

COMISION DE NORMALIZACION
Y PROMOCION DE LA CALIDAD EN LA CONSTRUCCION

PROGRAMA DE GARANTIA/SEGURO "HOW" - PRESENTACION

Programa:

- 1.- Introducción y presentación.
- 2.- Video "HOW a Sign of Quality".
- 3.- Como opera "HOW".
- 4.- Factibilidad y puesta en marcha de un programa similar en Chile.
- 5.- Consultas.

Antecedentes

Creado en 1973 por los constructores norteamericanos, con el auspicio de la N.A.H.B., equivalente en USA a nuestra Cámara Chilena de la Construcción.

Objetivo: Dar respuesta, desde el sector privado, a la iniciativa por entonces en discusión, de establecer por ley un seguro que resguardara al comprador de una vivienda nueva, de posibles defectos constructivos. HOW agrupa hoy a 12.000 empresarios constructores, con más de 2 millones de casas inscritas.

Proposición:

Crear en Chile un sistema de garantía/seguro para viviendas nuevas, similar a HOW, con el patrocinio de la Cámara Chilena de la Construcción.

La idea involucra el hecho de:

- que se trata de una iniciativa que promueva la calidad en la construcción;
- que otorga al comprador una garantía escrita y una póliza de seguro;
- que para el constructor constituye una eficaz herramienta de marketing.

Al directorio corresponde definir los pasos siguientes, los que podrían incluir la venida de expertos del programa HOW a Chile y la designación de la persona o institución encargada de continuar.

Más allá de un programa de garantía/seguro

Un instrumento para definir la calidad de las viviendas.

Un apoyo para los constructores jóvenes.

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COMISION DE NORMALIZACION
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PROGRAMA DE GARANTIA/SEGURO "HOW" - VIDEO "HOW A SIGN OF QUALITY"

- 1.- Tratamos de interpretar lo que el comprador quiere... y uno de sus deseos y necesidades es un programa de garantía.
- 2.- Lo que HOW hace por el constructor es darle una ventaja que la competencia no tiene.
- 3.- Construimos un buen producto y se lo garantizamos mediante una póliza escrita.
- 4.- Un constructor que pertenezca a HOW da más confianza a los compradores.
- 5.- No cualquier constructor puede ingresar a HOW... solo lo buenos.
- 6.- Los Municipios han liberado a los miembros de HOW de algunas exigencias.
- 7.- Según el Banco: una de las cosas que tomamos en cuenta antes de otorgar un crédito es el programa de garantía/seguro HOW.
- 8.- Hicimos una lista con los requisitos que exigiríamos en nuestro nuevo hogar... e incluimos como requisito importante el que estuviera acogido al programa de garantía/seguro HOW...ya que no quisieramos gastar en reparaciones en caso de que algo falle.
- 9.- HOW garantiza la seguridad de nuestra inversión.

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PROGRAMA DE GARANTIA/SEGURO "HOW" - RESUMEN

- 1.- "How" (Home Owners Warranty) es una empresa independiente, formada y administrada por los mismos constructores norteamericanos que participan en el mercado de la vivienda, creada bajo el patrocinio de la NAHB, equivalente a nuestra C.Ch.C..
- 2.- El programa de garantía/seguro HOW cubre un período de 10 años. Comienza con una garantía limitada de 2 años, otorgada por el constructor, donde se establecen claramente las normas y obligaciones que éste se compromete a cumplir. Del 3° al 10° año se hace cargo de la garantía la Cía. de Seguros "HOWIC", subsidiaria de HOW y, por lo mismo, es también propiedad de los constructores. HOWIC cuenta con 25 compañías reaseguradoras nacionales e internacionales. Durante este período, todos los gastos en que pudiere incurrirse serán de cargo de HOWIC.
- 3.- Las normas y especificaciones que el constructor se compromete a cumplir, han sido aprobadas por HOW; es decir, por los mismos constructores, y corresponden a aquellas de uso normal y corriente para este tipo de obras.
- 4.- Las reparaciones que el constructor se obliga a efectuar son las que normalmente efectúa todo constructor responsable.
- 5.- HOW realiza inspecciones periódicas a las obras inscritas en el programa, con inspectores propios.
- 6.- La seriedad y el prestigio alcanzados por HOW se traducen en que numerosas autoridades del sector (como podrían ser nuestras Municipalidades o Servius) dan por cumplidas sus exigencias, reduciendo sus inspecciones a solo una, al final de la obra o, en ciertos casos, ni siquiera ésta.
- 7.- La pertenencia al programa HOW es un antecedente de gran importancia para las instituciones financieras, ya se trate de créditos al constructor o créditos hipotecarios al comprador.
- 8.- El costo de inscripción es muy bajo, solo US \$ 25 por vivienda; lo mismo que el seguro, que representa aproximadamente 1/3 del 1% del precio de venta de la vivienda. Esta última cifra puede variar de acuerdo al curriculum del constructor. Una vez incorporado a HOW, el constructor debe inscribir todas las viviendas que construya, solo o en sociedad.

- 9.- HOW proporciona al constructor y a los corredores de propiedades material de apoyo publicitario que destacan las garantías y seguridades de que goza la vivienda. Además HOW se promociona a sí misma, a través de diferentes medios de difusión para respaldar el prestigio de los constructores afiliados.
- 10.- Los riesgos para la Cía. de Seguros "HOWIC" son mínimos, por cuanto HOW ha establecido una serie de condiciones que garantizan que las viviendas ofrecidas a través del programa son viviendas de buena calidad. Por ej:
- a) HOW selecciona a sus miembros, exige referencias de a lo menos 5 compradores para su incorporación y lleva un registro de su comportamiento.
 - b) El monto de las primas varía de acuerdo al comportamiento del constructor, lo que estimula su perfeccionamiento.
 - c) Los constructores deben reinscribirse cada año.
 - d) HOW mantiene sus normas en constante revisión y actualización.
 - e) Inspecciona las obras las veces que lo estime necesario.
 - f) No se recibe de obras defectuosas.
 - g) Establece claramente y por escrito los riesgos que cubre el seguro - los que no son todos - y cual es el monto mínimo a partir del cual se hace exigible la garantía del constructor.
 - h) Ha definido cuales son las fallas constructivas que se consideran como tales.
 - i) Ha establecido un sistema fluido y eficaz para resolver las disputas que pudieran presentarse entre constructor y propietario.
 - j) Exige de parte del propietario, el buen uso de la vivienda y la obligación de éste de denunciar oportunamente la aparición de un daño o defecto.
- 11.- En caso de venta de la vivienda, el seguro es traspasado automáticamente al nuevo propietario.

