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## Homeowners Contract Works Insurance

Plans agreed, contractor appointed, then it's time to start thinking about insurance! Now I appreciate this isn't the most interesting of subjects, but it is imperative you get this part correct. It's my goal to talk you through the basics of contract works/renovation insurance because in my experience no homeowner truly understands their exposure until it is too late!

In its simplest form, contract works insurance protects the works in progress (until completion) including the existing structure (only under a homeowner's contract works policy), materials yet to be fitted (including in transit), liabilities and plant/tools. It can also be extended to include unintentional damage to neighbouring properties. The perils include fire, flood, storm, accidental/malicious damage and theft.

Generally, work projects under £50,000 can be insured under a home insurance policy but please always check with your insurer first. Work projects exceeding £50,000 (up to any value) require a little more attention and this is precisely what contract works insurance is designed for and what I am referring to.

The first mention of insurance during a renovation project, is usually when the JCT Contract is being agreed. It is at this point when the responsibility for the insurance is discussed. To make you aware, The Joint Contracts Tribunal, also known as the JCT, produces standard forms of contract for construction works throughout the whole construction industry. Within a JCT Minor Works or Intermediate Works contract there are 3 different insurance clauses/options and I attach these in detail at the end of this article.

In my experience, most homeowners are led to believe their contractor's Contractors All Risks Insurance protects everything, but this is simply not the case. The contractor's insurance policy will cover all aspects of the works but does not cover damage to the existing structure. The contractor's insurance policy does offer very limited cover to the existing structure within the liability section of their insurance policy, however the important part to consider is in the event of a claim, the contractor's insurer could refuse to pay on the grounds of their policy wording and expect the homeowner to prove negligence which is almost impossible to do! This will leave the homeowner with a damaged property and no insurance to restore it. There is also very likely to be warranties/terms applied. There is the added complication of the contractor going bust/stops trading/is unable to fulfil their duty etc. Additionally, you may not wish to rely on the contractor's insurance to respond in the event of a claim especially when large sums are involved. This is why I always recommend a homeowner takes control of the insurance by placing a Homeowner's contract works policy in their own name. With this in mind, when agreeing the JCT contract, I recommend 5.4b or 6.7c (depending on the size of the works) because this puts the employer (homeowner) in charge of the insurance.

A Homeowner's contract works policy is very simple, it covers the home and the works against full perils with no hidden exclusions or terms applied. Any warranties applied, are clearly stated to ensure a homeowner fully understands the insurance policy. This puts the homeowner in control and enables them to communicate any conditions that must be complied with to the contractor. The products are very flexible, insurance can easily cater for the property for all eventualities including the client continuing to live at the property, living on site or even un-occupied throughout the works. In addition, an experienced Insurance Broker will talk a client through the entire process, highlight any discrepancies and will be on hand in the event of any problems.

One common issue when arranging Contract Works insurance is the contract overrunning and therefore keeping your broker up to date is very important. An existing works insurance policy can easily be extended with the addition of a pro-rata premium.

One last point to mention is that we would always recommend the chosen contractor holds a minimum of £5 Million Public Liability and that you request a copy for your reference.

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## **JCT Insurance clauses**

### **JCT Minor Works Contract**

#### **5.4 a**

Insurance of the works for all risks by contractor in joint names

#### **5.4 b**

Insurance of existing structures for specified perils and the works for all risks by Employer in joint names

#### **5.4 c**

Insurance of existing structures for specified perils by Employer in own name

## **JCT Intermediate Works Contract**

### **6.7 Option A**

All risks insurance of the works, in joint names, by the contractor

### **6.7 Option B**

All risks insurance of the works, in joint names, by the Employer

### **6.7 Option C**

Insurance in joint names by the employer of the existing structures for specified perils and works for all risks

## **Notes:**

- There a number of versions of both of the above contracts in use 2011-2016 so if in doubt ask to see a copy of the contract
- Macbeth can accommodate any of the above clauses