

HOMWORKS

Broker Guide



Far from standard

Plum
UNDERWRITING

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Introduction

HomeWorks has been designed to give the type of cover you would expect from a household insurance policy but which also extends to include the contractual obligations of the homeowner when the home is undergoing works.

- Designed to fit the requirements of standard JCT contracts
- Cover for the contract works, the existing house and the contents under one policy
- The facility for the policy to be written in the joint names of the homeowner and the contractor if required by the contract
- One policy excess applies to all damage losses combined
- Your client remains in control of the insurance arrangements
- Liability cover for the homeowner while the work is being carried out
- Wide policy wording where cover is usually provided on an 'All Risks' basis including theft, malicious damage and accidental damage.



Cover Provided

Existing Structure

By this we mean the existing buildings of the home including outbuildings, garages, walls etc.

Under this policy, cover is written on an indemnity basis. The cover provided will ensure that the existing property will be restored to the condition it was in prior to any loss.

As standard our cover is offered on an All Risks basis. However this may be restricted if the property is in a poor state of repair.

If contract conditions require insurance for specifically named risks, then we can usually accommodate this to match contractual obligations.

The policy also provides cover for the cost of renting alternative accommodation if incurred whilst the property is being repaired following an insured claim rendering it uninhabitable.

Contract Works

This section covers the materials and fixtures and fittings used in the works carried out at the home against "All Risks" of physical loss or damage.

The sum insured should be the full contract value inclusive of VAT.

Home Contents

By this we mean the household's goods and personal property, within the home, which are the homeowner's property or which they are legally liable for.

If cover is selected, the home's contents are insured against:

- Fire, lightning, explosion or earthquake
- Aircraft and other flying devices or items dropped from them
- Storm, flood or weight of snow
- Escape of water from fixed water tanks, apparatus or pipes
- Escape of oil from a domestic fixed oil-fired heating installation and smoke damage caused by a fault in any fixed domestic heating installation
- Theft or attempted theft
- Collision by vehicle or animal
- Persons taking part in a riot, violent disorder, strike, labour disturbance, civil commotion or acting maliciously
- Damage to contents caused by subsidence or heave of the site on which the risk address stands or landslip
- Falling trees, telegraph poles or lamp-posts

Cover for jewellery is restricted to £2500 for jewellery and valuables with no personal possessions or cover away from the home. If the client will be staying in the property during the works and requires more comprehensive insurance then we would recommend submitting a second quote for contents only on our Flex product.

Legal Helpline

Within the UK our policy automatically provides a 24 hour advisory service for telephone advice on any private legal problem of concern to the homeowner or any member of their household. Specialist lawyers are at hand to help the homeowner or if they need a lawyer or accountant to act for them.

Whilst this section does not provide legal expenses cover, the helpline may be able to offer the homeowner assistance under a private funding arrangement.

As an addition to the legal helpline service, the homeowner will have access to a Legal Document Service.

This will provide them with:

- Access to a range of legal document templates
- A step by step walkthrough to assist in completing the documents

Liability to Third Parties

Our HomeWorks policy gives an automatic cover of up to £2,000,000 in respect of your client's legal liability to others to compensate them for injury or damage to their property, arising out of their capacity as property owner during the period of insurance.

We can look to offer up to £5,000,000 upon referral.

NB. Please note that there is no cover for contractors' or employers' liability.





Non Negligent Damage Liability

Non Negligent Damage Liability is also known as JCT 6.5.1 (formerly 21.2.1) or Party Wall cover.

This insurance would provide cover for damage to any neighbouring property due to the works that are carried out, but where the cause of which is not the result of negligence such as poor workmanship or error in the design.

The risks that are covered are:

- Collapse
- Subsidence
- Heave
- Vibration
- Weakening or removal of support
- Lowering of groundwater

This insurance can either be obtained by the contractor or the property owner. HomeWorks can be extended to include Non Negligent Damage Liability and cover can also be placed in joint names with the contractor is required by the JCT (Joint Contract Tribunal) contract.

The limit of liability is £2,000,000 but with referral we can offer up to £5,000,000.

To ensure that we are only offering this level of cover to suitable contractors we do require that a Non Negligence proposal form be completed. These can be found on our website or please call the team to request a copy.

JCT Contracts

JCT (Joint Contract Tribunal) Contracts set out the responsibilities of all parties and the processes and obligations to each other. This ensures there is a clear agreement in place of what work is to be carried out, by who, the timeframes, costs involved and insurance responsibilities.

It is important that the client informs their Insurer of the type of contract in place and if there are any requirements for their insurance. A "Standard" household Insurer is unlikely to accommodate cover if there is a joint names requirement with the contractor, as this would waive their subrogation rights against the contractor.

