

# CAR/EAR

## Insurance





## **CAR - Contractors' All Risks**

Material damage 'All Risks' policy covering buildings and civil engineering projects during their construction period.



## Examples of CAR Risks

Light risks

- ◆ Apartment blocks
- ◆ Office blocks
- ◆ Schools
- ◆ Hospitals
- ◆ Industrial building (spans up to about 20m)



## Medium risks

- ◆ Underground parking
- ◆ Water towers
- ◆ Pipelines (oil, gas, water)
- ◆ Sewage systems
- ◆ Roads
- ◆ Airports
- ◆ Bridges (single spans up to about 80m)



## Heavy risks

- ◆ Skyscrapers
- ◆ Tunnels
- ◆ Bridges with large spans founded in water
- ◆ Dams
- ◆ Canals
- ◆ Harbour structures
- ◆ Land reclamation works



## **EAR - Erection All Risks**

Material damage 'All Risks' policy covering the erection of individual machines or complete mechanical/electrical/chemical plants during their construction period.



## Examples of EAR Risks

- ◆ Power plants for electricity generation
- ◆ Waste collection system (water, garbage etc.)
- ◆ Pulp and paper industries
- ◆ Printing industries
- ◆ Textile industries
- ◆ Food, canning and packing industries



## **Contract Works All Risks (CWAR)**

Combination of CAR and EAR policies.

Many construction project contains a mixture of civil/building/electrical/mechanical works.

It would make sense to introduce both CAR and EAR policy characteristics into the project cover.

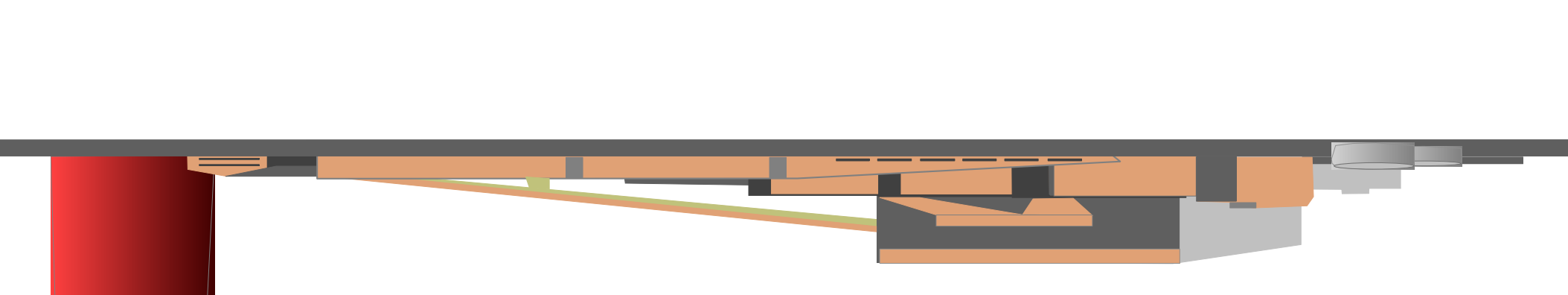
SwissRe achieves this by combining both policies.





## Coverage

A CAR/EAR policy covers *unforeseen* and *accidental* loss of, or damage to, the insured objects *during* the *construction period* from *any cause* not *specifically excluded* in the policy.



During the construction period the standard policy covers the contract works against unforeseen and accidental damage from a variety of risks, including:

- ◆ fire, lightning and explosion
- ◆ faulty manipulation or handling
- ◆ water damage, flood, storm and typhoon
- ◆ collapse, landslide, earthquake, volcanic eruption
- ◆ burglary, theft, malicious damage
- ◆ consequence of defective material and/or workmanship



## Endorsements

The cover can be changed, widened or restricted, with a number of standard endorsements i.e.:

- ◆ Consequence of Faulty Design
- ◆ Existing Property
- ◆ Expediting/Airfreight Costs
- ◆ Visits/Extended Maintenance
- ◆ Contractors' Plant and Equipment
- ◆ Riot and Strike



## Here are a few which restrict coverage:

- ◆ Fire Prevention Measures
- ◆ Storage of Construction Material
- ◆ Pipeline Construction
- ◆ Temporary Access Roads
- ◆ Existing Underground Cables or Pipelines



## **Third Party Liability Section**

Under the Third Party Liability (TPL) Section, cover up to a reasonable limit of indemnity, generally not in excess of USD 2 millions, is available for damage or injury or loss caused to third parties by the works activities on or in the immediate vicinity of the site.



## Main exclusions

- ◆ liquidated damages, penalties for delay, financial consequential losses
- ◆ wear and tear, normal upkeep
- ◆ loss of drawings, documents
- ◆ war, political and nuclear risks



## Insured Parties

A main feature is to protect all those who have an immediate economic interest in the project  
i.e.

- ◆ the principal
- ◆ the contractor and all subcontractors



**The advantage of insuring all the interested parties under the same policy is twofold:**

- ◆ No time-consuming disputes in apportioning blame; i.e. repairs can commence quickly after notifying the insurer.
- ◆ No gaps in insurance cover which can happen in the case of individual policies.





## Sum Insured

The sum insured should represent the *total estimated value* of the works at completion, including *materials, wages, salaries, freight, custom duties* and *taxes*. It should also include the value of any *material* and/or *labour* supplied by the *Principal*.

