

Foundation for Housing Warranty (HOW)

HOW provides supports quality and safety of houses



-  **Business**

- Taking risks at more than predetermined level for medium and small sized companies (having advantage of lower premium) who are policy holders of housing defects liability insurance.
- Providing no interest rate loans to insurance corporations in the event of occurrence of excessive losses in case of situations as described in 2. & 3. below:

In case defects (normally exempt from insurance payments) are raising from intention or gross negligence of housing builders or suppliers and such defects are not cured during the reasonable time frame. In case bankruptcy of housing builders or suppliers, HOW provides support to homeowners in order to obtain insurance payments for repair.

Providing financial assistance for insurance corporations in order to make insurance payments in the event of occurring extraordinary losses exceeding Yen12.5billion reserve of non-life insurance companies.

HOW manages Housing Warranty Fund Insurance (incl reinsurance of II and III)

Legend:

- Insurance premium (Black arrow)
- Insurance payments (Blue arrow)

Main Flow:

- House builders** pay **[Insurance premium]** to **Housing Defect Liability Insurance Corporations (HDLICs)**.
- HDLICs** **[Underwriting]** the policy, covering:
 - Extraordinary losses ※3
 - Intention or Gross Negligence
 - Excessive Losses
- House builders** provide **Repair** and **Compensation** to **Home buyers** in case of **Defects** (※1).
- HDLICs** are **Reinsured by Non-life Insurance Companies**.
 - Underwritten by I 1) & 2)** → **Underwritten** → **Reinsured (Extraordinary Losses)**
 - Reinsured by II** → **Reinsured (Intention or Gross Negligence)**
 - Reinsured by III** → **Reinsured (Excessive Losses)**
- Non-life Insurance Companies** manage reserves:
 - Reserve retained by non-life insurance** (Max Yen 12.5 billion)
 - Reserve retained by Non-life Insurance companies**
 - Reserve given by "REL"** (Excessive Losses)
- Reinsurance Premium** flows from **Non-life Insurance Companies** to **HDLICs**.
- [Reinsurance payments]** flow from **Non-life Insurance Companies** to **HDLICs**.
- Reserve for Excess Losses (REL)** is capped at **Max Yen 12.5 billion**.

Sections:

- I. Housing Warranty Fund**: "Responsibility of Housing Warranty Fund" below. Provides **zero-interest loans** to Sections II and III.
- II. Reinsurance regarding Intention or Gross Negligence**: **Rescue Fund for Home Buyers**. * Losses arising from intention or gross negligence due to insolvencies of house builders.
- III. Reinsurance regarding Excessive Losses**: **Warranty Fund regarding Excessive Losses**. * Reserve for huge losses exceeding the size of Yen 12.5 billion.

The Review Board oversees the process.

※1 Homebuyers get payments from HDLICs directly if insured companies become insolvent and cannot repair or fix defects for the reasonable time frame.

※2 Reinsured premium are based on the size of risks taken by member of non-life insurance companies (only Type I insurance).

※3 The reserve covers extraordinary losses arising from small and medium-sized companies.

- 1) Supports for HDLICs to make insurance payments to small & medium-sized companies for newly built houses
- 2) Supports for HDLICs to make insurance payments to small & medium-sized companies for existing houses
- 3) Making zero interest-rate loans to HDLICs in the case of shortage of Rescue Fund for Home Buyers (applicable for Type I and Type II insurance)
- 4) Making zero-interest loans to HDLICs in the event of losses exceeding Y12.5billion reserve (applicable only for Type I insurance).

* 3) & 4) are 10-year provisional measures starting from May 30, 2017

Type II insurance (Voluntary) for newly built houses if the buyer is licensed real estate agent, etc.,

Supports for implementation of defects warranty

2006	Establishing Housing Warranty Fund (regarding defects warranty for medium and small sized companies)
2007	Expansion of Housing Warranty Fund (to cover extraordinary losses arising from intention and gross negligence)
2012	Transfer of business such as defects liability insurance and housing quality assurance scheme to Organization of Housing Warranty (OHW). HOW retained Housing Warranty Fund.
2017	Study committee for Housing Warranty Fund (for extraordinary losses arising from intention and gross negligence) was formed
2018	Commencement of reinsurance for intention and gross negligence (establishment of Rescue Fund for Home Buyers)
2020	Commencement of reinsurance for extraordinary losses other than intention or gross negligence The Review Board was formed to discuss intention and gross negligence issues
2021	Adding functions to Housing Warranty Fund in terms of reinsurance to cover catastrophic risks related to existing housing defects liability insurance

Supports for housing defects, warranties, insurance, quality assessments, and inspections

HOW, upon an appointment of MLIT*, are engaged in administrative assistance to provide subsidies to the nominated entities that conduct projects to improve the quality of housing stock.

