

QBE Insurance

# Contract Works Cover



# The Problem

- Every engineering work, whether it is for a small building to massive dams or a single small machine to a large complex manufacturing layout is unique and prone to risks.
- While you take all due care to keep your assets protected and prevent loss or damage, natural hazards and accidents do happen.
- Fire, water, storm, impact, internal defects or breakdown and explosion are just some of the dangers you can be exposed to while running your construction business or employing contractors or subcontractors.
- Natural hazards such as flood, landslip, earthquake or volcanic eruptions can put your work at risk.
- The more complex the construction project the higher the risks it involves.

## When can accidents or hazards put your work at risk?

As a contractor it is particularly important to consider all the exposures that can impact on your project work before you enter into the contract. You must protect your work and manage your risks.

### Construction phase

- Exposure to damage commences at the time of the first delivery of materials to the contract site.
- It continues while the work is in progress, including testing and commissioning.
- Imagine the strain on you if a crane topples over and causes damage to the site, or the building you are erecting is engulfed in flames. The principal expects the work done and has assumed you are covered by insurance. You may have to start all over again and stretch your financial resources.
- You may need to employ subcontractors who do not arrange appropriate insurance on their portion of the works. This failure to insure could have serious implications on the timely completion of the project.
- You know how to run your business but cannot control the external factors. This means that you may be faced with large financial implications such as: increases in wages or the cost of materials, or escalation of costs if you are faced with reconstruction.

### Maintenance phase

- You may think that you have successfully completed the project but during the maintenance period you discover loss or damage from a cause that arose during the construction period.
- Think about the time and professional fees spent to investigate the cause.
- Think about the other projects that require your attention while you are busy defending yourself.
- You could be asked to compensate for the loss or damage.
- You may even suffer damages to your reputation and lose credibility, which means your business is at risk.

**Unexpected losses or damages may result in heavy financial hardships.**

## What types of work are exposed to hazards or losses?

Accidents do happen to civil engineering contracts such as housing developments, industrial buildings, block of offices or flats, land pipelines, water treatment plants, canals, roads, railways, bridges, docks, piers, dams, reservoirs and composite electrical / mechanical contracts such as entire chemical plants, power stations and factory equipment. Contractors' plant and machinery are also at risk of loss or damage.

**As a contractor you need to cover your heavy financial responsibilities.**



# The Solution

QBE Contract Works Cover provides peace of mind for you to get on with your business. It provides specialist cover for property in the course of construction or alteration.

## Flexible covers

QBE Contract Works Cover provides the flexibility you need to cover each particular contract during its construction and maintenance period, until completion of testing or the date of taking over by the purchaser. Depending on the complexity of the job, its location, the materials you use, the location of your suppliers, you can apply for a standard cover or one with various options.

Your insurance broker or adviser can assist you to determine which QBE Contract Works Cover options are most suitable for you:

- With QBE Contract Works Cover you can go one step further and also arrange for cover against any loss that the construction operation may produce to the adjoining property (whether this is included in the work project or not).
- In addition when you subcontract your work QBE Contract Works Cover can include subcontractors' interests.
- With QBE Contract Works Cover you can choose to include additional benefits like professional fees charged by architects, surveyors or fees incurred for reinstatement of the works following damage or loss, employee effects, removal of debris, expediting expenses to make the return to normal business easier.
- Additional optional coverage ensures an even broader level of protection and reassurance.



