



Contract Works Annual

Contract Works Annual / INSURANCE POLICY

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Welcome to NZI. Thank you for selecting us as your insurer. This is your Contract Works Annual Policy document.

It will tell you what you are insured for and what you are not insured for, as well as any obligations that you or we must abide by to ensure an enforceable policy. This policy document is a legal contract so please read it thoroughly and keep it in a safe place. If you need help with understanding your policy document, please contact your insurance broker.

INTRODUCTION

AGREEMENT

You agree to pay **us** the premium described in the **schedule** 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

When shown in the **schedule** this policy is extended to all **contracts** commenced during the **period of insurance**.

A. LOSS DURING THE CONSTRUCTION PERIOD

You are insured for **accidental loss** to **insured property**, occurring at the insured **contract site** during the **construction period** for all building **contracts** of the type shown in the **schedule** in New Zealand where:

- (a) the **contract** value plus the principal supplied materials is less than the sum insured for the maximum **contract** value shown in the **schedule**, and
- (b) the **construction period** is no greater than the period stated in the **schedule**.

B. LOSS DURING THE MAINTENANCE PERIOD

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

- (a) is discovered during the **maintenance period**, and
- (b) arises out of the **contract works** during the **construction period**, or
- (c) 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**.

- (a) 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**.
- (b) Removal of Debris
Costs incurred to:
 - (i) dismantle, demolish and remove the debris, and/or
 - (ii) undamaged material,
necessary to effect repairs and to secure further damage and prepare the **contract works** for rectification of the **loss**.

- (c) 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).
- (d) 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**.
- (e) Escalation During Reconstruction
Costs of reconstruction of the **contract works** that exceed the initial cost, provided the reconstruction is completed without delay.

D. TRANSIT

You are insured for **accidental loss** of **insured property** occurring during the **construction period** while the property is:

- (a) in storage at secure situations other than the **contract site** for a period of no longer than 60-days, and
- (b) 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**, unless a different amount is shown in the **schedule**.

'Exclusion B 7' does not apply to this policy

OPTIONAL POLICY EXTENSIONS

These optional extensions only apply when shown in the **schedule**.

A. TEMPORARY BUILDINGS

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

- (a) the main contractor's hoardings,
- (b) site office,
- (c) 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.

B. TESTING AND COMMISSIONING

You are insured for **accidental loss** caused by electrical or mechanical breakdown or explosion during testing, test loading or commissioning, occurring during the **construction period** to electrical or mechanical plant forming part of the **contract works** at the **contract site**.

Provided that:

- (a) the testing and commissioning period does not exceed 7-days for any single item of plant, and
- (b) second hand, prototype or experimental machinery is not included.

'Exclusion B 4.3' does not apply to this extension.

C. CONSTRUCTION PLANT

You are insured for **accidental loss** occurring during the **construction period** to the main contractor's plant, machinery, equipment and tackle used in the performance of the **contract works** at the **contract site**.

This includes plant hired by the main contractor that **you** are liable for under the hire agreement, and that is being used in the performance of the **contract works**.

This extension does not cover any of the following:

- (a) any sub-contractor,
- (b) **loss** by theft, unless the equipment and mobile plant is normally stored in the open or it is accompanied by violence, or threat of violence to any person, or as a result of violent and forcible entry to, or exit from an enclosed building.

'Exclusion A 1.6' does not apply to this extension.

D. EMPLOYEES HAND TOOLS

You are insured for **accidental loss** during the **construction period** to hand tools belonging to **your** specified employees, while the hand tools are at the **contract site**.

This extension does not cover:

- (a) **loss** by theft unless it is accompanied by violence, or threat of violence to any person, or

as a result of violent and forcible entry to, or exit from an enclosed building or shipping container, or

- (b) any sub-contractor's employees.
- 'Exclusion A 1.8' does not apply to this extension.

E. 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** otherwise covered under this policy.

The most **we** will pay under this extension is:

- (a) 30% of the claimed amount for ordinary labour, road carriage charges or ordinary costs, or
- (b) the limit stated in the **schedule**,

whichever is the lesser.

