

Annual Project Policy



ABOUT MECON INSURANCE LIMITED

MECON Insurance - Ltd (MECON) Company Number 5604485 and NZBN 9429041620298 has established a professional insurance service specialising in providing insurance solutions for construction project activities. MECON offers easily understood policies and extensions that are available to meet your requirements.

MECON has been founded on the principles of simplicity, integrity, service and innovation - all supported by experienced and knowledgeable staff.

If you would like any further information about MECON, please visit our website www.mecon.co.nz or contact our staff at customerservice@mecon.co.nz or by phoning 0800 632 666.

MECON administers this Policy on behalf of AIG Insurance New Zealand Limited.

ABOUT AIG INSURANCE NEW ZEALAND LIMITED

This insurance is issued/insured by:

AIG Insurance New Zealand Limited (AIG)
Company number 3195589
Level 19, The AIG Building,
41 Shortland Street, Auckland 1010

AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc.

American International Group, Inc. (AIG) is a leading insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition AIG companies are leading providers of life insurance and retirement services in the United States. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

GENERAL INFORMATION

Basis of Agreement

Upon payment of the required premium, MECON will insure you during the Period of Insurance in the manner and to the extent specified in the Policy.

The insurance coverage provided by the Policy takes in to account the answers provided in the Proposal Form or disclosed elsewhere to MECON at the time this insurance was arranged. These answers and disclosures are called 'material facts'. Should you wish to alter a material fact, you must do so in writing and the alteration will only apply if MECON writes to you and confirms that the alteration is acceptable.

Headings

The headings of clauses in this Policy are for reference purposes only. No specific meaning can be placed on any heading.

Your Insurance Policy Information

Your insurance Policy is made up of:

- this document.
- the Schedule (this also tells you who the insurer is).
- any endorsement or notice we give you in writing.
- information supplied to us in submissions made by you or your insurance broker, whether verbal or in writing.

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GLOSSARY OF TERMS

Please read this Glossary first. It will help you to understand the Policy. Defined terms appear (as shown below) throughout the Policy wording.

Advertising Liability means:

- a. libel, slander or defamation; or
- b. any infringement of copyright or passing off of title or slogan; or
- c. unfair competition, breach of privacy, idea misappropriation contrary to an implied contract; or
- d. invasion of privacy committed or alleged to have been committed during the Policy Period in any advertisement, public article, broadcast or telecast; and caused by or arising out of your advertising activities.

Aircraft means craft intended to float in or travel through air or space.

Business means performance and administration of any Project to which this insurance applies. It includes such other business as may be shown in the Schedule, the turnover from such business being deemed, for premium adjustment, to be turnover earned from insured Projects. It also includes incidental operations such as the occupation of premises by you (whether or not you own the premises); the operation of any canteen or other facility for the benefit of Employees; internal first aid services; fire brigade services and private work undertaken by Employees for any director or senior executive of yours. For the purpose of Products Liability cover, a "Project to which this insurance applies" includes any completed project of the same type and value as those to which this insurance applies.

Deductible is amount shown in the Schedule or elsewhere in the Policy which will be deducted from the amount payable to you or a third party (whichever the case may be), in accordance with the Policy.

Defects Liability Period is, for any Project, the lesser of the period shown in the Schedule and the period specified in the contract for that Project. During the defects liability period, cover under Section One of the Policy is limited to loss or damage:

- a. that you cause to the Project while rectifying defects; or
- b. that happens to the Project during the defects liability period but was caused by an event during the physical performance of the Project and prior to Practical Completion.

Where there is no formal agreement between principal and contractor for a defects liability period, the defects liability period for the purpose of this insurance is nil.

Employee means person employed by you.

Insurer means AIG Insurance New Zealand Limited, Company number 3195589.

Major Hazard means loss or damage resulting from collapse, erosion, fire, flood, landslide, Natural Disaster, rain, Storm, subsidence or water.

Market Value means cost of replacing lost or damaged property with property of similar age, condition and capacity. This includes any necessary installation and commissioning costs.

MECON means MECON Insurance Limited Company Number 5604485 and NZBN 9429041620298.

Minor Hazard means loss or damage resulting from any cause other than a Major Hazard.

Natural Disaster means:

- 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 it spreading, or
 - ii. reduce its consequences.

Occurrence means event that you neither expect nor intend. It includes any continued or repeated exposure of people or property to conditions that are generally the same.

Period of Insurance in Section One of the Policy has the following meaning:

a. *Annual Turnover Basis:*

Where the insurance is on this basis, the period of insurance begins for the Project at the start of the Policy Period or at the start of the Project, whichever is the later. It ends with Practical Completion, the expiry of the Maximum Project Duration (shown in the Schedule) or at the end of the Policy Period, whichever occurs first. The Defects Liability Period (if applicable) will immediately follow Practical Completion; but only where Practical Completion takes place before the end of the Policy Period.

b. *Project Run-Off Basis:*

Where the insurance is on this basis, the period of insurance begins for the Project when it starts during the Policy Period. It ends with Practical Completion or on expiry of the Maximum Project Duration shown in the Schedule, whichever occurs first. The Defects Liability Period (if applicable) will immediately follow Practical Completion.

Notwithstanding the above, the period of insurance for each part of the Project will end at the time the part attains Practical Completion or is taken over by the principal or put into service, whichever occurs first. This will be so even if the Project as a whole has not yet attained Practical Completion. The Defects Liability Period (if applicable) for that part will then follow. Where this Policy is not renewed, insurance does not extend beyond the Policy Period for Contractor's Plant, Tools and Reusable Equipment insured under Item 1.05.

When Item 1.04 is insured, the period of insurance is the same as the current Policy Period.

Period of Insurance in Section Two of the Policy has the following meaning:

For insurance on a Project Run-Off Basis (other than for Products Liability); the period of insurance begins at the start of the current Policy Period. It ends for each Project at the same time as it ends under Section One. In all other respects, the period of insurance is the same as the current Policy Period.

In respect of liability arising out of the use of hired plant, tools or equipment, the period of insurance begins at the start of the current Policy Period or at the start of the hire, whichever is the later. It ends at the end of the current Policy Period or when you have ceased using it, whichever occurs first.

The period of insurance for all other cover under Section Two (including Annual Turnover basis) is the same as the current Policy Period.

Personal Injury means:

- a. bodily injury, death, sickness, disease, shock, fright, mental anguish or mental injury;
- b. false arrest, false detention, wrongful imprisonment, humiliation or malicious prosecution;
- c. defamation;
- d. wrongful entry or wrongful eviction or other invasion of privacy; or
- e. assault not committed by you or at your direction, unless committed for the purpose of preventing or eliminating danger to people or property.

Policy is this document including the Schedule and any endorsement or notice we give you in writing and any information supplied to us in submissions made by you or your insurance broker, whether verbal or in writing.

Policy Period means period for which the Policy is in force. The period begins and ends on the dates shown in the Schedule.

Practical Completion means:

- a. the stage when a Project is formally accepted by its owner, or the principal named as such in any contract, as being complete.
- b. Up to 90 days after such owner or principal formally accepts the Project as complete, but only if:
 - i) your contract requires this, or
 - ii) ownership of the Project has not formally transferred.

Product is anything that you have manufactured, grown, extracted, produced, processed, sold, supplied, distributed, repaired, serviced, treated, installed, assembled, erected or constructed in the course of the Business. This includes any packaging and containers. However, none of these things is deemed to be a product until after it has left your physical custody and legal control.

Project means project covered by this insurance. Depending on context, it includes the performance of work on the project and all property and labour incorporated or to be incorporated in the completed project.

For the avoidance of doubt, a 'project covered by this insurance' is one having a Project Value up to, but not exceeding, the aggregate sums insured for Items 1.02 (Maximum Project Value) and 1.06 (Variations and Escalations).

(Note: Exclusions in both Sections of the Policy prevent some types of projects from being insured under this Policy.)

Property Loss means physical loss of or damage to tangible property resulting from an Occurrence. It includes consequent loss of use of the property and also loss of use of tangible property which has not been lost or damaged.

Public Liability is the name given to cover under Section Two of this Policy.

Schedule means schedule of cover attaching to and forming part of this Policy.

Storm is a violent weather condition including but not limited to windstorm, cyclone, tornado, thunderstorm, hailstorm, or snowstorm.

