



**GENLIB**

SPECIALISED INSURANCE & INNOVATIVE SOLUTIONS  
FOR BROKERS

**CONTRACTORS ALL RISK & PUBLIC LIABILITY**

(C.A.R)

Insured through: New National Assurance Company

# INDEX

What is Contractors All Risks	Page No 3
Why the need for Contractors All Risks	Page No 3
What is covered	Page No 4 - 5
Standard Extensions	Page No 6 - 7
Optional Extensions	Page No. 8
What is not covered (Exclusions)	Page No 9
What you need to consider	Page No 10 - 11
What cannot be covered by a C.A.R policy	Page No 12
Section II : Liability	Page No 13
Section II : Main Exclusions	Page No 14- 15
Frequently Asked Questions	Page No 16 - 19

## WHAT IS CONTRACTORS ALL RISKS ?

Contractors All Risks (often referred to as “CAR”) policies provides cover for sudden and accidental physical loss or damage that occurs to the property **insured** during the construction period.

The Contract All Risks policy is made up of two sections :-

- **SECTION I : CONTRACT WORKS**
- **SECTION II : PUBLIC LIABILITY**

### WHY THE NEED FOR CONTRACTORS ALL RISKS

- You need contract works insurance in place before a peg is put in the ground. Many things can go wrong in a project, from the excavation and foundation stage to the construction itself, and even building materials can be stolen. Other hazards include fire and malicious damage.
- The policy provides All Risks cover intended for the erection of anything between private houses, cluster homes, small blocks of flats up to large projects such as shopping centres, sugar mills, power stations, refineries as well as infrastructure such as bridges, roads, dams water reticulation and pipelines.
- This cover will also extend to contracts for electrical work, plumbing and painting.

## WHAT IS COVERED

The policy covers the construction works against the following, subject to the standard terms and conditions, as outlined in the policy wording:

- **Storm, Flood, Rain, other Water damage** - Rivers or streams may overflow or the sea may inundate low lying areas. Dams or reservoirs may burst or release surplus water. Flash flooding may occur in normally dry and arid areas. Rain and water can cause severe damage to partially complete road layer works and foundations.
- **Windstorm** - Even when early warnings can be given severe damage can be caused by Hurricanes, Cyclones and Tornados.
- **Subsidence, Collapse, Landslip** - Building on inadequately compacted ground or ground under which excavation or tunnelling has taken place may result in potential serious damage to buildings and structures being constructed.
- **Accidental Damage** - Impact by site vehicles e.g. a truck offloading materials, dropping of a load being lifted, falling over of a crane causing damage to the contract works.
- **Theft & Malicious Damage** – A major problem in South Africa and neighbouring territories. Theft or attempt thereat is often accompanied by malicious damage to the Insured property.
- **Earthquake** – Some areas are more exposed to this risk than others and maps are available showing the risk levels in various areas.
- **Fire, Explosion** - Worker negligence, Welding, use of blow torch, Incorrect storage of flammable substance e.g. diesel fuel, hazardous chemicals are all potential causes of fires and explosion.

## WHAT IS COVERED (CONTINUED)

- **Testing & Commissioning** – Contracts for the installation / erection of new machinery would need cover for mechanical and electrical failure or explosion during the final testing of the installed machines. This cover would normally be limited to a period of a number of days e.g. 30/60/90 as required and the days need not run consecutively. (This cover is normally only given if the machines are new but exceptions can be made subject to special consideration by the underwriters).

## STANDARD EXTENSIONS

### Claims Preparation Costs

The costs incurred by the Insured in quantifying a claim e.g. accountants, quantity surveyors.

### Removal of Debris

As result of an insured peril there may be rubble and debris which has to be cleared away before repair work can be commenced. This cover is given subject to a limit of indemnity.

### Existing Property / Surrounding Property Damage

Property on or in the vicinity of the Contract site and which is in the Care, Custody and Control of the Insured and which is not being worked on could suffer damage during the contract period due to any of the above perils. A limit of indemnity would be attached to this risk.

### Professional Fees

The costs paid to professionals such as architects, quantity surveyors employed to advise on repair/reinstatement of loss caused by an insured peril

### Theft and Malicious Damage

Covers theft of materials from site where the materials cannot be secured. Cover is subject to the Insured taking reasonable precautions to prevent the theft of or malicious damage to such materials. Reasonable precautions shall include the provision of qualified security personnel on site, regular patrols and delivering only such materials to site as will be incorporated into the works during the day.