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ETAPAS EN EL PROCESO "HOW"

1.- Aceptación del Constructor

- 1.1.- Inscripción del constructor en la Corporación HOW, efectuando una contribución de capital por derechos de inscripción inicial.
- 1.2.- Contribución adicional del constructor al capital de HOW por cada vivienda incorporada al programa HOW en una cantidad variable que no excederá de US \$ 25 por vivienda.
- 1.3.- Re-inscripción cada año del constructor en la Corporación HOW, previa revisión de su comportamiento, sin costo.

2.- Inscripción de Viviendas

- 2.1.- El constructor deberá inscribir todas las viviendas construidas por él.
- 2.2.- HOW revisa los planos y especificaciones técnicas del proyecto de acuerdo a lo establecido en los standards aprobados HOW.

3.- Construcción e Inspección de Viviendas

- 3.1.- El constructor deberá edificar las viviendas de acuerdo a lo aprobado en conjunto entre ambas partes.
- 3.2.- HOW realizará inspecciones periódicas a las viviendas.
- 3.3.- Recepción de las obras por parte de HOW, la cual, en algunos Estados tiene el carácter de recepción definitiva.

4.- Servicio de Garantía y Seguro

- 4.1.- Emisión de HOW de los documentos de garantía y seguro.
- 4.2.- La garantía que cubre el primero y segundo año a la vivienda, responde por los defectos en materiales y mano de obra, los elementos de terminación, los sistemas eléctricos, sanitarios y de calefacción y los defectos estructurales mayores.
- 4.3.- El seguro, entre el tercer y décimo año, solo cubre los daños estructurales mayores.
- 4.4.- El propietario deberá efectuar sus reclamos por escrito solo a HOW y no al constructor.
- 4.5.- HOW verifica el reclamo y emite un juicio.
- 4.6.- Las reparaciones necesarias se ejecutan de acuerdo a la metodología de HOW, que las inspecciona y las recibe.
- 4.7.- Cada sucesor del título de propiedad de la vivienda es automáticamente titular de los beneficios del seguro y la garantía, sin costo adicional.

CONSULTORES EN INGENIERIA Y ADMINISTRACION DE EMPRESAS - DUBLE ALMEYDA 2544 - FON0 742226

Santiago, 20 de Julio de 1989

V - 1107
Nº 9783

Señores
Comisión de Normalización y Calidad
Cámara Chilena de la Construcción
PRESENTE

At.: Sr. Alberto Rosselot

Muy señores nuestros:

Tenemos el grado de someter a su consideración en forma adjunta, una proposición preliminar para la realización de un estudio de factibilidad de un sistema de seguros de la vivienda en Chile.

Quedamos a su disposición para cualquier aclaración y/o ampliación que estimasen necesaria.

Saludamos atentamente a Uds.,

p. CADE Consultores Ltda.



Enrique A. Strobl R.

PROPOSICION PRELIMINAR
ESTUDIO DE FACTIBILIDAD DE UN SISTEMA
DE SEGUROS DE LA VIVIENDA

I. INTRODUCCION

La Comisión de Normalización y Calidad de la Cámara Chilena de la Construcción está interesada en establecer las posibilidades de introducir en el país un seguro de la vivienda, que asegure las construcciones de defectos estructurales y/o materiales.

Con este objeto solicitó a CADE una proposición sobre la forma de estudiar el problema. La presente proposición tiene un carácter preliminar y ha sido preparada en base a los antecedentes sobre la materia conversados con los señores Patricio Guzmán y Roberto Busel, representantes de la Comisión de Normalización y Calidad de la Cámara Chilena de la Construcción. En la medida que se precisen los alcances en nuevas reuniones y se disponga de antecedentes adicionales relacionados, se ajustaría la proposición a los requerimientos de ella.

II. PROGRAMA DE TRABAJO

De acuerdo a la apreciación que se tiene del problema, el estudio a realizar debería comprender lo indicado a continuación:

1. Estudio de antecedentes generales sobre seguros de vivienda.

Se refiere a obtener y revisar literatura completa sobre el sistema de seguros de vivienda en Estados Unidos (sistema HOW) y/u otros países de Europa. Se entiende que la gestión de obtención sería realizada por intermedio de la Cámara Chilena de la Construcción.

El objetivo de esta actividad es obtener un cabal conocimiento sobre la materia.

Eventualmente puede ser conveniente disponer de la asesoría de un experto extranjero, que puede ser proporcionada vía fax o en una visita al país; esto debe ser determinado una vez revisada la literatura.

También podría ser necesario que representantes de la Cámara realizaran una visita de conocimiento de como opera el sistema en Estados Unidos por ejemplo.

2. Estudio de mercado respecto a seguros de vivienda

- 2.1 Preparación de una breve descripción del sistema para su distribución a las empresas constructoras. Incluiría reseña de ventajas e inconvenientes. Esto se haría en base a los antecedentes vistos en la actividad anterior.

Puede ser conveniente también realizar charlas explicativas para la mejor difusión del tema.

- 2.2 Preparación de una encuesta a las empresas constructoras asociadas a la Cámara.

Tiene por objeto recoger las opiniones de ellas sobre interés en el seguro de la vivienda en sí, características de aplicación, costo de primas, etc.

- 2.3 Levantamiento y procesamiento de la encuesta.

- 2.4 Análisis de resultados.