JCT Building contract for a home owner/occupier

The JCT Homeowner contract is a basic agreement which is typically used for non structural or straightforward projects. In respect of the insurance requirements, the contract requires the home owner to notify their insurers of the works taking place, and the contractor must have an insurance policy to cover the building works, materials and their public liability.

JCT Minor Works Contract

The JCT Minor Works contract is a more detailed form which is commonly used across building projects where costs are in the region of £250,000 but the works are non-complex.

In respect of the insurance requirements, there are three clauses to choose between.

- 5.4A** – requires the homeowner to be included as a "joint name" with the contractor on the insurance policy for the new works.
- 5.4B** – requires the homeowner to obtain a "joint names" insurance with the contractor for both the existing structure and the new works.
- 5.4C** – requires the insurance to be arranged by "other means"

The **5.4B joint names** clause is favourable to the client as cover for the existing structure and contract works is then placed under one combined insurance policy. This also gives the homeowner "peace of mind" as they are not relying on the contractor's insurance. For example, if there was a disagreement with the contractor, or if the contractor was to cease trading, the homeowner still has their own policy in place for the works.

JCT Intermediate Contract

The JCT Intermediate contract is likely to be used for medium to large size building projects involving complex works. Much like the JCT Minor Works contract, there are three insurance clauses to choose between.

- Option A** – requires the contractor to hold an "all risks" insurance for the works
- Option B** – requires the homeowner to hold an "all risks" insurance for the works
- Option C** – requires the homeowner to obtain a "joint names" insurance with the contractor for both the existing structure and the new works.

The **Option C** clause includes the same benefits as the 5.4B Minor Works clause and it is the only option available if there is already an existing structure in place.

JCT Standard Building Contract

The JCT Standard Building contract is designed for large and complex projects. The insurance clauses are the same as the JCT Intermediate contract, with Options A and B suited for new build projects, and Option C (joint names) being the only clause available where there is already an existing structure in place.

The HomeWorks and PropertyWorks products can note the contractor as a joint insured and are designed around the joint name clauses (5.4B Minor Works, Option C Intermediate contract and Option C Standard contract).

Therefore, the policy is compliant with the conditions of the contract.

Basement Works

Basement work is the process of constructing a new living space beneath an existing property. This can be as minor as lowering an existing cellar floor by a few inches to make the space usable to the construction of an underground swimming pool and parking garage.

Rather obviously basement works carry an increased risk of structural collapse. Consequently, we have strict requirements for contractors carrying out basement works and require a completed Basement Work Checklist where we ask the following:

- At least 5 years experience of basement work
- A chartered structural engineer must have been involved in the design work who is a member of either IStructE or ICE (professional bodies for surveyors)
- A site investigation report including a geotechnical interpretive report needs to be carried out. This confirms that the contractor will know exactly what they are digging into.
- A site manger/supervisor and temporary works coordinator with at least 5 years experience to be on site for the full duration of the works. (this can be the same person)
- Condition Surveys (Party Wall Agreements) be completed for neighbouring properties where necessary.
- Monitoring of the insured and neighbouring properties for signs of movement during the work.

If there is a reason for one these requirements not being met then we can consider each case on its merits.



Risk Survey & Minimum Standards for Fire Prevention

Risk Surveys

For cases where the total sum insured exceeds £1m for the contract works and existing structure we will arrange for a survey to be carried out with the contractor in relation to fire and site safety management.

This is usually in the form of a telephone interview with the site manager but for larger risks a site visit will be arranged.

When we need to carry out a survey we will ask you to provide the site managers contact details within 7 days of inception.

Once the survey is completed a report will be sent to ourselves. We will then contact you with any requirements the surveyor may have to improve the safety of the site. These have always been discussed with the contractor at the time of the survey prior to them being sent to us.

Minimum Standards for Fire Prevention

To accompany these risk surveys we will sometimes ask that the client or their contractors complete a Minimum Standards for Fire Prevention checklist.

This is a list of fire precaution the client and their contractor can take to minimise the risk of fire ranging from a battery powered smoke alarm to the storage of flammable material to hiring a 24 hour on site security guard.

The client does not have to tick every box. Just complete it as best they can. It will be sent to the surveyor and form the basis for the questions he asks.



Hot Works and Hot Works Permits

Hot works are somewhat self-explanatory – they are stages of the work that involve the application or generation of heat via friction. Examples of this would include laying an asphalt roof, welding steel beams on site or grinding.

Again the hazard this represents is obvious. Generating heat on site carries a greater risk of fire.

Where hot works will be carried out at a property we would expect the contractor to acquire a Hot Works Permit.

These permits outline what hot work will be carried out, how they will be supervised and what post work checks will be carried out to ensure no sources of ignition have been left unattended.

As the underwriter we require sight of these permits and will look to exclude cover for hot works until this is provided.