**The table below provides a summary and description of the core and optional insurance cover that you can get with QBE Contract Works Cover:**

PHASE	COVER AGAINST
During the construction period	<ul style="list-style-type: none"> <li>• Fire and lightning,</li> <li>• Accidental damage during construction e.g. due to faulty manipulation, dropping or falling, breakage of slings,</li> <li>• Water damage, flood, storm and tempest,</li> <li>• Collapse, collision, impact, burglary, theft and malicious damage, aircraft,</li> <li>• Electrical and mechanical breakdown and explosion of any part of the contract works,</li> <li>• Damage due to defects in material, casting, workmanship and design (but costs incurred in rectifying the defects are always excluded).</li> </ul>
During the maintenance period	<ul style="list-style-type: none"> <li>• Damage caused by defects in the works for which the contractor is liable,</li> <li>• Loss or damage caused by the contractor during his visits to the site for the purpose of fulfilling his maintenance obligations under the contract.</li> </ul>

**QBE Contract Works Cover helps protect the property described in the following tables up to the sum insured shown in the schedule of the policy.**

### Core Components

PROPERTY INSURED	DESCRIPTION	SUM INSURED
Contract works	The whole of the works, including all materials that have been or will be incorporated, belonging or controlled by the insured, at the contract site and for the performance of the contract.	<ul style="list-style-type: none"> <li>• Aim to cover the property for a sum which would adequately pay for its replacement in the event of major damage. This could be a total rebuild if the fire burns down just before handover.</li> </ul>
Principal's supplied materials	Materials and items supplied by the principal to the contractor free of charge for inclusion in the contract works, once the principal passes the care, custody and control of the property to the contractor.	<ul style="list-style-type: none"> <li>• Estimate the value of such materials on "free issue" and increase the sum insured appropriately.</li> </ul>

**At QBE we know that all jobs are unique. We have the know-how and significant capacities to tailor our Contract Works solutions to help meet your needs. We can reduce your premium when you take a higher excess. We can extend your basic policy to provide comprehensive cover at an additional premium.**

## Optional Additional Covers

COVERAGE	DESCRIPTION
<b>Existing structures</b> (Building/plant & equipment)	Loss or damage to existing structures or property at the contract site, occurring during the construction period.
<b>Materials in transit</b>	Materials and components to be incorporated in the contract works while being transported within the country to or from the contract site by road, by sea (by licensed coastal trading vessel), by air.
<b>Materials in storage - away from the contract site</b>	Loss or damage to materials and components to be incorporated in the contract works whilst in storage away from the contract site for a period of up to 90 days, subsequent to arrival in the country, during the construction period.
<b>Expediting expenses</b>	Costs of express delivery within the country, overtime rates of wages, and the additional costs of resources necessary to urgently reinstate, repair or replace loss or damage to any property insured. Express delivery can include carriage by licensed air freight within the country.
<b>Removal of debris</b>	Removal of debris includes the demolition and removal of damaged contract works from the contract site or undamaged contract works necessary to enable the contract works to be restored or replaced.
<b>Professional fees</b>	Professional fees charged by architects, surveyors, consulting engineers and other fees incurred for the reinstatement of the contract works following a loss.
<b>Increased costs during construction</b>	Increased costs during construction to allow for fluctuations in the contract price and/or inflation during the construction and maintenance period.
<b>Escalation costs during reconstruction</b>	Escalation costs during reconstruction to cover costs incurred by the reinstatement of the works, when these exceed the initial costs but not exceeding the amount stated in the schedule at this section.
<b>Temporary works</b>	Works constructed by the insured on site to facilitate construction of the permanent contract works including coffer dams, shuttering, temporary diversions of waterways.
<b>Principal's interests</b>	If required, the cover may be extended to include the interests of the principal or may indemnify the principal alone. During the maintenance period the insurance is restricted to loss or damage for which the contractor is liable.
<b>Insured's surrounding property</b>	When the insurance includes the interest of the purchaser and involves extensions to or work adjoining existing premises, cover can be extended against the risk of such premises and their contents being damaged as a result of accidents arising out of the construction operations.
<b>Subcontractors' interests</b>	Where subcontractors' interests have to be included in the main contractor's insurance, cover can be extended to them.
<b>Third party liability</b>	The insured's liability to third parties for bodily injury and damage to property may be insured. During the construction period it covers liability arising out of the performance of the contract and during the maintenance period it is liability arising out of the insured's operation under the maintenance provisions in the contract.