3. Estudio de mercado de viviendas
 - 3.1 Definición de los tipos de viviendas a asegurar
 - 3.2 Definición de especificaciones a considerar.
 - 3.3 Estimación del mercado total de viviendas, proyección a diez años; esto en base a:
 - proyecciones de tendencia histórica
 - planes habitacionales
 - otras bases
 - 3.4 Estimación del mercado de viviendas que serían susceptibles de ser aseguradas.
4. Definición de la organización y administración necesaria
 - 4.1 Organización
 - 4.2 Dotación y calificaciones
 - 4.3 Sistemas administrativos e inspectivos
 - 4.4 Costos

Es posible que para el mejor desarrollo de esta actividad, se requiera la obtención de información detallada de algún sistema en operación.

5. Evaluación económica

5.1 Determinación del flujo de egresos en el período considerado:

- Administración
- Promoción
- Preparación de normas
- Pago de daños (análisis de probabilidades)
- Pago de primas reaseguros
- etc.

5.2 Determinación del flujo de ingresos en el período considerado:

- Primas de seguros
- Intereses sobre fondos disponibles

5.3 Determinación de indicadores de rentabilidad:

- Valor actualizado neto
- Tasa interna de retorno

5.4 Análisis de sensibilidad

6. Conclusiones y recomendaciones

En este capítulo, de ser los resultados positivos, puede incluirse una proposición respecto a un plan de implementación del proyecto de seguros de la vivienda.

III. EQUIPO DE TRABAJO

El equipo profesional estaría constituido por personal de la planta permanente del grupo consultor CADE-IDEPE. Eventualmente puede ser conveniente disponer de la colaboración de un experto extranjero en la materia, lo cual no es posible definir por ahora.

El personal específico que se desempeñaría en el trabajo, sería designado en el momento de realizarse.

A cargo de la realización del trabajo estaría un Director de Proyecto, que tendría a su cargo la dirección, coordinación y supervisión general del estudio.

IV. PLAZO DE REALIZACION

El plazo de realización del trabajo se estima en 12 semanas. Al respecto, se ha supuesto que todos los antecedentes documentales necesarios al comienzo del estudio están disponibles en ese momento.

En el cronograma adjunto se indica el calendario tentativo de actividades.

V. COSTO DEL ESTUDIO

El costo aproximado del estudio descrito en la sección II, asciende de acuerdo a las estimaciones preliminares del tiempo profesional a emplear, a \$ 4.320.000. -

Este monto se distribuye aproximadamente en un 60% para las actividades 1 a 3 y 40% para las actividades 4 a 6. Excluye el costo de la eventual participación de un especialista extranjero.

VI. EXPERIENCIA DE LA FIRMA

CADE ha realizado numerosos estudios de factibilidad técnico-económicos de variados proyectos.

CADE Consultores conforma con CADE-IDEPE Ingeniería y Desarrollo de Proyectos, un grupo de ingeniería que dispone de un conjunto superior a 100 ingenieros civiles de diferentes especialidades y otros profesionales de nivel equivalente, que trabajan en forma permanente para la firma, permitiéndole realizar estudios integrados en que están presentes distintas disciplinas.

VII. CONSIDERACIONES GENERALES

La Cámara Chilena de la Construcción facilitará a CADE todos los antecedentes que dispone sobre la materia del estudio. Asimismo, debe colaborar gestionando aquella adicional de interés.

Por otra parte, para un mejor desarrollo del trabajo, es conveniente que la Comisión de Normalización y Calidad designe una contraparte compuesta por dos o tres miembros para que interactúe con el consultor en reuniones de trabajo.

Buyers, beware! New home should have insured warranty

BACK IN LATE 1975, Lee Bogart moved his family from New Jersey to Virginia Beach, Va., to go into the automated lawn service business.

The \$46,900 contemporary they bought there was their first house, and naturally they were anxious to move in.

They were so anxious, in fact, that they took occupancy under a rental agreement before the place was completed. Then they rushed the closing, accepting the builder's promise to finish the house to their specifications.

Fifteen days later, the builder filed for bankruptcy.

Overextended, he was—unbeknownst to the Bogarts—just as anxious as they were to speed up settlement so he could meet his debts. Although he was a reputable builder who had been in business for a number of years, he didn't make it.

The Bogarts were left with a house with enough cosmetic blemishes to rival the face of a teenager who constantly devours chocolate.

ALTHOUGH THE place was soundly built, the purple toilet seat didn't match the blue commode, the fireplace wasn't connected to the chimney, doorknobs were missing, walls didn't reach all the way down to the floors, there was no ceiling insulation and doors were out of plumb. A closet door even fell off the hinges.

But the Bogarts were lucky. Their home was covered by the Home Owners Warranty program, which is celebrating its 10th anniversary this year.

Without that protection, their only recourse would have been litigation, which in this case would have been akin to suing a turnip. Instead, they were the first home buyers in the country to collect under the HOW program.

Since then, homebuyers have filed some 25,000 claims with HOW, which has paid off to the tune of more than \$100 million.

THERE PROBABLY are many lessons to be learned from these cases. Like the Bogarts, many of them didn't take the time to make sure their builders were financially sound. And some went to settlement before their houses were finished, a definite no-no.

But the most important moral of all is that no one should purchase a house that isn't backed by an insured warranty.



Lew Sichelman

This is not to say that all builders are failures or that their workmanship is poor to nonexistent. The fact that the 25,000 claims are only a small percentage of the 1.25 million houses covered by HOW's 10-year warranty attests to the fact that most builders do a good job.

But there are more than 3,000 components in the average house and, try as he may, even the best builder can make a mistake. Moreover, any builder can be caught in a financial squeeze, particularly during these difficult economic times.

If the builder goes under, or if he refuses to make the warranty repairs you deem necessary, the insurance carrier backing your policy will pick up the slack if your complaints are justified.

IF YOUR WARRANTY is not insured, your only path to satisfaction is through the courts and that can be a long, expensive proposition.

