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Insurance Uncovered

## Contract Works

This is a highly complex class of insurance. This document aims to simplify some of the complexity.

### What is Contractors All Risks Insurance?

It provides cover to contractors for damage to contract works, owned constructional plant & employees' tools. It can also provide legal liability cover for damage to hired in constructional plant as well as liability to pay continuing hiring charges following damage to hired in constructional plant.

### What is Contract Works?

This is typically the key element and relates to the provision of cover for damage to works executed or to be executed under a contract. Usually, cover extends to include materials for incorporation, plant, tools, equipment, temporary works & temporary buildings. A limit any one contract selected in advance applies – this is usually called the sum insured. Predetermined excesses normally apply.

### When does Contract Works cover begin & end?

Typically, on a standard annually renewable policy, cover commences whilst at the site (or adjacent thereto) of any contract being performed (contract site). Mostly, cover will extend to include materials in transit by road, rail or inland waterway to the contract site or whilst temporarily stored usually anywhere in UK provided that the materials have been specifically designated for contract sites. Cover terminates either on practical completion or at the end of a contractually agreed post completion maintenance period. Cover can

often be extended to include speculative buildings (i.e. where there is no contract) for up to a predetermined period following completion.

### What constitutes Damage?

The definition is wide and certainly wider than a standard material damage cover for buildings that are not “works”. Typically, all risks of loss or damage is within scope including theft not involving forcible/violent means.

### Is “All Risks” really “All Risks”?

No. Insurers use this term to indicate that cover is broad by insurance market standards but there are always standard type exclusions that are not intended to be within the scope of insurance covers such as damage caused by wear & tear, breakdown, penalties, pollution & unexplained disappearance. There are also exclusions where governmental aid is more appropriate than insurers providing cover; these tend to be radioactive contamination, war & kindred risks. Damage caused by terrorism is also excluded – it can usually be separately purchased from specialists Pool Re.

### Any other “typical” exclusions?

These can vary, but expect to see theft from unattended vehicles, multiple lifting of materials unless to predetermined British standards, defective property (see below) & cessation of work (also see below).

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## What are defective property exclusions?

These vary enormously and it is often possible to “tailor” these exclusions to reflect what is desired e.g. by way of extent of exclusion. At its’ widest, the exclusion can apply to all costs incurred in replacing, repairing or rectifying property which is defective due to a design defect. At its’ narrowest, the exclusion can apply solely to the component part that is defective due to a design defect ie. property other than the component part being free of defect is deemed to be out with the exclusion. This can be a complex area with usually 5 variations in the breadth of exclusion and important to have appropriate advice in relation to this.

## What are cessation of work exclusions?

These allow insurers to deny/restrict cover/ impose additional premium/terms when works are temporarily suspended for longer than a predetermined period. Again, wordings vary enormously; some can be as short as 7 or 14 days. Important to have appropriate advice in relation to this. During holiday closure/pandemic lockdown periods, it’s crucial to be alert to this.

## What cover extensions should be considered?

Most policies contain extensions with monetary limits applying following damage to works; often these can apply in addition to the sum insured and they are typically the inclusion of costs of professional fees for redrawing plans etc; damage to contents of show homes; escalation of sum insured; expediting expenses; cost of complying with local authority requirements; debris removal costs; costs of avoiding impending damage & 72 hour clause (excess applies only once when consecutive damage occurs during a 72 hour period – has a place on storm/flood/water damage losses in particular).

## What are Free Issue Materials?

This relates to property/materials supplied free by the employer/main contractor for incorporation in Contract Works. Important to ensure that cover for this is included and that the Contract Works Sum Insured is sufficiently high to cater for their inclusion.

## Turning now to other sections (not Contract Works)

## What is Owned Constructional Plant/ Employees Tools?

This relates to plant, equipment & temporary buildings owned by contractors/their employees utilised in furtherance of the works. UK wide All Risks cover again applies subject to the same exclusions as Contract Works covers. Predetermined limits & excesses normally apply.

## What cover extensions should be considered?

Plant recovery costs when plant is not necessarily damaged; damage to security/tracking devices & cost of replacement keys/locks following loss/theft of keys.

These extensions normally have predetermined limits that apply in addition to the standard limits and usually the excesses are reduced or removed on these extensions.

## What is Hired in Constructional Plant?

This relates to plant, equipment & temporary buildings utilised in furtherance of the works hired in (so not owned) under conditions of hire that transfer legal liability for damage onto the hirer in. Predetermined limits & excesses apply.

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## What cover extensions should be considered?

Legal liability to pay continuing hiring charges for at least 3 months following damage and the hired in plant limit should be set at a level that includes this element.

To find out more about the cover you purchase, or to arrange an audit of your existing policies, please [get in touch](#).

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