## STANDARD EXTENSIONS (CONTINUED)

### Off-Site Storage

Includes the physical loss of or damage to property arising out of the temporary storage of such property at any premises, which has proper physical security and adequate security personnel, within the Territorial Limits, prior to dispatch to the Contract Site provided such property was purchased for incorporation into the Contract.

### Fire Brigade Charges

These are the costs levied by the Fire department called in to attend to an appropriate peril on the contract site e.g. Fire, Explosion.

## OPTIONAL EXTENSIONS

Spread of Fire

Underground Facilities

Inland Transit

## WHAT IS NOT COVERED (EXCLUSIONS)

- Losses falling within the policy deductible
- Defective Design, Plan, Specification or Workmanship
- Lateral support risks (unless specified on Policy)
- Losses by theft or disappearance which cannot be identified with a specific event
- Consequential loss and Advanced Loss of Profit / Project Delay / Penalties for delay etc.
- Continuous dewatering of the contract site due to the ingress of naturally occurring ground water
- Waterside risks, Harbours, Jetties, Tunnelling, Shaft sinking, underground mining.
- Contracts involving Prototype or untried design.

# CONSIDERATIONS WHEN TAKING OUT A C.A.R. POLICY

## The Contract Value

- It should be established if this is inclusive of VAT and Free Issue Material.

*“Free Issue Material” - means material supplied by the Purchaser without charge to the Contractor, up to the Contractor's plant, in order that it be incorporated into the Work.*

## Annual Turnover

- In the case of an Annual Open Contract Works Policy the estimated annual turnover is the total of all contracts anticipated to be commenced in the year of insurance. (This figure to include all free issue material and VAT)

## Maintenance

- The cover will normally provide a maintenance period commencing immediately on completion and hand over of the contract. This will vary from contract to contract, however the maximum is 18 months.

## Risk Survey

- Some risks may need to be seen before a quotation is given e.g. building of a house on a steep slope or near water. The nature of the site may need consideration e.g. geological characteristics and history or evidence of subsidence or landslip. Is the site in a built-up area, near railways or busy roads ?

### Non-Standard Construction

- Buildings with Thatch roofs, Timber buildings require special consideration as regards site management, lightning protection, firefighting equipment, storage of the thatching materials, rates and deductibles.

### Removal of Lateral Support

- Large excavations for example deep basements present risks of removal of support to surrounding own and third-party property and consequently these risks need careful consideration involving a site survey and in some cases the advice of a professional engineer.

### Period of Insurance Extension

- The project may not be complete by the expiry date shown on the policy and the Insured will request an extension. This may be granted at appropriate additional terms. Considerations such as the length of period required to completion, the type of season that the extension will run into, i.e. wet and rainy or dry will effect the underwriters views on additional terms.

## WHAT CANNOT BE COVERED BY A C.A.R POLICY

1. Contracts where the estimated value at award (including the cost of free issue materials) exceeds the Policy Limit of Indemnity or Maximum Contract Value or Maximum Value per Contract reflected in the Schedule.
2. Contracts with a duration at inception which exceeds the limit in the policy Schedule.
3. Contracts which exceed 3 years in duration.
4. Contracts on an existing airport runway or airstrip or in or on any aircraft unless otherwise agreed.
5. Contracts in or on waterborne vessels.
6. Contracts involving harbours, jetties, piers, wharfs, dams unless such works is done from shore or temporary works connected to shore.
7. Contracts involving underground mining, tunnelling, shaft-sinking, underground work or any underground activity other than excavations for normal foundations or basements.

## SECTION II : LIABILITY

### The Cover

This cover would indemnify the Insured for any amounts he may become legally liable to pay in respect of

- a) Accidental bodily injury to or illness of third parties (whether fatal or not),
- b) Accidental loss of or damage to tangible property belonging to third parties

The cover may be extended to cover:

**EMERGENCY MEDICAL EXPENSES**

**LEGAL DEFENCE COSTS**

Provided that such costs are incurred as a direct result of an indemnifiable event under this section of the policy.

## SECTION II : LIABILITY - EXCLUSIONS

- The deductible stated in the Schedule to be borne by the Insured in any one occurrence
- The expenditure incurred in doing or redoing or making good or repairing or replacing anything covered or coverable under Section I
- Damage to any property or land or building caused by vibration or by or the removal weakening of support, or injury or damage to any person or property, occasioned by or resulting from any such damage (unless especially agreed upon by endorsement)
- Liability consequent upon
  - a) Bodily injury to or illness of employees or workmen of the Contractor(s) or the Principal(s) or any other firm connected with the project which or part of which is insured under Section 1, or members of their families.
  - b) Loss of or damage to property belonging to or held in care, custody or control of the Contractor(s), the Principal(s) or any other firm connected with the project or an employee or workman of one of the aforesaid or which is insured under Section 1
  - c) Any accident caused by vehicles licensed for general road use or by waterborne vessels or aircraft.
  - d) Any agreement by the Insured to pay any sum by way of indemnity or otherwise unless such liability would have attached also in the absence of such agreement
- The cost of making good faulty Material, Workmanship, Design, Plan or Specification in any part of the Insured Property.
- Liability for design of the works or any part thereof by the Insured.