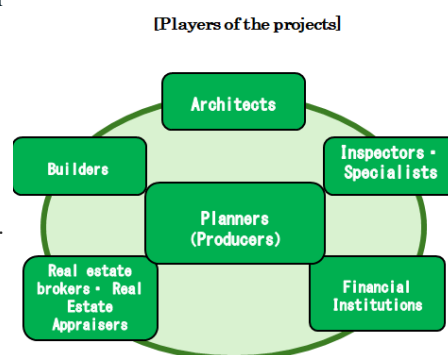
* The Ministry of Land, Infrastructure, Transportation and Tourism

1. Improving quality and maintenance of housing stock (Fiscal Year 2020~)

The project is providing supports to nominated projects which create platforms to enable existing houses to maintain values by way of inspection, defects liability insurance, and finance.

The project contains the following tasks:

- Facilitating projects that improve environments for better quality of housing stocks.
- Facilitating projects that various organizations provide an assistance to maintain and keep housing stocks against natural disasters and disputes.
- Facilitating modeling projects that provide financial support to the specialized area



2. Promotion of rental housing (“Smart Wellness”) for people who needs special assistance to secure housing (FY2022~)

The project is assisting in forming housing stocks with safe and healthy environments (called “ smart wellness houses”) for various types of people including senior citizens, the handicapped, and families with small children as shown below:

- Facilitating projects that enable businesses or individuals to renovate existing houses specifically for people who need special assistance to secure homes.
- Facilitating modeling projects to improve the quality of the living environment in order for one hundred years of life)



Research on defects warranty from neutral stance

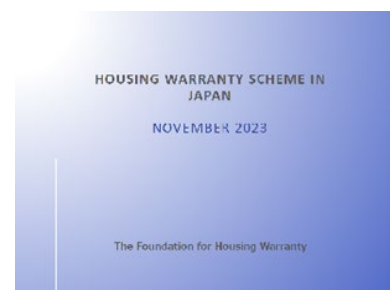
HOW conducts research on defects and housing warranty from neutral stance

Research (Japan)

- Consumer surveillance regarding defects, warranty and consumer needs for existing houses
- Impact on the Housing Industry arising from the revision of the civil code
- Leaflet titled “Housing Warranty Scheme in Japan (English)”
- Study regarding intention and gross negligence related to building of houses and defects liability insurance of extraordinary losses

