

Insurance For Contract Works

With the risks and insurance needs surrounding contract works not always being fully understood, here, **Michael Bickers**, Account Manager at specialist insurance firm Nsure, takes a closer look at the subject and what industry companies need to bear in mind when working on projects



Whilst most contracting companies understand the need for Employers and Public Liability insurance, not all will appreciate either the risks involved or the insurance available to cover Contract Works prior to hand over to a customer.

Most will appreciate the risk posed from the likes of fire or storm if building a house or industrial unit, particularly as a project nears completion, but with other construction sites, external swimming pools being an example, some may underestimate the vulnerability of partially complete works to the elements or alternatively, simply decide to take a chance.

To some extent that is understandable, contracts can be of relatively short duration and the values, of at least the part of the contract perceived to be at risk, may not seem significant, however, unexpected events can and do occur and are sometimes from unanticipated causes.

With a long involvement of arranging insurance for companies in the wet leisure industry, Nsure have handled many claims for damage to contract works over the years and have seen losses from a number of causes. These include theft (particularly of hot tubs), bleaching or reactions from chemicals and mechanical, lifting or handling malfunctions, however, we have always felt that it is not without a certain irony that water is a frequent cause of claims. Prior to completion many sites will have a susceptibility to water damage either directly by storm / rain or the subsequent flooding or saturation of the ground and we have dealt with claims where a pool has lifted or 'popped out' of the ground.

When claims occur, they can be complicated and expensive, particularly if the cause or extent of damage is not immediately apparent, which is often the case given much of the work will be covered up. Multiple contractors on larger contracts can also be a complication, and the greater the complexity, the greater the cost of rectifying any damage, hence Contract Works (also known as Contractors All Risks) insurance is usually a contractual requirement for larger projects

but is, for the reasons already outlined, also recommended for all contractors.

There can be a misapprehension that damage to the Contract Works will be covered by a Public Liability policy however the vast majority of Public Liability policies do not provide any cover for contract works, they are designed to cover damage to third party property or injury to third party persons. Where any cover is provided, and the Nsure Poolsure and Spasure specialist policies for the industry come into this category, it tends to be for losses arising from defective design or workmanship, although the Public Liability cover extensions complement rather than replace the need for Contract Works insurance.

Contract Works policies usually provide some cover for losses arising from defective design or workmanship but only for the consequences of the defects, not rectifying the actual defect itself. This is another area where cover and any claims can be complicated, and as our experience is that these issues tend to manifest themselves after construction has been completed, there

is the difficulty in establishing under which type of policy a claim will be covered. It is one of the reasons we always recommend that contractors have Liability, Contract Works and Professional Indemnity insurances to provide cover for all the eventualities that are generally insurable at realistic premiums.

One last important point relating to the Contract Works is that the insurance cover will be subject to the insured party being responsible for the damage under any contract conditions that apply, which with some conditions such as JCT contracts, will stipulate who is responsible for arranging insurance on the project.

I have so far concentrated on cover for the Contract Works but the other main benefit of these policies is the availability of cover for tools, plant and equipment whether owned by employees or the company or hired in. Unsurprisingly theft is the main cause of claims for construction equipment and most insurers will impose security restrictions for items either left on site and particularly items left in vehicles overnight. Excesses are also normally set at a level to exclude smaller losses. It can be a valuable cover but make sure you are aware of any security conditions or exclusions and the level of excess before deciding whether it is worth insuring. With hired plant, whilst cover is available under a Contract Works policy, it may be worth taking the cover that is often offered by the hire companies, simply to keep any claims that occur off your policy and avoid being penalised with the higher premiums that can result.



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