

Contract Works Single Project Policy

Welcome to State

Thank you for choosing to insure with State. You've made a great choice – we've been helping New Zealanders with their insurance needs for more than 100-years and are proud to be doing the same for you.

This document is your Contract Works Single Project Policy wording. Please make sure you read it carefully, as it contains important information you should know, including what your insurance covers – and what it doesn't.

If you have any questions about your policy or think it doesn't provide the cover you need, please ring us straight away – we'll be happy to help.

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Your Policy

▶ Agreement

You agree to pay us the premium and comply with this policy. In exchange, we agree to insure you as set out in this policy.

▶ Policy contract

This policy consists of the following parts:

1. your application for insurance, and any oral or written supporting statements or documents supplied by you, and
2. this policy wording (including any endorsements or warranties), and
3. the schedule.

▶ Interpreting this policy

Certain words in this policy have a specific meaning. These words appear in **bold** and you will find the meaning listed in the 'Definitions' section at the end of this policy. The definitions apply to the plural and any derivatives of the bolded words.

You will also find examples and comments to make parts of this policy easier to understand. These examples and comments, which appear in *italics*, do not affect or limit the meaning of the section they refer to.

The headings in this policy are for reference only and do not form part of it. They are not to be used when interpreting the policy.

What you are insured for

A. Loss during the construction period

You are insured for **accidental loss to insured property**, occurring at the **contract site** during the **construction period**.

B. Loss during the maintenance period

You are insured during the **maintenance period** for your legal liability to rectify **accidental loss to insured property** under the Maintenance or Defects Liability Conditions of the **contract**, provided the **loss**:

1. is discovered during the **maintenance period**, and
2. arises out of the **contract works** during the **construction period**, or
3. is caused by you while you are executing work under the Maintenance or Defects Liability Conditions of the **contract**.

C. Additional items

Where there is a **loss** covered under 'What you are insured for (A) or (B)' above, you are insured for your reasonable costs you incur for each of the following items, provided that item is shown in the **schedule**.

1. Principal's Supplied Materials

Costs to replace materials and property supplied by the principal free of charge to the contractor for permanent incorporation into the **contract works**. Cover begins when the materials and property are delivered to the **contract site**.

2. Removal of Debris

Costs incurred to:

- (i) dismantle, demolish and remove the debris, and/or
- (ii) undamaged material,

necessary to effect repairs and to stop from further damage and prepare the **contract works** for rectification of the **loss**.

3. Professional Fees

Costs of architects, surveyors, consulting engineers, clerk of works and other fees incurred by you that are necessary to rectify the **loss** (but excluding any fees for the preparation of a claim or estimate of fees).

4. Increased Costs During Construction

Costs incurred for variations and fluctuations in the **contract price**, and/or increases in the costs of labour and materials during the **construction period**.

5. Escalation During Reconstruction

Costs of reconstruction of the **contract works** that exceed the initial cost, provided the reconstruction is completed without delay.

Automatic extensions

A. Expediting expenses

You are insured for the reasonable cost of express freight within New Zealand and overtime to expedite the repair or replacement of **insured property** following a **loss** covered under this policy.

The most we will pay under this extension is 30% of the claimed amount for ordinary labour, road carriage charges or ordinary costs.

B. Transit

You are insured for **accidental loss of insured property** occurring during the **construction period** while the property is in transit within New Zealand by road, rail, airfreight, inter-island ferry, or containerised shipping between New Zealand ports.

The most we will pay under this extension is \$25,000 for any **event**.

C. Natural disaster

You are insured for **natural disaster damage** that occurs to **insured property**, provided that the damage occurs:

1. during the **construction period**, and
2. at the **contract site**.

The excess shown below for each **region**, applies to all costs arising from any one **event**.

Region	Excess
Northland, Auckland, and the Districts of Dunedin and Clutha	2.5% of the constructed value at the time of loss with a minimum of \$2,500
Rest of New Zealand	5% of the constructed value at the time of loss with a minimum of \$5,000.