Territorial Limit means anywhere in New Zealand and elsewhere shown in the Schedule.

Vehicle is any type of machine on wheels or on self-laid tracks made or intended to be propelled other than by manual or animal power and any trailer made or intended to be drawn by, or attached to, any such machine.

we means MECON Insurance Limited, Company Number 5604485 acting as agent for the Insurer.

Watercraft is anything intended to float or travel on, through or under water.

you/ your means you in your capacity as an insured entity under this Policy, and who is named as such in the Schedule and other entities which are included elsewhere in the Policy.

Section One of this Policy also insures the principal named as such in any contract for the performance of an insured Project, but only to the extent of its joint interest in the Project. Accordingly, 'you' also means the principal where necessary for that purpose.

Section Two of this Policy also insures the following parties as beneficiaries under this Policy:

- a. any of your directors or Employees while acting within the scope of their duties as such;
- b. the principal named as such in any contract for the performance of an insured Project, but only for its liability as principal arising out of that Project;
- c. any office bearer or member of any of the following organisations formed with your consent:
 - i. any canteen operated for the benefit of your Employees; and
 - ii. any first aid or fire brigade service;

but only while the office bearer or member is acting in their capacity as such.

Accordingly, 'you' also means any of the above where necessary to give effect to the insurance.

Liquidators, receivers, administrators and the like are not insured under this Policy and neither is any entity in liquidation, receivership, administration or which has ceased trading or which has been wound-up.

Note: We will not exercise our rights to recover off you. (This is sometimes referred to as our "subrogation rights").

SECTION ONE

MATERIAL DAMAGE

Insurance Provided

1.00 Insuring Clause

MECON will indemnify you for physical loss or damage to any property insured, within the Territorial Limit and during the Period of Insurance which shall include:

- a. construction works; and
- b. testing and commissioning cover (if endorsed); and
- c. defects liability cover (if applicable); and
- d. transit and off-site storage of Project materials.

Cover under this Section of the Policy is subject to all terms of this insurance in so far as they can apply. Except where stated to the contrary, MECON's liability will not exceed the sum insured on the lost or damaged property.

1.01 Sums Insured, Property Insured and Insured Costs

Items 1.02 to 1.10 describe components of the total sum insured and include reference to special conditions related to the sums insured.

Benefits

Following damage indemnified under clause 1.00 MECON will indemnify you up to the sums insured shown in the Schedule for costs and expenses incurred by you for Items 1.02 to 1.10.

1.02 Maximum Project Value

This Item covers the maximum contract price for any Project that will fall within the scope of this Policy during the Policy Period. It covers all of the property and labour whose value is included in the Project's contract price. This sum insured is shown in the Schedule.

1.03 Principal Supplied Materials

This Item covers materials and components supplied by the principal (the value of which is not included in the contract price). This sum insured is shown in the Schedule.

1.04 Existing Structures

This Item covers any structure, which was permanently located on a Project site before the Project work commenced. This sum insured is shown in the Schedule.

1.05 Contractor's Plant, Tools and Reusable Equipment

This Item covers plant, tools and reusable equipment such as formwork, hoardings and temporary buildings. This includes any plant, tools and reusable equipment for which you are responsible. This sum insured is shown in the Schedule.

1.06 Variations and Escalation

This Item covers the added value of alterations and extensions (usually called 'variations') to a Project. It also covers any escalation in the value at risk due to inflation or other fluctuation during the Period of Insurance.

Unless a different sum insured appears in the Schedule for this Item, the sum insured will be deemed equal to 20% of the sum insured on Items 1.02 and 1.03. It is available in full for any one loss or series of losses arising out of any one event.

1.07 Removal of Debris

This Item covers the necessary cost of demolishing Project work and disposing of debris following damage covered by this insurance.

Unless a different sum insured appears in the Schedule for this Item, the sum insured will be deemed equal to 10% of the sums insured on Items 1.02, 1.03, 1.04 and 1.05.

1.08 Professional Fees

This Item covers professional fees necessarily incurred in reinstating damaged property insured on the Project site. The insured fees include those of architects, surveyors and consulting engineers or other similar professional fees, but not fees incurred in preparing claim submissions or negotiating claims.

Unless a different sum insured appears in the Schedule for this Item, the sum insured will be deemed equal to 10% of the sums insured on Items 1.02 and 1.03.

1.09 Expediting Costs

This Item covers the extra cost of expediting the reinstatement of property insured following damage to which this insurance applies. The insured costs include those of express delivery, overtime wages, hire of additional labour and equipment and carriage by airfreight. However, cover on the cost of airfreight only applies to the use of licensed airlines operating regular scheduled services. It does not include the use of chartered Aircraft.

Unless a different sum insured appears in the Schedule for this Item, the sum insured will be deemed equal to 5% of the sums insured on Items 1.02, 1.03 and 1.04.

1.10 Mitigation Costs

This Item covers the reasonable cost of taking emergency action to reduce the size of an insured loss. The cover applies to action taken after damage has commenced or when it is otherwise imminent and inevitable.

Unless a different sum insured appears in the Schedule for this Item, the sum insured will be deemed equal to 5% of the sums insured on Items 1.02, 1.03 and 1.04. It is available in full for any one loss or series of losses arising out of any one event.

1.11 Reinstatement of Sums Insured

Other than for a Natural Disaster event, where a sum insured is reduced by payment of a claim, it will be automatically reinstated to its original amount. This will take effect from the time of the loss or damage. You may have to pay extra premium for the reinstatement at the original rate of premium. For the avoidance of doubt, if a sum insured is reduced by payment of a claim for Natural Disaster, the amount of that claim will not be reinstated and the sum insured will be reduced by the amount of that claim.

How Premium is Calculated

2.00 Premium is calculated as shown in 2.01 to 2.05 below.

2.01 Annual Turnover Basis

If the insurance is on an Annual Turnover Basis, a deposit premium will be calculated by applying the rate of premium to the estimated annual turnover from all Projects to be insured.

On expiry of the Policy Period, you must declare the annual turnover actually earned from Projects. If this is greater than the estimated annual turnover, the premium will be adjusted on the difference. The additional premium will then be payable by you.

If the Schedule shows a different basis for premium adjustment, the different basis will apply instead of the above.

If the turnover from any Project has been omitted from your declaration of annual turnover, that Project is deemed excluded from cover under this Policy.

2.02 Project Run-Off Basis

If the insurance is on a Project Run-Off Basis, a deposit premium will be calculated by applying the rate of premium to the estimated total value of all Projects that you expect to commence during the Policy Period.

On expiry of the Policy Period, you must declare the total value of all Projects actually commenced during that period. If this is greater than the estimated total value of Projects expected to have commenced, the premium will be adjusted on the difference. The additional premium will then be payable by you.

If the Schedule shows a different basis for premium adjustment, the different basis will apply instead of the above.

If the value of any Project has been omitted from your estimate or declaration of the total value, that Project is deemed excluded from cover under this Policy.

2.03 Premium for cover under Items 1.03, 1.04 and 1.05 will, at MECON's discretion, be either calculated by applying the rate of premium to the sums insured or will be a fixed premium.

2.04 Premium for cover under Items 1.07, 1.08, 1.09 and 1.10 is included in the premium specified in clause 2.00. Reducing any automatic sum insured under these Items will not reduce the premium.

2.05 Additional premium will be payable for any optional endorsement that increases the amount of cover.

Basis Upon Which Claims are Paid

3.00 MECON will pay the cost of reinstating the property insured to a condition the same as but not better than its condition immediately before the loss or damage with allowance for any Deductible.

If the loss or damage happens to plant, tools and reusable equipment insured under Item 1.05 payment will be based on the lesser of the Market Value of such property insured or the cost of repair.

MECON will not pay more than the sum insured on any lost or damaged property.

3.01 Where property insured has been destroyed and you have been indemnified for the loss of its value, any remaining salvage value of that property will belong to MECON.

3.02 This insurance does not cover the cost of any modification or improvement made to property insured during its reinstatement following damage.

3.03 Loss resulting from Natural Disaster, fire, water, rain, landslip, erosion, subsidence, collapse, Storm or flood during any period of seventy-two consecutive hours will be deemed one loss for the purpose of applying a Deductible. You may choose the time at which a 72-hour period commences, but no two periods may overlap.

