

Site Cover policy

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Contract Works Insurance for Residential and Commercial building projects.

Please read this policy carefully and see that it meets *your* requirements.



Welcome

Thank *you* for choosing Vero Insurance New Zealand Limited to provide *you* with *your* insurance cover.

Arranging insurance means *you* are making a legal contract under which *you* promise to meet certain obligations and conditions, and in return *we* promise to provide specified insurance cover.

The obligations, memoranda, warranties, exclusions, extensions of coverage and conditions in this contract are subject to *your* rights under the Insurance Law Reform Acts 1977 and 1985.

Words shown in *italics* are words that have had their meaning defined. These meanings are found under the definitions, on the *schedule* or in the policy. Any word or expression to which a specific meaning has been given will have the same meaning wherever it appears.

Please examine this document, including the *schedule*, to ensure the insurance protection is in accordance with *your* requirements. If it does not meet *your* requirements, or *you* wish to make changes to the insurance cover, please contact *your* broker or *your* nearest Vero office.

Introduction

We will provide the cover set out in this policy during the *period of insurance* shown on *your schedule* provided *you* have paid the *premium* and subject to the policy's terms, limits, conditions, exclusions and memoranda.

Your insurance contract consists of:

- this policy document;
- the personalised *schedule* with details of the cover that applies to *you*; and
- the information provided in the quote offer, application or declaration.



Privacy Act and the Insurance Claims Register (ICR)

The ICR is a database of insurance claims to which participant insurers have access. The purpose of the ICR is to prevent insurance fraud. The ICR is operated by Insurance Claims Register Limited (ICR Ltd), PO Box 474, Wellington.

This policy is issued to *you* conditional upon *you* authorising *us* to place details of any claims made against this policy on the database of ICR Ltd, where they will be retained and be available for other insurance companies to inspect.

You also authorise *us* to obtain from ICR Ltd personal information about *you* that is (in *our* view) relevant to this policy or any claim made against it. *You* have certain rights of access to and correction of this information, subject to the provisions of the Privacy Act 1993.

Claims conditions

What *you* need to know about making a claim

As soon as *you* are aware of any event giving rise or likely to give rise to a claim under this policy *you* must:

- a. take prompt steps to minimise the *loss*;
- b. take reasonable steps to protect the property from further *loss*;
- c. immediately notify *us*;
- d. if a criminal act is suspected, inform the police.

If *you* wish to make a claim on this policy

You must then:

1. fully complete *our* claim form as soon as practical;
2. give *us* free access to examine and assess any *loss*;
3. provide any other information or assistance *we* reasonably request in relation to *your* claim;
4. forward any letter of demand or court documents to *us* immediately;
5. if *we* request it provide a statutory declaration to verify the *loss*;
6. if *we* request it attend interviews with any person *we* nominate; and
7. unless *we* are deducting it from any claim settlement to *you* be responsible for the payment of the *excess* to *us* or to the repairer.

After *you* have made a claim

After *you* have made a claim on this policy *we* have the sole right to act in *your* name and on *your* behalf to negotiate, defend or settle any action against *you*.

If *we* do this it will be at *our* expense, except in relation to any *excess* that applies.

After your claim is accepted

After we have paid a claim or accepted liability for a claim on this policy either in whole or in part we have the right to take over in full any legal right of recovery or indemnity that you have. If we do this we may exercise these rights for our own benefit at our own expense and you must co-operate with us in all respects to allow us to do anything reasonably necessary to enforce that right. If you do not co-operate with us you must repay any amounts we have paid to you or any other party in respect of your claim.

You must not voluntarily and knowingly release any third party from liability arising from loss insured by this policy unless first declared to and accepted by us.

If any lost or stolen property for which we have paid a claim is later found or recovered you must:

- a. tell us immediately; and
- b. if we request, hand the property over to us.

We have the right to keep any property, including any proceeds from its sale, for which we have paid a claim under this policy subject to adjustment if you have not been fully indemnified for your loss.

