

Construction regulations - Liability insurance

The amendment of Act on the Formation and Protection of the Built Environment will enter into force in September, according to which government decree may require liability insurance for construction and building activity to be carried out in a residential building with a total useful floor area of up to 300 square meters.

According to the new regulation, the architectural designer and participants in the construction have to have liability insurance for the construction of residential buildings falling within notification requirements instead of construction permit.

However, the government decree specifying the content elements of liability insurance and the rules relating to the verification of the existence of insurances has not been published yet thus the undertakings contracted to construct and design residential buildings are in a difficult situation regarding the requirements they have to meet.

The reason of the regulation is that from January no building permit has to be requested in the scope of the residential buildings concerned, only the notification requirement must be fulfilled. Since these constructions will no longer be supervised by the Construction Authority therefore, in parallel with this, the liability of architectural designer and constructor will increase.

At the same time, the problem arises that the constructors working on the relevant markets do not often have contract in writing and the construction is carried out by the owners themselves. Therefore, the mandatory liability insurance may raise the construction price of small enterprises working on the relevant market because the entrepreneurs will include it in their service fee. It may also make the construction more expensive that both the designer and the constructor must separately have liability insurance according to the new legislation. According to the estimation of the National Alliance of Construction Contractors, the cost of the insurance may be around HUF 50 000 per month in case of a real estate of HUF 100 million. The National Alliance of Construction Contractors submitted a motion to the Prime Minister's Office in order that the new government decree can handle the practical problems. The motions include that the general constructor is only subjected to the mandatory liability insurance in case of these real estates and if the owner does this job then he must also be liable for the faults or for the damages caused to a third party.



Therefore it is worth paying attention to legislations and to enquire from the insurance companies in order that both the constructors and the designers comply with the regulations of Act on the Formation and Protection of the Built Environment applicable from September.