Section One - Exclusions

4.00 Cover under Section One of the Policy is subject to the following exclusions.

4.01 Breakdown

This insurance does not cover damage caused to:

- a. second hand machinery forming part of the Project; or
- b. any plant, tools or reusable equipment;

through its own mechanical, electrical or electronic breakdown, failure or derangement.

4.02 Cessation of Work

This insurance does not cover loss or damage happening to the Project if no physical building work has been carried out on it for more than sixty consecutive days unless, prior to or during the sixty days, you have notified MECON that you require cover to continue and you have received MECON 's written acceptance of extended cover.

4.03 Consequential Loss

This insurance does not cover consequential loss such as any penalty, any loss due to delay, lack of performance or loss of contract, or any liquidated damages.

4.04 Design, Material and Workmanship

This Policy excludes loss of or damage to and the cost necessary to replace, repair or rectify:

- i. any component part or individual item of property insured which is defective in design plan specification materials or workmanship;
- ii. property insured lost or damaged to enable replacement repair or rectification of property insured excluded by i. above.

Note: i. above shall not apply to other parts or items of property insured which are free from defect but are damaged in consequence thereof.

For the purpose of the Policy and not merely this exclusion, property insured shall not be regarded as lost or damaged solely by virtue of the existence of any defect in design plan specification materials or workmanship in the property insured or any part thereof.

Despite anything in this exclusion to the contrary, the cost of removal and disposal of undamaged parts of the Project necessary to enable the damaged parts of the Project to be replaced, repaired or rectified are covered up to \$50,000 for any one claim event.

4.05 Inventory

This insurance does not cover loss that is discovered only by taking an inventory unless you can prove the time and cause of the loss.

4.06 Ocean Shipment

This insurance does not cover loss or damage arising during transit by sea unless the shipment is by barge or roll-on, roll-off ferry in coastal waters within the Territorial Limit.

4.07 Paper Records and Money

This insurance does not cover loss of or damage to paper records, including but not limited to files, drawings, accounts, deeds, bills and evidence of debt. Nor does this insurance cover loss of or damage to any currency, stamps, securities or cheques.

For the avoidance of doubt, loss of money includes that money paid to a supplier for services, goods or materials which the supplier fails to supply to you, unless the cause of non-supply is sudden and accidental physical damage to such goods or materials.

4.08 Underground Boring

This insurance does not cover any loss or damage:

- a. associated with the abandonment of any bored or micro-tunnelled underground hole; or
- b. to any such hole resulting directly or indirectly from unforeseen ground conditions; or
- c. resulting from loss of bentonite.

Nor does this insurance cover the cost of redrilling any misdirected or misaligned hole.

4.09 Vehicles, Watercraft and Aircraft

This insurance does not cover loss of or damage to any Watercraft longer than 10 metres, nor to any Aircraft. The Policy does not cover contractor's plant (or Vehicles) at all unless it is:

- a. used to perform work on the Project site; and
- b. a sum insured is shown for it in Item 1.05; and
- c. it is not insured by another policy.

4.10 Wear and Tear, Corrosion and Deterioration

This insurance does not cover the cost of repairing or replacing any part due to:

- a. its wear and tear; or
- b. any corrosion or oxidation of that part howsoever caused; or
- c. deterioration of any part that is due to lack of use or normal atmospheric conditions.

SECTION TWO

PUBLIC LIABILITY

Insurance Provided

5.00 Insuring Clause

MECON will indemnify you for all sums that you become legally liable to pay as compensation for Personal Injury or Property Loss that:

- a. happens within the Territorial Limit during the Period of Insurance; and
- b. results from an Occurrence in connection with the Business.

Cover under this Section of the Policy is subject to all terms of this insurance in so far as they can apply.

5.01 MECON will also indemnify you for the following costs, but only if they are incurred by MECON or with MECON's consent - which will not be unreasonably withheld. Cover for these costs are in addition to the Limit of Indemnity shown in the Schedule.

- a. Defence and associated costs incurred in connection with any liability or allegation of liability to which this insurance applies even if the allegation is groundless, false or fraudulent. This includes bringing or defending appeals in connection with such liability.
- b. The cost of temporary repairs undertaken to prevent any immediate threat of Property Loss or Personal Injury.
- c. Legal costs incurred at any coronial inquest or inquiry.
- d. The costs of rendering first aid, surgical or medical relief at the time of any Personal Injury.

- e. The costs necessarily incurred by you in the preparation of any claim data and the like requested by us. The most that we will pay for these costs is \$20,000 for each claim.

Limit and Type of Liability

6.00 Except where stated to the contrary, and subject to Items 5.00 and 5.01, MECON's liability under each of the following Items will not exceed the Limit of Indemnity shown in the Schedule for that Item.

6.01 Public Liability

Apart from the costs covered by Item 5.01, the Limit of Indemnity under this Item includes Advertising Liability and is the most that MECON will pay for all costs and liability arising out of an Occurrence. The limit is available in full for each Occurrence.

6.02 Products Liability

The Limit of Indemnity under this Item applies to your liability for Personal Injury or Property Loss caused by or arising out of your Products. It is the most that MECON will pay for the aggregate of liability and costs arising out of all Personal Injury and Property Loss during the Policy Period.

6.03 Vibration, Weakening or the Removal of Support

The Limit of Indemnity under this Item applies to liability for Personal Injury and Property Loss caused by vibration, or by the weakening or removal of any support. It is the most that MECON will pay for the aggregate of liability and costs arising out of all Personal Injury and Property Loss during the Policy Period.

6.04 Property in Care, Custody or Control

The Limit of Indemnity under this Item applies to liability for Property Loss to property that you do not own, but is in your care, custody or control. It is the most that MECON will pay for the aggregate of liability and costs arising out of all Personal Injury and Property Loss during the Policy Period.

How Premium Is Calculated

7.00 Premium is calculated as shown in 7.01 to 7.03 below.

7.01 Annual Turnover Basis

If the insurance is on an Annual Turnover Basis, a deposit premium will be calculated by applying the rate of premium to the estimated annual turnover from all Projects to be insured.

On expiry of the Policy Period, you must declare the annual turnover actually earned from Projects. If this is greater than the estimated annual turnover, or, total value of Projects actually commenced, the premium will be adjusted on the difference. The additional premium will then be payable by you.

If the Schedule shows a different basis for premium adjustment, the different basis will apply instead of the above.

If the turnover from any Project has been omitted from your declaration of annual turnover, that Project is deemed excluded from cover under this Policy.

7.02 Project Run-Off Basis

If the insurance is on a Project Run-Off Basis, a deposit premium will be calculated by applying the rate of premium to the estimated total value of all Projects that you expect to commence during the Policy Period.

On expiry of the Policy Period, you must declare the total value of all Projects actually commenced during that period. If this is greater than the estimated total value of Projects expected to have commenced, the premium will be adjusted on the difference. The additional premium will then be payable by you.

If the Schedule shows a different basis for premium adjustment, the different basis will apply instead of the above.

If the value of any Project has been omitted from your estimate or declaration of the total value, that Project is deemed excluded from cover under this Policy.

7.03 For cover under Items 6.03 and 6.04, the premium is either a fixed premium or it is calculated by applying the rate of premium to the applicable Limit of Indemnity.

Section Two - Exclusions

8.00 Cover under Section Two is subject to the following exclusions.

8.01 Asbestos

This insurance does not cover any loss, damage, liability or cost connected in any way with asbestos, or with any product or material containing asbestos.

8.02 Contract or Agreement

This insurance does not cover liability that you have assumed under any contract or agreement requiring you to:

- a. effect insurance over property, either real or personal; or
- b. accept liability for Personal Injury or Property Loss regardless of fault.
However this does not apply to:
 - i. liabilities that would have been implied by law in the absence of such contract or agreement; or
 - ii. liabilities assumed under incidental contracts; or
 - iii. terms relating to merchantability, quality, fitness or care of Products which are implied by law or statute; or
 - iv. liabilities assumed under contracts shown on the Schedule.

"Incidental contracts" means any rental or lease agreement, any written contract with any authority (or entity) for the supply of electricity, fuel, gas, air, steam, water or sewerage reticulation or other essential services, or with any railway authority for the unloading and / or transport of material, including contracts relating to the operation of railway sidings. It does not include contracts in connection with work done for such authorities or entities.

