

Master Build 10-Year Guarantee

Why do I need a guarantee?

Building a house or undertaking a major renovation is probably the biggest investment of your lifetime. The Master Build 10-Year Guarantee helps protect it. You will need to apply for the Guarantee as it is not automatic upon you hiring a master builder.

The Master Build 10-Year Guarantee is New Zealand's leading and longest standing guarantee and includes cover for loss of deposit and non-completion. It also provides cover for materials, workmanship and structural defects. The role of the Guarantee is to provide support if your builder cannot or will not complete your project. It is not there to resolve contractual disputes. These need to be resolved prior to a claim being lodged. Registered Master Builders can support you with this process, as we provide a free disputes resolution service for our builders and their customers.

While the vast majority of building projects go smoothly, we all recognise that sometimes things can go wrong. Guarantees provide the homeowner with protection if this happens. This will be an emotional and stressful time and while a Guarantee can't take all the stress away, it ensures a level of protection not provided by general insurance, the Building Act or Consumer Guarantees Act. Building guarantees are increasingly being requested by homeowners and are also required by most mortgage lenders. And when it typically costs less than 1% of the build cost for a new build, why wouldn't you protect your biggest investment?

In a June 2023 homeowner survey of nearly 1,500 customers, 92% stated having a Master Build Guarantee in place brought them peace of mind, and 72% would recommend it to someone they knew.

Aren't I covered under the Consumer Guarantees Act and the Building Act?

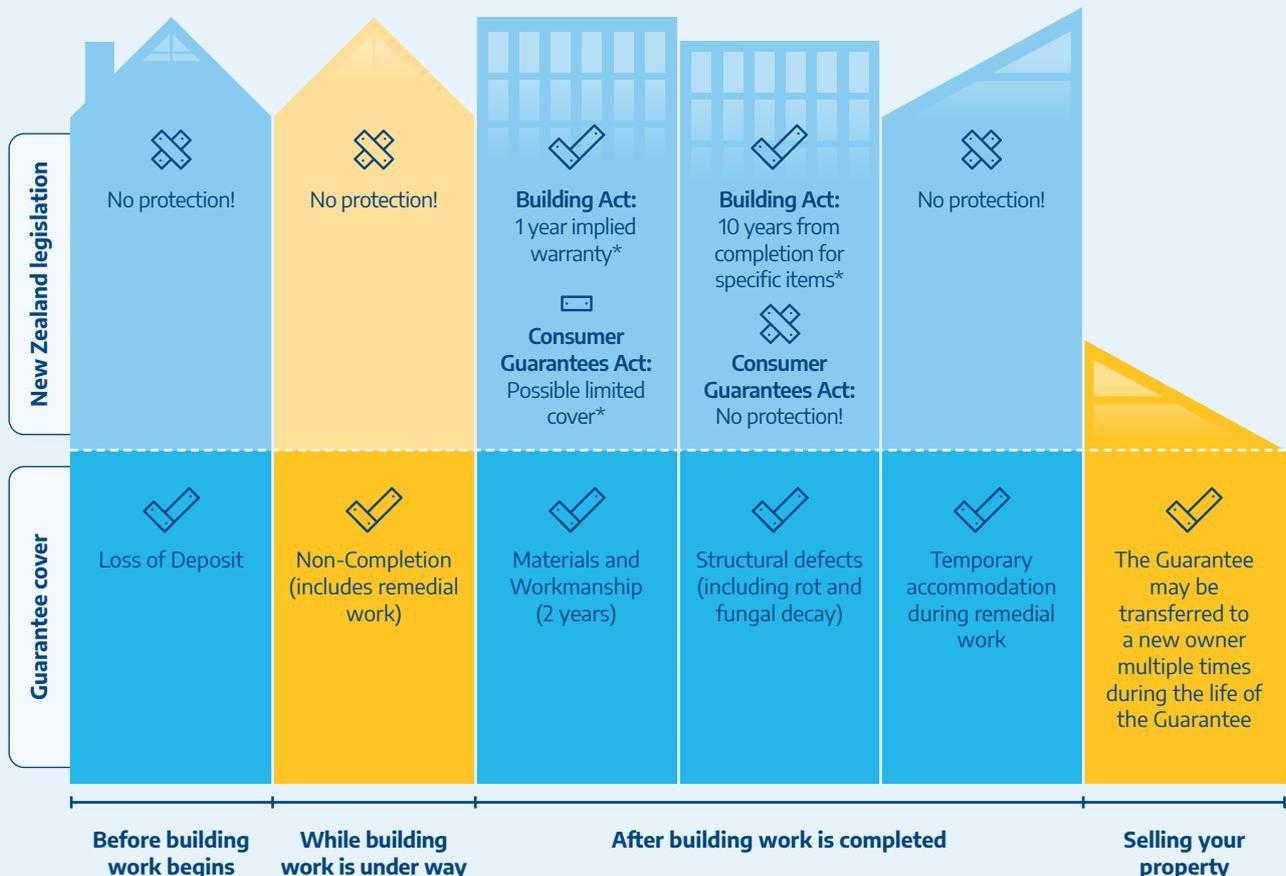
The Master Build 10-Year Guarantee provides much greater protection than both the Consumer Guarantees Act and the Building Act and provides cover not included by general house insurance.