If any person is ordered to make or otherwise makes reparation to you for loss to any property for which we have paid a claim under this policy you must reimburse us for that payment as soon as any reparation is made, subject to adjustment if you have not been fully indemnified.

If you don't agree with our claims decision

If you do not agree with our decision on your claim then you should contact your broker or your adviser. If you are still not satisfied and believe our decision is incorrect you can ring our Head Office on 0800 808 508 or write to us at Private Bag 92 120, Auckland.

Definitions

Where headings are used in this policy they are purely descriptive in nature and are not to be used for interpretative purposes.

Whenever the following words are shown in *italics* in this policy this is what they mean:

Contents

items contained within, and not being part of the structure or goods and materials intended to be part of the structure.

Contract site

the situation shown on the *schedule* at which the contract works are to be performed.

Contract works

all permanent and temporary works to be executed in the performance of the *insured contract*.

Excess

the amount for which we will not be responsible in respect of each and every claim.

Expediting expenses

those additional costs reasonably incurred for the purpose of repairing *loss* in the most expeditious time, including:

- a. overtime, holiday and penal rates of pay; and
- b. express delivery and airfreight charges within New Zealand.

Insured contract

the *contract works* described on the *schedule*. When this policy is issued with an annual turnover or declaration clause applicable this definition applies to each allowable contract.

Loss

accidental physical *loss* of or damage to the *contract works* or principal supplied goods or the cost incurred in rectifying *loss* or damage not the subject of an exclusion of this policy.

Maintenance period

(provided the *contract works* are completed) the period up to but not exceeding the maintenance or defects liability period specified in the contract documents and the maintenance period shown on the *schedule*.

Period of insurance

the period commencing on the date shown on the *schedule* or at the time the head contractor takes possession of the contract site (whichever is the later) and ending on the expiry date shown on the *schedule* or when the *contract works* have reached *practical completion* (whichever is the earliest) unless otherwise agreed.

With *our* agreement the period of insurance may be extended for the express purpose of completing the *contract works* provided that *you* agree to pay the additional *premium* required.

The period of insurance will extend to include any *maintenance period* provided that any such *maintenance period* is disclosed to *us* in writing in the quote offer or application and the *maintenance period* is shown on the *schedule*.

Practical Completion

- a. the time when the *contract works* are occupied by the principal;
- b. the time when a code of compliance certificate is issued;
- c. the time when everything has been done to execute the *contract works* except for minor omissions and defects which do not prevent the building from being used for its intended purpose;

whichever is the earliest.

Premium

is the amount *you* need to pay *us* to ensure cover commences or remains in force. This means the first premium or any subsequent premium and may include any government or other levies and taxes.

Schedule

the latest current policy schedule, endorsement, expiry or renewal notice issued to *you*.

We, us or our

Vero Insurance New Zealand Limited.

You or your

(unless otherwise stated on the *schedule*) the parties insured under the policy being (i) the Principal; and/or (ii) the Head/Main contractor; and where named on the *schedule*; (iii) direct sub-contractors working on the *contract site*, each in the capacity as stated.

Property insured

Insuring clause

If during the *period of insurance* loss occurs to any insured item(s) listed on the *schedule*, then subject to the terms, conditions, warranties, exclusions and memoranda of this policy we will indemnify *you* for such *loss*.

Insured items**Contract works**

All permanent and temporary works to be executed in the performance of the *insured contract* during the *period of insurance*, plus all goods and materials to be incorporated therein, being *your* property or for which *you* are responsible, while at the *contract site*.

The sum insured applicable to *contract works* must not be less than the estimated replacement value of the *contract works* on completion of the work.

The replacement value must include all materials, wages, freight, customs duties and dues if any including the value of any goods or items supplied by the principal.

Work being performed by subcontractors may be included provided provision has been made for such work within the sum(s) insured.

Principal supplied goods

Those goods, materials, plant, equipment or other items supplied to the contractor free of charge for inclusion in the *contract works*.

