

# Major works to blocks of flats

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Major works on a block of flats can be a considerable expense and if not advised to Insurers can leave the RMC and/or Freeholder exposed.

It is important to remember that where you are signing off these major works you could be responsible for appointing the contractor and other professionals involved in the conduct of the contract. So potentially you are assuming responsibility and a duty of care when overseeing works.

## What insurance cover is required under the contract conditions?

When major works are being completed at a block of flats you manage the contract conditions to outline which parties are responsible for loss or damage, what insurance cover is required and who needs to arrange the insurance cover. The most commonly used forms for building work are:

- Joint Contracts Tribunal (JCT) Standard Form 2005
- JCT Intermediate Form 2005

- When a Residents' Management Company (RMC) or Freeholder of a block of flats engages a contractor to work on its premises there will normally be agreed terms. Most contracts involving an architect or similarly qualified person will be governed by JCT 2005 (Revision 1 2007) terms and conditions. Under JCT 2005 please be aware there are options to be agreed prior to the contract being signed, one of which relates to insurance cover.

- Section 5.4 A provides that the contractor insures the “works” such as work in progress, materials on site and temporary buildings and plant in the joint names of the contractor and the Employer (RMC or Freeholder). However, if work carried out involves

the existing buildings then Section 5.4.C also applies, which requires the Employer (RMC or Freeholder) to maintain in his own name a policy in respect of the existing structure. The RMC should ensure that the block Insurers are made fully aware of the contract details. Even when Section 5.4A does apply, it is considered prudent for RMC's or Freeholders to effect contingency cover on the “works” to protect shareholders in the event of failure of the Contractor or inadequacy of its insurance cover. Most Property Insurance Policies provide a ‘contract works’ extension to the basic cover and will note the contractors’ interest within the Policy but only if the Insurer is advised in advance of the project start date.

- Separate cover for Non-negligence (6.5.1 formerly 21.2.1) is available where there are third party wall considerations such as an adjoining property or one in close proximity which could be affected by the works. Some examples of this could be collapse, subsidence, heave, vibration, weakening or removal of support or lowering of ground water. The architect or project manager will advise if this type of cover is appropriate and what level of indemnity is required by the contractor, this limit should represent the estimated maximum exposure including neighbouring property (see also basement works). The request for the contractor to insure the non-negligence liability is the best option because the contractor can usually extend his third party liability coverage to cover non-negligence. In practice, it means that if there is damage (e.g. vibration) to an adjoining property then the contractor’s third party liability insurance will meet the claim one way or other.

## About CLEAR

CLEAR is a Chartered Broker and proud to be a Top 10 Independent Insurance Broker in the UK.

Our considerable experience in the property sector gives us the capacity to design bespoke and exclusive insurance solutions for the whole property market.

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## What should you do as Managing Agent before works commence?

- Obtain and provide your Insurance Broker with a copy of the main Contractors All Risk (C.A.R) Insurance if applicable, and the Public and Employers Liability insurance documents. A check should be made to ensure the main contractor carries out the same due-diligence for any sub-contractor that they use.
- Provide your Insurance Broker with a copy of the proposed contract detailing the operative terms and a detailed schedule of works e.g. a full works specification if possible
- Provide details of the period of the works including the proposed start date and the full contract value inclusive of VAT.

## During the period of works?

- Inform your Insurance Broker if the contract value has increased, the duration of the works has increased, or the nature of the works has changed.
- Contact your Broker if the project has substantially ceased for more than 30 days but prior to the end of the contract.
- Advise your broker of any incidents that may give rise to a claim.
- Advise your broker if there is any possibility that the works may cease for any reason, for any period of time exceeding 30 days.

## At the end of the works

- You must advise your broker when the works are due to complete. If 'practical completion' is signed, all cover under a Contractors 'All Risks' policy ceases immediately which could leave you underinsured in the event of a loss.
- Provide your broker with a 'completed' or post works rebuilding cost sum insured for the building.

## When appointing a contractor it would be prudent to advise your client to consider the following:

- How long has the contractor been trading?
- What previous experience do they have in managing projects of your size and nature?
- Size of company including no. of employees (full or part-time) and projects ongoing including the split between domestic and commercial work.

The freeholder will not be allowed to carry out major works to the building without first obtaining all leaseholders permission. He can however carry out works which will result in a cost of not more than £250.00 to every leaseholder in the block. In either case it is recommended your Insurance Broker is advised.

If you manage a block where a leaseholder owns a flat undergoing refurbishment, the freeholder of the building must be informed so that they can notify their respective Insurance Broker. Even if the lessee only has contents cover under their own policy they will be required to inform their insurer of any works planned due to the increased risk of loss or damage.

In addition, if you manage a listed property, Listed Building Consent is required to carry out any works to a listed building which will affect its value for listing purposes. This will almost certainly be necessary for any major works, but may also be necessary for minor alterations, change of use of the property, or even repairs and maintenance.

Finally please ensure you notify your Insurance Broker of any proposed works at the earliest stage, anything from general decoration to complete refurbishments.

## How Can We Help

At Clear Insurance Management Ltd we are specialists in the property market. If you'd like further information contact us today or visit [www.thecleargroup.com/property](http://www.thecleargroup.com/property).

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