criteria may serve as risk management agencies for latent construction quality defects:

1. Agencies possessing experience in managing large-scale construction projects and Class B qualifications for professional building construction project supervision or above;
2. Project management agencies possessing more than three years of experience in conducting construction project quality risk management in China and abroad entrusted by insurance companies, staffed with corresponding engineers as per professional requirements;
3. Other project management consulting agencies meeting criteria.

Article 13 After signing the risk management contract, the risk management agency should collect relevant data about the project to evaluate the quality risks of the project and formulate a risk management inspection plan.

Article 14 Prior to the commencement of construction of the project, the main underwriting company shall organize the risk management agency, project developer, and various parties participating in the construction of the project to convene a risk management clarification meeting. The risk management agency shall notify the project quality risks, means of quality inspection, cooperation duties of entities participating in construction, and the like, and form minutes of the meeting. Within seven working days after the quality risk management clarification meeting, the risk management agency shall

upload such materials as the preliminary risk analysis report and risk management plan to the information platform.

The project developer, construction contractor, and construction supervision company shall extend necessary support for the risk management agency to conduct risk management work.

Article 15 The risk management agency shall conduct on-site inspections as required by the risk management contract, and immediately upload the quality defects identified during inspections to the information platform in such forms as photos, videos, and textual descriptions.

The information platform will forward information about quality defects to the persons in charge of the project in the project developer, construction contractor, and construction supervision company. Upon receiving the inspection report forwarded by the information platform, the project developer should organize various parties participating in construction to rectify quality defects in time. The construction contractor should upload the image data such as photos and videos before and after the rectification of quality defects together with relevant explanations to the information platform within the time limit for rectification. Upon confirmation by relevant persons in charge of the project in the construction supervision company and the project developer, the risk management agency shall write it off online. Quality defects that fail to be rectified within the time limit shall be forwarded to construction quality oversight agencies by the information platform for follow-up handling.

The risk management agency shall compile the *Quality Risk Inspection Report* (hereinafter referred to as “*inspection report*”) immediately after the inspection, upload it to the information platform within three working days, and submit the written materials affixed with its seal to the insurance company. The inspection report shall include descriptions about the inspection, quality defects found in the inspection, recommendations for handling the defects, the recommended time needed for rectification, and an analysis of the risk of latent defects.

Article 16 Upon completion of the project, the risk management agency shall conduct a summary evaluation of the quality inspections and quality defect tracking during the implementation of the project, compile the *Final Quality Risk Inspection Report* (hereinafter referred to as “*final inspection report*”) to be uploaded to the information platform within five working days, and submit the written materials affixed with its seal to the project developer and the insurance company. The final inspection report mainly includes a summary of quality inspections, a summary of rectifications of quality defects, and the overall risk evaluation.

If the insurance company has pointed out quality defects of the construction project in the final inspection report, the project developer should organize relevant entities to conduct rectification in time. If substantial rectification has not been completed for quality defects, the project developer should not organize completion acceptance. The final inspection report shall serve as one of the bases for completion acceptance.

Article 17 The main underwriting company shall compile the *Notification of Latent Quality Defect Insurance for Housing Project*, which specifies the policy number, insurance liabilities, coverage, period, claims procedures, means of dispute settlement, etc.

When the owner handles move-in formalities, the project developer shall deliver the

Notification of Latent Quality Defect Insurance for Housing Project, together with the *Commercial Residential Housing Quality Assurance* and the *Commercial Residential Housing Instruction Manual*, to the owner.

Commercial Residential Housing Quality Assurance should include the following content: The project developer should state the name and contact number of the entity responsible for maintenance before the commencement date of the insurance period and the telephone number of the entity supervising the project developer; it should also state the name and contact number of the main underwriting company during the insurance period.

The project developer should make a written commitment regarding the above content in the *Purchase/Sale Agreement for Commercial Residential Housing Units (Pre-sale)* and the *Purchase/Sale Agreement for Commercial Residential Housing Units (In-stock)*, which shall be made public at the scene of the sale.

Article 18 Before the commencement date of the insurance liability period, the project developer, insurance company, risk management agency, and construction contractor shall conduct a joint inspection on the construction quality. The project developer shall urge the construction contractor to repair quality defects or damages identified; the party responsible for the delay shall be liable for compensating new losses incurred due to untimely maintenance. The insurance company shall not be liable for compensating the losses or extended losses due to failure to complete quality repairs. The insurance company is entitled to list items beyond repair or failing to meet specified requirements after repair in insurance exclusions.

Article 19 After the insurance liabilities have taken effect, any dispute over the liability of quality defects between the project developer and the main underwriting company, or dispute over whether the quality defects of the housing project belong to insurance liabilities between the owner and the insurance company, shall be settled through means stipulated in the contract.

Article 20 The municipal competent authority for housing and urban-rural development shall organize the development of the information platform and release the relevant data interfaces. Various main underwriting companies, risk control and management agencies, and project participating companies should upload data in time related to such aspects as underwriting information, risk management, case reporting, inspection, claims, and maintenance to the said information platform according to regulations.

The main underwriting company should report information in time about latent construction quality defect insurance and be responsible for the authenticity and accuracy of such information. The main underwriting company should appoint a specially-assigned person to take charge of the timely and fully uploading of underwriting, risk control, and claims data about latent construction quality defect insurance onto the information platform; the project co-insurance agreement and relevant insurance contract information of latent construction quality defect insurance should be fully uploaded onto the information platform within five working days after signing.

Article 21 The municipal competent authority for housing and urban-rural development and the banking and insurance regulatory commission shall strengthen the construction of the credit system, with a negative list system implemented for the

construction project quality insurance and risk control behaviors of insurance companies and risk control agencies (the negative list is shown in the appendix). Entities and persons with dishonest behaviors in the implementation of latent construction quality defect insurance should be recorded in the credit files per relevant regulations on top of regulatory measures taken according to law.

The municipal administrative department for construction shall list insurance companies and risk control and management agencies committing acts in the negative list more than twice in the catalog of enterprises with irregular operations. They shall be suspended from publicity on the information platform and underwriting new insurance policies for one year from the date of being deemed as having committed acts in the negative list.

Article 22 The insurance association shall organize the formulation of working rules for the quality risk management and claims service rules of latent quality defect insurance for housing projects to be followed by insurance companies and risk control and management agencies.

Article 23 These detailed rules shall be valid from December 24, 2020 to December 31, 2024.