

A Guide To Insuring Your Building Project

Building your dream home or undertaking a renovation project is exciting, but the financial risks can feel overwhelming. Even with the best project manager and the most extensive planning process, things can go wrong.

Having the right insurance cover in place for your building project, and on completion, provides a safety net to protect your financial investment against risks such as fire, theft, vandalism, weather damage, and other accidents. All of these perils can all derail your project, destroy your dreams and leave you facing hefty additional costs.

Types of Building Project Insurance

There are a number of different types of insurance, so it's important to choose the cover that is suitable for the work you are going to do.

For example you might be undertaking a brand new build on a plot of land where there hasn't previously been a building before. Or you could be demolishing what's on the site to replace it with a new building.

You could be undertaking significant internal modifications or adapting or extending a building. You might be ready to start, or you might have land or property that will be unworked for a number of months whilst you finalise the planning process and the building contracts.

You might be using a builder, or a number of contractors to undertake the work, you might be carrying it out yourself, or you might be doing some tasks yourself, and employing tradesmen or friends to help with other jobs.

Land and Property Owners Liability

The starting point for any building project is the land on which it's going to be built. Depending on whether there are any structures on the land will need either land owners or property owners liability cover. Unless the property is occupied and used normally prior to beginning the project, you will probably need to buy this cover before you purchase building project insurance.

Insuring Existing Structures

If you are adapting, extending, or changing a building then you will need to insure the existing structure. You will need special cover for this - a home insurance or property owners policy will not be suitable as they will either place a total exclusion on all cover during the building works or severely restrict the cover to "FLEE" perils (damage caused by Fire, Lightning, Explosion or Earthquake).

If you have a mortgage or other loan for the project FLEE cover will not be sufficient to meet the lenders requirements.

It's important to remember that when you start the building works you are changing the nature of the building from a domestic, residential or commercial property to a building site. And that means the risks from fire, storm, theft, malicious damage, subsidence increase. This is why the cost of cover for property undergoing works is much higher than straightforward home or property owners cover.

Don't forget that the Liability Insurers will need to know when the works start, the nature of these, and who will be responsible for carrying them out. This is because you will retain legal responsibility for injuries to the public that are unrelated to construction activities, such as a postman tripping on uneven path on the site.

Insuring The Works

Of course you will also need to insure the works too. This will include not just damage to the building works as they come out of the ground, but the materials, supplies, and equipment on site.

Building sites are magnets for theft because of the low level of security, the ease of entry and the ability to find out when high value goods have been delivered, but not yet fitted.

It is not unusual to make the mistake of relying on the builders "All Risks" cover to insure against these losses. This is always a dangerous option, because it places the control, not just of the information provided to insurers, but of premium and claims payment in the hands of your builder.

This can be a problem if the builder's insurance fails, if the builder goes insolvent or faces bankruptcy or you change builder's part way through the build.

JCT Insurance Expert recommend a joint building and works cover, arranged by, and taken out in the name of, the property owner.

Tools, Equipment, Plant and Hiring Fees

If you are doing the work yourself you may need to insure your own tools and equipment and any plant or machinery you hire in against loss or damage.

Earth movers, mini diggers and the equipment used for building works is extremely attractive to thieves so should be securely stored when not in use, with keys removed from the site and protections such as wheel clamps and steering locks put in place.

Any hire agreements that you have will normally include a clause requiring you to pay lost hire charges suffered by the plant owner whilst the machinery is being repaired or replaced. JCT Insurance Expert can help you arrange cover for all these risks.

Liability Insurance For The Building Works

Public liability insurance protects your legal responsibility for injuries to the public or damage to their property arising from the construction activities. How these risks are insured will depend on how the work is to be undertaken.

If you are using a contractor to carry out the works, then you should carefully check that they have the insurance cover in place and that it is suitable for the work they are doing. For example, does the occupation properly describe the work that they are doing for you? And have they correctly told their insurers how many employees they have? What is the maximum project value that they can work on and is this sufficient for your job?

If you are doing all or some of the work yourself, you will need your own public liability cover for the build. You will also need to carefully check the insurance of any subcontractors you use. Bona Fide subcontractors such as Scaffolders, Plumbers and Electricians will normally have their own insurance cover, but labour only sub-contractors such as bricklayers, roofers and labourers may not.

Properly checking contractors' insurance can be challenging. As part of the service that JCT Insurance Expert offers we can check the contractor's insurance arrangements for our policyholders.

Employers Liability Insurance

This is a legal requirement if you have employees or unpaid volunteers working on the project. It protects you from claims arising from work-related injuries or illnesses suffered by your employees. If you are employing, or directly paying, any labour only subcontractors you will need to have employers liability cover. You will also need cover if you have friends, family, or other unpaid help on the site.