Removal of debris

The costs and expenses necessarily incurred at the contract site in consequence of an insured peril which results in *loss* to the *contract works* in:

- a. removing debris of the portion(s) of the property insured which has sustained *loss*;
- b. demolishing undamaged portion(s) of the property insured to enable the *contract works* to be continued;
- c. shoring, propping up or supporting of undamaged proportion(s) of the property insured to enable the *contract works* to be continued;
- d. effecting other necessary measures including temporary repairs to protect the property insured from further *loss*, or to allow continuation of the *insured contract*.

Professional fees

Architects, surveyors and consulting engineers fees that have been necessarily incurred in the reinstatement of the *contract works* consequent directly upon *loss* to the *contract works* for which indemnity is provided (but excluding any fees for preparing a claim); provided that the amount payable for such fees will not exceed those authorised under the scales of the various institutions regulating such charges prevailing at the time of *loss*.

Increased costs during construction

The costs incurred for fluctuations and variations in the contract price agreed between the contractor and the principal and variations and increases in the cost of labour, goods and materials during the period of construction.

Increased costs during reconstruction

The actual amount by which the costs of reconstruction of the *contract works* exceeds the original estimated replacement value of the *contract works* provided that the reconstruction is completed without delay.

Maximum Liability

Our total liability under this policy will not exceed, in respect of each item, the sum insured shown for that item on the *schedule*.

Basis of settlement

In the event of *loss* to the property insured, for which indemnity is provided under this policy, the basis of any settlement will be:

- a. in the case of damage which can be repaired, the cost of repairs necessary to restore the item(s) to their condition immediately before the occurrence of the damage less any salvage and less any *excess*; or
- b. in the case of a total *loss*, the actual value of the item(s) immediately before the occurrence of the *loss* less any salvage and less any *excess*;

but, only to the extent that the amounts claimed have been borne by *you* and to the extent that they have been included in the sum insured.

We will make payments only after being satisfied by the production of the relevant invoices, receipts and other documentation showing that the repairs have been effected or replacement has taken place.

All damage which can be repaired will be repaired, but if the cost of repairing any damage equals or exceeds the value of the items immediately before the occurrence of the damage, the settlement will be made on the basis provided for in b. above.

If repair has commenced and any parts are found to be unprocurable, *our* liability will be discharged by effecting such repairs as may be possible and paying to *you* in respect of those parts that are unprocurable the cost that would have been expended in purchasing parts of an equivalent condition to those *lost*.

The cost of any provisional repairs will be borne by *us* if such repairs constitute part of the final repairs and do not increase the total repair expenses.

The cost of any subsequent alterations, additions and improvements subsequent to the *loss* occurring will not be recoverable under this policy.

For the purpose of applying the *excess*:

- a. a series of events arising from or caused by subsidence, erosion, flood, inundation, landslip, cyclone, storm or tempest during any period of 72 consecutive hours will be treated as one event;
- b. the *excess* shown as applying to *contract works* will also be applicable to professional fees and removal of debris. In the event of a *loss* arising from the same source and original cause giving rise to a claim against more than one of these items, the *excess* will not be cumulative. The aggregate adjusted *loss* will be subject to the highest *excess* only being applied.

Automatic coverage

Expediting expenses

Notwithstanding anything to the contrary in exclusion A2 *we* will cover *you* for *expediting expenses* up to 5% of the contract sum insured or an alternative amount as shown on the *schedule*. The maximum *we* will pay under this item for additional labour costs is 50% of ordinary labour costs.

Maintenance period

Where a *maintenance period* is shown on the *schedule* the period of insurance will be deemed to be extended (provided the *contract works* are completed) for the number of days shown against the *maintenance period* on the *schedule*. This policy will indemnify *you* for *your* legal liability to rectify *loss* to the *contract works* in accordance with the conditions of contract, which arises during the *maintenance period* shown, is the sole responsibility of the contractor and originates from:

- a. a cause not otherwise excluded occurring and arising out of the performance of the *insured contract* during the *period of insurance*; or
- b. a cause not otherwise excluded occurring and arising out of the operation of the contractor whilst performing work under the requirements of the maintenance clause(s) of the *insured contract*.