'Exclusion G 2' does not apply to this extension

F. OVERSEAS AIRFREIGHT EXPENSES

You are insured for the reasonable cost of airfreight charges incurred in the repair and replacement of **insured property** following a **loss** otherwise covered under this policy.

The airfreight carriage must be provided by a recognised regular scheduled airline service and not provided by a chartered aircraft.

The most **we** will pay under this extension is:

- (a) 20% of the value of the item being freighted, or
- (b) the limit stated in the **schedule**,

whichever is the lesser.

'Exclusion G 2' does not apply to this extension.

G. NATURAL DISASTER

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

- (a) during the **construction period**, and
- (b) at the **contract site**, and
- (c) the **contract site** is within the geographical area stated in the **schedule**.

'Exclusion I' does not apply to this policy.

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

In respect of each **contract site** each **loss** or series of **losses** arising out of one **event** will be adjusted separately. The adjusted **loss** will be net of salvage and other recoveries. From each adjusted **loss**, the amount of the excess for each area will be deducted.

| 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. |

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.
 - 1.9 existing property before the **contract works** commence.
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 (caused only by atmospheric conditions), 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**,
 - 4.4 mechanical or electrical failure, derangement or breakdown of **construction plant**.
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, the 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. CONTRACT TYPES

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

1. the **contract** relates to construction, alteration, addition or repair of:
 - 1.1 schools, or
 - 1.2 buildings or structures of historic or cultural significance, or
 - 1.3 buildings or structures with foundations or excavations greater than 3-metres below existing ground level, or
 - 1.4 structures other than buildings, or
 - 1.5 galleries, shafts and tunnels and other underground works, or
 - 1.6 civil works including: earthworks, roads, railways, bridges, culverts, pipelines, sewage, irrigation projects, canals, reservoirs, dams, siphons, retaining walls greater than 3-metres in height, harbour facilities, docks, breakwaters and jetties.

G. COSTS NOT INSURED

This policy does not insure:

1. the cost of:
 - 1.1 repairing or replacing faulty materials, or
 - 1.2 fixing faulty workmanship, or
 - 1.3 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**.

2. extra charges for overtime, night work, work on public holidays, express delivery or airfreight, unless such charges are reasonable, and incurred solely for the purpose of minimising further loss to the **insured property** following an insured **loss**.

- H. ELECTRONIC DATA** This policy excludes loss of or damage to **electronic data**, and any liability arising from this, directly or indirectly caused by, or in connection with a **computer virus**. This includes loss of use, reduction in functionality or any other associated loss or expense in connection with the **electronic data**. However, this exclusion does not apply to resultant physical damage to other **insured property**, which is not otherwise excluded.
- I. NATURAL DISASTER** This policy does not insure **loss**, liability, prosecution or expense of any type in connection with earthquake, subterranean fire, volcanic eruption, tsunami, geothermal activity, or hydrothermal activity.
- J. NUCLEAR** This policy does not insure **loss**, liability, prosecution or expense of any type in connection with any operations employing the process of nuclear fission or fusion, or handling of radioactive material. This includes, but is not limited to:
1. the use of nuclear reactors such as atomic piles, particle accelerators or generators or similar devices, and
 2. the use, handling or transportation of any radioactive material, and
 3. the use, handling or transportation of any weapon or explosive device employing nuclear fission or fusion.
- K. SEEPAGE, POLLUTION AND CONTAMINATION** This policy does not insure **loss**, liability, prosecution or expense of any type in connection with seepage, pollution or contamination.
- L. TERRORISM** This policy does not insure **loss**, liability, prosecution or expense of any type in connection with an **act of terrorism**.
- M. WAR** This policy does not insure **loss**, liability, prosecution or expense of any type in connection with 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 repairable or the cost of repair equals or exceeds the **actual value** of the **insured property** immediately before the **loss**, 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**.
- The sum(s) insured stated in the **schedule** represents the maximum liability **we** have in respect of **loss** to insured item(s) for any one **contract site**. Where the sum insured is expressed as a percentage in the **schedule**, the limit of liability shall be that percentage of the value of the specific **contract** to which the indemnifiable **loss** has occurred.
- 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** at each **contract site**, only the single highest excess will apply. A series of **losses** arising from subsidence, erosion, flood, inundation, landslip, 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** 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 Admit Liability

You must not:

6.1 admit **you** are liable, or

6.2 do or say anything that may prejudice **our** ability to defend the claim against **you** or take recovery action in **your** name.

