

COMPLETION BOND FOR ADVANCE PAYMENTS

This insurance, in its new regulation, is included in Law 38/1999, of November 5, on Building Regulation, which in its first additional provision regulates the Receipt of amounts on account of the price during construction, establishing the obligation of the Promoter “to guarantee, from obtaining the building license, the return of the amounts delivered plus the legal interest, through a surety bond contract signed with insurance entities duly authorized to operate in Spain, in the event that the construction is not started or does not come to a good end in the period agreed for the delivery of the home”.

The **ADVANCED AMOUNTS BOND INSURANCE (AFCA)** guarantees the anticipated amounts that home buyers deliver to the **PROMOTER** until the moment of handing over the keys. In this insurance, the guarantee is offered to the buyer who becomes the owner of the home and therefore has received a good - his home- in exchange for the advances that he has been delivering so far, plus the mortgage that he signs at that moment for the remaining amount or money handed in at that time to complete the total value of the home.

The **PROMOTER** who collects anticipated amounts from the future owners of the houses has the obligation to contract this **BOND INSURANCE**.

1. Types of promoters

There are basically two types:

- Real estate developer: usually a real estate company that sometimes is also the builder. He is usually the owner of the land and manages the project.
- Housing cooperatives (we include the Property Communities here): they are people who, in order to make housing more affordable for them, work together as a cooperative/community of goods to manage the project (always through a Management Company).

2. Underwriting policy

What is pursued when carrying out the underwriting analysis is to check that basically all the requirements are fulfilled so that the construction project comes to a good end and the homes are delivered in time to the buyers who have advanced funds for the construction project.

With this, the social purpose of the insurance is fulfilled since it is intended to provide protection to consumers who, acting in good faith, have made significant disbursements of funds and in case the project does not bear fruit, the possible claims of such advances are avoided.

From our part, the risk assessment is based on:

1. That the promoter has the technical and financial capacity to take the project forward.
2. Identical approach for the builder, who in spite of being very important, if he does not comply, the contract could be cancelled and he be replaced with another construction company.
3. That the project already has the land, which is its property for having paid for its purchase in full and that the site be developable.
4. That there is already a construction project.
5. That the urban planning license has already been obtained.
6. That there be adequate and sufficient financing for the project (developer loan or others).
 1. The importance of the financial analysis of the operation derives from all of this, although in the end the philosophy and the ultimate goal of this insurance is that all the requirements are met so that the construction project reaches a successful conclusion and the homes are delivered on time. .

1. Market to which it is addressed.

The AFCA Insurance, by its very nature, is only intended for the insurance of building works destined to the construction of houses.

2. Support Companies (SECURITY).

SSR IBERIA has formalized a BINDER AGREEMENT with top level Insurers for the insurance of housing construction works up to sufficient limits to be able to support risks related to different types of works up to very high levels of insured sums.

3. Our approach on Technical Control.

In addition to the analysis of the project to determine its viability and offer the guarantee coverage through the issuance of the corresponding insurance policy, we monitor the evolution of the same according to the execution plan. To that end:

1. We request periodical documentation both on the evolution of the project and on the accounting and finance of the participants in it (promoter/cooperative and manager).
2. Through the intervention of the special bank account of the project (mandatory according to the Law that regulates this insurance) we control the use of the Treasury and in particular of the advances made by the future buyers to make sure that they are used in the project for which they contributed and also know the correct evolution of the same according to the working plan.

Based on the above, we intend to carry out a responsible risk underwriting policy and with a legitimate expectation of profitability while maintaining at the same time the social protection end that has presided over this type of insurance since its implementation.