Upon completion of the project, the *final value* of the works should be *declared* and the *premium adjusted accordingly*.



## Insurance Period

The insurance period starts immediately after unloading on the site and includes

- ◆ storage on the site
- ◆ construction and erection
- ◆ cold test
- ◆ hot test

and ends when the project has been handed over.



## Cold test

The checking of basic electrical/mechanical functions under 'dry run' (not under load) conditions.

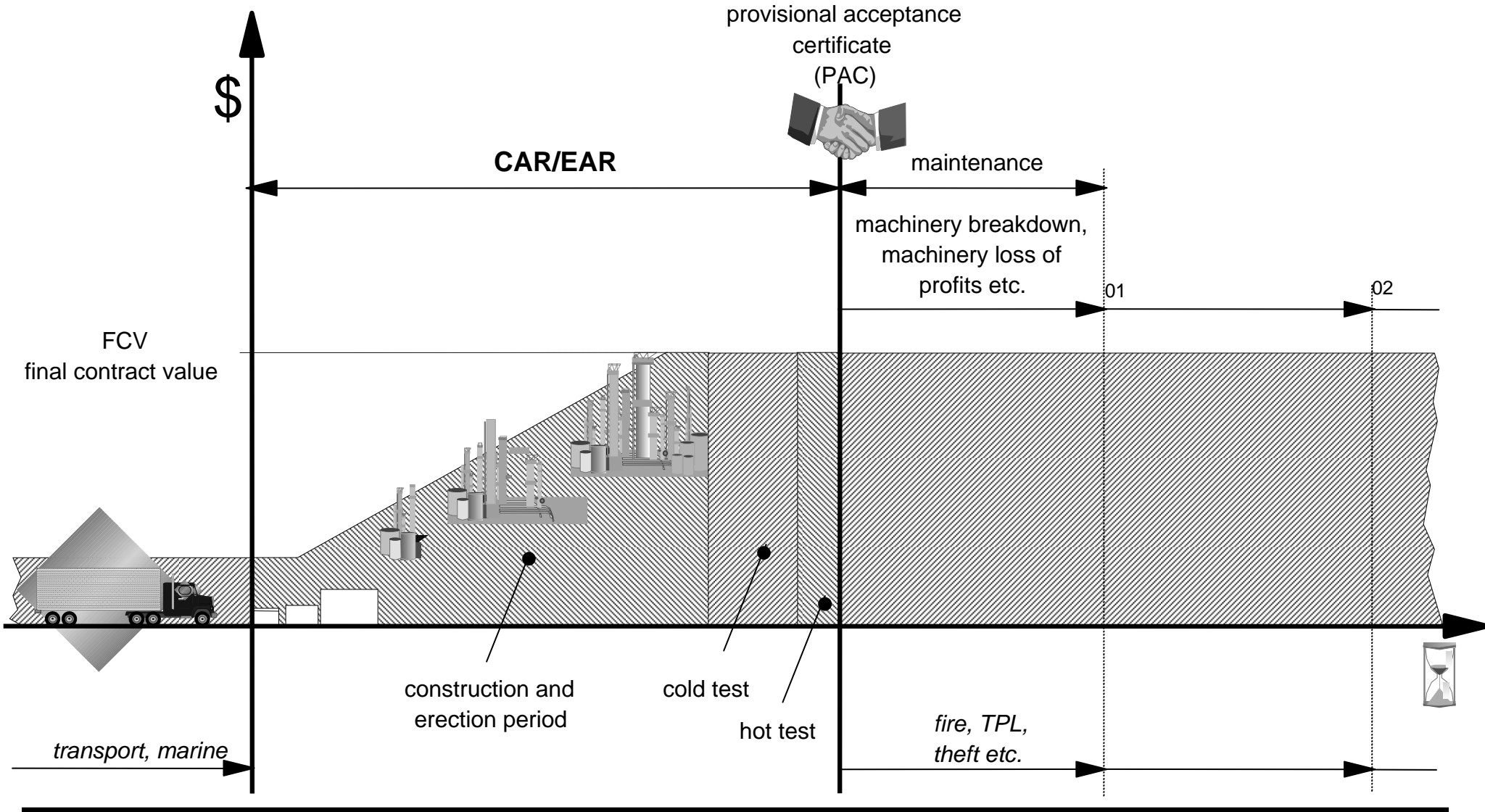
- ◆ No firing or application of direct or indirect head
- ◆ No use of feedstock or other materials for processing



## Hot test

The checking of the insured item under load or operational conditions including the use of feedstock or other material for processing.

# Insurance Period



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## Maintenance

The CAR/EAR policy may be extended to the maintenance period by specific endorsements:

- ◆ Visits Maintenance
- ◆ Extended Maintenance



## Visits Maintenance

The *contractor* is insured against any loss or damage he may cause during the maintenance period to the property insured under the Material Damage section of the policy *whilst performing any contractual maintenance obligation at the site.*



## Extended Maintenance

Cover is granted as under "Visits Maintenance", however, it is extended to loss or damage which may *arise* from any act or omission of the contractor at the site *during* the contract works period.





**Now, tell me what I have  
forgotten to tell you ...**