



Contractors' All Risks Insurance (CAR)

Accidents during construction or decoration work are not uncommon even if all possible precautions are done. Accidents may cost you the loss of or damage to the construction or decoration material (for example, the work in progress at the construction site was badly damaged by super typhoon) and make you liable to third party for compensation in respect of damage to third party property and/or third party bodily injury (for example, water pipe in your flat was broken by decoration worker and owner of underneath floor claiming for damage to his ceiling and furniture caused by water flowing from your flat). Contractors' all risks insurance can relieve most of the hassle after an accident and give you peace of mind.

Car insurance generally covers the following risks.

Section I (Material Damage)

Accidental damage to or loss of specified insured property (which may include the permanent/temporary works)

Section II (Liability to Third Parties)

Legal liability in respect of bodily injury and/or property damage to third party arising out of the performance of contract work and the defense cost with consent of insurer

Extension cover can be added to the standard policy to meet specific needs, followings are some common extension clauses.

- a. Extend covering the maintenance period after completion of contract works
Extension of coverage for liabilities in a specified maintenance and defect liability period after completion of contract period
- b. Removal of debris
Covers the cost for removal of the property damaged by a covered peril
- c. Professional fees
Covers the cost of hiring professional architect, surveyor and consultant engineer necessarily incurred in the reinstatement of the property damaged by a covered peril
- d. Automatic increase of contract value
Automatic increase of the sum insured under section i if the final actual contract sum is in excess of the original contract sum up to a specified percentage
- e. Indemnity to principal's property
Extended to cover liability in respect of loss of or damage to property belonging to the principal in the care, custody or control of the contractor

- f. Liability for vibration or removal or weakening of support
Extended to cover liability in respect of collapse/impairment of the structural stability of any building or property resulting from vibration or by the removal or weakening of support
- g. Cross liabilities clause
If more than one party is named as insured under the same policy, each of the parties will be considered as a separate and distinct party so that if one party brought a suit against another party, this insurance will apply as if a separate policy had been issued to each party

Other than the contractor, sometimes such as the contractor's principals, landlords, property management company, the financing banks, etc., should also be named as insured under the policy to fulfill their specific requirement.

It is quite common that many property management companies would require the contractor/principal of the contractor to produce a certificate of contractors' all risks insurance for permission to start the contract work. Contractors' all risks insurance can be arranged beforehand so that the contract work will not be delayed due to waiting for the insurance certificate.