## SECTION II : LIABILITY – EXCLUSIONS (CONTINUED)

- Liability in respect of any death, disease, illness, bodily injury loss or damage directly or indirectly caused by seepage pollution or contamination or the cost of removing nullifying or cleaning or such seepage pollution or contamination unless the seepage is caused by a sudden unintended and unforeseen event occurring and manifesting itself during the period of insurance fines penalties punitive or exemplary damages resulting from seepage pollution or contamination.
- Loss or damage to cash or bank notes, treasury notes, cheques, postal orders, money orders or securities.

## FREQUENTLY ASKED QUESTIONS

### What does CAR cover include ?

Contractors all risk (CAR) insurance is specifically aimed at those who work within the construction sector.

This policy is usually provided on an annual basis and provides protection for individual construction contracts, including:

- Contract works
- Own plant and tools
- Hired in plant
- Temporary buildings
- Show home contents
- Employee tools
- Architects drawings
- Property awaiting sale

A CAR policy is generally the single most inclusive insurance policy for those who work within the construction sector.

### How do insurers calculate risk ?

Before insurers quote you a premium for your CAR policy, they will first consider a number of factors in order to determine what kind of risk you are.

Such factors will include the scope, value, location and duration of the work you will be undertaking.

## FREQUENTLY ASKED QUESTIONS (CONTINUED)

### Do I need to cover temporary site structures ?

Sometimes temporary site buildings are automatically included in a CAR policy as long as these are the insured works originally stipulated when buying the policy.

They may be covered under the general definition of the contract works indemnified by the definition of contract works within the policy.

If not, then it will be down to the policyholder to amend said policy to include any temporary buildings as required.

### How much cover do I need ?

The amount you require will usually depend on the highest contract value that will be undertaken during the policy term.

You should consider:

- Free issue materials
- Professional fees
- Debris removal
- Terms imposed by regulatory authorities

## FREQUENTLY ASKED QUESTIONS (CONTINUED)

### Are sub-contractors covered ?

This depends on the requirement of the contract. Not all contracts will require the main contractor to name the sub-contractors as an insured in their Contract Works policy. Some sub-contract agreements require the sub-contractor to take out their own Contract Works insurance and name the Main Contractor and Principal as an insured.

The Contract Works policy should follow the requirements of the contract, so it is essential to understand the contract's requirements and that the contract and insurance policy mirror each other in this respect.

### Properties undergoing renovation, maintenance, repair : then what is the "surrounding property" extension ?

For properties undergoing renovation such as houses, malls, offices etc, only the alterations are covered under the contract works, not the existing structure. Therefore, the existing structure should still continue to be insured under the existing building's combined insurance policy and the contract works would normally cover the newly renovated / extended portion of the building. A common misconception by homeowners, architects, engineers and project managers is that the existing property insurer will automatically provide cover whilst an extension is being built, but this is not necessarily the case and should always be referred to the existing property insurer. If the existing building insurer is unable to cover the existing structure, then the Surrounding Property extension should be added.

## FREQUENTLY ASKED QUESTIONS (CONTINUED)

### What is lateral support ?

Any bracing, temporary or permanent design, that provides greater support in resisting side-to-side (lateral) forces and deflections. Floor and roof members typically provide lateral support for walls, columns and beams. Vertical pilasters or secondary walls may also provide support.

### What other policies should I consider ?

In order to ensure that you have all your bases covered, you may also want to consider:

- Broadform Public liability
- Employers liability
- Goods in transit



# GENLIB

SPECIALISED INSURANCE & INNOVATIVE SOLUTIONS  
FOR BROKERS

Genlib CC Reg. No. 2008/032635/23 VAT. No. 4670244831 FSP No. 35482 CEO GA Rodinis

T +27 (0)21 531 2922 F +27 (0)21 531 3714 E [reception@genlib.co.za](mailto:reception@genlib.co.za) [www.genlib.co.za](http://www.genlib.co.za)

Unit 002, Howard Terraces, Rose Innes Street, Pinelands, 7405, Cape Town

PO Box 622, Howard Place, Pinelands, 7450, Cape Town