Maybe most importantly, these acts provide no financial support if your builder goes out of business, resulting in no cover for loss of deposit or non-completion. The Guarantee provides cover if your builder is unable to complete your building work. It can also provide compensation if remedial work is required after practical completion, if your builder is unable or unwilling to address the defects. All Guarantee claims are subject to approval and the general terms and conditions of the Guarantee.

Under the Building Act your cover for materials and workmanship includes an implied warranty of one year but with a Master Build 10-Year Guarantee, cover is extended for two years. Most importantly, if your builder is no longer in business, without this Guarantee you won't be covered for structural defects or materials and workmanship. Cover under the Consumer Guarantees Act also becomes limited for materials and workmanship, and you won't be covered for structural defects.

If your builder's company is no longer operating, then its legal obligations under the Building Act can't be enforced. A Guarantee helps protect your investment regardless of whether your builder remains in business or not.

How does the Guarantee compare with New Zealand legislation?



* Remedies under the Building Act and Consumer Guarantees Act only apply if the building company is still trading.

Ensure you have independent legal advice

We strongly recommend all homeowners get independent legal advice when entering into a building project. Your lawyer should review your building contract and your guarantee. They should take you through these documents to ensure you know your rights and obligations, as well as those of your builder or master builder. Ideally find a lawyer who has some experience with construction projects, as they will be best placed to explain the contracts to you and identify the key risks you face. Remember this is one of, if not the, biggest investment you will ever make, and it is worth investing in good quality legal advice from the right lawyers.

Is the Guarantee an insurance product?

A Master Build 10-Year Guarantee is not an insurance policy, but a guarantee that includes insolvency protection. It provides cover for your build if it is established that your builder is unable or unwilling to finish the project or address defects.

The Guarantee can only be offered by a master builder. Our members are held to a high standard, and we carry out checks on application to review their financials, build quality, and customer service. We typically accept less than half of those who apply to be master builders.

With an insurance product, the relationship is traditionally between the consumer and the insurer. In general, a guarantee provides assurance that help is available if something goes wrong, whereas insurance provides an offer of compensation for loss. With a Master Build 10-Year Guarantee there are three parties involved – the consumer, their builder and Master Build Services. Master Build Services is the subsidiary of Registered Master Builders that manages the Guarantee. The vast majority of claims under the Guarantee are settled with the builder returning to site to address the issues. This is always our first course of action under the Guarantee.

What am I covered for?

Please note, this is a summary only – for the full details of cover, refer to your Guarantee booklet.

 <p>Loss of deposit \$50,000 or 10% of value of the building contract – whichever is less.</p>	<p>This provides cover up until permanent building work starts.</p> <p>We require the deposit to be no more than 10% of the build cost. The deposit allows your builder to undertake preliminary work, such as developing plans, consents, site set up, or purchasing materials to get the project underway.</p>
 <p>Non-completion \$500,000 or 20% of the value of the building contract, whichever is less.</p>	<p>Once permanent work begins on site, the cover moves from loss of deposit to non-completion.</p> <p>The schedule of payments agreed in the Guarantee contract ensures homeowners do not pay in advance for work not yet completed. This is an important requirement and provides protection for the homeowner.</p>
 <p>Materials and workmanship Total of all claims to be either \$1,000,000 or the value of the building contract, whichever is less.</p>	<p>This cover applies when your builder is unable or unwilling to remedy issues with the build, as it is outlined in your contract. This may include where the builder has not built something in the way it was specified, or it may be that issues raised during the final review of the home have not been addressed.</p> <p>You have cover for 2 years after practical completion.</p>
 <p>Structural defects (including rot and fungal decay) Total of all claims to be either \$1,000,000 or the value of the building contract, whichever is less.</p>	<p>This cover protects you if the work carried out by your builder results in structural defects to your home, including a failure of load-bearing functions.</p> <p>You have cover for 10 years from the acceptance date of the Guarantee.</p>
 <p>Temporary accommodation during remedial work Up to \$10,000.</p>	<p>If work is required once you have moved into your home, and you need to vacate, this cover provides for your accommodation costs where a claim is accepted.</p>