Why Choose HomeWorks?

When notifying their current household insurer of a significant home renovation, particularly where insurance cover is required by contract, homeowners can frequently find themselves faced with numerous difficulties.

Standard household insurers are often unable to continue covering the property effectively, or at all. They do not have the appetite to continue insuring what is effectively a building site, and all the inherent risk that brings.

A standard household insurer may provide cover for the existing house but this is usually on a highly restricted basis. This puts the homeowner at risk of not having adequate cover in place for their property and may even invalidate the policy if a JCT contract requires cover in joint names with the contractor.

	Standard Insurer	HomeWorks
Cover for the existing structure on an All Risks basis	Unlikely – a standard insurer may even restrict the perils to FLEEA only	✓
Cover for the contract works on an All Risks basis	✗	✓
Cover for contents and valuables being kept in the property	Unlikely – a standard insurer may even restrict the perils to FLEEA only	✓
Non Negligent Damage Liability	✗	✓
Joint named policy with contractor (as per JCT contractual obligations)	✗	✓
Cover for unfixed materials and goods including when being stored offsite	Unlikely	✓
Flexible policy duration to suit the project length	✗	✓
Cover still valid if the insured moves out during the works	Unlikely	✓
Cover for loss or damage arising from the building works being carried out	✗	✓
Cover for loss or damage arising out of the activities of the contractor	✗	✓
Can cater for commercial properties and conversions even if change of use has not been granted yet	✗	✓

Frequently Asked Questions

What is the period of insurance provided by a HomeWorks policy?

We arrange the insurance for the period of the contract only. Upon expiry of this period, the policy will cease however if the works are ongoing then an extension of cover can be arranged.

In certain circumstances, we may also be able to accommodate cover before the work commences to ensure cover is in place for the existing structure whilst pending works.

What cover would my client have under a standard home insurance policy whilst works are going on at their home?

Most home insurance policies exclude damage to your buildings and contents whilst work is ongoing. The policy conditions will usually require insurers to be advised. When they are, they may either refuse to continue cover, or will impose restrictions and will usually require an additional premium. At the very least, your client has a duty to advise their insurers of any changes to material information regarding their exposure to risk; if works are being carried out at their home, this would be classed as material information.

Therefore, even if there was no specific requirement or exclusion in the policy, they may still find themselves not covered in the event of a claim, should they not give their insurers information about works beforehand and specifically agree with them that they will provide them with cover.

If there is no requirement to insure my home or the contract works in joint names, will my client still need to advise their standard home insurers?

Yes, most home insurers will have a works notification amount within their wording.

Why should my client arrange their own insurance, regardless of whether the contract conditions require them to? Why should they pay for an extra policy? Why can't they rely on the Contractor's insurance policy paying for any claim for damage to their property?

There are several reasons why a homeowner should not rely on a contractor's insurance to pay a claim:

There may be conditions in the contract between the homeowner and the contractor that specifically state that the homeowner has a responsibility to insure certain aspects of the risk.

There may be no specific cover for the homeowner's property under the contractor's policy.

The contractor may only be covered for damage to the homeowner's property caused by the contractor's negligence - this would leave the homeowner exposed to non-negligent damage such as storm, etc. It would also mean that, in the event of a negligent claim, the homeowner would have to take legal action against the contractor (and his insurers) to recover his/her loss. This can, of course, be a lengthy process.

Whilst it is recommended that homeowners check that a contractor has adequate Public Liability insurance, it could be that there is some condition or flaw in the policy cover or that the contractor has not given his insurers adequate or correct information about his business that may mean they can avoid paying a claim.

Lastly and most importantly, your client's home is a valuable asset and they should ensure that it is properly protected. We suggest that the only way they can guarantee that they are covered adequately is to arrange their own policy.

What happens when the works have been completed?

Once the contract works have been signed off, the client should then arrange for cover to revert to a standard household insurance policy.

The homeowner is going to have work done but there is no contract in place. Do they still need a HomeWorks policy?

As it is a material fact affecting the risk, the homeowner will still need to advise their current household insurer that work is being carried out. The insurer could take the view that the property is exposed to a greater degree of risk to damage. This could influence the insurer's view as to the cover they wish to provide which could be greatly reduced.

Even where there is no contract in place, HomeWorks can still look to provide cover. We might ask for additional information on the contractor being used and check that they have adequate liability cover.

Can I obtain contents cover under a HomeWorks policy?

Yes, you can. We insure the household's goods and personal property, within the home, which are the homeowner's property or which they are legally liable for, against the standard home insurance perils.

Should my client protect their own exposure for liability to the public?

As with the increased risk of damage to your client's property, the risk of injury or damage to other people or their property increases whilst works are ongoing.

The policy cover available with HomeWorks gives your client the benefit of their own liability cover as property owner and includes cover whilst there are works at the home.