8.03 Defamation

This insurance does not cover liability arising out of defamation:

- a. made before the beginning of the Period of Insurance; or
- b. made by you or at your direction if you could reasonably have known that it was false or unlawful.

8.04 Explosives

This insurance does not cover liability arising directly or indirectly out of any blasting operation or the handling or use of explosives.

If the Schedule says that any of this work is insured, the exclusion will not apply to that work to the extent that the Schedule says it is insured.

8.05 Loss of Use

This insurance does not cover liability for loss of use of any property that has been physically lost or damaged resulting from:

- a. any delay in or lack of your performance of Project work; or
- b. any design defect; or
- c. your failure to comply with any Project specification.

8.06 Penalties and Damages

This insurance does not cover liability for any:

- a. aggravated or exemplary damages; or
- b. any fine; or
- c. any liquidated damages or other penalty imposed under the terms of any contract, warranty or agreement.

8.07 Personal Injury to Employees

This insurance does not cover liability for Personal Injury to any Employee arising directly or indirectly out of their employment in the Business.

8.08 Pollution

This insurance does not cover:

- a. liability arising directly or indirectly out of the discharge, dispersal, release or escape of any Pollutant; or
- b. any cost incurred in removing, nullifying or cleaning up any Pollutant; or
- c. any cost of preventing the escape of any Pollutant.

However, this exclusion does not apply where the discharge, dispersal, release or escape results from a sudden identifiable event:

- i. that you neither expected nor intended; and
- ii. that took place in its entirety at a specific time and place.

‘Pollutant’ means any solid, liquid, gaseous, biological or thermal irritant or contaminant, including but not limited to dust, smoke, vapour, soot, fumes, chemicals, organisms or waste. ‘Waste’ includes but is not limited to any material destined to be recycled, reconditioned or reclaimed.

8.09 Professional Services

This insurance does not cover liability arising out of:

- a. your giving or failing to give any professional advice; or
- b. any design, plan, specification, formula or pattern that you provide for a fee; or
- c. any error or omission associated with any such advice, design, plan, specification, formula or pattern

8.10 Project

This insurance does not cover liability for Property Loss to:

- a. any property that is insured under Section One of the Policy, or

- b. that part of any Product containing a defect and any costs incurred to correct that defect.

For the avoidance of doubt, structures that were used or occupied prior to any work (by you or by any others) commencing on the site do not constitute such property unless they are included in the Schedule for Section One.

8.11 Property in Care, Custody or Control

This insurance does not cover liability for any property in your care, custody or control arising out of Property Loss caused:

- a. to the part of that property by work that you have done on that part; or
- b. to any Vehicle with a Market Value greater than \$30,000 any one Occurrence and in the aggregate; or
- c. to any property owned by any of your relatives or by anyone who normally resides with you.

For the avoidance of doubt, exclusion 8.14 (Vehicles) applies to any Vehicle.

8.12 Schedule Items

This insurance only applies to Items with a Limit of Indemnity set against them in the Schedule. This applies to liability under each of the following headings:

- Public Liability;
- Products Liability;
- Vibration, Weakening or the Removal of Support;
- Property in Care, Custody or Control.

Items with no Limit of Indemnity set against them are excluded from cover.

8.13 Underground Services

This insurance does not cover liability arising from damage to any underground pipe or cable unless you can show that:

- a. you obtained written details or plans of its position from the appropriate authority; and
- b. using that detail or plan, you took reasonable care to locate the position of the pipe or cable.

8.14 Vehicles

This insurance does not cover liability directly or indirectly arising out of the use of any Vehicle unless that Vehicle is on a Project site and then only to the extent that your legal liability relating to the use of that Vehicle is covered by any other insurance.

8.15 Vibration, Weakening or the Removal of Support

This insurance does not cover liability arising out of the vibration, weakening or the removal of support of any property unless the work that vibrated, weakened or removed the support was performed in strict accordance with plans and specifications for the work which were not provided by you.

8.16 Watercraft or Aircraft

This insurance does not cover liability arising directly or indirectly out of the ownership, use or operation of:

- a. any Watercraft exceeding 10 metres in length; or
- b. any Aircraft.

GENERAL EXCLUSIONS

9.00 The following exclusions apply to cover under both Sections of the Policy.

9.01 Accident Compensation

This insurance does not cover any amounts that are covered under the Accident Compensation Act 2001 (Act), or would be covered but for:

- a. A failure by the victim to correctly notify a claim to the Accident Compensation Corporation within the time required under the Act;
- b. The victim's decision, for whatever reason, not to claim any amount he or she would be entitled to claim under the Act;
- c. A decision by the Accident Compensation Corporation to decline a claim or limit its liability in whole or in part and for any reason whatsoever.

9.02 Electronic Data

This insurance does not cover any loss, damage, liability or cost arising in connection with Electronic Data. However, this does not apply to cover under Section One where the loss is a direct consequence of loss or damage to property insured.

'Electronic Data' means data that can be, or has been, distributed or stored by electronic, electrical or electro-mechanical equipment and includes programs, software and coded instructions for such equipment.

9.03 Fungus, Mildew and Mould

This insurance does not cover any loss, damage, liability or cost directly or indirectly connected with any type of biological contaminant, including but not limited to any kind of fungus and any substance produced by, emanating from, or arising out of any fungus.

9.04 Insurance Sanctions

If, by virtue of any law or regulation which is applicable to us, our parent companies or our ultimate controlling entity, at the inception of this Policy or at any time thereafter, providing coverage to you is or would be unlawful because it breaches an applicable embargo or sanction, we will provide no coverage and have no liability whatsoever nor provide any defence to you or make any payment of defence costs or provide any form of security on your behalf, to the extent that it would be in breach of such embargo or sanction.

9.05 Internet Operations

This insurance does not cover any loss, damage, liability or cost directly or indirectly caused by or arising from your Internet Operations.

'Internet Operations' means any of the following:

- a. the use of any electronic mail system by you or by anyone else at your order or with your consent; or
- b. access through your network to the World Wide Web or a public internet site by you or by anyone else at your order or with your consent; or
- c. access to your internal company information and computing resources that is made available through the World Wide Web; or
- d. the operation and maintenance of your web site.

This exclusion will not apply to liability arising out of any material reproduced on your web site that is already in print by a manufacturer in support of its products. However,

the exclusion will apply to any other advice or information located on your website for the purpose of attracting customers.

9.06 Radioactive Contamination

This insurance does not cover any loss, damage, liability or cost directly or indirectly caused by, or contributed to, or arising from:

- a. ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion or fission of nuclear fuel; or
- b. radio-active toxic explosive or other hazardous properties of any nuclear assembly or nuclear component thereof.

9.07 Terrorism

This insurance does not cover any loss, damage, liability or cost of any nature directly or indirectly caused by, resulting from or in connection with any act of Terrorism regardless of any other contributing cause or event.

For the purpose of this exclusion, 'Terrorism' means an act, including but not limited to the use or threat of force, or violence by any person or group of people, whether acting alone or on behalf of or in connection with any organisation or government which, from its nature or context, is committed for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons, including the intention to influence any government or put the public or any section of the public in fear.

This insurance also excludes any loss, damage, liability or cost of any nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of Terrorism.

9.08 War

This insurance does not cover any loss, damage, liability or cost of any nature directly or indirectly caused by, resulting from or in connection with or in consequence of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, or military or usurped power.

GENERAL CONDITIONS

10.00 These conditions must be complied with before you become entitled to any benefit under this Policy. If you fail to observe any of them and the failure increases MECON's exposure to any insured loss, MECON may reduce the amount of your claim or decline to pay it altogether.

10.01 Admission of Liability

This condition applies to insurance under Section Two. Unless you have obtained MECON's prior written consent, neither you nor any of your Employees may:

- a. admit liability or guilt in connection with any Occurrence; or
- b. do anything that might be seen as an admission of liability or guilt unless permissible in law; or
- c. settle any third party claim, even though it may be within the amount of the Deductible.

10.02 Alteration of Risk

You must immediately advise MECON of any alteration to the type, maximum value or duration of Projects or to the description of Business or other information that differs from that which you or your insurance adviser previously disclosed to MECON.

