
Commercial Structural Defects Insurance

POLICY SCHEDULE &
WORDING

BRIC Bovill Risk &
Insurance Consultants



Liberty
Specialty Markets



Important Notice

Please note that this is a Claims Made policy. Accordingly, **Liberty** will only cover the Insured in respect of **Claims** which are first made against the **Insured** during the **Policy Period** and reported to **Liberty** during the **Policy Period**. The **Insured** should carefully read all of this **Policy**, including all definitions and, in particular, the exclusions, to ascertain the precise scope of cover afforded by this **Policy**. The **Insured** is advised to consult its insurance agent or broker to ensure a clear understanding of the **Insured's** rights and obligations under this **Policy**.

Specimen

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In consideration of payment of the **Premium** by the **Insured**, and subject to all the terms, conditions and exclusions, including all definitions, of this **Policy**, **Liberty** agrees as follows:

1. Insuring Clauses

1.1 Structural Defects Liability

Subject to the **Excess** and the **Loss Limit of Liability** specified in the **Schedule**, **Liberty** will pay on behalf of the **Insured** the **Loss** which the **Insured** is legally liable to pay as a result of a **Claim** alleging an act, error or omission of the **Insured** in the conduct of the **Business**.

1.2 Defence Costs

Subject to the **Excess** and the **Defence Costs Limit of Liability** specified in the **Schedule**, **Liberty** will also pay on behalf of the **Insured** the **Defence Costs** incurred in respect of any **Claim** covered under Insuring Clause 1.1 or under any applicable extension.

2. Extensions

Subject to all the terms, conditions and exclusions, including all definitions, of this **Policy**, **Liberty** further agrees to extend cover provided under this **Policy** as follows:

2.1 Competition & Consumer Act

Liberty will pay on behalf of the **Insured** the **Loss** which the **Insured** is legally liable to pay as a result of a **Claim** alleging a breach of the Competition & Consumer Act 2010 (Cth) as amended from time to time, or any Fair Trading legislation of any State or Territory of the Commonwealth of Australia which arises out of the conduct of the **Business**.

2.2 Joint Ventures

Liberty will pay on behalf of the **Insured** the **Loss** which the **Insured** is legally liable to pay as a result of a **Claim** alleging an act, error or omission of the **Insured** in the conduct of the **Business** in the **Insured's** capacity as a joint venture partner but only to the extent of the **Insured's** own liability as a joint venture partner.

Liberty will only pay **Defence Costs** incurred by the **Insured** in respect of such **Claim** in respect of its own liability as a joint venture partner.

2.3 Severability of Proposal

Failure by any **Insured** to comply with the duty of disclosure under the Insurance Contracts Act 1984 (Cth) or misrepresentation by any **Insured** to **Liberty** will not prejudice the right of any other **Insured** to cover under this **Policy**. Cover is only provided to an **Insured** who is innocent of and has no prior knowledge of such conduct. Such **Insured** will, as soon as practicable after becoming aware of such conduct, advise **Liberty** in writing of all relevant facts.

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2.4 Non-Imputation

Failure by any **Insured** to comply with any terms and conditions of this **Policy** will not prejudice the right of any other **Insured** to cover under this **Policy**. Cover is only provided to an **Insured** who is innocent of and has no prior knowledge of such conduct. Such **Insured** will, as soon as practicable after becoming aware of such conduct, advise **Liberty** in writing of all relevant facts.

2.5 Automatic Reinstatement

Liberty will provide a single reinstatement of the **Loss Limit of Liability** and the **Defence Costs Limit of Liability** if exhausted due to the payment of **Loss** or **Defence Costs** respectively, but **Liberty** will only provide such reinstatement if the limit of liability available under any policy or policies in excess of this **Policy** has been exhausted and provided always that **Liberty** will pay no more than a single **Loss Limit of Liability** or **Defence Costs Limit of Liability** in respect of any one **Claim**.

