



Contractors All Risks FREQUENTLY ASKED QUESTIONS

01 When is Contractors All Risks insurance required?

Wherever construction, repair refurbishment or extension of buildings or civil engineering or ground works are being undertaken there is a risk of loss or damage. This damage could either be to the works or to the plant equipment and materials used in connection with the works.

02 Who needs to have Contractors All Risks Insurance cover?

Whatever work is to be carried out, there will be a contract between the parties who are having the work done and the parties who are doing the work. What is specified in the contract will determine who has the financial risk during the time the work is being carried out. Whoever would suffer the financial loss should have Contractors All Risks insurance to cover this financial loss.

03 Often the terms of the Contract can be blurred; how does this work in practice?

Contracts can be very detailed and written down and signed, or they can be agreed verbally, or they can be a mixture of both. The best advice to give to a Client, if they believe there is any possibility that they may have a risk, is that they should consider purchasing Contractors All Risks insurance.

04 Is it just the Principal or Main Contractor who might need Contractors All Risks insurance?

There are many different parties who might need the insurance, depending on the details of the Contract. This could include any of the following:

- **The Employer**, i.e. the person(s) or organisation that commissions the works to be undertaken
- **An Architect or Consulting Engineer**, who may be engaged by the Employer and who may be contracted to organise the insurance
- **The Principal Contractor** appointed to undertake the works
- **Specialist Sub Contractors** who are appointed to undertake specific parts of the works and who may be responsible for their part of the contract.

Under JCT Contract Conditions the Employer will take out the insurance **in joint names** with the Principal Contractor. Each insured should comply with the duties of disclosure and notification. The policy would usually extend to include cover for all sub-contractors to avoid disputes and issues of Subrogation in the event of a loss.

05 What cover is available under a Contractors All Risks Policy?

Works:

Cover for damage to permanent (which remain after the contract is finished) and temporary (which will be gone when the contract is finished) works and free issue materials, whilst on site and usually whilst in transit to and from site from the Insured's premises.

Plant Tools and Equipment:

This insured item will include everything from a large JCB down to a hand drill. Constructional tools are often rigorously used in a harsh environment and, as such, are subject to significant wear and tear. If the items are new, claims will tend to be settled on a Reinstatement Basis. If they are more than a year old, settlement will be on an Indemnity Basis.

Cover for hired in plant and machinery:

In the construction industry it is common for contractors to 'hire in' specialist equipment. The policy can cover these items. The industry tends to use Standard Conditions for Hire which are Constructional Plant Hirers Association (CPA) Conditions and the policy will cover the Insured liability under CPA Conditions. This would include continued hiring charges for which the Insured may be liable. Insurers will accept other Conditions of hire providing they are not more onerous than CPA Conditions.

06 What is the extent of cover provided?

Cover is normally provided on an All Risks basis but this, as always, excludes such circumstances as losses for wear and tear, obsolescence, deterioration, rust and mildew, loss and damage arising out of wear and for faulty workmanship and faulty design.

07 Are all policies on an annual basis?

Policies can be either on an annual basis or for a single contract period. An annual policy will be adjustable based on end-of-year declaration of turnover so, if the Insured has an actual turnover for the period greater than what was projected, there may be an additional premium to pay. If a single period contract is completed early there is no return premium.

08 Does an annual policy cover all contracts the Insured enters into during the period?

All contracts which fall into the Insured's normal business activity, as disclosed, will be covered provided that the Contract Value does not exceed the limit under the policy. If the Insured enters into a Contract with a value higher than the limit under the policy, this needs to be advised and agreed separately or there will be no cover in place.

09 Why are Underwriters so concerned about security of the site?

Theft of tools and materials is a major exposure on a contractor's site. Theft of large items of plant and machinery is a regular occurrence. Contractors have experienced thieves entering the premises with low loaders and lifting equipment to steal large items of plant which is both expensive to replace and causes interruption to the building schedule.

10 What cover extensions might be available if requested?

- Cover for existing structures
- Part Exchange properties (purchased by the developers)
- Partially completed contracts

11 What does a Contractors All Risks policy not cover?

In addition to the exclusions under the policy it is important to understand that the policy does not normally include any cover for:

- Professional Indemnity
- JCT Clause 21.2.1 (now 6.5.1)
- Financial Loss
- Existing Structures
- Liquidated Damages
- Construction Bond
- Marine Transits

These covers may be able to be arranged as an Extension to a Contractors All Risks Policy if requested or as a separate policy but are not normally included automatically.