10.03 Cancellation

The Policy may be cancelled by you at any time by giving notice to MECON in writing. The cancellation will take effect from the date MECON receives your notice. Unless the premium is minimum and deposit, you will be entitled to a pro rata refund of premium for any unused Period of Insurance.

Because it is no longer the business we agreed to insure, the Policy will automatically be cancelled from the time your business is wound up or carried on by a liquidator, receiver, administrator or is permanently discontinued.

10.04 Claim Conduct

If any loss, damage or allegation of liability occurs that may give rise to a claim under this Policy, you must:

- a. inform MECON of this as soon as you can;
- b. provide such written documents and information as MECON may require and, if asked, include verification of particulars on oath;
- c. take all steps within your power to minimise the extent of loss, damage or liability;
- d. preserve any property affected and make it available for MECON or its representatives;
- e. inform the Police if the loss or damage has been caused by any malicious act, theft or other crime;
- f. forward to MECON every letter, writ, summons and process in relation to your claim as soon as you receive it;
- g. advise MECON in writing as soon as you receive notice of any prosecution or inquest that involves you and is relevant to your claim;
- h. provide any assistance that MECON may reasonably require.

10.05 Cross Liability

Each party insured under Section Two of this Policy will be insured as if a separate Policy had been issued to each. Accordingly, each party will be insured for their liability to any other party. However, this does not increase any Limit of Indemnity. A Limit of Indemnity applies to all of the insured parties collectively (This paragraph or its equivalent is known as a 'Cross Liability' clause).

10.06 Fraud

If you make a claim that is fraudulent in any way, or if you collude with anyone in making a claim, MECON will have the right to cancel this Policy and may seek legal recourse against you.

10.07 Inspection

You must allow MECON or its representative to inspect any property insured and to audit any financial or other records relevant to this insurance at any reasonable time.

10.08 Risk Management

Without exception, you and your Employees must:

- a. fully comply with manufacturer's instructions; and
- b. fully comply with all legal requirements and relevant work place authority regulations regarding safety, and maintenance of property, including but not limited to observance of Work Safe guidelines;
- c. take all reasonable steps to prevent incurring any loss, damage or liability; and

- d. ensure that only suitably qualified operators are employed for the operation of plant and equipment and that suitably skilled workers are employed to perform work.

10.09 Subrogation

If you have a right to recover your loss from any other party, then, on accepting liability under this Policy, MECON will be entitled to exercise that right in your name and to its own benefit. This is called 'subrogation'. You must fully co-operate with MECON in exercising that right. If you are the other party, MECON will not exercise subrogation against you as long as you have not forfeited your right to indemnity under this Policy.

IMPORTANT INFORMATION

Contacting Us and Confirming Transactions

You can contact MECON by:

Telephone: 0800 632 666

E-mail: customerservice@mecon.co.nz

By Post: PO Box 180
Shortland St
Auckland 1140

If you need confirmation of any of the Policy details please contact MECON.

Duty of Disclosure

Before you enter into an insurance contract, you have a duty to tell us anything that you know, or could reasonably be expected to know, which may affect our decision to insure you and on what terms.

You have this duty until we agree to insure you.

You have the same duty before you renew, extend, vary or reinstate an insurance contract.

You do not need to tell us anything that:

- reduces the risk we insure you for; or
- is common knowledge; or
- we know or should know as an insurer; or
- we waive your duty to tell us about.

Non-disclosure

If you do not tell us anything you are required to, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

Disputes

If a situation arises where you feel MECON are not listening to you, or you are dissatisfied with our service and have a complaint, we want to know about it.

The first step

Any enquiry or complaint relating to this insurance should be referred to MECON in the first instance. Please contact MECON's staff. If you prefer, address the matter in writing to:

MECON Insurance Limited

PO Box 180
Shortland St
Auckland 1140

or by emailing customerservice@mecon.co.nz.

The Customer Service team is trained to respond to your concerns efficiently and professionally. If they are not able to resolve the matter to your satisfaction, they will request that their Supervisor or Manager address your concern.

The next step

You will be notified of our decision within 15 business days of us receiving notice of the complaint. If we need more information or more time to respond properly to your complaint, we will contact you to agree an appropriate timeframe to respond. Provided we have the information needed, this review will be completed within 15 business days.

If this does not resolve the matter or you are not satisfied with the way a complaint has been dealt with, you can contact the Insurer via email at customerfeedbacknz@aig.com or by writing to:

The Complaints Manager, AIG
PO Box 1745, Shortland Street, Auckland 1140

The Insurer will:

- Acknowledge receipt within 5 business days of receiving your complaint.
- Give you the name and contact details of the person handling your complaint.
- Ensure that someone experienced who has not been handling your case fully investigates your complaint.
- Respond to your complaint within 10 business days of the date it has all the information needed to determine your complaint. Where further information, assessment or investigation is required, it will agree reasonable timeframes with you. If the Insurer cannot agree on reasonable timeframes, you can contact its independent external dispute resolution scheme about those timeframes.
- Update you at least once every 20 business days, or another such interval agreed with you, until your complaint is resolved.

What should you do if you are not happy with our response to your complaint?

If you are not satisfied with our response to your complaint, you can request to have the matter reviewed by the Insurer's Internal Dispute Resolution Committee ("Committee"). The Committee is made up of AIG New Zealand Management with the experience and authority to decide on matters brought before it.

You can request a review by the Committee by contacting the person who signed your complaint response letter or by contacting:

The Chairperson IDRC, AIG Insurance New Zealand Limited
The AIG Building, PO Box 1745, Auckland 1140
customerfeedbacknz@aig.com

To assist the Committee in reviewing your complaint, please provide your reasons for requesting the review.

The Committee will provide their decision with reasons within 15 business days of receipt of your request to refer your dispute to the Committee.

Financial Services Complaints Limited

If your complaint cannot be resolved to your satisfaction through the Committee within 40 business days of when you first lodged it with us, the Insurer will provide you with a 'deadlock' letter so you can take your matter to the Financial Services Complaints Limited (FSCL). FSCL is a free and independent body approved by the Ministry of Consumer Affairs. AIG New Zealand will comply with any decision made by FSCL. Contact details for FSCL are:

Financial Services Complaints Limited
PO Box 5967 Wellington, 6101
0800 347 257
info@fscl.org.nz
<http://www.fscl.org.nz>

Use of the FSCL scheme does not preclude you from subsequently exercising any legal rights which you may have and if you are still unhappy with the outcome, we strongly recommend that you obtain independent legal advice.

If your complaint does not fall within the Terms of Reference of FSCL, we recommend you to seek independent legal advice about options that may be available to you.

Fair Insurance Code

The Insurer is a signatory to the Fair Insurance Code. This Code aims to raise the standards of practice and service in the insurance industry, and it includes the following:

When you lodge a claim we will tell you in plain language what information we need and how you should go about making a claim.

We will respond promptly to any request you make for assistance with a claim and it will be considered and assessed promptly.

The sum or sums insured by this Policy are exclusive of New Zealand GST to the extent that, in the event of a claim, Insurers will pay a maximum of the Sum Insured plus additional New Zealand GST if applicable, to a maximum of the current rate of New Zealand GST applied to that sum insured. All other amounts, including the excess and any sub limits noted in this Policy and the attached Schedule are exclusive of New Zealand GST where payable by law.

Privacy Statement

We have adopted the Information Privacy Principles. The Information Privacy Principles apply to any personal information collected by us.

Purpose of collection

We, together with the Insurer, collect personal information about you for the purposes of assessing your application for insurance and administering your Policy. Failure to provide relevant personal information may result in us not being able to administer

your Policy, process any claim under your Policy or you may breach your duty of disclosure.

Disclosure

In the course of administering your Policy the Insurer may disclose your information to:

- an entity to which the Insurer is related either in New Zealand or overseas;
- contractors or third party providers providing services related to the administration of your Policy;
- banks and financial institutions for the purpose of processing your application for insurance and obtaining Policy payments;
- in the event of a Claim, assessors, lawyers, third party administrators, emergency providers and medical providers;
- third party service providers to enable the Insurer to advise you of their insurance products or services; and
- reinsurers for the purpose of obtaining reinsurance, if required.

The Insurer will only disclose your personal information to these parties for the primary purpose for which it was collected or to enable the Insurer to advise you of our insurance products or services. In some circumstances the Insurer is entitled to disclose your personal information to third parties without your authorisation such as law enforcement agencies or government authorities.