These days, some builders still are operating in the horse and buggy era, promoting their own one year warranty. And too many buyers think that it's enough. It's not.

Unless the warranty is backed by insurance, it's only as good as the builder is willing or able to go. If he fails to respond to your complaint, you're up the creek unless you want to hire a lawyer.

HOW's isn't the only insured warranty program offered by builders, but it is the oldest and most successful. It's available in 83 percent of all metropolitan areas with populations over 100,000, which covers 49 states and the District of Columbia.

Under the plan, builders warrant their houses for two years and insure their warranties through HOW. They warrant homes to be free of defects in workmanship

and materials in the first year, and free from structural defects and defects in mechanical systems in the first two years.

In the third through the 10th years, insurance covers the house against major structural defects over and above a \$250 deductible per occurrence.

In addition, HOW participants are required to adhere to a prescribed level of construction performance, and are screened based on their professional ability, financial ability and customer service.

MOREOVER, ANY homeowner who fails to get satisfaction from his builder on covered items can ask for a third-party settlement of the dispute. Since 1974, more than 35,000 disagreements have been resolved in this manner.

Of course, HOW's protections aren't free. Although the builder buys the insurance, he passes the cost along to his buyer as part of the price of the house.





THE HOW ADVANTAGE

Program Helps Set Us Apart, Say Three Builders Who Use It

In these days of lofty advertising claims and cautious consumers, there are few things in the home builder's arsenal that bring with them the instant credibility of the 10-year warranty insurance program available to builders through the Home Owners Warranty Corp. The HOW builder's warranty distinguishes you as a builder committed to quality.

These are also days of high brand-name awareness, and the fact that HOW's name is widely recognized by home buyers is a huge advantage to the builder. Marketing expert Tom Richey of Houston says that studies consistently show people prefer brand-name products by a "wide, wide margin."

Face it. When someone is about to make what will probably be the largest investment of his life, he wants to know that if something goes wrong, his builder is prepared to stand behind his product. It's a desire every bit as strong as the one for a fancy master suite, sexy whirlpool tub or cozy fireplace.

Can a warranty really be that powerful of a sales tool? Yes, say three different builders who represent not only a wide geographic dispersion but the entire price spectrum. And no matter where or what they are building, whether it be \$58,000 starter condominiums in Newport News, Va., or \$250,000

country club customs an hour north of Seattle, big builder, small builder and builder in-between agree that the HOW builder's warranty is an important part of their marketing effort.

"I believe in it absolutely," says Fred Kober, president of the Christopher Cos. of Vienna, Va., and this year's president of the Northern Virginia BIA. Kober builds about 300 houses annually, ranging from low-end condos in Virginia's Tidewater region to \$1 million custom homes just outside Washington, D.C., and he wouldn't be without the HOW warranty on anything he does. "It's equally valuable in all price ranges," he says.

John Piazza of Mt. Vernon, Wash., and John Arbib of Broward County, Fla., feel the same way. "It plays a tremendous part in my image," says Piazza, a builder of 25 to 30 custom houses per year in the \$125,000-\$250,000 price range near Puget Sound. "I represent that I build the best product around, and if you do that, then you should give the best warranty."

Arbib, who builds about 100 houses a year in the \$136,000-\$167,000 range in Davie about a dozen miles west of the Atlantic Ocean, concurs. "I've built my whole business on my reputation," he says. "My HOW warranty is a big part of my credibility. It says to my buyers that my obligations will be met no matter what happens to me, and that's important."

Both Kober and Arbib go back to day one with HOW, when it was created in 1975 by the National Association of Home Builders to help the industry police itself and, in the process, stave off federal intervention into construction standards. HOW has come a long way since then, but both builders think the history of HOW and how it came to be is an important lesson that should never be forgotten—or downplayed.

HOW "made a lot of sense then and it still does," says Kober, who is somewhat miffed that some builders ben-



**SEVEN
COMPELLING
REASONS
WHY YOUR
NEW HOME
SHOULD HAVE A
HOW BUILDER'S
WARRANTY**



Fred Kober of Virginia is one of thousands of builders who swear by the Home Owners Warranty. "It's equally valuable in all price ranges," he says.

more. One particularly important advantage is HOW's clearly defined construction standards, which Arbib believes work both ways.

"HOW is an insurance program that benefits builders and buyers alike," he says. "If somebody comes to me with a problem that's covered by the warranty, I fix it. But if it's, say, a temperature crack, I can show them that it's not covered and nothing to worry about, that nothing needs to be done."

The HOW standards also help with unreasonable buyers, Arbib, the president of Multicon Southeast Inc., adds. "They're never satisfied, but at least the standards give me something to stand behind."

Another two-way benefit cited by Arbib and other HOW members is the program's dispute settlement procedure, which, to date, has

efit from the program today even though they don't participate. "To take the attitude that your name transcends the need for a warranty, or that you have your own program, is a mistake," he believes.

"You can say the same things about why you don't join your local HBA, or the NAHB, but the fact of the matter is that you need to support your industry and its effort to police itself. I don't mean to be preaching, but that's the way I feel. A lot of folks don't really appreciate what HOW has done for them."

Arbib points out that HOW has just as many built-in benefits for the builder as it does for the home buyer, if not

The HOW warranty is a major part of builder John Piazza's credibility. That's why he explains the program in his brochure (below) and puts the HOW logo on everything he does.

handled more than 50,000 differences of opinion. Many of these problems could easily have found their way into court



Here's HOW

The Who, What, When, Where and Why of the Home Owners Warranty Corp.

Started in 1973 by the National Association of Home Builders, the Home Owners Warranty Corp. has grown into the largest program of its kind in the country. Now an independent, \$125 million company owned by its members—but still endorsed wholeheartedly by NAHB—HOW stands behind more than 2 million homes and 12,500 of America's most quality conscious builders.

As the true pioneer in the insured warranty field, HOW already has proven its strength, weathering two major housing recessions. So you can be certain that the program will be there when you and your customers need it most. Perhaps that's why HOW has a remarkable 85 percent market share, does not require letters of credit or personal guarantees from its members, and has no re-registration fees.