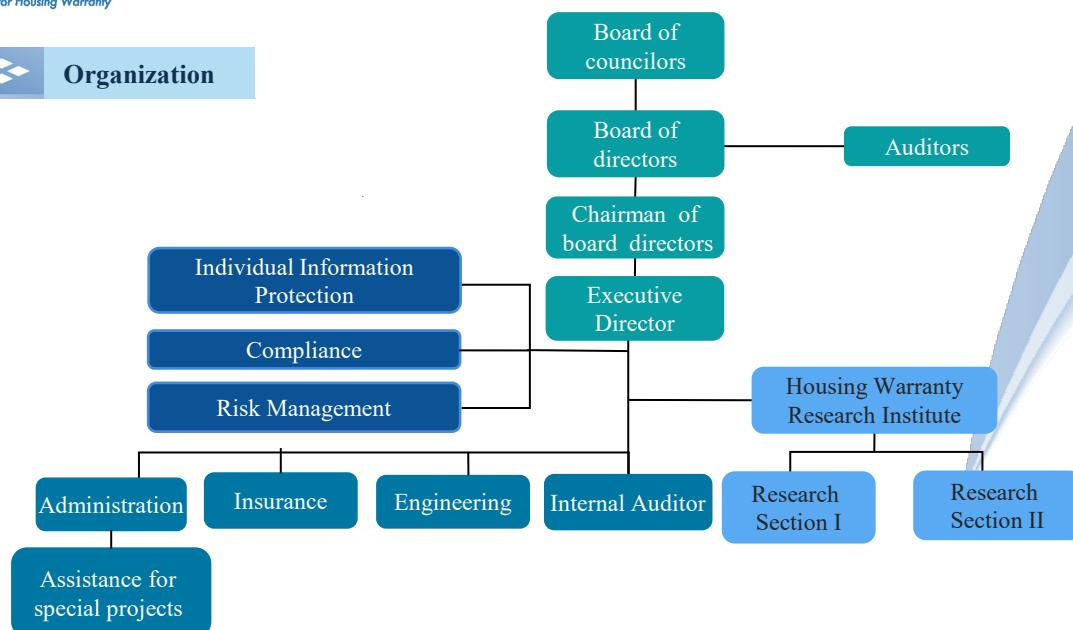
Research (Overseas) • Events

- Housing & Home Warranty Programs World Research
- Housing Warranty Scheme in Australia (Japanese only)
- Construction Insurance in France) and Energy Efficiency regulation for residence
- Building Safety Act and New-Build Warranty in England



Leaflet “Housing Warranty Scheme in Japan”

Organization



History

- | | |
|------|---|
| 1980 | Registration Organization for Warranted Houses was established as a voluntary organization. |
| 1982 | Establishment of Registration Organization for Warranted Houses("ROWH") |
| 1999 | ROWH changed its name to Organization for Housing Warranty (OHW) |
| 2000 | Change of governance in comply with Act on Assurance of Performance of Specified Housing Defect Warranty |
| 2008 | Commencement of Housing Defects Liability Insurance System to cope with implementation of the Act for Secure Execution of Defect Warranty Liability. |
| 2012 | OHW transferred business related to Housing Defects Liability Insurance and Housing Quality Assurance to Organization for Housing Warranty Ltd (OHW Ltd). |
| 2013 | OHW was reorganized as "General Foundation" and the name was changed to "Foundation for Housing Warranty ("HOW")" |
| 2018 | Commencement of underwriting reinsurance for losses arising from intention or gross negligence |
| 2020 | Commencement of underwriting reinsurance for catastrophic risks |

Foundation for Housing Warranty

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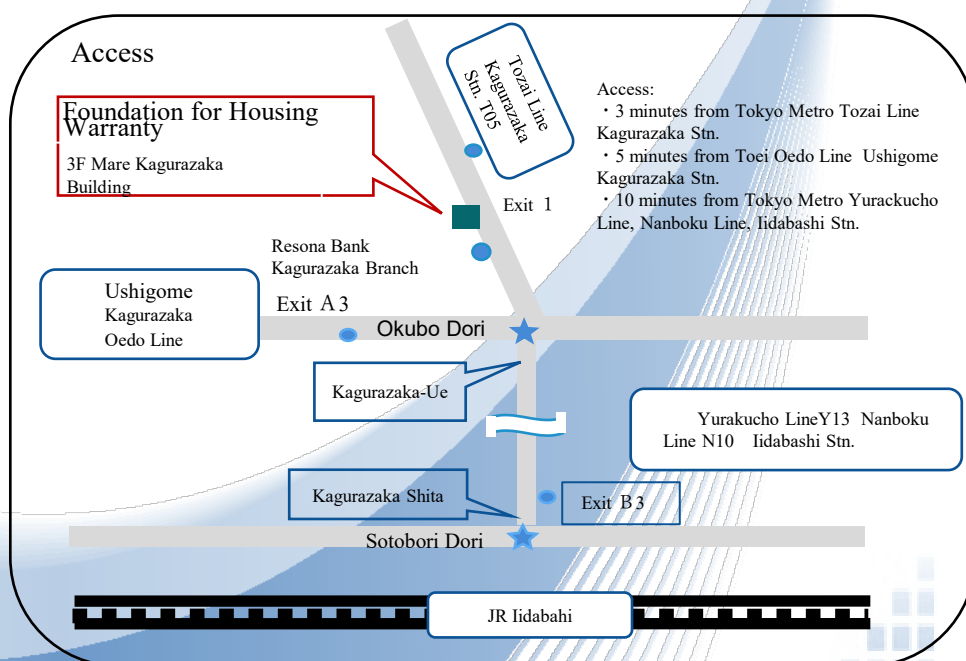
[Promoting Rental Housing, etc. for people who needs special assistance to secure homes]

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Access



As of August 2025