Optional extension

This optional extension only applies when shown in the **schedule**.

A. Temporary buildings

You are insured for **accidental loss** occurring during the **construction period** to any of the following:

1. the main contractor's hoardings,
2. site office,
3. huts and encampments,

that are not part of the **contract** itself but used to perform the **contract works** at the **contract site**.

This extension does not extend to any sub-contractor's property.

Exclusions

A. Types of property not covered

This policy does not insure:

1. any of the following:
 - 1.1 motor vehicles,
 - 1.2 other mechanically or electrically propelled vehicles (including railway locomotives and rolling stock),
 - 1.3 watercraft of any kind,
 - 1.4 aircraft of any kind,
 - 1.5 accessories in or on any of the vehicles or craft in 1.1 to 1.4 above,
 - 1.6 **construction plant**,
 - 1.7 tyres or tracks, unless as a result of other insured **loss** to a vehicle/mobile plant,
 - 1.8 employees' personal effects or hand tools.
2. files, deeds, evidence of debt, bonds, bills of exchange, promissory notes, cash, bank notes, cheques, securities or money, stamps, accounting or computer records.

B. Losses not covered

This policy does not insure:

1. any of the following types of damage to **insured property**:
 - 1.1 slowly developing deformation or distortion,
 - 1.2 marring or scratching,
 - 1.3 gradual deterioration,
 - 1.4 rot or mildew.
2. **loss** immediately preceded by any of the following:
 - 2.1 interruption of the supply of water, gas, electricity, or any other fuel to the situation,
 - 2.2 total or partial stoppage of work, or interruption or cessation of any process.
3. **loss** caused by any of the following:
 - 3.1 action of micro-organisms, vermin or pests,

3.2 corrosion, action of light, or inherent nature of the property,

3.3 wear and tear,

3.4 fumes, gas, dust, smoke or soot,

3.5 maintenance of **insured property**.

This exclusion only applies to the **insured property** first affected. It does not apply to any resultant **accidental loss** to other parts of the **insured property**.

4. **loss** caused by any of the following:

4.1 unexplained disappearances; shortages revealed only by the taking of an inventory; shortages resulting from clerical or accounting errors,

4.2 any fraudulent scheme or device, or false pretence practiced on **you** or any other person,

4.3 the operation, or mechanical or electrical failure, derangement, breakdown, or pressure explosion to any mechanical or electrical items incorporated in the **contract works**.

5. **loss** following any of these events:

5.1 exposure to weather conditions if the **insured property** is not designed to be left in the open (unless reasonable precautions have been taken to protect the property from these conditions),

5.2 landslip, subsidence, erosion or expansion of the ground. However, this exclusion 5.2 will not apply to **loss** which is directly caused as a result of the **contract works**,

5.3 normal settlement, shrinkage or expansion of buildings, foundations, walls, pavements, roads and other structural improvements.

6. **loss** to any structure or property already at the **contract site** prior to commencement of the **contract works**.

C. Building defects

This policy does not insure **loss**, liability, prosecution or expense of any type connected in any way with a building or structure being affected by:

1. moisture or water build-up or the penetration of external moisture or water, or

2. the action or effects of mould, fungi, mildew, rot, decay, gradual deterioration, micro-organisms, bacteria, protozoa, or any similar or like forms,

that is caused directly or indirectly by:

(a) non-compliance with the New Zealand Building Code, or

(b) faulty design or faulty specification, including but not limited to faulty sequence, procedure or programme, or

(c) faulty materials, or

(d) faulty workmanship,

when the building or structure was constructed, manufactured, altered, repaired, renovated or maintained.

This exclusion does not apply however to **loss** that is caused by or directly arises from the leakage of internal pipes, internal water systems or internal cisterns.

D. Confiscation

This policy does not insure **loss**, liability, prosecution or expense of any type in connection with confiscation, nationalisation, requisition or destruction of, or damage to property by order of government, public or local authority (unless the order is given to control any **accidental loss** that is covered by this policy).

