

Arranging insurance for your building project

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You need to think about arranging insurance to cover any risks that may occur to people or property during your project.

There is risk involved with any build, and insurance can protect you if something goes wrong, such as:

- theft of equipment or materials
- fire on site
- a natural disaster such as flooding or an earthquake.

You should think about insurance for your building project, no matter the size or cost of the work.

Your builder may have some type of insurance or professional indemnity, but you should check what it covers. Depending on the contract you have, you may need to arrange for insurance yourself.

Find out what insurance cover your builder has, and let your insurance company know as they can suggest any additional cover.

Include details about how you will manage insurance for the project in your contract with your builder. It should also state the type of insurance cover you have.

You should also talk to your designer about their insurance policy. It is worth hiring a designer that has professional indemnity insurance.

Types of insurance cover

The amount and type of insurance, as well as who organises it, will vary depending on the contract you have with your builder.

There are two main types of insurance cover you should discuss with your builder:

- contract works insurance
- public liability insurance.

Contract works insurance

When constructing a new home your contract will typically require the builder to arrange contract works insurance to cover any property that is undergoing construction. It protects any damage to the builder's work and usually covers:

- subcontractors if they cause damage to the works (or project)
- theft, vandalism and arson of construction work and materials
- any damage from natural elements such as storms, floods, hail or earthquakes.

Damage to the builder's own equipment isn't usually covered in contract works insurance. This should be covered under their own policy for theft or damage to tools and other assets.

When undertaking work to an existing structure (such as renovations, extensions, etc) the building contract will typically require the homeowner to arrange the contract works insurance.

Public liability insurance

Each contractor should have public liability insurance. This type of insurance covers damage to third party property as well as personal injury to others to the extent that is not covered by ACC.

The level of cover for your contractors have should reflect the project being undertaken.

Professional indemnity insurance

Your designer or architect should have professional indemnity insurance. This insurance is for their benefit, but can ensure they have sufficient funds to compensate you if something goes wrong. In the event of insolvency, it may be possible for you to make a claim against the insurer directly.

If your designer or architect fails to design a safe, durable, and weathertight building and they cannot pay for any necessary repairs, you are likely to have to cover the costs.

Professional indemnity insurance covers the advice and services they provide to you.

Checking who arranges insurance

In a full contract

If you have a full contract, your builder should organise to have contract works insurance and public liability insurance. This covers:

- accidental damage to the building
- accidental damage to adjoining property
- any personal injury.

Check to see whether subcontractors are covered in your builder's policy. It is up to the builder to sort this out with the subcontractors, however it is good for you to understand what your workers are covered for.

If your builder is not arranging subcontractors, you need to make sure any other contractors working on your project have insurance.

In a managed labour-only contract

If you have a managed-labour only contract with your builder, you will need to be clear about who is arranging insurance and what type of insurance cover you both expect.

Make sure your contract states who is responsible for insurance cover. Check what kind of policy your builder has, and make sure you let your insurer know you are doing alterations or renovations.

In a labour-only contract

If the contract with your builder is labour-only, it is usually your responsibility to arrange insurance.

You will also need to talk to your insurer (this may be your bank) when you are getting alterations or renovations. You can arrange to have cover for any accidental damage to your house and contents while work is underway.

Make sure you update your content insurance to include any new fittings or appliances being installed.

any matter to which the information relates according to the circumstances of the particular case. Expert advice may be required in specific circumstances. Where this information relates to assisting people:

- with compliance with the *Building Act*, it is published under section 175 of the *Building Act*
- with a *Weathertight Services* claim, it is published under section 12 of the *Weathertight Homes Resolution Services Act 2006*.