How does it work?

The Guarantee protects your deposit and covers you for non-completion of work and remedial issues.

We will investigate when you make a claim, including talking to your builder. There are then three possible courses of action we can take:

1 We will work with your builder to ensure they address the issues.

If they are unable or unwilling to address the issues:

2 We will find you a replacement master builder to finish the uncompleted work, and you will enter into a new building contract with them.

And/or:

3 We will pay you any money due to you under your claim.

The Guarantee does not cover contractual disputes between the homeowner and builder. It provides cover for your build if your builder is unable or unwilling to finish the project or address defects. Contractual disputes must be resolved before a claim can be accepted under the Guarantee. Registered Master Builders provides a free independent disputes resolution service to support you and your builder with any contractual disputes.

How do I get a Master Build 10-Year Guarantee?

The Master Build 10-Year Guarantee is not automatic upon hiring a master builder.

Your builder should discuss and offer you the Master Build 10-Year Guarantee. You can choose to apply for a Guarantee or you will need to sign a waiver if you decide not to apply for one.

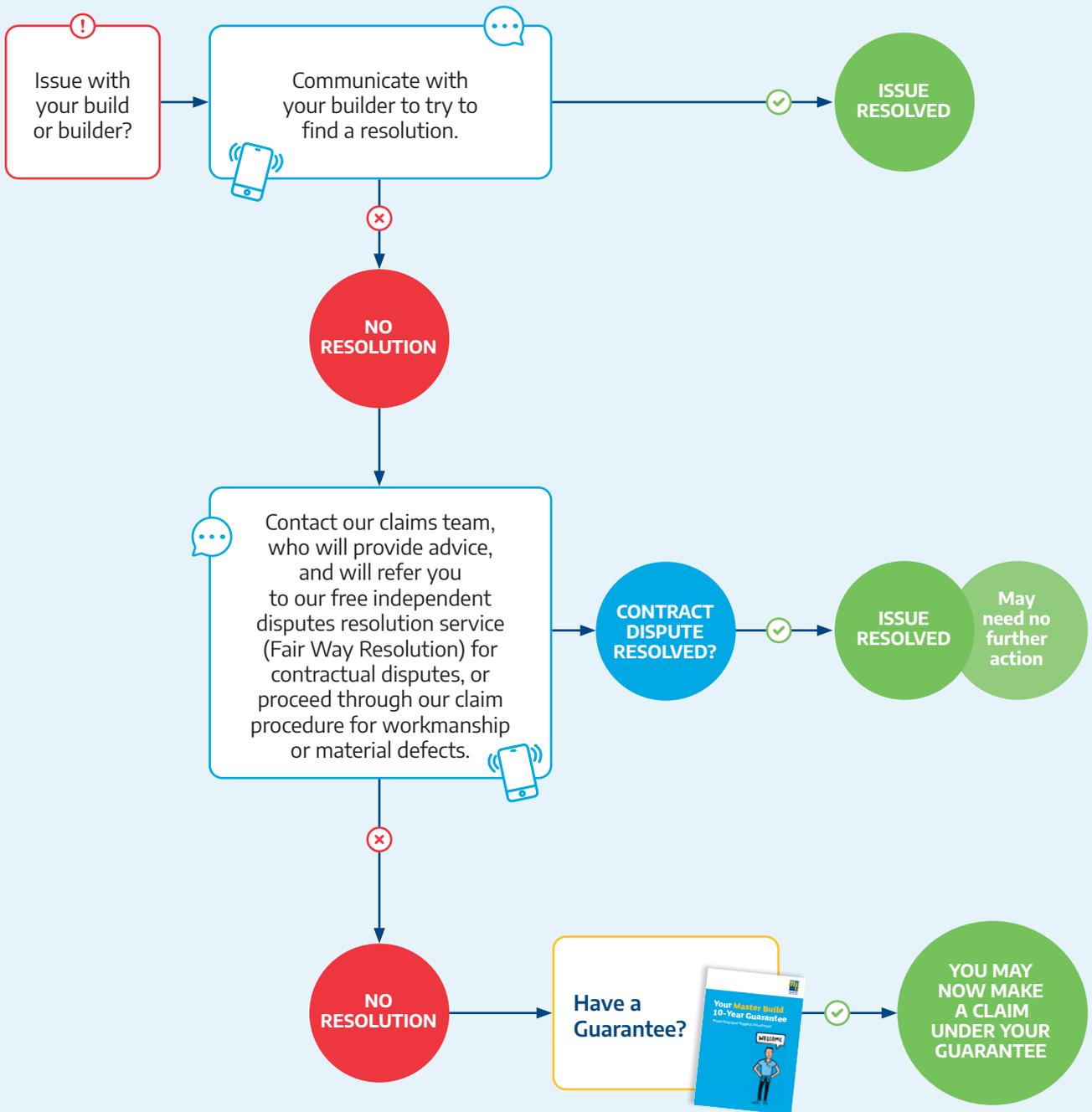
If you choose to apply, you and your builder will both complete the Guarantee application documentation and your builder will send it to Master Build Services – it must be submitted before work starts and within four weeks of the contract being signed.