Access to your information

You may gain access to your information by submitting a written request to the Insurer. In some circumstances the Insurer may not permit access to your personal information. Circumstances where access may be denied include where it would compromise the privacy of other individuals or where it would be unlawful.

The Insurer has also established an internal dispute resolution process for handling customer complaints and an access and correction procedure. Both procedures are generally free of charge however the Insurer reserves the right to charge for access requests in limited circumstances.

If you feel you have a complaint about the Insurer's information privacy principles, require assistance in lodging a privacy complaint or you wish to gain access to your information, you may write to:

The Privacy Manager
AIG Insurance New Zealand Limited
PO Box 1745, Shortland Street, Auckland 1140
(64) 9 355 3100

Your complaint will be reviewed and you will be provided with a written response. If it cannot be resolved, your complaint will be referred to the Internal Disputes Resolution Committee who will respond within 15 business days. In either case the matter will be reviewed by a person or persons with appropriate authority to deal with the complaint. Should your complaint not be resolved by the Insurer's internal dispute resolution

process, you may take your complaint to the Privacy Commissioner for review of the determination.

Utmost Good Faith

The law obligates all parties to a contract of insurance to act towards each other in 'utmost good faith'.

The result is that all material facts within the knowledge of the parties must be disclosed, otherwise the party to whom disclosure should have been made may avoid the contract.

The main implications from the duty of utmost good faith for an insured include:

- Fulfil your duty of disclosure;
- Make honest statements in the proposal form;
- Fulfil our requests.

We are obliged to:

- Settle claims quickly;
- Disclose restrictions in the Policy.

Failure to act with the utmost good faith may prejudice any claim you have or the continuation of this contract of insurance.

Sanctions

Notwithstanding anything contained herein to the contrary, the Insurer shall not be deemed to provide cover and the Insurer shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Insurer, its parent company or its ultimate controlling entity to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom, Australia, New Zealand or United States of America.

END OF POLICY

ENDORSEMENTS

Each of these endorsements will only apply if the Schedule shows it. The endorsement then forms part of the Policy. It overrides anything in the Policy to the contrary. All terms of the Policy otherwise remain in full effect.

Appliances / Contents

Section One of this Policy does not cover any of the following:

- a. Any white goods that are not shown on the original plans as being permanently wired or plumbed or fixed to the building. This does not apply to dishwashers.
- b. Any home entertainment equipment, such as any television set, any radio and any device for recording or playing movies, music, games and the like.
- c. Any household furniture.
- d. Any artwork.

Asbestos Cover

Despite the Asbestos exclusion in the Policy, we will indemnify you for Personal Injury and Property Loss caused by an accidental release or disturbance of Asbestos in connection with the Business; provided all of the following conditions are met:

- a. The Asbestos in the property was in-situ and undisturbed prior to the Project work commencing on that property.
 - b. The Business activities, which result in a claim, must commence on or after the Project work commenced on the property.
 - c. You must report any claim to us within the Period of Insurance or thirty days thereafter.
1. Specific Exclusions
 - 1.1 This insurance does not cover Clean Up Costs, unless Property Loss is involved and the Clean Up Costs are for the preservation of damaged property and the costs are less than the cost of disposing of the damaged property and replacing it.
 - 1.2 This insurance does not cover Personal Injury to third parties arising from exposure to Asbestos which was in-situ and undisturbed within any structure or any part of that structure.
 2. Specific Conditions

Cover is only extended subject to the following conditions:

 - 2.1 If Asbestos is discovered on a Project site where no Asbestos was expected to be present, you must observe all local and national laws relating to the discovery, handling and removal of that Asbestos.
 - 2.2 On a Project site where Asbestos is present, other than accidental contact, you must avoid any direct or indirect contact with Asbestos.
 3. Specific Limits and Deductibles
 - 3.1 A special Deductible of \$5,000 shall apply to each and every Occurrence.
 - 3.2 The maximum aggregate amount for which we will indemnify you in respect of all claims made in any one period of Insurance will be \$1,000,000

4. Specific Terms
 - 4.1 Asbestos, for the purpose of this endorsement, means:
 - a. chrysotile, amosite, crocidolite, tremolite, anthophyllite or actinolite; and
 - b. asbestiform mineral, including, but not limited to, richterite and winchite; and
 - c. any materials containing any of the substances identified in the preceding a. or b.
 - 4.2 Clean Up Costs means any cost incurred in the investigation, removal, or remediation of Asbestos including the associated monitoring or disposal of Asbestos in any structure or part of such structure, soil, surface water, groundwater or other contamination by Asbestos.

Contract of Sale Extension

Where the Project is subject to a contract of sale at the time of its Practical Completion, cover under Section One of this Policy will continue for up to thirty days; but it will end no later than the time at which the sale is completed. The time at which cover ends will then be deemed the time of Practical Completion for the purpose of cover under Section One. Loss arising out of any insured event during the extended period will be subject to the Deductible shown for this clause in the Schedule. If no such Deductible is shown, a Deductible of \$5,000 will apply. This clause has no effect on the end date of the Defects Liability Period which applied before the application of this clause.

Contractors and Subcontractors Insurance

This Policy extends to insure any of your contractors (which includes any of their or your subcontractors) and your direct employer involved in the Project as if they were you.

This endorsement applies:

- a. where you have a written contractual obligation to provide the contractor and / or your direct employer with insurance as afforded by this Policy; and
- b. the obligation was in effect before anything happened that could give rise to a claim involving the contractor and / or your direct employer; and
- c. the value of the work performed by the contractor is included in your declaration of annual Project value or annual turnover (whichever is the more applicable); and
- d. to engineering consultants and other consultants but only for loss, damage or liability resulting from manual activities they perform on the Project site.

This endorsement does not extend to insure any tools, plant, machine or reusable equipment of any kind belonging to, or loaned or hired by, the parties covered by this endorsement.

For the avoidance of doubt, “employer” in this endorsement does not necessarily mean the principal named as such in any contract to which you are a party (such principals are automatically insured by this Policy).

Note: If this endorsement does not apply, but the party specifically named as “the insured” in the Schedule is held responsible for damage or liability caused by such contractors, then this Policy will indemnify the party named for that damage or liability but only if Sections One or Two of this Policy would have indemnified the damage or liability had the endorsement applied. For the avoidance of doubt, if the endorsement does not apply, contractors are not insured.

Defective Workmanship

Despite anything contained in exclusions 8.09 (Professional Services) and 8.10 (Project) to the contrary, Section Two of the Policy covers Property Loss arising out of defective workmanship. The maximum aggregate amount for which we will indemnify you in respect of all claims made in any one Policy Period is \$100,000.

Dewatering (Limited)

Section One of this Policy does not cover any of the following:

- a. Any dewatering cost incurred because the amount of water was more than the initial Project design allowed for.
- b. Any cost incurred for any facility to discharge run-off or underground water.
- c. Any cost incurred for grouting or any other measure taken to stop water leaking into any excavation, foundation or basement.
- d. Damage caused to any basement structure by ground-water pressure.

Despite anything in (a) to (d) above, this insurance covers the cost of dewatering where necessary to gain access to, and enable repairs to be carried out on, any completed section of the Project damaged by an insured event. The cover does not apply to the cost of any dewatering that was already being incurred at the time of the damage.

Dewatering (Total)

This Policy does not cover any loss, damage, cost or liability associated with dewatering.

Employers Liability

This endorsement applies to you in your capacity as the party specifically named in the Schedule. If you are not the party specifically named in the Schedule, then this endorsement does not apply to you.

Despite anything contained in the Policy to the contrary, the Policy indemnifies you for Personal Injury to your Employees, including punitive or exemplary damages, which you become legally liable to pay resulting from an act, error or omission committed, or alleged to have been committed, by you in your conduct of Business activities after the inception date of the Policy and during the Period of Insurance.

We will also indemnify you for defence and associated costs incurred in connection with any such liability, or alleged liability, but only if they are incurred with our prior consent – which will not be unreasonably withheld.

Any demand for compensation must first be made against you and notified to us during the Period of Insurance.