Nowadays, as the oldest and most comprehensive insured warranty program, HOW, with its familiar house-like logo, has by far the highest consumer awareness level of any company in the field. To maintain its rock-solid reputation, the company conducts regular and on-going consumer and broker educational programs, both locally and on the national level.

HOW's builder-members also are supported by a network of 120 local HOW councils, state and local home builder associations and field representatives. And the company offers its members a thorough staff training program and an extensive variety of brochures, advertisements and other marketing and sales aids.

Now with more than 15 years of underwriting and actuarial experience under its belt, HOW has created the standards for all others to follow. In fact, you could say that "HOW Does It Right?"

■ Coverage begins with the builder's two-year limited warranty, which spells out standards and obligations you probably already exceed.

In the first year, you warrant the house to be free from defects in workmanship and materials as well as major structural defects and defects in the mechanical systems, all according to HOW's approved standards. In the second year, you continue to warrant against structural problems and defects in the mechanical systems.

During the initial two years, your liability for performance under the warranty is insured by the affiliated HOW Insurance Co., a risk retention group operating in 49 states and the District of Columbia and with contracts with 25 of the largest national and international reinsurance companies.

In years three through 10, HOW takes over completely, backing your potential liability for the cost to repair major structural defects which might occur in the home during that eight year period.

■ Should you and your buyer be unable to reach agreement on what constitutes a defect, or how a problem should be rectified,

had it not been for HOW's neutral third-party settlement mechanism.

"Disputes that otherwise can't be resolved tend to work out very well" under HOW's expedited system, according to Arbib. "Rather than go into court, the system brings the combatants together quickly and resolves their differences rapidly."

Piazza joined HOW about eight years ago and he puts the HOW logo on everything he does, even if it comes out of his Century 21 real estate office. "It's an asset," says the president of Piazza Construction.

Arbib, who also uses the HOW logo in all his ads and explains the program in his brochures, sponsors a HOW weekend about twice a year to promote the fact that he offers the warranty. During the two-day event, HOW representatives hand out T-shirts, lighters, balloons, key chains and other traditional giveaways, all while explaining the benefits of the warranty to potential buyers. "It's a definite selling tool," he says. "Our direct competitor right across the street doesn't offer the



The Home Buyer's
Guide to HOW

Don't bet the ranch.

HOW marketing and sales aids

HOW provides a neutral, third-party procedure to determine responsibility for repairs on warranted items. Over the years, this dispute settlement process has handled more than 50,000 disputes in this manner, saving both builders and their customers costly and time-consuming court battles, not to mention unwanted, unnecessary and often unwarranted publicity.

To be accepted into the program, builders are screened on their record of customer service, technical ability and financial stability. This not only helps protect home buyers from incompetent or undercapitalized builders, it also protects the program from being undermined from within by Builders who don't measure up to your standards.

HOW builders are automatically eligible for special government programs. The VA, for example, waives its first and intermediate inspections for HOW builders, as does the FHA and FmHA in some instances. In addition, houses constructed by HOW builders may be eligible for higher ratio FHA mortgages.

Also, many conventional lenders prefer to deal with HOW members because they relate the program to integrity, a firm commitment to quality and consumer satisfaction.

The HOW warranty is completely transferable to a subsequent owner, a strong selling point to buyers concerned about resale values.

Rates are based on risk, and enrollment fees are determined by conditions in your market and HOW's claim experience in your area. Over time, however, rates will reflect primarily your own

claims records. Of course, builders with the lowest history of claims receive the best rates, including automatic reductions.

HOW provides extraordinary marketing support, including the HOW logo to place in ads, interior and exterior signage, brochures, sales presentations and more. All this is free of charge to the builder.

There are other important benefits of becoming a HOW builder, too many to mention here. For further information, contact your state or local HBA or HOW Council, or HOW's national office in Washington. Write HOW, 2000 L St. NW, Washington, DC 20036, or call 1-800-225-5469. ■





"HOW Weekends" are a staple of South Florida's John Arbib's marketing effort. And HOW pays off, he says. More than a few buyers were sold on the program.

LES CHATEAUX WEEKEND
COME OUT AND ENJOY

Sometimes your greatest competition is yourself.

Les Châteaux

warranty, and we like to play that up."

Piazza likewise thinks that the builders in his market who don't provide the HOW warranty are missing the boat, but he's not complaining. HOW "gives me a competitive edge and helps me get the bulk of the work in my area," he says.

"Builders who say the warranty is too expensive, or that it's a tacit indication that something will go wrong with the house, or that their own warranty is enough don't know how to market themselves; they're just poking along."

Piazza uses the lack of competition to his advantage. "I use a reader board that says, 'Can your builder offer you a 10-year warranty? I can,' and I get a lot of action off that," he says.

"I'm not afraid of a warranty. As far as I'm concerned, my customers deserve peace-of-mind. They need to know that if something happens, if I die or go out of business, they're protected. Builders who say their own warranty is enough are coping out. They don't care, they're just trying to unload their houses as fast as they can. We take care of our clients. Eighty percent of my business is referral, so we take care of our people."

That HOW is too expensive is another excuse these builders think is a cop out. "It's just part of the cost of doing business," Arbib says. "I count the warranty just the same as I do sticks and bricks."

Kober feels the same way. "A lot of things are expensive, but to use that as a reason for not offering the HOW warranty is awfully short-sighted," he says. "If you're a responsible and quality builder, you just accept it and crank it into your cost. The value of the warranty may not stand out in and of itself as one of your hot buttons, but it is an important part of the overall package. It tells my buyers I'm looking out for their interests, not just my own."

The bottom line, of course, is that HOW sells houses. It lets buyers know that their interests are one and the same with the builder's.