Terminology

C.A.R

Contractors All Risks.

Cessation of Works

Works ceasing or stopping.

Contract Value

The total cost of the work to be carried out by the contractor including VAT.

Schedule of Condition

A report into the condition of the property.

Method Statement

A document explaining how the works will be carried out to ensure the safety of people on and off site.

GANTT Chart

A chart that shows a clear schedule of what work will be carried out at what point during the works.

Party Wall

A wall common to two adjoining buildings or rooms.

Party Wall Agreement

Document produced by party wall surveyors setting out guidelines on how the proposed works should progress.

Employer

The property owner who has appointed the contractor.

Excavation

The act of digging.

Existing Structure

The existing land, permanent buildings, domestic outbuildings and garages at the property.

J.C.T

Joint Contract Tribunal.

Joint Fire Code

Document that outlines how fire precautions will be incorporated into the contract works. Can be a requirement on major (£2.5m+) projects.

Joint Names Requirement

Clause in a JCT or other contract requiring that both the existing structure and the contract works be covered by a single policy.

Non Negligent Damage Liability

Additional liability cover that protects against damage to neighbouring properties caused by works where there has been no negligence on the part of the contractor.

Practical Completion

The point at which works are completed.

Schedule of Works

A timeline for the project explaining what work will be carried out when.

Structural Engineer

Design the strength and stability of buildings.

Bona Fide Subcontractors (BFSC)

Contractors who work under their own direction and hold their own insurance.

Labour Only Subcontractors (LOSC)

An employee working under the direction of the employer.

Underpinning

Various techniques to reinforce the foundations of a property.

Piling

A method of constructing deep foundations.

Free Issue Materials

New items purchased by the client directly or reused materials such as roof tiles.

Site Investigation/Ground Condition Report

Reports into the ground and soil conditions at a site. These are necessary prior to carrying out basement excavations.

Temporary Works

Short term measures to shore up a basement dig. They will be part of the plan from day 1 and supervised on site by a Temporary Works Coordinator.



Case Study 1

Keeping it nice and simple.

A client had purchased a former care home with planning permission to partially demolish and rebuild it as a permanent home.

Prior to purchase they had been in talks with several contractors but were not yet in a position to place the £800,000 contract. However they estimated that works would commence within two months of inception.

The insurers the client originally approached were offering short term unoccupied policies as a placeholder whilst the client chose their contractor, the risk would then be moved to a dedicated works policy at the appropriate moment.

The client was not keen on this - arranging specialist insurance even with the help of a broker is not normally a straight forward process and the chopping and changing of policies with the accompanying fees and partial refunds was not attractive.

Through the broker we promptly offered a single HomeWorks quote with unoccupied cover pending works **for up to 6 months**. The client had all risks cover from day one and was able to keep us informed about the contractors they were choosing, making our due diligence process simple. Once the contractor was selected and the final cost confirmed, a simple MTA provided joint names insurance for the contractor while offering the client a small refund as the final total for the works came in under the estimated £800,000 contract value.

Case Study 2

Working in partnership with our broker and the client.

Our national broker approached us to place a Grade 1 listed property in the city of Bath, spending almost £1,000,000 to convert five flats into a single home for the use as the client's main residence.

A consideration to the risk was that the client was a Property Developer. As they worked in the building trade, the client wanted to use their own contacts to carry out the works and there was no official contract in place with the main contractor.

A professional valuation report was provided to validate the building sum insured. Prior to quoting, we arranged a telephone consultation between the client and a loss control engineer appointed by us to understand the client's approach to risk management and their level of expertise.

This partnership approach **enabled us to present a warranty free, binding quotation to the broker**, subject to a site survey being arranged if cover was accepted. It further enabled flexibility in our rating to overcome an alternative quotation the client had sourced via another broker. The site visit was carried out 4 weeks after inception and cover was maintained as agreed at inception.





Case Study 3

We like unusual.

An independent broker specialising in farm estate business approached us to insure a church that was to undergo a £400,000 works project. Their usual estate markets were unable to provide cover due to the value of works and therefore asked us to assist.

As well as the church being Grade 2 listed, **cover was also required for a rare, long pipe organ valued at £800,000**. Valuations were received for both the church and the organ, where we made the decision to include the organ under the existing structure sum insured.

Background checks on the contractor showed they had relevant experience of working on properties similar to this example. Added to this, the site had excellent security features.

We were able to provide a binding quote within 24 hours and a warranty free policy was issued that has since been surveyed with no risk improvements required.

Contact Us

Underwriting

T: 0345 481 0069

E: underwriting@plum-underwriting.com

Business Development

T: 0345 402 3006

E: bus.dev@plum-underwriting.com

General Enquiries

T: 0345 130 0802

E: info@plum-underwriting.com