Important notes:

- Read your contracts carefully – including the terms and conditions booklet for the Guarantee.
- Not every application we receive will be approved. An application will only be approved if Master Build Services is satisfied with the risk it is taking on. This includes reviewing deposits being sought and payment schedules.
- Even though it is your master builder's responsibility to send in the application, it is **your responsibility to contact us within 14 days** of signing your application if you have not heard from us regarding the status of your application. Not doing so means that, if we have not received the application and something happens with your builder, you are unlikely to be covered.

What happens if something goes wrong?



Referral to an independent disputes resolution service

If you have a contractual dispute, or significant disagreement with your master builder, contact us and our claims team will guide you through the process.

One option we have is to refer you to our free independent resolution service – Fair Way Resolution. They can help resolve issues arising from contract and construction issues such as communication, quality, payment, and design. Fair Way Resolution is one of New Zealand's leading dispute resolution and conflict management organisations.

This is voluntary and both parties must agree to take part. All discussions and documents are confidential to the process and are not able to be used in any other process (without prior agreement). This gives parties the freedom to discuss matters in dispute without concern that offers made in the spirit of resolving the dispute may be used elsewhere.

The facilitator is a neutral third party and does not take sides with either the homeowner or the builder, and they do not make decisions or provide legal advice. Rather, they encourage both homeowner and builder to provide options and solutions to reach a resolution.

We have found facilitated early discussions can help in moving the parties towards a resolution of their dispute.

The vast majority of disputes across the sector stem from a lack of communication in the contract stage. Please refer to our guide: **What to consider before you sign your building contract.**

The cost

There is no cost for early facilitation through Fair Way Resolution. This service is provided by Registered Master Builders to assist builders and homeowners to resolve issues and to get back on track at an early stage in a dispute.

What happens if agreement is not reached?

If agreement is not reached in early facilitation, Fair Way Resolution will issue a notice and outline next steps in the dispute resolution process. This may include mediation and adjudication.

Registered Master Builders, and its complaints procedure, cannot resolve contractual disputes. If you still have a dispute with a member, you are able to take further action as per your contract and this will likely include arbitration or legal action.

You can also make a code of conduct complaint. We will investigate all complaints made against a member where it is alleged that their conduct falls below that expected of a Master Builder. Our investigation process may result in that member being placed under review or expelled from the association.



I need to make a claim

When something goes wrong on a building project, it can be an emotional and stressful time. If the issue hasn't been resolved through direct discussion with your builder or Fair Way Resolution, you can make a claim on your Master Build 10-Year Guarantee.

It's important to know you are still in a contractual relationship with your builder both during and after the build process. If you believe there is an issue, contact us immediately on 0800 762 328 or email us at claims@masterbuilder.org.nz, and do not:

- ⊗ do any building work to fix the problem unless it is an emergency
- ⊗ cancel or make any variations to your building contract
- ⊗ make any further payments to your builder or other tradespeople.