**With the flexibility of QBE Contract Works we can tailor the cover to include civil works, wet works and cyclone. Please contact your QBE insurance adviser or broker to discuss your specific needs.**

## Some Exclusions

- War, terrorism, nuclear radiation
- Inventory losses
- Aircraft or watercraft
- Fault or defect in materials or workmanship
- Money, financial documents
- Cranes, hoists and plant, vehicles
- Fault in plan or design
- Consequential losses, delay, penalties
- Wet works\*, civil works\*
- Electrical breakdown or derangement
- Wearing away or wasting
- Damage or loss from cyclone\*
- Computer data and software
- Normal upkeep
- Dewatering
- Defective concrete.

**\* Your policy may be extended to include these items, please contact your QBE insurance advisor.**

## What should you do in the event of a claim?

- Take prompt steps to minimise the damage and protect the property from further loss or damage.
- If a criminal act is known or suspected, immediately inform the police.
- Notify QBE as soon as practicable and ensure to make the claim with all the necessary evidence within 30 days.
- Assist QBE in all measures which QBE considers necessary to minimise the loss and enable it to investigate or settle the claim.

## Don't Delay

- You must protect your work and interests in order to protect your financial security and reputation.
- You cannot predict what lies ahead but you can be prepared with adequate insurance coverage.
- Simply fill in the QBE Contract Works proposal. Your insurance advisor will help you clarify your needs / select your options, explain the exclusions and submit your application.
- Remember that you have a responsibility to others (your employees, third parties), therefore make sure you contact your insurance advisor or broker to discuss what other protection levels you need - workers compensation, third party liability, contractors plant & machinery.

## Critical examples

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### EXAMPLE ONE

### CONTRACTOR'S NEGLIGENCE / POOR STANDARDS

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**Scenario**

While removing paint from the roof of an old building which had a new extension, a painting contractor damaged the brand new colour steel roof of the extension. They managed to pit it so severely by chemical reaction that the whole roof had to be removed and replaced.

**Possible outcome with QBE Contract Works Cover**

The main contractor contacted their insurers, QBE, who arranged for a claims assessor to be onsite immediately. Damages were assessed within a few days and this enabled the roof to be replaced in the following week. QBE's excellent claims service enabled the main contractor to get back to his renovation contract with minimal fuss and delay.

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### EXAMPLE TWO

### ARSONIST ACT

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**Scenario**

Stacks of water pipes for a new town water supply project caught fire. The pipes were completely destroyed. The cause of the fire was never determined but was believed to be arson.

**Possible outcome with QBE Contract Works Cover**

QBE received invoices for the pipes from the contractor and reimbursed the insured for their loss.

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### EXAMPLE THREE

### PROOF OF INSURANCE CERTIFICATE REQUIRED

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**Scenario**

A contractor delivered concrete to a contract site but was not allowed to pour it without confirmation that there was a contract works cover in place.

**Possible outcome with QBE Contract Works Cover**

The contractor rang QBE and the necessary certificate was immediately faxed through to the project manager at the site. This prompt response enabled the contractor to pour while the concrete was still fresh.

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#### **IMPORTANT NOTICE:**

This brochure contains information about the QBE Contract Works Cover policy applicable in Fiji, Papua New Guinea, Solomon Islands and Vanuatu.

The brochure is for general information purposes only and does not attempt to provide full details of every aspect of cover available under the Contract Works Cover policy, nor all of the terms and conditions including the exclusions or limitations that may apply. Critical examples are provided as a guide only to the types of cover available and which may apply to certain claims. QBE will assess each claim in accordance with the terms and conditions of the policy, the level of cover chosen and the particular circumstances giving rise to the claim.

For full details of the terms and conditions and levels of cover available, please read our QBE Contract Works Cover policy wording, which is available on request from your local QBE office or insurance advisor.



#### **Fiji**

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