CONSTRUCTION ALL RISKS INSURANCE: COVERING CONSTRUCTION SITE RISKS

written by Nathalie Schlenker | October 19, 2026

A great deal can go wrong on a construction site. Construction All Risks (CAR) insurance generally covers physical damage to, and theft of, insured property on site, without first having to establish who is liable. Not everything is covered, and the precise scope of cover is always set out in the policy. This article brings together what project owners, contractors and architects need to know, including the new Assuralia standard terms and conditions published in January 2026.

What is CAR insurance?

CAR insurance is an all-risks policy for a construction project. "*All risks*" means that the insured property is generally covered against all physical damage and theft, except where the policy expressly excludes cover. The policy usually consists of two sections: property insurance covering damage to property (Section 1) and optional liability insurance covering damage to third parties (Section 2).

There is no statutory obligation to take out CAR insurance. It may, however, be required by contract, usually in the specifications, and this is common in practice.

Standard terms and conditions provide a basis for these policies. In January 2026, Assuralia, the professional association of Belgian insurers, published new non-binding standard terms and conditions for CAR insurance. These reflect the rules on non-contractual liability in Book 6 of the Belgian Civil Code, which have applied since 1 January 2025. Insurers may depart from these standard terms and conditions. They are therefore a starting point, not a guarantee. Unless otherwise stated, this article takes them as its basis.

What does CAR insurance cover?

Section 1 covers physical damage to, and theft of, insured property, such as the works under construction and the materials to be incorporated into them. The policy may extend this cover to temporary works, site cabins, equipment, construction plant and the project owner's existing property. Cover for existing property requires a condition survey carried out jointly by the parties before work

begins.

Section 2 applies only if the special terms and conditions provide for it. It covers the insured parties' non-contractual liability for bodily injury and physical damage to third-party property arising from the performance of the works. For the project owner, it may also cover liability for excessive neighbourhood nuisance. The policy determines who qualifies as a "third party": the project owner and the participants in the project generally do not, unless a cross-liability clause treats them as third parties in relation to one another.

When and where is a construction site insured?

Cover applies to damage occurring on the construction site during the insured period. This period usually consists of two phases.

The first is the construction, erection and testing period. It begins when work starts and ends upon provisional acceptance, when the works are taken into use, or upon commissioning. A maintenance period may follow, usually lasting 12 or 24 months and ending no later than final acceptance. It often allows for the completion of minor outstanding works.

The maintenance period is not automatically insured. The parties choose whether to include it in the policy in addition to the construction, erection and testing period, and must do so expressly. Here too, a tailored approach is needed. Align the insured periods with the expected duration of the works and the construction contract, as damage occurring outside the insured period is not covered.

What is not covered?

The standard terms and conditions contain several general exclusions: damage that is normally foreseeable or inevitable, damage resulting from aggravation or recurrence, natural disasters, non-accidental pollution, asbestos, and damage caused by failure to comply with fire prevention and storage requirements. Loss of use, loss of profit and penalties for late completion are also excluded.

Section 2 also excludes damage caused by vibration, groundwater lowering, removal or weakening of support, and explosives, as well as contractual liability. Several of these exclusions can be covered through the special terms and conditions. Anyone undertaking foundation or groundworks should discuss this in advance.

One frequently misunderstood exclusion concerns errors and defects. Errors in design, calculations or plans, and inherent defects in materials, are not entirely

excluded. Only the component directly affected by the error or defect — the "*faulty part*" — is excluded. Accidental physical damage that this causes to other insured property or other parts of the works remains covered. For example, a concrete beam collapses because of an error in the structural calculations and damages an already installed roof as it falls. The beam itself is not covered, but the damage to the roof generally is. The insurance therefore does not pay to rectify the error itself, but does cover the resulting physical damage. The special terms and conditions may depart from this arrangement.

The legal default is that the insured's gross negligence is covered. It may be excluded only for specific cases expressly and exhaustively defined in the policy. Only intentional misconduct may be excluded in full and in general terms. For example, a clause excluding a claim because accepted standards of workmanship were not followed applies only to breaches that were tolerated or of which those responsible for the technical management of the site should have been aware. An insurer's refusal to provide cover is therefore not always the final word.

Who is insured?

The project owner, main contractor, subcontractor, architect or another participant in the construction project may take out the policy, and all project participants may be included as insured parties. This reduces the risk of gaps in cover, but the policy must identify each participant's insured capacity and activities. Where insurance is taken out on behalf of others, the insured parties may claim cover themselves.

How quickly are claims paid?

For damage to insured property, there is no need first to establish who is liable. This is the main advantage of property insurance: work on site need not stop until a liability dispute has been resolved. It does not mean, however, that payment is automatic or immediate. The insurer first examines whether the claim is covered, the extent of the damage, the declared values and the applicable deductible.

What should you do when damage occurs?

Efficient claims handling starts with proper notification. Notify the insurer immediately. Take reasonable steps to limit the damage, do not alter the damaged property until the cause has been established, and do not admit liability. Reasonable and urgent measures to prevent or limit damage are covered as loss prevention and mitigation expenses, even if they prove unsuccessful. Ordinary improvements or adjustments to the execution of the works do not fall within this cover.

Would you like a claim or policy reviewed?

A carefully arranged CAR policy can limit the financial consequences of construction site damage. However, the precise scope of cover depends on the general and special terms and conditions, the declared values, the exclusions and the deductibles. Has damage occurred, or would you like a policy assessed? Contact the specialists at STUDIO | LEGALE at joost.peeters@studio-legale.be.

Authors: Mr. Joost PEETERS and Mr. Marie DE SCHEPPER

Legal sources

- L. Schuermans and C. Van Schoubroeck, “Alle bouwplaats Risico’s in a coconut shell”, *T.Verz.* 2020, no. 4, 332-366.
- W. Buelens, “De ABR-verzekering: een verzekering vol (rechts)verval?”, *TBBR* 2020, no. 4, 194-199.
- Assuralia, Non-binding standard terms and conditions for Construction All Risks insurance, January 2026 (Dutch version).
- Book 6 of the Belgian Civil Code (non-contractual liability), applicable since 1 January 2025.