E. Consequential loss

This policy does not insure any kind of consequential loss (*e.g. financial loss that occurs as a result of the loss of insured property*), including the following:

1. penalties, or
2. loss of use of any property, or
3. delays, or
4. loss of market.

F. Costs not insured

This policy does not insure the cost of:

1. repairing or replacing faulty materials, or
2. fixing faulty workmanship, or
3. fixing any work performed to a faulty:
 - (a) design plan, or
 - (b) design specification.

This exclusion only applies to the **insured property** first affected. It does not apply to any resultant **accidental loss** to other parts of the **insured property**.

G. Electronic data

This policy excludes loss of or damage to **electronic data** from any cause whatsoever including, but not limited to, a **computer virus**.

This includes loss of use, reduction in functionality or any other associated loss or expense in connection with **electronic data**.

However this exclusion does not apply to physical damage to other **insured property** that results from that loss of or damage to **electronic data**, and which is not otherwise excluded.

H. Nuclear

This policy does not insure **loss**, liability, prosecution or expense of any type in connection with:

1. ionising radiation or contamination by radioactivity from:
 - (a) any nuclear fuel, or
 - (b) any nuclear waste from the combustion or fission of nuclear fuel.
2. nuclear weapons material.

I. Seepage, pollution and contamination

This policy does not insure **loss**, liability, prosecution or expense of any type in connection with seepage, pollution or contamination.

J. Terrorism

This policy does not insure any **loss**, liability, prosecution or expense of any type in connection with an **act of terrorism**, including in connection with controlling, preventing, suppressing, retaliating against, or responding to an **act of terrorism**.

K. War

This policy does not insure any **loss**, liability, prosecution or expense of any type in connection with any of the following, including controlling, preventing or suppressing any of the following:

war, invasion, act of foreign enemy, hostilities or war like operations (whether war is declared or not), civil war, mutiny, rebellion, revolution, civil commotion assuming the proportions of or amounting to an uprising, insurrection, military or usurped power.

Basis of settlement

A. Method of indemnity

We will settle **your** claim with one of the following options, whichever **we** choose:

1. replace the **insured property** with property of a condition substantially the same as or equivalent to, but not better nor more extensive than, its condition at the time of the **loss**, or
2. pay the cost of repairing the **insured property** to a condition substantially the same as, but not better nor more extensive than, its condition at the time of the **loss**, or
3. where the damage is not economic to repair **we** will pay the **actual value** of the **insured property**.

B. Maximum amount payable

The most **we** will pay:

1. for any one item is the specific sum insured shown in the **schedule** for that item, and
2. for all items is the total sum insured shown in the **schedule**.

C. Excess

The excess shown in the **schedule** will be deducted from the amount of the **loss** for each **event**.

If more than one excess can be applied following a **loss** from a single **event**, only the single highest excess will apply.

A series of **losses** arising from subsidence, erosion, flood, inundation, landslide, cyclone, storm, tempest, or **natural disaster damage** during any period of 72 consecutive hours will be treated as one **event** for the purpose of applying the excess.

D. Reinstatement of the sum insured

After **we** have paid a claim under this policy, **we** will reinstate **your** sum insured. **We** may ask **you** to pay an additional premium for this. If **we** do, **you** must pay the additional premium.

Managing your claim

A. Your obligations

1. Advise us

If **you** become aware of any situation that is likely to give rise to a claim, **you** must contact **us** immediately.

2. Minimise the loss

You must take all reasonable steps to minimise the claim and avoid any further **loss** or liability arising.

3. Notify the police

You must immediately lay a complaint with the Police if **you** suspect a criminal act has occurred.

4. Provide full information

When **you** make a claim **you** consent to **your** personal information in connection with the claim being:

4.1 disclosed to **us**, and

4.2 transferred to the Insurance Claims Register Limited.

