



What is contract works insurance?

An explainer for homeowners undertaking renovations or alterations.

Contract works insurance covers the works under construction for accidental damage or loss. For example: theft of materials, vandalism, storm, flood, earthquake (natural disaster cover is optional but strongly recommended), collapse or subsidence, as well as accidental damage caused during the works.

When the works are to an existing structure, such as in the case of residential renovations or alterations, it is preferable, and usually contractually required, that the homeowner arrange this insurance with their existing house insurer. This avoids potential disputes between two insurers if the works and existing structure are damaged in a single event but insured separately.

What are the important points when arranging it?

1. It covers both the homeowners and the builder, including their subcontractors, if accidental damage arises. So, the builder needs to be named on the policy and it should also note "includes subcontractors".
2. If you are arranging cover separately to your existing house insurer (not recommended) the policy should include "contract perils" cover for the existing structure.
3. Make sure it runs for the duration of the project. It is recommended to allow extra time in case the project is delayed (it's cheaper this way too). It is the homeowner's responsibility to extend the policy if it will expire before the works are completed.
4. Cover automatically ends on the earlier of the date on the policy, or when the works are practically complete or are occupied by the owners.

Doesn't the builders insurance cover this?

No. Builders have public liability insurance, but this does not cover the contract works while they are under construction. This is why contract works insurance is necessary. Public liability insurance covers their liability if they accidentally cause damage to property outside the works (such as the neighbour's fence or your pre-existing driveway).



Other points to note

It is also known as "builders risk" insurance.

If you fail to arrange the cover and damage happens you could be responsible for the cost of the repairs. Even if that damage is caused by the builder, if the event would have been insured by the contract works insurance then the responsibility to repair the damage will fall to you.

If the works are minor (ie. below a certain value and not structural) then your house insurance may already include an allowance for it. Always check with your insurer and let them know you are having work done.

If your insurer doesn't do contract works insurance or you're having difficulty arranging it you may be able to obtain cover via BuiltIn's online portal: www.cwp.builtininsurance.co.nz