The Policy does not cover liability for:

- a. any costs or compensation for which any extent of cover is provided by the:
 - i. Accident Compensation Act 2001,
 - ii. Accident Insurance Act 1998, or
 - iii. Accident Rehabilitation and Compensation Insurance Act 1992,or any amendment to, or re-enactment of those Acts, or which would be provided for in those Act but for you being an exempt employer under those Acts; or

- b. any liability resulting from any judgement entered in any Court, other than a NZ Court, having jurisdiction to deal with the dispute applying the law of NZ, or any debt you incur as a result of such a judgement; or
- c. liability arising from the Employee's engagement in any activity or occupation not directly involved in your Business; or
- d. any fine or penalty, other than punitive or exemplary damages; or
- e. liability directly or indirectly caused, or alleged to be caused, or contributed to, by your failure to take all reasonable precautions to prevent Personal Injury and/or to make reasonable efforts to comply with all statutory obligations.

All other Policy terms, conditions and exclusions apply to this endorsement.

Unless another amount is specified in the Schedule, the maximum amount payable under this endorsement is \$500,000.

Existing Structures (Alterations)

- a. Without limiting the generality of Item 10.08(c), where you are working on a structure that was permanently located on a Project site before the Project began; you must ensure that it is made waterproof at the end of each working day and at any time rain is forecast. If you fail to do this MECON will not pay any claim for consequent loss, damage or liability.
- b. Where Existing Structures (Item 1.04) is insured, the Period of Insurance (for both Sections One and Two) for such Existing Structures is deemed to begin on the date shown in the Schedule notwithstanding anything to the contrary in the definition for the Period of Insurance.

Exemplary Damages

This Policy insures you for punitive or exemplary damages awarded against you by a New Zealand Court arising out of an event covered by the Policy.

The Policy does not cover punitive or exemplary damages connected with a dishonest, fraudulent or wilful act or omission committed by you.

The most MECON will pay under this endorsement for all events that happen during the Period of Insurance is \$1,000,000 unless a different amount is shown in the Schedule.

Financiers Interests

The interest of any financier of the Project is noted in Section One of this Policy, but only to the extent of that interest. Before you become entitled to any claim proceeds, they will first be used to settle any financial obligation that you have with the financier.

Flood Exclusion

Section One of this Policy does not cover loss or damage caused by flood, (being the covering of normally dry land by water that has escaped or been released from the normal confines of :

- a. any lake, or any river, creek, or other natural watercourse, whether or not altered or modified; or
- b. any reservoir, canal or dam).

Forest and Rural Fires Act

You are insured under Section Two of the Policy for all sums that you become legally liable to pay arising from fire (or threat of fire) that happens during the Period of Insurance in New Zealand for:

- a. costs and losses recoverable from you under Section 43(1) of the Forest and Rural Fires Act 1977, and not otherwise at law; and
- b. costs agreed (or levies imposed) and appointed to you by a fire authority under Section 46 and 46A of the Forest and Rural Fires Act 1977.

We will pay these costs whether or not damage occurs.

The most MECON will pay under this endorsement for all events that happen during the Period of Insurance is \$250,000, unless a different amount is shown in the Schedule.

Heritage Buildings

Any claim payable for damage to heritage listed structures included in the sum insured for Item 1.04 (Existing Structures) will not exceed the cost of reinstatement using modern techniques and readily available materials (of the closest kind to those damaged) from suppliers in New Zealand.

Licensed Building Practitioners Extension

This extension applies to you in your capacity as the party specifically named in the Schedule and to any Licenced Building Practitioner employed by you for any Project. If you are not the party specifically named in the Schedule or such a Licenced Building Practitioner, then this extension does not apply to you. This Policy extends to:

- a. Indemnify you against claims first made against you and reported to us during the Period of Insurance for compensation (including claimants costs and expenses) which you become legally liable to pay as damages arising from any unintentional error or omission in the supervision and signing of memoranda for restricted building work carried out for you by Licensed Building Practitioners under the terms of the Building Act 2004, where such error or omission has directly or indirectly caused a financial loss.
- b. Providing you have our prior written consent, we will pay costs and expenses incurred in the defence or settlement of any indemnifiable claim under this extension, provided that such costs and expenses form part of (not in addition to) the Limit of Indemnity for this extension.

The maximum Limit of Indemnity for this extension is \$250,000 for any one claim and in the aggregate for all claims during the Period of Insurance. A special Deductible of \$2500 applies to each claim event under this extension.

Exclusions

This extension does not cover claims for, or alleging, or arising out of:

- a. errors or omissions committed or allegedly committed by any person who is not the holder of a current licence of the relevant class required by the Building Act 2004; or
- b. errors or omissions committed or allegedly committed in whole or in part before the date on which coverage under this extension was first effected with us; or

- c. your or Employee's dishonesty; or
- d. Personal Injury or Property Loss; or
- e. a guarantee or warranty in respect of any Product, service or advice; or
- f. a failure to complete work on time or to an agreed standard of workmanship; or
- g. liability assumed under agreement which would not have applied in the absence of such agreement; or
- h. financial or investment advice or service; or
- i. the raising of debt or equity; or
- j. litigation against you in a court of law outside New Zealand; or
- k. liability for any past or present director or past Employee; or
- l. any liability to pay trading debts; or
- m. any liability for fines or penalties or punitive, aggravated, multiple or exemplary damages; or
- n. a refund of the amount paid or payable by your customer or principal for any Product, service or advice by way of damages or otherwise; or
- o. your insolvency, bankruptcy, receivership, statutory management or liquidation.

Special Conditions

- a. You must not admit liability for, or settle any claim, or incur any costs or expenses, without our prior written consent. At our discretion, we will be entitled to take over and conduct the defence or settlement of any claim in your name however we see fit. Despite this, we will not be required to contest any legal proceedings if a Queen's Counsel or Senior Counsel (to be mutually agreed upon by you and us) advises against it.
- b. If you refuse to consent to any settlement recommended by us, and you elect to contest or continue any legal proceedings, our liability for the claim will not exceed the amount for which the claim could have been settled, less the Deductible. We will also pay the costs and expenses you have incurred up to the date of such refusal.
- c. To obtain indemnity under this extension, you must give us immediate notice in writing of:
 - i. any claim made against the you; and
 - ii. provide the receipt of notice from any person of any intention to hold you responsible for the results of an alleged error or omission; and
 - iii. advise us of any circumstance which you become aware of which may give rise to a claim or claims under this extension; irrespective of whether the claim is considered justified or if the amount is considered to be within the Deductible.
- d. If you are entitled to indemnity under any other insurance in respect of any error or omission to which this extension also applies, then the indemnity available under this extension will only apply in excess of the amount which is payable, or would have been payable, under such other insurance - as if this extension not been effected.

Liquidated Damages

This endorsement applies to residential building Projects only and to such Projects which commence after the date that this endorsement is added to the Policy.

This endorsement is not activated by Item 1.00 (The Insuring Clause). It becomes effective if liquidated damages are claimed from the person or entity named as the insured in the Schedule and it applies only to cover and benefit that person or entity. This endorsement does not apply to cover any other person or entity insured by the Policy.

Despite exclusion 4.03 (Consequential Loss), where the contract for a Project includes a liquidated damages amount, we will cover such liquidated damages you are legally obligated to pay (under the building contract) for an amount of up to \$2500 per day for up to 60 days (unless a different amount and/or time is specified in the Schedule), but only if the following conditions are met:

- a. The liquidated damages were specified in the contract for the Project before work commenced on the Project site, and
- b. the date (initial or re-negotiated) for Practical Completion (or its equivalent) as defined in the contract for the Project, has been exceeded by at least five calendar days, and
- c. cover under this endorsement does not begin until that five days has elapsed. (For the avoidance of doubt, cover begins on the sixth day after such Practical Completion), and
- d. you have maintained a comprehensive site diary which clearly specifies the reason for any delays whatsoever to work on the Project site (and the time for each delay is also recorded in the diary), and
- e. the reason for delay must be attributable to, one or more of:
 - i. damage to the Project,
 - ii. industrial action,
 - iii. intervention by, or delay caused by, authorities,
 - iv. late delivery of materials expected on a specified day,
 - v. the influence of weather,however, if any delay results from, or is exacerbated by, a "Pollutant" (refer to exclusion 8.08, Pollution for definition), such delay is not covered by this endorsement, and
- f. you agree that we can negotiate or dispute the amount of any liquidated damages being claimed from you as we see fit.