You must:

(a) give **us** free access to examine and assess the claim, and

(b) send any relevant correspondence or documents to **us**, and

(c) complete a claim form or statutory declaration to confirm the claim if **we** request it, and

(d) provide any other information, proof of ownership or assistance that **we** may require at any time.

5. Be truthful

If **your** claim is dishonest or fraudulent in any way, **we** may:

5.1 decline **your** claim either in whole or in part, or

5.2 declare this policy or all policies **you** have with **us** to be unenforceable from the date of the dishonest or fraudulent act.

This is at **our** sole discretion.

6. Do not dispose of property

You must not dispose of any property or any part of damaged property involved in **your** claim until **we** have given **you** permission to do this.

7. Incurring costs

All costs claimed for under this policy must be necessarily and reasonably incurred.

You are not authorised to start any repairs without **our** permission unless the repairs are necessary to prevent further **loss** or liability. **You** may proceed with repairs without prejudice to **our** liability under the policy provided that all the conditions of this policy are complied with.

B. Managing your claim

1. Subrogation

Once **we** have accepted any part of **your** claim under this policy, **we** may assume **your** legal right of recovery.

If **we** initiate a recovery **we** will include **your** excess, and any other uninsured losses suffered by **you**. Where **we** do this, **you** agree to pay **your** proportional share of the recovery costs, and subsequently the proceeds of the recovery will be shared on the same proportional basis, except that **we** will reimburse **your** excess first.

2. Recoveries

If any property that **we** have paid a claim for is later found or recovered, **you** must tell **us** immediately and hand it over to **us** if **we** request it.

We have the right to keep any property that **we** have paid a claim for under this policy, including any proceeds if it is sold.

3. Reparation

If any person is ordered to make reparation to **you** for **loss** to any property that **we** have paid a claim under this policy for, then **you** must tell **us**. Any payments received, must first reimburse **our** claims payment up to the amount of any reparation received.

General conditions

A. How we administer this policy

1. Cancellation and modification

You may ask **us** to cancel or modify this policy at any time. **We** must agree in writing to any modification before it will take effect.

We will refund the proportion of unused premium paid, calculated from the date of cancellation, less any administration costs.

2. Other insurance

You must notify **us** as soon as **you** know of any other insurance policy that covers **you** for any of the risks covered under this policy.

If **you** or anyone else who can claim under this policy can claim under any other insurance, **we** will only pay over and above the limit payable by the other insurances.

3. Interests of other parties

If **we** are advised of any party having a financial interest over **your** insured assets, **we** may pay part or all of any valid claim proceeds to that party to the extent of their interest. This will form part of **our** obligations to **you** under this policy.

You must consent to **us** transferring **your** relevant personal information to that party.

4. Separate insurance

If more than one person or entity is named as 'Insured' in the **schedule**, then all the parties are insured separately (as though a separate policy had been issued to each person/entity).

However, the maximum amount **we** will pay to all parties is the amount stated in each part of this policy.

5. GST

Where GST is recoverable by **us** under the Goods and Services Tax Act 1985:

- 5.1 all sums insured exclude GST, and
- 5.2 all sub limits exclude GST, and
- 5.3 all excesses include GST, and
- 5.4 GST will be added, where applicable, to claim payments.

B. Laws and Acts that govern this policy

1. Acts of parliament

Where this policy refers to any Act of Parliament, it also includes any sub-ordinate legislation made under it, and any other subsequent Acts or Regulations.

2. Governing law and jurisdiction

The law of New Zealand applies to this policy and the New Zealand Courts have exclusive jurisdiction.

3. Insurance law reform acts

The exclusions and conditions in this policy are subject to **your** rights under the Insurance Law Reforms Acts 1977 and 1985.

C. Your obligations

1. Comply with the policy

You (and any other person or entity **we** cover) must comply with the conditions of this policy at all times. If **you** fail to comply, **we** may not pay **your** claim.