Kober calls the warranty "more of a closer than anything else. You don't lead on it, but it adds to your overall presentation and distinguishes you as a quality builder." Arbib can't point to anybody who ever bought a house solely because of HOW. Few builders can. "But on more than a few occasions," he says, "the fact that we included the HOW warranty convinced people who were on the fence to go with us."

Circle no. 74 on inquiry card

How to Use HOW

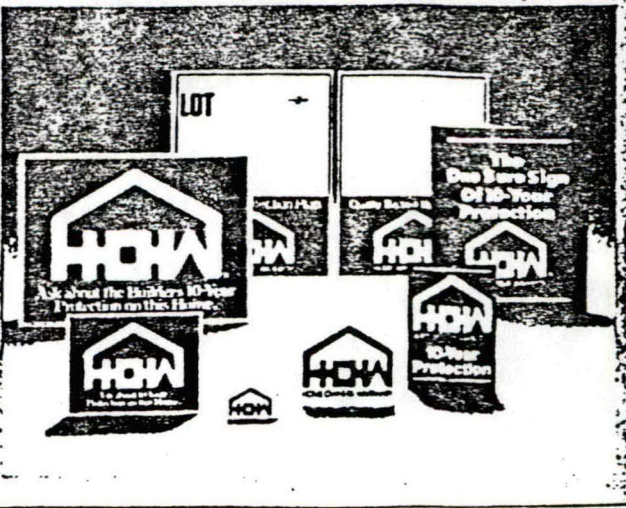
Ideas on Marketing The HOW Warranty

How can builders use the 10-year Home Owners Warranty as a marketing tool? We asked three of the nation's top marketing gurus for their ideas. Here's what they said.

Bill Smolkin of Hebert/Smolkin Associates, New Orleans—"The HOW warranty is a symbol of the builder's sense of responsibility and ought to be part of any planned sales presentation. It tells a builder's customers, 'We've gone the last mile to protect you.' Its main role is to reassure clients that the builder backs his claim to being a responsible, dependable, accountable professional. It's a very strong reinforcement to a sale, perhaps the strongest possible. Therefore, it's fundamental for the builder to communicate the fact that he participates in the HOW program on all documents, letters, brochures, everything."

Bernie Schreff of the Greenman Group, Hollywood, Fla.—"HOW has become something most builders do but don't merchandise as well as they could. They need to carry it further than just a sign or plaque. The first thing I'd do is assign someone in my organization to make certain that the wide variety of collateral material available from HOW—the displays, the point-of-purchase handouts, the direct mail pieces—is always on hand so my sales force can use it to reinforce my commitment to quality. I'd also ask the HOW people to meet with my salespeople on a regular basis so they can learn how to use the materials that are available. Salesmen need to know how to use the warranty as a sales feature, and they need to be reminded over and over again to use it."

Bill Becker of the Wm. Becker Organization, Hackensack, N.J.—"There are several ways. First, I'd make HOW part of my sales pitch. With HOW, people aren't buying just a house, they're getting a builder's solid commitment to stand behind his product. Second, I'd use all the merchandising materials HOW could give me. They're great. And I'd use the little HOW house. The consumer recognizes it and understands what it stands for, especially with the P.R. that HOW puts out. Third, I'd ask HOW to prepare a list of sales points for my sales representatives. But I'd want more than just how to use the HOW program in my sales presentation. I'd also want to know when to use certain points and how to use the program to overcome buyer objections and to close the sale."



INTRODUCTION

For many years, the Home Owners Warranty (HOW) program has offered home owners protection against defects in home construction. In the first two years after the home is enrolled in the HOW program, the home is protected against construction defects, defective systems and major structural defects by the builder; or by HOW if the builder is unable to make repairs. In the years 3-10, only major structural defects are covered by insurance. Since March 1, 1983, the insurer has been the HOW Insurance Company, HOWIC, on all enrollments issued on that date and after.

This information booklet is prepared to assist engineers who are employed by HOWIC in responding to claims which come under the major structural defect provisions of the warranty/insurance documents. It explains what HOWIC requires from the engineer or engineering firm in making the investigations and reporting the findings and, when applicable, how repairs are to be effected. This booklet also describes the lines of communication and the various procedures that help meet HOWIC requirements and, hopefully, the needs of the engineers as well.

The primary objective of HOWIC's system of engineering assistance is to provide professional expertise in the identification of major structural defects and, if found, a professional engineering design of repairs. This service helps meet HOWIC obligations to the home owner in a way that insures that the home meets the standards set forth in the certificate of insurance. Excellence in service often depends on good communication among all persons involved in servicing the claim. With these objectives and values in mind, the problems that arise out of misunderstandings in the scope and nature of the work will be at a minimum.



- A. Tote Bag (HOW 368)**
Bright blue and white plastic with snap close handle \$2.00
- B. HOW T-Shirt (HOW 366)**
Blue shirt with white lettering. Front displays small HOW logo with "Home Owners Warranty" underneath. A larger HOW logo is on the back. Available in small, medium, large and extra-large sizes \$4.50
- C. Baseball Cap (HOW 367)**
Blue and white. One size fits all \$3.00
- D. HOW Lighter (HOW 363)**
Bic lighters. White and blue HOW logo \$0.90
- E. Press-A-Light (HOW 573)**
A pocket flashlight equipped with a key chain. Blue with white HOW logo \$0.90
- F. Sweater (HOW 724)**
Dark blue V-neck pullover with a small white HOW logo. Available in small, medium, large, extra-large and extra-extra large sized \$20.00
- G. Welcome Mat (HOW 726)**
Deep brown carpeting with a tan HOW logo \$10.00
- H. Plastic Brochure Holder (HOW 652)**
Clear plastic holder with blue HOW logo on front. Doesn't hide the brochure inside \$1.00
- I. HI-Lighter Pen (HOW 385)**
Black felt-tip marker on one end, yellow highlighter on the other \$0.60
- J. Tape Measurer (HOW 372)**
Blue house-shaped tape measurer with HOW logo on front \$1.65
- K. Presidential Key Chain (HOW 359)**
Brass-plated key chain with navy blue HOW logo on front \$3.50
- NOT SHOWN**
- L. Polo Shirt (HOW 736)**
Navy blue with white HOW logo on the left-hand side and the wording "Home Owners Warranty" embroidered on the right sleeve. Available in small, medium, large, extra-large and extra-extra-large sizes \$15.00
- M. HOW I.D. Sticker (HOW 381)**
For HOW home owners. Has space to list important information regarding their HOW policy, including policy number and expiration date. To be mounted on the fuse or breaker switch box No Charge
- N. Cardboard Brochure Holder (HOW 651)**
..... No Charge