Doing so could mean you are no longer covered by the Guarantee.

Timings for making a claim



**30
DAYS**

If you believe you have a claim under loss of deposit or non-completion, you must tell us within 30 days of becoming aware of the problem. It is important that you notify us as soon as you think there is a problem, so that we can assist. If you do not notify us within the time required it may prevent us from efficiently dealing with the claim, and you may not be covered under the Guarantee.



**90
DAYS**

If you believe you have a claim under materials and workmanship or structural defects, you must tell us within 90 days of becoming aware of the problem.

Commitments for best outcomes under the Guarantee



The builder

- ✓ Under contract law ensure all variations and product substitutions are discussed in advance and once agreed recorded in writing.
- ✓ Provide the homeowner with the terms and conditions booklet for the Master Build 10-Year Guarantee.
- ✓ Send Master Build Services the Notice of Practical Completion as soon as it is reached (signed by both parties).
- ✓ Submit the Guarantee application form once received.
- ✓ Attend to issues required under the Guarantee.



Registered Master Builders

- ✓ Continue to update our contracts to ensure they are fit for purpose in the changing environment.
- ✓ Provide support with homeowner queries and complaints.
- ✓ Provide a clear claims process. Be responsive to both the builder and homeowner, providing both parties time to respond to issues raised.

YOUR ROLE



The homeowner

- ✓ Discuss the Guarantee with your builder, and either apply or sign a waiver.
- ✓ Read your contracts carefully – including the terms and conditions booklet for a Guarantee.
- ✓ Call us if you haven't received your Guarantee within 14 days.
- ✓ Ensure you seek legal advice regarding your contracts.
- ✓ Refer to claims timings as outlined in your Guarantee and above.

Talk to us

At any point during your Guarantee cover, we'd be happy to hear from you.



Phone:

0800 762 328 or
(04) 385 8999



Email:

help@masterbuilder.org.nz

Guides for homeowners

For more information and assistance, check out our other guides for homeowners at [masterbuilder.org.nz](https://www.masterbuilder.org.nz)



What to consider before you sign your building contract



What to consider before you start renovating



How to make a claim on your Master Build 10-Year Guarantee



What to do if something goes wrong when building

About this guide

This guide is intended to provide an overview of how the Guarantee operates in general terms. The amount and extent of cover will be, at all times, dictated by the terms and conditions of the Guarantee and nothing in this guide should be taken as changing or overriding those terms in any way.

Glossary

Defects	It is normal for there to be minor issues that need to be resolved during the build process. Your builder will address these at key stages in the project. Some of these may require co-ordination with subcontractors. It is important you understand what constitutes a defect. MBIE issues a guide to tolerances which outlines the acceptable levels of workmanship in New Zealand.
Disputes resolution service	A voluntary process which brings the builder and homeowner together for a facilitated discussion. The facilitator is a neutral external party and does not take sides with either the homeowner or the builder. They do not make decisions or provide legal advice, rather they encourage both homeowner and builder to provide options and solutions to reach resolution. This process can help resolve contract and construction issues such as communication, quality, payment, and design.
Independent legal advice	All homeowners should seek independent legal advice when entering into a building project. Ideally your lawyer should have experience with construction projects, as they will be best placed to explain the contracts and identify the key risks. Your lawyer should review your building contract and your guarantee.
Insolvency cover	Cover for your build if it is established that your builder goes into liquidation during or after your project.
Master Build Services	A limited liability company, which is 100% owned by Registered Master Builders. It manages the Guarantee.
Notice of Practical Completion	Practical completion is where the building work on your home is finished, except for minor defects or incomplete work that doesn't prevent you from moving in and living in your home. A Notice of Practical Completion is the document that you and your builder sign agreeing that the build has reached practical completion.
Payment schedule	Your contract should include a payment schedule, which means you pay for work as it is completed.
Substitutions	When a product is changed from what was originally specified. Your builder should get written confirmation and agreement to any substitution from what is in the contract. You should discuss the process for managing substitutions with your builder, and this should be included in your building contract.
Variations	Any changes that are made to the original contract. This could be because you change your mind, or an unforeseen issue arises, or a product is unavailable. Your builder should get written confirmation and agreement to any variation to the contract or costs. You should discuss the process for managing variations with your builder, and this should be included in your building contract.