2. Provide accurate information

You must make sure all statements and representations that are made to **us**, at any time, either by **you** or anyone else, are truthful and complete.

3. Reasonable care

You must take reasonable care at all times to avoid circumstances that could result in a claim. **Your** claim will not be covered if **you** are reckless or grossly irresponsible.

4. Change in circumstances

You must tell **us** immediately if there is a material:

- 4.1 increase in the risk insured, or
- 4.2 alteration of the risk insured.

Once **you** have told **us** of the change, **we** may then cancel or alter the premium and/or terms of this policy.

If **you** fail to notify **us** about a change in the risk insured, **we** may:

- (a) declare this policy unenforceable, or
- (b) decline any subsequent claim either in whole or in part.

These actions will be taken from the date **you** knew, or ought to have known, of the increase or alteration in the risk insured.

Information is 'material' where we would have made different decisions about either:

- (i) accepting your insurance, or
- (ii) setting the terms of your insurance,

if we had known that information. If in any doubt, notify us anyway.

5. Insure the full sum insured

You must:

- 5.1 insure the **contract works** for its full value, inclusive of all items and materials for their new replacement value including freight, customs duties (excluding GST), wages, and subcontractors' work.
- 5.2 declare in the application the value of principal's supplied materials which form part of the project that have not been included in the **contract works** price. The value declared for this item shall be new replacement value of all materials and items supplied.
- 5.3 declare in the application whether cover for the anticipated inflationary effect on the cost of the **contract works** during the **construction period** is required.

If the above is not complied with and any values or sums insured, are understated, this policy is 'Subject to Average'. This means the amount **you** recover for a partial loss will reduce by the same percentage as the amount for which the property was insured bears to the full value of that property.

The Meaning of Subject to Average

1. **Your** insurance policy contains a provision making it 'subject to average'.
2. That provision will have effect only if the property insured under the policy is underinsured at the time of **loss**.
3. If the property insured under the policy is underinsured at the time of **loss** the following rules apply:
 - (a) if **you** suffer a total loss, the provision will have no effect.
 - (b) if **you** suffer a partial loss, the maximum amount that **you** may recover will bear the same proportion to **your** actual loss as the amount for which the property is insured bears to the full value of the property.
 - (c) whatever **your** loss, in no case will **you** be entitled to recover more than the amount for which the property is insured.

*'Example: **Your** property is worth \$20,000. **You** insure it for \$10,000. **You** suffer a **loss** of \$5,000. If **your** policy is 'subject to average', the maximum amount that **you** may recover will be \$2,500.'*

6. Comply with directions and contract

You shall at **your** expense:

- 6.1 comply with all **our** reasonable directions to prevent **loss**, where any deficiency, defect or danger is identified by **us**, and
- 6.2 comply with the **contract** conditions and specifications as they relate to methods, procedures, systems or sequences of work.

7. Multiple insureds

Where more than one person or entity is insured, **we** shall:

- 7.1 send all notices to the last known address of, or the agent of, and
- 7.2 negotiate all claim settlements with, and
- 7.3 pay all claim proceeds to, the **first insured**.

Definitions

The definitions apply to the plural and any derivatives of the bolded words. For example, the definition of 'accidental' also applies to the words 'accidentally', 'accident' and 'accidents'.

accidental

Unexpected and unintended by **you**.

act of terrorism

Includes any unlawful act, or preparation in respect of action, or threat of action designed to influence or coerce the government de jure or de facto of any nation or any political division thereof, or in pursuit of political, religious, ideological, or similar purposes to intimidate the public or a section of the public of any nation by any person or group(s) of persons whether acting alone or on behalf of or in connection with any organisation(s) or government(s) de jure or de facto, and that:

- (a) involves violence against one or more persons, or
- (b) involves damage to property, or
- (c) endangers life other than that of the person committing the action, or
- (d) creates a risk to health or safety of public or section of the public, or
- (e) is designed to interfere with or disrupt an electronic system.

actual value

The value calculated by applying depreciation for age and use to the new replacement cost of **insured property** affected.

