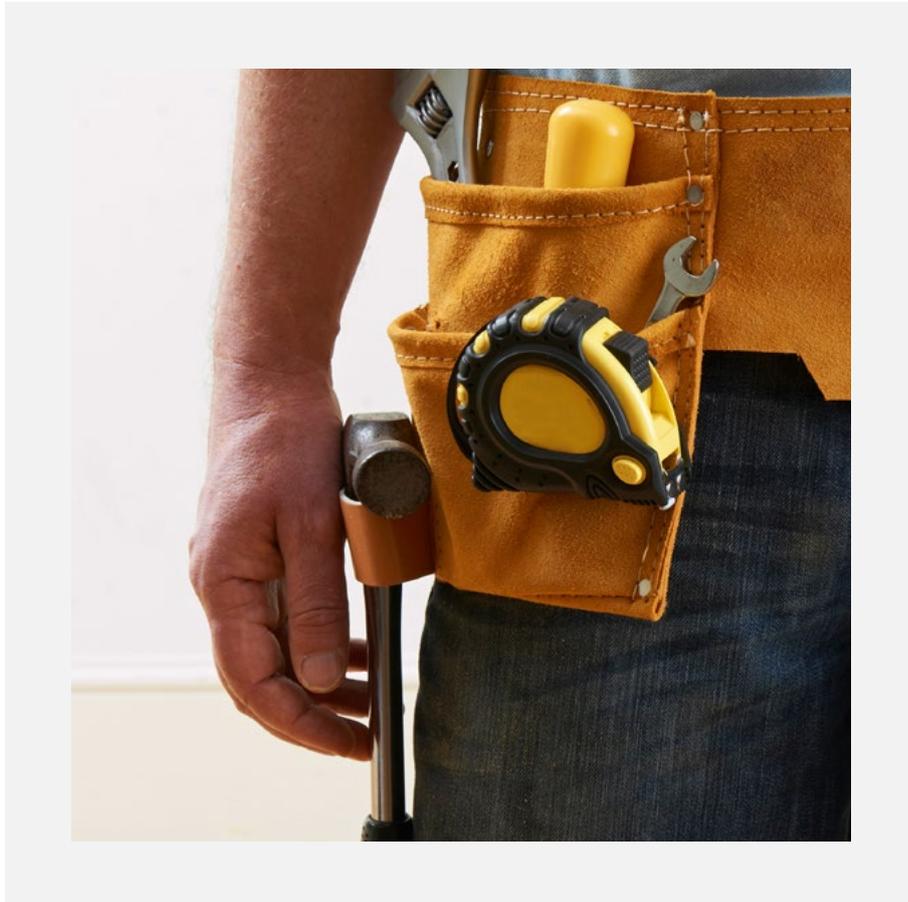




Contract works insurance



Overview

The need for contractors' all risks (CAR) insurance arises when a property is being built or refurbished.

Cover is provided for the construction works or, in the case of a building being renovated, for the renovation works rather than the existing structure, which remains the responsibility of the material damage insurer.

Contracts

Responsibility for insuring the works is determined by the property owner and the contractor through a contract. The most commonly used contract in the UK is the Joint Contracts Tribunal contract, but others exist such as the Institute of Civil Engineers contract.

It is not necessary for a formal contract to exist for us to provide insurance cover. Contracts may be covered where the works are not subject to any form of written contract conditions. The scope of cover will be similar, although it cannot exactly match that provided where a contract applies because the written contract will set out the stage at which the contractor's responsibilities cease.

What is covered

A CAR policy provides cover for:

- 1 The contract works – perils as specified by the contract
- 2 Materials for incorporation in the contract works
- 3 Temporary works

Where required, the policy can also cover:

- Construction plant, scaffolding, tools and other equipment
- Site huts and temporary buildings and their contents
- Property hired by the policyholder
- Employees' tools and personal effects

The cover applies while the property is on the contract site, in transit (with certain exceptions), or stored away from site (this aspect of cover is very restricted).

While CAR cover is usually more than adequate to meet the contractual needs for insurance, there may well be a shortfall in cover for the contractors' other responsibilities, such as not damaging existing structures.

A policy may be written in the name(s) of any of the following:

- The contractor
- The employer (also referred to as the principal)
- The contractor and employer jointly
- A sub-contractor
- The employer, the contractor and all sub-contractors

Where contract conditions apply, these will normally determine in whose name(s) the policy should be written. The contractor need not be a builder or a civil engineer, but may be a specialist contractor such as a heating engineer, electrician or plumber.

Types of policy

Annual turnover policy

This is the most common form of contract issued to public sector clients. It would be very costly and impractical to issue separate policies for every contract, so it is necessary to provide cover for the vast majority of works the insured carries out on an open basis.

Some larger contracts and certain types of civil engineering contract are not suitable for open cover insurance. These include tunnels (that exceed 10 metres in length), dams, bridges and work in, on, over or adjacent to water.

An annual policy will exclude all contracts where the estimated original contract price (plus the value of free materials) exceeds a certain amount. This amount will be determined by the size of the contractor's annual turnover and the value of contracts they normally carry out. Generally, the larger the contract is, the longer it takes to complete, so a greater premium is required.

Specific contract policy

This type of policy is designed to apply to one particular contract. The types of contracts covered can include:

- Small contracts carried out by contractors who do not consider that the size of their turnover warrants an annual policy
- Self-build insurance
- Contracts that are either too large or too hazardous to be included under an annual policy

Further RMP Resources and Articles

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Get in touch

For more information, please contact your RMP risk control consultant or account director.

Risk Management Partners
contact@rmpartners.co.uk

The Walbrook Building
25 Walbrook
London EC4N 8AW

020 7204 1800
www.rmpartners.co.uk

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