Misalignment of Piles

Section One of this Policy does not cover loss of or damage to any pile or casing:

- a. resulting from an error in positioning, misplacement or misalignment of piles;
- b. by the pile or group of piles or pile casings becoming jammed or obstructed;
- c. that fails to pass any load bearing test or any other performance criteria;
- d. nor to disconnected or declutched sheet piles or abandoned piles.

Natural Disaster Exclusion

Despite anything contained in the Policy to the contrary, Section One of this Policy excludes loss or damage resulting from Natural Disaster.

Partial Occupancy

The insurance on any part of the Project will not cease solely because the part is taken over and put to use before Practical Completion of the whole Project occurs. However, this insurance will not cover any loss, damage or liability caused by or arising out of that use or any preparation for that use.

Period of Insurance (Extended)

Where the insurance on any part of the Project ends sooner than it ends for the Project as a whole, cover will continue on that part until the end of the Period of Insurance for the whole Project. However, the cover on that part will only apply to loss or damage resulting from the performance of work on the Project.

Pipelines and Trenches

Subject to the additional exclusions set out below, Section One of this Policy covers loss of or damage to any incomplete pipeline or trench and any pipe, duct or cable laid in any such trench. However, this only applies to any trench or pipeline up to the maximum length or value shown for "Pipelines and Trenches" in the Schedule.

Additional Exclusions

The insurance under this clause does not cover:

- a. the cost of reinstating the property following subsidence of backfill regardless of the cause;
- b. the cost of clearing and cleaning pipes whose ends have not been sealed on completion of work on them for the day to prevent entry of water or debris;
- c. the cost of reinstating pipes or ducts displaced by water unless, on completion of work on them for the day, they have been secured by backfill. This must be placed in a way that could reasonably be expected to counteract pipe or duct buoyancy.

Pools

Section One of this Policy does not cover damage to any pool lining by heaving or displacement caused by ground movement or groundwater pressure.

Cover under Section Two for liability arising in connection with pool construction is subject to the following special conditions:

- a. Any excavation left unattended in a residential area must be kept constantly drained.
- b. Any excavation reasonably accessible to the public, including but not limited to young children, must be adequately fenced or hoarded-off when unattended.
- c. Any pool, spa or excavation must be surrounded by fencing in compliance with all pertinent regulations whenever they are left unattended with water in them.

The Section will not cover liability for any Personal Injury that directly or indirectly results from your failure to comply with these conditions.

Road Works

Section One of this Policy does not insure any unsealed road that exceeds the maximum length or value shown for “Road Works” in the Schedule. A road is deemed to be unsealed if it does not have at least one application of a weatherproof substance.

Where a Project includes more than one section of unsealed road, the maximum length or value applies to their combined length or value.

Statutory Liability

This endorsement applies to you in your capacity as the party specifically named in the Schedule. If you are not the party specifically named in the Schedule, then this endorsement does not apply to you.

Despite anything contained in the Policy to the contrary, we will indemnify you for any amount you become legally liable to pay for any fine, pecuniary penalty or reparation order made by a Court pursuant to any Act of the NZ Parliament and any subordinate legislation of those Acts resulting from an act, error or omission committed, or alleged to have been committed, by you in your conduct of Business activities after the inception date of the Policy and during the Period of Insurance.

We will also indemnify you for defence and associated costs incurred in connection with any such liability, or alleged liability, but only if they are incurred with our prior consent – which will not be unreasonably withheld.

Any demand for compensation must first be made against you and notified to us during the Period of Insurance.

The Policy does not cover liability for:

- a. any amount for damages or compensation; or
- b. any compliance costs; or
- c. any deliberate, intentional or reckless act or omission; or
- d. any violation of any law or regulation with respect to vehicular, air or marine traffic; or
- e. any violation of any law or regulation with respect to tax, rate, duty, levy, charge, fee or any other revenue charge or import; or
- f. any violation of any law or regulation with respect to anti-trust, business completion, unfair trade practices or tortious interference in another’s business practices or contractual relationship; or
- g. any of the following statutes:
 - i. Arms Act 1983,
 - ii. Aviation Crimes Act 1972,
 - iii. Crimes Act 1961,
 - iv. Land Transport Act 1988,
 - v. Proceeds of Crime Act 1991,
 - vi. Summary Offences Act 1981,
 - vii. Transport Act 1962,
 - viii. Transport (Vehicle and Driver Registration and Licensing) Act 1986,

or any amendments to these.

All other terms, conditions and exclusions contained in the Policy apply to this endorsement.

Unless another amount is specified in the Schedule, the maximum amount payable under this endorsement is \$500,000.

A special Deductible of \$5,000 applies to each Occurrence of liability under the Health and Safety at Work Act 2015.

Testing and Commissioning

Section One of this Policy does not cover damage to any machinery caused by its operation or test loading beyond the “Testing and Commissioning” period shown in the Schedule.

Tunnels, Shafts and Declines

In relation to Projects that include underground work such as any tunnel, shaft or gallery, Section One of this Policy covers the following costs:

- a. Cost of replacing previously installed grouting, lining, crib, set or other support that has been lost or damaged.
- b. Cost of additional permanent linings, cribs, sets or other supports where necessary to reinstate previously completed sections of the Project that have been lost or damaged. However, this does not include the cost of lining, cribs, sets or other supports that would have been incorporated into the Project to deal with any physical ground conditions surrounding the Project had the condition been detected or anticipated at the time of the original construction planning.
- c. Cost of removing collapsed ground material where necessary to gain access to the damage and to provide a clear working area for repairs to previously completed sections of the Project.
- d. Cost of dewatering where necessary to gain access to the damage and to provide a clear working area for repairs to previously completed sections of the Project (whether damaged or undamaged) following loss or damage. The cover is only granted up to the daily cost of dewatering being incurred immediately before the loss or damage.

However, Section One of the Policy does not cover:

- e. any cost associated with any tunnel, shaft, decline or gallery that is not constructed in accordance with the International Code of Practice for Tunnelling Works;
- f. cost of grouting unsound earth or rock strata;
- g. cost of any measure to control water inflow;
- h. cost of removing excavation material in excess of the minimum excavation line provided in the plans;
- i. cost of dewatering;
- j. cost of any facility for discharging run-off or underground water;
- k. cost of refilling cavities that result from overbreak;
- l. loss or damage due to failure of the dewatering system if the failure could have been avoided through use of sufficient stand-by facilities.

Usual Action of the Sea

Section One of this Policy does not cover loss or damage resulting from usual action of the sea.

Usual action of the sea means the usual behaviour of the sea at the Project site at previous times of the year corresponding to the time of loss or damage with regard to:

- a. tidal movement;
- b. currents, whether tidal or otherwise caused;
- c. wave action, whether wind or tide driven;
- d. sediment transport; or
- e. any other usual behavior patterns of the sea experienced at such corresponding times.

In determining this usual action, weather records for the same month corresponding to the month of the loss or damage will be reviewed for the previous ten years using records from the area. If the action of the sea that caused the loss or damage has not occurred in any corresponding period during the previous ten years, then the loss or damage will be insured.

Vegetation

Section One of this Policy does not cover loss of or damage to vegetation caused by any disease, pest, vermin, lack of water, excess-water, lack of nutrient, or lack of proper care.

Welding and Hot Work

This Policy does not cover loss or damage resulting directly or indirectly from heat-producing equipment such as welders, metal or masonry cutters or grinders used on the Project site unless the following precautions have been taken:

- a. Where the operator's view is obstructed or impaired by any device, such as a visor or spark shield, another person must be standing-by to watch for incipient fire.
- b. Adequate fire fighting equipment and extinguishing agents must be readily at hand, together with a sufficient number of workers on site trained in their use.
- c. Combustible materials must be located a safe distance away from the area where the equipment is being used. Any materials that cannot be moved must be protected by overlapping sheets of non-combustible material.
- d. If practical, the area where the equipment is to be used must be damped
- e. Any flammable gas-line in the vicinity of the operation must be disconnected and purged of gas.
- f. Glass must be located a safe distance away from the area where the equipment is being used. Any glass that cannot be moved must be protected by overlapping sheets of non-combustible material.
- g. About an hour after use of the equipment has ceased for the day, the area in the vicinity of the work, including floors above and below, the other side of walls and ducts, voids and conduits, all must be examined.

This section has been left intentionally blank.