Building Guarantees, Structural Warranties and Latent Defect Insurance

This specialised insurance provides cover for the cost of repairing hidden defects in the construction that come to light after the project is completed. Similar in nature to an NHBC guarantee these products offer vital protection for the integrity of the works for up to ten years after the project has completed. This can be for the whole build or for parts of it, such as the foundations or flat rooves for example.

Often overlooked, these products are best purchased at the outset of the project. This is because the insurers structural engineers will want access to the works to access their adequacy. Insurers surveyors may replace the services

provided by building control, which will offer a saving if instructed at the commencement of a project.

These types of cover will invariably be needed by lenders after the works are completed if a mortgage or loan is to be raised against the property within 10 years of completion.

If purchased after the building project is completed a higher premium will be payable as insurers can't adequately assess what has been done. You might not be able to get the full cover that a lender requires and not having cover in place can delay or derail a property sale, result in higher interest charges applying or reduce the sale value of a property.

Non Negligence, Party Wall and JCT 1.2.1 Insurance

If you are doing work that involves vibrations, pile driving, underpinning, significant excavation or demolition work, or involves a property that is attached or close to others, chances are that you will need Non negligence insurance.

Non-negligent insurance, also known as JCT 6.5.1 insurance, provides financial protection where damage occurs to the property or a neighbouring building which couldn't have been foreseen. For example, a neighbouring ceiling collapses three months after the works complete, having been assessed prior to the works as having been in good condition and unlikely to be damaged by the works.

Some damage to neighbouring property may be inevitable during building works however many precautions are taken - for example cracks caused from vibration. Such damage is foreseeable and not covered by non-negligence policies (although it is likely that the property owner will have to pay to have this damage put right)

Other Insurances

You should be aware of, and carefully check the insurance cover that everyone involved with your project has. From the Architects, Engineers, Surveyors and Project Managers who should all have Professional Indemnity Insurance and Public and Employers Liability cover. Make sure that the cover limits are suitable for your project value, bearing in mind any damage that could extend beyond the boundaries of your property. JCT Insurance Expert are pleased to offer a cover checking service to our customers to assist them.

Key Considerations When Choosing Insurance

Several factors influence the type and amount of insurance cover you need for your building project.

Project size and complexity

Larger or more complex projects with a higher value will require broader and higher levels of cover compared to a smaller extension, however it is just as important to buy the correct cover for a small renovation job as it is a significant construction project.

Contractual requirements

Always review your construction contract to determine who is responsible for obtaining specific types of insurance. This helps avoid duplication of cover and ensures all bases are covered.

There are several "standard" contracts including those from JCT, CIBSE, RIBA and NEC which offer good protection to all parties. It is important to select the insurance clauses that provide the property owner with the best protection and are most suitable for the job.

Cover should always be in joint names and ideally arranged by the property owner.

Level of cover

Cover for an existing structure should be maintained for the full rebuilding cost, including demolition costs and fees, and to include VAT (unless the owner or building is VAT registered).

Works policies come in two main types: "all risks" and "named perils."

- An "all risks" policy covers everything except for events specifically excluded in the policy wording. This offers broader protection but typically comes at a higher premium.
- A "named perils" policy only covers events explicitly listed in the policy. While generally cheaper, it may leave you exposed if an unforeseen event damages your project. Such policies may not meet the requirements of lenders.

Excess (deductible)

The excess is the amount you pay upfront before your insurance kicks in. Choosing a higher excess lowers your premium but requires a larger out-of-pocket expense in case you need to make a claim.

Getting a Quote and Choosing an Insurance Provider

Construction projects are unique, and so are their insurance needs. To ensure you get the right cover at a competitive price, you should seek help from a specialist insurance broker like JCT Insurance Expert. We are a Chartered Insurance Broker, with wide ranging and extensive knowledge of the building project insurance market.

We understand the intricacies of building projects and can tailor an insurance package that meets your specific requirements. We are independent and can obtain quotes from different insurers. We only use insurers with an excellent claims paying reputation and a strong financial track record, so you can be confident that we have found the most competitive and appropriate cover for your project before you purchase your cover.

Don't let a lack of insurance turn your dream project into a financial nightmare.

Having the right construction insurance in place safeguards your investment and provides peace of mind throughout your building project. By understanding the different types of cover available and consulting with a construction insurance broker like JCT Insurance Expert, you can ensure you and your project are well-protected against unforeseen risks.

Get a Quotation

For a quotation, help or advice call JCT Insurance Expert on **01825 745 410** or email **enquiries@eig.email** Or download, complete a proposal form and send it back to us.



Property Owners and Contract Works Proposal Form



Self Build Proposal Form



Non Negligence Proposal Form



Unoccupied Property Proposal Form



Landowners Liability Proposal Form



Construction Guarantee Proposal Form - New Builds



Construction Guarantee Proposal Form - Self Build