The insurance provided under the *maintenance period* will only operate if the insurance on *contract works* is kept in force until the *insured contract* is completed.

Overseas airfreight

Notwithstanding exclusion A2 if *you* have a valid claim under the policy *we* will also cover *you* for the costs incurred for delivery of any part or parts by overseas airfreight, provided that the airfreight carriage is by regular scheduled airline service. *We* will pay up to 5% of the contract sum insured including the value of principal supplied goods unless an alternative amount is shown on the *schedule*.

Reinstatement of amount of insurance

In the event of a *loss* for which a claim is payable under this policy, and in the absence of any written notice by *you* or *us* to the contrary, the amount of insurance cancelled by such *loss* will be automatically reinstated from the date of the occurrence. *You* undertake to pay such pro-rata *premium* at the rate applicable as may be required for the reinstatement of any of the sums insured.

Transit of goods and materials including temporary storage

We will cover *you* in respect of goods and materials for incorporation in the *contract works* whilst in transit from suppliers including any temporary storage in premises, other than manufacturers premises, within New Zealand to the *contract site*, provided that:

- a. *you* are responsible for the property whilst in transit;
- b. any temporary storage of goods and materials on the way to the *contract site* will not exceed 90 days.

We will pay up to \$50,000 any one conveyance.

Memoranda

Hot work condition

You will make all contractors aware that when any hot work is carried out by their employees or sub-contractors that the following procedures should be complied with:

1. hose reels or adequate portable fire fighting equipment must be kept at hand within the vicinity of any hot work operations;
2. waste material is to be removed from the *contract site* at least once weekly. In addition, any combustible waste is to be cleared from the vicinity of any hot work performed at the end of each working day;
3. the area of any hot work is examined one hour after the work has been finished;
4. any hot work is to be carried out under the supervision of the site foreman, or equivalently designated person responsible for the performance of the *insured contract*;
5. adequate protection will be given where necessary to any other part or parts of the *contract works*.

"Hot work" means work such as grinding, cutting or welding operations, the use of blow lamps and torches, the application of hot bitumen or any other heat producing operation.

Tarpaulins warranty

It is warranted that tarpaulins will be securely fastened over any part of the roof or other exposed openings at the end of each days work or when work ceases due to weather conditions.

Exclusions

A. Property and costs not covered

We will not pay for:

1. *loss* to any item of machinery or plant, that has been installed as part of the *insured contract*, directly caused to that item by its testing or commissioning.

However, this exclusion will not apply to new building services plant forming an integral part of new buildings being constructed and insured by this policy, unless such plant is more specifically insured by the contractor or sub-contractor(s);

2. extra charges for overtime, holiday rates of pay, express delivery or airfreight, accommodation expenses;
3. the cost of repairing, replacing or rectifying any part of the *contract works* in which there is a fault, defect, error or omission in design, drawings, specification, or in sequence, procedure or plan.

However, this exclusion will only apply to that part of the machine or structure immediately affected by such fault, defect, error or omission and not to *loss* to other parts of the *contract works*;

4. the cost of repairing, replacing or rectifying any part of the *contract works* that is defective or faulty in material or workmanship.

However, this exclusion will only apply to that part of the machine or structure immediately affected, and not to resultant *loss* to other parts of the *contract works*;

5. *loss* to any employees tools and equipment unless otherwise agreed by endorsement;
6. *loss* to any item of contractors plant (which may also be described as constructional plant);
7. *loss* of any kind to accounts, bills, bonds, currency, stamps, deeds, evidence of debt, money, notes, securities, cheques, credit cards, files, computer software, drawings and plans;
8. *loss* of any property by disappearance or shortage revealed only by the making of an inventory or by periodic stocktaking, and where such *loss* is not traceable to any specific event;
9. *loss* to the *contract works* or any part of it that has been taken into use or occupation by the principal, unless such *loss* occurred during any *maintenance period* shown on the *schedule* and arose in the course of any operations carried out by the contractor solely for the purpose of complying with the stated obligations under the maintenance clauses of the contract;
10. *loss* to any existing structures belonging to the principal, unless such *loss* occurred to property shown on the *schedule* that forms part of the *insured contract* and arose directly out of the performance of the *insured contract*.