computer virus

A set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, which propagate themselves through a computer system or network of whatsoever nature. This includes but is not limited to 'Trojan Horses', 'Worms' and 'Time or Logic Bombs'.

constructed value at the time of loss

The **actual value** of the covered **contract works** already completed as at the time of the **loss**, including the **actual value** of any existing structures covered under the Existing Structures Endorsement (if applicable).

construction period

The period starting on the date shown in the **schedule** or at the time the contractor takes possession of the **contract site**, whichever is the later, and finishing on (a), (b), (c) or (d) below whichever applies first:

- (a) Partial Completion
 - In relation to any applicable portion only of the **contract works**:
 - (i) at the time a partial practical completion certificate is issued, or
 - (ii) at the time that portion of the **contract works** is occupied, taken over or put into use by the purchaser, principal or authorised person, whichever is the earlier, or
- (b) Completion
 - (i) at the time a practical completion certificate is issued, or
 - (ii) at the time the **contract works** are occupied, taken over or put to use by the purchaser, principal or authorised person, whichever is the earliest, or

- (c) Speculative Project

In relation to any speculative project where there is no agreement to purchase, at the time 95% of the project price has been expended on the **contract works** and the **contract works** are made available for public viewing, or

- (d) Scheduled Date

The finishing date shown in the **schedule**.

This date may be extended beyond the date shown in the **schedule** for the express purpose of completing the **contract works**, provided **we** agree in writing prior to the finishing date. **We** may ask for an additional premium and/or additional terms.

construction plant

Tools, plant, equipment, site encampments or hoardings used for the purpose of carrying out the **contract works**, excluding any plant or equipment forming, or intending to form, a permanent part of the **contract works**.

contract

The contract between the principal and the contractor to perform the **contract works**.

contract site

The location referred to in the **contract** at which the **contract works** are to be undertaken.

contract works

The whole of the works, whether temporary or permanent, to be performed by the contractor, as described in the **contract** (being subject of this insurance) including all materials and items that are included in that **contract**.

electronic data

Facts, concepts and information converted to a form useable for communications interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment. It includes programs, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

event

Any one event or series of events arising from one source or original cause.

first insured

The first named person or entity listed in the **schedule** as 'Insured'.

immediately preceded by

The event occurring immediately in sequence prior to the **loss**. *If there is a chain of events, this will be the last event occurring immediately prior to the loss.*

insured property

The **contract works** and any other property shown in the **schedule** once it becomes the responsibility of the contractor insured.

loss

Physical loss or physical damage.

maintenance period

The period starting when any part of the **contract works** is put into service, taken over, occupied or issued with a certificate of partial or practical completion, and finishing at the end of the:

- (a) Maintenance or Defects Liability Period referred to in the **contract**, or
- (b) period shown in the **schedule**,

whichever is the earlier.

Policy wording

natural disaster damage

Damage that results directly from:

- (a) earthquake, subterranean fire, volcanic eruption, tsunami, geothermal activity, hydrothermal activity, or fire caused by any of these, or
- (b) measures taken under proper authority, following an event listed in (a) to:
 - (i) avoid its spreading, or
 - (ii) reduce its consequences.

period of insurance

The period shown in the **schedule** that includes both the **construction period** and the **maintenance period** together for this insurance contract.

regions

The areas of land in the Regions and Districts as defined in Infomap 319B (dated June 1994), by Land Information New Zealand (LINZ).

schedule

The latest version of the agreement together with all its terms and agreements **we** issued to **you** as part of this policy.

we

State, a business division of IAG New Zealand Limited. *We may also use the words 'us', 'our' or 'company' to describe State.*

you

The person(s) or entity named in the **schedule** as 'Insured':

- (a) but only in their capacity as principal or main contractor, and
- (b) only in their capacity as sub contractor where shown in the **schedule**,
for their respective rights and interests.

We may also use the word 'insured' to describe you.

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