7. 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.

8. 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**. **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**

1.1 By You

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.

Upon cancellation, the premium will be determined by applying the rate referred to in the **schedule** plus 20% to the actual **turnover** based on the **period of insurance** ending at the cancellation date. The premium shall be compared with the provisional premium and **you** shall pay, or **we** will refund, the difference.

1.2 By Us

We may cancel or modify this policy by advising **you** (or **your** Broker or Agent) by letter, fax or email. Cancellation or modification will take effect at 4:00pm, on the 14th day after the date of **our** advice.

We will refund the proportion of unused premium paid in accordance with the 'Provisional Premium' and 'Premium Adjustment' conditions.

Regardless of cancellation or non-renewal of this policy, cover shall continue for all **contracts** where cover under this policy has commenced prior to the date of cancellation or non-renewal until expiry of any **maintenance period**, provided that:

- (a) all such **contracts** where cover is to continue shall be declared to **us** at the time of cancellation or non-renewal, and
- (b) **you** pay any premium adjustments required and any additional statutory charges.

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.

If the other insurance policy has a higher excess than this policy and this policy is insuring **you** for the difference between two excesses, **you** must include the full value of the applicable **contract works** turnover in the actual **turnover** figure that is used for the calculation of the premium adjustment in General Condition 7 below.

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.

6. Provisional Premium

You must pay a provisional premium at the start of this policy. The provisional premium is a deposit and must be calculated by applying the agreed rate referred to in the **schedule** to the estimated **turnover** of all **contracts** that will be insured under this policy.

The provisional premium must be adjusted in accordance with the 'Premium Adjustment' condition below.

7. Premium Adjustment

Within 30-days of the end of the last **contract works** covered under this policy, **you** must declare to **us** the actual **turnover** (including contracts described in General Condition 2 above). The premium shall be determined by applying the agreed rate referred to in the **schedule** to the actual **turnover**. The premium shall be compared with the provisional premium and **you** shall pay, or **we** will refund, the difference.

The most **we** will refund is 30% of the provisional premium.

8. Increase In Sum Insured

The maximum **contract** value stated in the **schedule** may be exceeded by up to 10% if during the **construction period** there is an increase in the costs of construction due to increased wages or materials.

If a single **contract** tendered for by **you** is expected to exceed the maximum sum insured as stated in the **schedule**, special allowance to include the **contract** within the annual policy needs to be requested. At **our** discretion **we** may choose to vary the terms and conditions of the annual policy for this specific **contract**.

B. LAWS & 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 maximum amount **you** may recover will bear the same amount for which the property insured bears to the full value of the 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 broker/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 therefore, 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: <ul style="list-style-type: none"> (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 at the date you take possession of the contract site , provided such date is within the period of insurance , and ends upon the earliest of the following: <ul style="list-style-type: none"> (a) PARTIAL COMPLETION In relation to any applicable portion only of the contract works: <ul style="list-style-type: none"> (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 <ul style="list-style-type: none"> (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) MAXIMUM PERIOD For each contract works insured by this policy, upon the expiry of the maximum period as stated in the schedule. |
| construction plant | Tools, plant, equipment, site encampments or hoardings used for the purpose of carrying out the |

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| | 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 you , 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 . <i>If there is a chain of events, this will be the last event occurring immediately prior to the loss.</i> |
| insured property | The contract works and any other property shown in the schedule once it becomes your responsibility. |
| loss | Physical loss or physical damage occurring during the period of insurance . |
| maintenance period | The period starting at the end of the construction period and continuing for the period stated in the construction contract (but not exceeding 12-months), provided this period is within the period of insurance . |
| 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 annual period shown in the schedule . |
| 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 for this policy. |
| turnover | All monies received or payable to you for contracts undertaken by you during the period of insurance . |
| we | NZI, a business division of IAG New Zealand Limited. <i>We may also use the words 'us', 'our' or 'company' to describe NZI.</i> |
| 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. <i>We may also use the word 'insured' to describe you.</i> |



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