

Abode

Listed Property Insurance

Part of **HOWDEN**

CONTRACT WORKS INSURANCE – FACTSHEET



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If you are considering any type of renovation, alteration, demolition or extension to your home, it is important to realise the effect that this has on your household insurance policy as your property is at a greater risk from factors outside of your control.

The vast majority of home insurance companies are unable to accommodate building works or will look to reduce the standard policy coverage whilst these are ongoing. It is therefore, important to notify us in the first instance if you are planning to undertake work at the home so that your insurance requirements can be considered by our specialists who can help provide you with an insurance solution.

Some architects or contractors may advise you that you do not need to insure the works as the contractor has their own Contractors All Risks (known as C.A.R.), Public and Employers' Liability insurance. However, this is simply not the case. Entering into a contract to refurbish your home can place the onus on the property owner (known as the 'employer') to insure your home (existing structure), the materials brought on site and the works in progress irrespective of what insurance the contractor may or may not have in place. Additionally, you may not wish to rely on the contractors' insurance to respond in the event of a claim especially when large sums are involved.

Regardless of whether you are required to insure the works under the terms of a contract, or if no contract is signed, you have peace of mind in knowing that you have protected possibly your most valuable asset by arranging the appropriate insurances.

If you are the owner/leaseholder of a flat undergoing refurbishment, the

freeholder of the building must be informed so that they can notify their respective insurer. Even if you only have contents cover under your own policy you will be required to inform your insurer of any works planned due to the increased risk of loss or damage. The improvements you make to your flat in terms of wooden flooring and fitted units etc. would not normally be covered by the buildings insurance (block policy) and would need to be covered separately as Fixtures and Fittings/Tenants Improvements under your Contents policy.

In addition, if you own a listed property, Listed Building Consent is required to carryout any works to a listed building which will affect its value for listing purposes. This will almost certainly be necessary for any major works, but may also be necessary for minor alterations, change of use of the property, or even repairs and maintenance. Works such as re-pointing and repairing, installation of doors and windows, alteration of fireplaces can require Listed Building Consent, even if planning permission is not necessary. Replacement windows and doors are common areas of controversy and strict control. It is always advisable to check with the Council's Listed Buildings Officer before undertaking any work.

It is part of our role as your broker to give advice on not only the insurance of the existing structure, but also the insurance of the proposed works, the type of contract being signed and the adequacy of the contractors' insurances. To enable us to provide the best advice and arrange appropriate insurances, we will ask you to complete a questionnaire summarising the proposed works. We are also available to meet with you and your project manager/architect, if required.

Step by step guide

Your Role - Before Works Begin

- Notify your account handler of any proposed works at the earliest stage, anything from general decoration to complete refurbishments.
- Once you have obtained planning permission, if appropriate, and appointed a contractor, obtain a copy of their Contractors All Risk (C.A.R) if applicable, Public and Employers Liability insurance documents. You should make sure that your Contractor carries out the same checks for any sub-contractor that they use.
- Complete the works questionnaire and send this together with the above and a copy of the proposed contract detailing the operative terms and a detailed schedule of works. For larger projects many clients either ask the architect or employ a project manager to oversee the work and ensure that it is carried out in accordance with your instructions and architects drawings.

When appointing a contractor it would be prudent to consider the following:

- How long has the contractor been trading?
- What previous experience do they have in managing projects of your size and nature?
- Size of company including no. of employees (full or part-time) and projects ongoing including the split between domestic and commercial work.

Your Role - During Works

- Inform us if the contract value has increased, the duration of the works has increased, or the nature of the works has changed.
- Contact us if the project has substantially ceased for more than 30 days but prior to the end of the contract.
- Advise us of any incidents that may give rise to a claim.
- Advise us if there is any possibility that the works may cease for any reason, for any period of time exceeding 30 days.

Your Role - End of Works

- You must advise us when the works are due to complete. If 'practical completion' is signed, all cover under a Contractors 'All Risks' policy ceases immediately which could leave you underinsured in the event of a loss.
- Provide us with a 'completed' or postworks rebuilding cost sum insured for the building. Some insurers may offer this facility free of charge by surveying the property once the work has completed.

Our Role - Before Works Begin

- Review the information provided and source cover to meet with any contractual obligations, or where no contract is signed, provide you with best protection that suits your requirements.
- Liaise with you to understand what the completed property will look like and advise on any security and fire protections that may need to be incorporated as part of works project.

Our Role - During Works

- Arrange an on-site visit with you and your project manager/architect and at various stages during the works, if required.
- Maintain regular contact with you and your project manager/architect throughout the duration of the works.
- Deal with any claim notification and liaise with your insurers.
- Towards the end of the project, discuss with you new arrangements for household insurance cover for the 'completed' buildings and any contents, fine art and jewellery cover required.

Main insurance options

Each project will be different, however these are the main options available to you for arranging insurance during the course of the works.

- Contractor Insures the ‘works’ and you (the Employer) insures the buildings (existing structure).

If the contractor insures the works, there is potential for complications in the event of a claim. In the event both the existing structure and the works are affected, both insurers will look to appoint their own loss adjusters and there is potential for each insurer to quibble over which policy, parts of the damage fall under. In addition, the insurers for the existing structure will undoubtedly exclude all losses arising out of the activities of the contractors and restrict your insurance to very limited cover.

- You insure the ‘works’ and the buildings (existing structure) under one specialist policy.

By transferring the existing structure cover onto a works policy, and insuring it in conjunction with the works, you are able to meet your requirements under a JCT Contract, receive much wider cover and one insurer in the event of a claim.

- Separate cover for Non-negligence (21.2.1) where there are Third Party Wall considerations such as an adjoining property or one in close proximity which could be affected by the works. Some examples of this could be collapse, subsidence, heave, vibration, weakening or removal of support or lowering of ground water. Irrespective of fault, the law dictates that you may be liable in Nuisance as a homeowner if a neighbouring property experiences any of the above. Your architect or project manager will advise if this type of cover is appropriate and what level of indemnity is required by your contractor, this limit should represent the estimated maximum exposure including neighbouring property.

The request for the contractor to insure thenon-negligence liability is the best option

because the contractor can usually extend his third party liability coverage to cover non-negligence. In practise, it means that if there is damage (e.g. vibration) to an adjoining property then the contractors’ third party liability insurance will meet the claim one way or other. The risk of insuring non-negligence cover with a different insurer is that the two insurers could well argue as to whether or not there has been negligence and thus which insurer should respond.

Key features of an ideal works programme

- An appropriate JCT contract in joint names
- A project manager to oversee the works programme from start to ‘Practical Completion’.
- A single main contractor with adequate Contractors All Risks, Employers and Public Liability insurances
- A clear schedule of the works
- A schedule of condition of adjoining property

With all there is to consider, it is important to speak to your account handler in the event you are considering works, however small you consider the works to be.

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