Accessories

- A. **9" x 12" Sign (HOW 383)**
Coroplast sign designed for both indoor and outdoor use. Blue with white HOW logo. Headline: "Ask about 10-Year Protection on this Home" **No Charge**
- B. **18" x 24" Sign (HOW 374)**
Coroplast sign for both indoor and outdoor use. Blue and white HOW logo with the phrase: "Ask about the Builder's 10-Year Protection on this Home" ... **No Charge**
- C. **Lot Sign (HOW 579-A)**
18" x 24" sign. Space for building permit in upper right corner. Bottom features white HOW logo and the headline: "10-Year Builder's Protection Plan" . **No Charge**
- D. **Lot Sign (HOW 579-B)**
Same as 579-A, except different headline: "Quality Backed by Insurance." For use by both builders and remodelers **No Charge**
- E. **Window Sign (HOW 376)**
18" x 20" self-adhesive sign featuring the HOW logo **No Charge**
- F. **Window Sign (HOW 375)**
9" x 12" self-adhesive sign featuring the HOW logo **No Charge**
- G. **HOW Decal (HOW 84)**
6½" x 8½" blue vinyl decal with white HOW logo only..... **No Charge**
- H. **How Decal (HOW 83)**
2½" x 3½" blue vinyl decal with white HOW logo only..... **No Charge**
- I. **Realtor Strip Sign (HOW 382)**
24" x 6" coroplast sign designed to hang below a Realtor's "For Sale" sign **No Charge**
- J. **Magnetic Vehicle Sign (HOW 729)**
18" x 15" blue HOW logo at the base line with plenty of room at the top for builder's message. Camera-ready art work must be provided..... **\$21.00**
- K. **Yard Sign (HOW 730)**
Coroplast sign, 18" x 22". Blue HOW Information at the base line with plenty of room for corporate identification at the top. Camera-ready art work must be provided
for one **\$25.50**
for a pair..... **\$40.00**

NOT SHOWN

- L. **Billboard (HOW 622)**
Deep blue with white HOW logo and the saying: "New Home Shopping? Demand the HOW Warranty"
..... **No Charge**



LOT

HOW
 Ask about the Builder's 10-Year Protection on this Home.

Protection Plan
HOW
 HOME OWNERS WARRANTY

Quality Backed By
HOW
 HOME OWNERS WARRANTY

The One Sure Sign
 Of 10-Year Protection
HOW
 HOME OWNERS WARRANTY

HOW
 Ask about 10-Year Protection on this Home.

HOW
 HOME OWNERS WARRANTY

HOW
 HOME OWNERS WARRANTY
 10-Year Protection

HOW
 HOME OWNERS WARRANTY
 10-YEAR PROTECTION PLAN

Terra
 Home Construction

HOW
 HOME OWNERS WARRANTY

- A. The Home Buyer's Guide to HOW (HOW 148)**
Explains the key benefits of the HOW Program to potential home owners. This is the most widely used point-of-sale brochure **No Charge**
- B. Protect Your Investment: Home Maintenance Tips (HOW 555)**
A guide to maintaining the inside and outside of a home. Designed for new home owners **No Charge**
- C. EDS – What You Should Know (HOW 541)**
This brochure explains HOW's Expedited Dispute Settlement process to consumers **No Charge**
- D. Quality Remodelling Backed by More Than a Handshake (HOW 571)**
Designed for use by HOW Remodelers when marketing to potential customers **No Charge**

- E. HOW's Guide for Consumers: Remodelling Without Worry (HOW 580)**
Designed for home owners contemplating remodeling their home **No Charge**

NOT SHOWN

- F. Explain HOW, Sell a HOW Home (HOW 147)**
Two-sided card which outlines the key benefits of the HOW Program to potential customers **No Charge**
- G. Seven Compelling Reasons (HOW 150)**
This brochure spells out seven reasons why a potential home owner should insist on a home built by a HOW Builder **No Charge**
- H. Only One (HOW 594)**
Designed for current members as well as potential customers. Outlines the benefits of the HOW Program when compared to the competition **No Charge**



A

The Home Buyer's Guide to HOW



Protect Your Investment: Home Maintenance Tips



CAMARA CHILENA DE LA CONSTRUCCION
Centro Documentación

C

EXPEDITED DISPUTE SETTLEMENT

What you should know



Quality Remodeling Backed by More Than a Handshake



HOW'S Guide For Consumers: Remodeling Without Worry



Consumers identify the Home Owners Warranty logo with quality builders. Use this to your advantage. Display the HOW logo prominently in all your advertising and on your business letterhead.

- A. **HOW 50A**
Standard logo sheet: different sizes of the HOW logo.
For use in newspapers, magazines, etc..... No Charge

We have produced these ad slicks for use in consumer and trade publications. Also, if you wish to develop others, submit them to HOW Corporation for legal review prior to publication.