B. Losses not covered

We will not pay for:

1. *loss* directly or indirectly caused by earthquake, hydrothermal activity or volcanic eruption to any existing structure unless we have agreed to include it on the *schedule*;
2. consequential loss, loss of use, *loss* due to delay, penalties, fines, liquidated damages, aggravated, punitive or exemplary damages, or liability of any nature whatsoever;
3. *loss* to property directly caused by cessation of work whether total or partial;
4. wasting, wearing away, discolouration, staining, aesthetic defects, delamination, corrosion, erosion or gradual deterioration, including that due to atmospheric conditions, or *loss* arising from or resulting from any of these causes;
5. *loss* arising out of rectifying existing or aggravated defects not forming part of the *insured contract*;
6. cracking or settlement of floors, internal wall and ceiling linings, cracking or breakage of glass, or *loss* to fixtures, fittings, and *contents* at the *contract site* whilst any lifting or repiling process is being carried out;
7. *loss* arising out of the ownership or possession of or use under the control of *you* or any person acting on *your* behalf of any vessel or craft or thing made or intended to be waterborne or airborne, or mounted upon such vessel or craft;
8. *loss* directly caused by or arising from *your* deliberate or reckless acts.

C. Building defects

We will not pay or fulfill any obligation otherwise owed to *you* where any indemnity or obligation arises from is consequent upon or is in connection with:

- a. moisture or water except where that moisture or water arises from:
 - (i) fire, lightning or explosion;
 - (ii) impact by animals, vehicles, aircraft and other aerial or spatial devices and articles dropped from them;
 - (iii) the rise in level of rivers, lakes, or the sea exceeding normal banks or boundaries;
 - (iv) blocked or overflowing storm water drains;
 - (v) broken or burst water pipes and overflowing water tanks or systems;
 - (vi) storm, windstorm, rain, hail, snow, ice or frost which;
 - results in the penetration of external moisture or water into any *insured property*; and
 - that penetration is discovered within a 72 hour period from its commencement; and
 - the indemnity or obligation owed to *you* results directly from *loss* to property which occurs within that 72 hour period; and

- *you* notify *us* of any such *loss* in accordance with the terms and conditions of the policy;

or:

- b. action of micro-organisms, mould, mildew, rot or fungus; or:
- c. gradual deterioration.

Provided however that where fire is the result of a., b. or c. above then the policy will cover the *loss* directly caused by fire subject to the provisions of this policy.

D. Electronic data

We will not pay for any *loss* or liability for claims arising directly or indirectly out of:

- a. total or partial destruction, distortion, erasure, corruption, alteration, misinterpretation or misappropriation of *electronic data*;
- b. error in creating, amending, entering, deleting or using *electronic data*; or
- c. total or partial inability or failure to receive, send, access or use *electronic data* for any time or at all from any cause whatsoever, regardless of any other contributing cause or event whenever it may occur.

However, where an event listed below (being an event covered under this policy but for this exclusion) is caused by any of the matters described in a., b. and/or c. above, this policy, subject to all its provisions, will insure *loss* to insured property directly caused by the event.

Further, this exclusion does not apply where an event listed below (being an event covered under this policy but for this exclusion) causes any of the matters described in a., b. and/or c. above.

- Fire, explosion, lightning or thunderbolt
- Earthquake including subterranean fire
- Volcanic eruption
- Impact by any road vehicle or animal
- Impact by aircraft or anything dropped from them
- Windstorm, hail, tornado, cyclone or hurricane
- Tsunami, flood, freezing or weight of snow
- Bursting, overflowing, discharging, or leaking of water tanks, apparatus, or pipes
- Theft of *electronic data* solely where such theft is accompanied by theft of the computer hardware, firmware, medium, microchip, integrated circuit or similar device containing such *electronic data*.

Any cover provided excludes the value to *you* of any *electronic data*.

