



Church Insurance Services

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Managing Projects in Churches: Insurance Implications



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Church Contract Works Insurance

The Basics

- 1) Notification of Proposed Works to Insurer
- 2) Terms, Conditions or Restrictions in Cover
- 3) Insuring the Works (Contract Works Insurance)



Notification to Insurers or 'Faculty Letter'

From the Insurers viewpoint a Faculty Letter just confirms that they have been made aware of the proposed works. It is not confirmation that no Terms, Conditions or Restrictions will apply, unless specifically stated.

The Faculty Letter may contain prompts for automatic cover restrictions. For example the exclusion of theft of external metal when scaffolding is erected. As most risk information in respect to the works will be unknown at this stage further cover restrictions may be applied when they are.

However simple works where little or no additional insurance exposures are evident may have full cover confirmed in the Faculty Letter



Terms, Conditions and Restrictions in Cover

Underwriters will consider amending cover when they perceive there is a significantly increased risk of loss or damage or there is a failure to take reasonable precautions. This is permissible unless the policy wording contains a specific provision for the works in question. Building works that change the risk exposure are a 'material fact' so the policyholder is duty bound to disclose.

Insurers commonly use a Building or Contact Works Questionnaire to enable relevant details of the works to be disclosed to them.

There are 5 main aspects of additional exposure to the existing insurance.



Potential Exposure of Pipe Organs to Water Ingress, Accidental Damage or Dust.

Primary Control Measure:
Protecting Pipe Organ or
Organ Chamber as
Recommended by Organ
Builders



Work on Boilers, Heating Apparatus, Gas or Electrical Installations.


Primary Control Measures:
Suitably Qualified Contractors
and Certification of Work



Application of Heat.

Primary Control Measure: Hot Work Permit System

> HOT WORK PERMIT


AVIVA

HOT WORK PERMIT INSTRUCTIONS

A copy of the completed permit should be retained for auditing purposes

ISSUING COMPANY PERMIT NO.

A. PROPOSAL (to be completed by the person responsible for carrying out the work)

BUILDING:

EXACT LOCATION OF PROPOSED WORK:

NATURE OF WORK TO BE UNDERTAKEN:

I have completed and submitted the Checklist and understand the scope of work and precautions to be taken.

SIGNED: BLOCK CAPITALS

DATE: POSITION:

CONTRACTOR COMPANY (WHERE APPLICABLE):

B. AGREEMENT (to be completed by Company Safety Officer or other nominated person - the Issuer of the Permit)

This Hot Work Permit is issued subject to the following conditions:

ISSUE OF PERMIT: DATE TIME

EXPIRY OF PERMIT: DATE TIME

* It is not desirable to issue permits for protracted periods. Fresh permits should be issued where, for example, work extends from morning to afternoon.

A FINAL CHECK OF THE WORK AREA SHALL BE MADE, NOT BEFORE 5 PM:

ADDITIONAL CONDITIONS REQUIRED:

The above location has been examined and the precautions checklist that accompanies this form has been complied with. I have carried out a risk assessment and consider that there is no reasonably practical alternative to doing the job using hot work. I have been provided with evidence of appropriate Public Liability Insurance.

SIGNED: BLOCK CAPITALS

DATE: POSITION:

C. FOLLOWING COMPLETION OF WORK (to be completed by number of staff or contractor responsible for the work. The permit should then be returned to the issuer)

The work area and all adjacent areas to which sparks and heat might have spread (such as floors below and above and areas on other sides of walls) have been inspected and found to be free of smouldering materials and flames.

Scrap ends of welding rods and other hot waste materials have been removed and disposed of safely.

Any isolated automatic fire detectors or detection zones have been reinstated.

All equipment, including gas cylinders, has been removed to a safe area.

TIME INSPECTION COMPLETED (this must be at least 40 minutes after work has been completed):

SIGNED: BLOCK CAPITALS

DATE: POSITION:

D. SIGN OFF BY ISSUER OF PERMIT

The hot work has been completed. Any detector(s) or zones of the fire alarm system that were isolated have been fully reinstated.

SIGNED: BLOCK CAPITALS

DATE:

Delete this Hot Work Permit



Roofing and Re-roofing.

Primary Control Measures: Tarpaulins through to Scaffold Over Roofs



Scaffolding

Primary Control Measures: Hoarding, Removal or Securing of Access to Ladders



Additional Scaffolding Control Measures: Scaffolding Alarms and adaptations to existing Roof Alarm or CCTV Systems





Contract Works Cover

Insurance of building works when in progress fall outside the scope of standard church buildings cover other than for very minor repairs and alterations.

Additional Contract Works Cover is recommended to insure the temporary or permanent works in progress and unfixed materials on site.

In most cases the Building Contract between the Employer (e.g. the PCC) and the Contractor will contain an 'Insuring Clause' setting out which party is responsible to arrange the Contract Works Insurance.

For example in the JCT Minor Works Contract Wording the Insuring Clause is provided by selecting Clause 5.4a, 5.4b or 5.4c.





Where the Employer (PCC) is responsible for arranging the Contract Works Insurance most Church Insurance policies have a Contract Works Extension automatically providing this cover at no extra cost up to certain Contract Value Limits (e.g. £75,000, £150,000 or £250,000). However in some policies only where specified Contract Wordings (e.g. JCT) are used.

If the Contract Value including Fees and VAT exceeds the Contract Works Policy Limit then cover with an increased limit, or for very large contracts a separate Contract Works Policy, can be purchased at an additional charge.

A common error when agreeing a contract is to fail to align the condition within the Contract to include or exclude Terrorism Cover in line with the inclusion or exclusion of Terrorism Cover on the existing Buildings Policy.

This can result in Terrorism Cover having to be taken out at additional cost on the whole building for at least the duration of the Contract.

It is important that the PCC's Insurance Advisor is made aware of any Contractual Agreements so the correct Insurance Advice is provided.



Where no formal written Contract exists or there is no Insuring Clause e.g. in a simple 'Exchange of Letters', establishing responsibility for a loss or damage to the works and/or unfixed materials can be problematic.

Judgement will likely be made upon whether the Contractor was just supplying labour or delivering a finished project and/or who purchased the materials. One or both parties could find themselves uninsured for a loss.

Formal Contracts do provide greater certainty and 'Practical Completion Dates' much greater clarity as to when responsibility for the Property Damage Insurance passes from a Contract Works to a Buildings Policy.

Finally when other parties such as the Church Commissioners are solely entering into Buildings Works Contracts, no Contract Works Insurance responsibility will fall on the PCC. However the works may still change the Risk Exposure and therefore the PCC still has a duty to disclose the works to their Insurer. The Insurer may still apply additional terms, conditions or restrictions in cover to the buildings insurance policy.



QUESTIONS?

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