Consumer Ad Slicks

- B. **HOW 601**
"Before You Buy a New Home, Insist on the Proper Foundation"
size - 8 1/2" x 11 1/2" No Charge
- C. **HOW 605**
"You May Take Five Months to Find the Right Home. Take Five Minutes to Learn HOW."
size - 10 1/2" x 10 1/2" No Charge
- D. **HOW 606**
"Since You Can't See These in Your New Home, Insist on Seeing This:"
size - 9 1/2" x 12" No Charge
- E. **HOW 609**
"The Real Beauty of a HOW Home is What You Don't See."
size - 9 1/2" x 11 1/2" No Charge
- F. **HOW 617**
"If A \$29.95 Blender Comes With A Warranty, Shouldn't Your \$79,000 House Come With One Too?"
size - 8 1/2" x 11" No Charge
- G. **HOW 618**
"If You Wouldn't Buy This Without A Warranty, Then Why Would You Buy This Without One?"
size - 8 1/2" x 11" No Charge
- H. **HOW 619**
"If You Expect A Warranty When You Buy This, Shouldn't You Demand One When You Buy This?"
size - 8 1/2" x 11" No Charge
- I. **HOW 621**
"Ever Try to Return a New Home?"
size - 6 1/2" x 7" No Charge

Trade Ad Slicks

- J. **HOW 615**
"The One Part Of A New Home Ad You Can't Afford To Leave Off:"
size - 7" x 10" No Charge
- K. **HOW 625**
"While liability insurance costs are going sky high, it's good to know that our rates are down to earth."
size - 8 1/2" x 11" No Charge
- L. **HOW 644**
"Now there are 1.5 million reasons why you should be a HOW Builder."
size - 8 1/2" x 11" No Charge
- M. **HOW 645**
"How important is an insured warranty on the homes you build?"
size - 8 1/2" x 11" No Charge

Fractional Ad Slicks (NOT SHOWN)

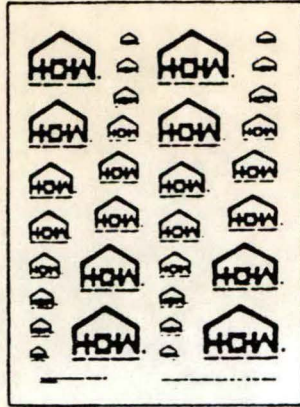
- A. **HOW 635**
Same as the consumer ad HOW 606
size - 2" x 9 1/2" No Charge
- B. **HOW 637**
Same as the consumer ad HOW 605
size - 6 1/2" x 4 1/2" No Charge
- C. **HOW 638**
Same as the consumer ad HOW 601
size - 6 1/2" x 4 1/2" No Charge
- D. **HOW 639**
Same as the consumer ad HOW 609
size - 2" x 9 1/2" No Charge
- E. **HOW 640**
Same as the consumer ad HOW 621
size - 2" x 9 1/2" No Charge
- F. **HOW 642**
Same as the consumer ad HOW 621
size - 6 1/2" x 4 1/2" No Charge
- G. **HOW 643**
Consumer ad, "When you're about to make the biggest purchase of your life, you'd better know HOW."
size - 4 1/2" x 4 1/2" No Charge
- H. **HOW 636**
Same as the trade ad HOW 615
size - 2" x 9 1/2" No Charge
- I. **HOW 641**
Trade ad, "Consider This...Which Ten-Year Warranty Insurance Program..."
size - 4 1/2" x 6 1/2" No Charge

Documents



- AA. **HOW 146**
"The HOW Program Stands Behind The Biggest Promise You Make...Quality!"
..... No Charge
- NOT SHOWN
- BB. **HOW 500III(s)**
Specimen
Insurance/Warranty
Documents
..... No Charge
- CC. **HOW 506**
Builder Agreement
..... No Charge

- DD. **How 576**
The 10-Year Warranty/Insurance Program for Multi-Family Builders..... No Charge
- EE. **HOW 706(s)**
Specimen - Limited Warranty and Approved Standards for Multi-Family Program
..... No Charge
- FF. **HOW 800(s)**
Specimen - Limited Warranty Certificate of Insurance for Remodeler Program..... No Charge
- GG. **HOWIC II** No Charge
- HH. **Builders Enrollment Guide (HOW 598)**
Provides a step-by-step explanation of the enrollment procedures for builders and remodelers.... No Charge



BEFORE YOU BUY A NEW HOME INSIST ON THE PROPER FOUNDATION.

The foundation of a home is its most important part. It is the base upon which the entire structure is built. If the foundation is not properly laid, the home is bound to suffer in the long run. It may be cracked, tilted, or even sink into the ground. This is why it is so important to insist on the proper foundation for your new home.

The HOW Foundation Program is a complete system of foundation construction that has been developed and tested by the HOW Building Department. It includes everything you need to know about the proper foundation for your new home. It is the only program of its kind.

HOW Home Owners Warranty

YOU MAY TAKE FIVE MONTHS TO FIND THE RIGHT HOME. TAKE FIVE MINUTES TO LEARN MORE.

Learn more about the HOW Building Department and the HOW Foundation Program. It's the only program of its kind. It includes everything you need to know about the proper foundation for your new home.

HOW Home Owners Warranty

SINCE YOU CAN'T SEE THESE IN YOUR NEW HOME, INSIST ON SEEING THIS:

HOW Home Owners Warranty

THE REAL BEAUTY OF A HOW HOME IS WHAT YOU DON'T SEE.

HOW Home Owners Warranty

IF A \$29.95 BLENDER COMES WITH A WARRANTY, SHOULDN'T YOUR \$79,000 HOUSE COME WITH ONE, TOO?

HOW Home Owners Warranty

IF YOU WOULDN'T BUY THIS WITHOUT A WARRANTY, THEN WHY WOULD YOU BUY THIS WITHOUT ONE?

HOW Home Owners Warranty

IF YOU EXPECT A WARRANTY WHEN YOU BUY THIS, SHOULDN'T YOU DEMAND ONE WHEN YOU BUY THIS?

HOW Home Owners Warranty

Ever Try To Return A New Home?

It's impossible. That's why you need a warranty.

HOW Home Owners Warranty

THE ONE PART OF A NEW HOME AD YOU CAN'T AFFORD TO LEAVE OFF.

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While liability insurance rates are going sky high, it's good to know that our rates are down to earth.

HOW Home Owners Warranty

Now there are 15 million reasons why you should be a HOW Builder.

HOW Home Owners Warranty

How important is an insured warranty on the homes you build?

HOW Home Owners Warranty