Electronic data means facts, concepts and information converted to a form useable for communications, display, distribution, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for such equipment.

This exclusion prevails over any other provision in this policy except any terrorism exclusion.

E. Terrorism

We will not pay for any *loss*, destruction, cost or expense directly or indirectly caused by, resulting from or in connection with any:

- a. *act of terrorism* regardless of any other cause or event contributing concurrently or in any other sequence to such *loss*, cost or expense; or
- b. action taken in controlling, preventing, suppressing or in any way relating to any *act of terrorism*.

Act of terrorism means:

an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or groups(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or governments(s), which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons, including the intention to influence any government and/or put the public, or any section of the public, in fear.

F. War, confiscation and nuclear

We will not pay for any *loss*, destruction, cost or expense directly or indirectly caused by, resulting from or in connection with any:

- a. war, invasion, act of foreign enemy, warlike operations (whether war is declared or not), civil war, mutiny, rebellion, revolution, insurrection, military or usurped power;
- b. confiscation, requisition, or destruction of or *loss* to property by order of Government or Local Authority unless the order is given for the purpose of controlling fire or other peril for which insurance is provided by this policy;
- c. nuclear weapons material;
- d. ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. (For the purpose of this exclusion, combustion includes any self sustaining process of nuclear fission).

Conditions

1. Alteration of risk

If any change occurs involving a material alteration in the risk accepted by *us you* must as soon as possible give *us* notice in writing. *You* must at *your* own expense take prudent precautions to minimise the risk of any claim arising under this policy because of the alteration of risk and must comply with any of *our* reasonable directions or requirements.

The terms and *premium* required for this insurance may be increased by *us* due to the alteration in risk.

2. Assignment

You will not assign this policy or *your* interest in this policy to any other person or party without *our* consent in writing.

3. Declaration

You must within a reasonable time after completion of the *contract works* furnish to *us* a declaration of the total final cost of the *insured contract* described on the *schedule*. In the event that the amount declared exceeds the sum insured shown against contract works on the *schedule* *you* will pay a further proportionate payment to *us* in respect of such increase in sum insured.

4. Fraud

All statements made by *you* or on *your* behalf in support of any claim under this policy must be correct in all respects. If any claim under this policy is supported by any incorrect information or statement or is in any respect fraudulent, then *your* claim is not payable.

5. Goods and Services Tax

Provided that Goods and Services Tax (GST) is recoverable by *us*, the sum or sums insured are exclusive of GST to the extent that in the event of a claim *we* will indemnify *you* to the maximum of the sum insured under each item plus additional GST to a maximum of the current rate of GST applied to such amount.

6. Misdescription

If there is any material misdescription of any of the property insured, or of any building or place in which such property is contained, or any misrepresentation as to any fact known to be material for estimating the risk, or any omission to state such fact, *we* will not be liable under this policy so far as it relates to the risk arising out of any such misdescription, misrepresentation or omission.

7. Observance of terms and conditions

The due observance and fulfilment of the terms and conditions of this policy by *you* in so far as they relate to anything to be done or complied with by *you*, and the correctness of any statements made to *us* (whether made by *you* or not), are conditions precedent to any liability of *us* to provide any indemnity under this policy.

8. Other insurance

If, at the time of any claim arising under this policy, there is any other valid and collectable insurance covering all or part of the same *loss*, this policy will apply only to the amount of any *loss* in excess of that recoverable under the other insurance.

9. Partial occupation

If the insurance provided by this policy is to cover the use of or partial occupation by the principal or any tenant during the performance of any part of the *contract works*, the insurance will be limited in accordance with Exclusion A9 of this policy, unless otherwise agreed to by endorsement.



10. Precautions

You must take all reasonable care to:

- a. protect the *contract works* and all insured property;
- b. engage appropriately qualified and trained labour to carry out the *contract works*;
- c. maintain all plant, tools, machinery and appliances used in the *contract works* in efficient working order and condition;
- d. comply with all relevant legislation, bylaws, building codes and local authority requirements;
- e. prevent any *loss* that is covered by this policy.