2.6 Continuous Cover

If the **Insured** was aware of any facts that might give rise to a **Claim** prior to the **Policy Period** and had not notified **Liberty** of such facts prior to the commencement of the **Policy Period**, then Exclusion 3.10(b) in respect of "Prior Matters" will not apply to the notification of a **Claim** resulting from such facts, provided that:

- (a) the failure to notify such facts was not a result of fraudulent misrepresentation or fraudulent non-disclosure by the **Insured**; and
- (b) the **Insured** has been insured continuously under a Commercial Structural Defects policy with **Liberty** and was so insured by **Liberty** at the time the **Insured** first became aware of such facts; but
- (c) the limit of liability, sub-limits of liability and excesses under the policy in force when the **Insured** first became aware of such facts will apply; and
- (d) **Liberty** will reduce its liability to the extent of any prejudice suffered as a result of the **Insured's** failure to notify such facts giving rise to a **Claim** prior to the **Policy Period**.

3. Exclusions

Liberty will not pay for any **Loss** or **Defence Costs** which are for, arise out of, or are in any way connected with:

3.1 Anti-Competitive Practices

any contravention of the anti-competitive practices provisions of the Competition & Consumer Act 2010 (Cth), Federal Trade Commission Act (USA), Sherman Anti-Trust Act (USA), Clayton Act (USA), all as amended from time to time, or any similar law anywhere in the world regulating monopolisation, anti-trust, price fixing, price discrimination, predatory pricing, restraint of trade or similar activities.

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3.2 Contractual Liability & Commercial Risks

- (a) a liability which the **Insured** has assumed under a contract unless such liability would have attached in the absence of such contract;
- (b) the insolvency, receivership, administration, bankruptcy or liquidation of the **Insured**;
- (c) the failure to provide, effect, or maintain any bond, surety or insurance;
- (d) any trading debt incurred by the **Insured**;
- (e) the refund of professional fees or contracting sums; or
- (f) any guarantee given by the **Insured** for a debt.

3.3 Personal Injury

death, bodily or mental injury, sickness or disease, emotional distress or mental anguish of any person.

3.4 Personal Property

loss of, damage to or destruction of any personal property.

3.5 Real Property Damage

loss of, damage to or destruction of any real property which does not constitute a **Structural Defect**.

3.6 Indirect or Consequential Loss

indirect or consequential loss of any nature.

3.7 Intellectual Property Rights

any actual, potential or alleged infringement of **Intellectual Property Rights**.

3.8 Fraud & Dishonesty

any actual or alleged fraudulent, criminal, wilfully reckless, malicious or dishonest act, error or omission committed or allegedly committed by the **Insured**.

3.9 Non-Compliant Cladding

any external insulation and finishing system, wall panelling, cladding or façade material:

- (a) that is not compliant or does not conform; or
- (b) that is installed, applied or used in a manner that does not comply, with all combustibility, fire resistance or fire safety provisions of:
 - (a) the National Construction Code of Australia;
 - (b) the Building Code of Australia;
 - (c) Australian Standards;
 - (d) approved conditions of use or application, or
 - (e) any other applicable law or regulation.

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3.10 Prior Matters

- (a) any **Claim** made, threatened or intimated against the **Insured** prior to the commencement of the **Policy Period**;
- (b) any facts that the **Insured** was aware of before the commencement of the **Policy Period** that might give rise to a **Claim** against the **Insured**;
- (c) any facts that might give rise to a **Claim** which have been reported, or which can be or could have been reported, to an insurer under any insurance policy entered into before the commencement of the **Policy Period**;
- (d) any facts that might give rise to a **Claim** which have been disclosed to any insurer in any proposal for insurance before the commencement of the **Policy Period**; or
- (e) any facts that might give rise to a **Claim** which have been disclosed to **Liberty** in the **Proposal**.

3.11 Pollution

the actual or alleged presence, discharge, dispersal, release or escape of any **Pollutant** or the cost of removing, nullifying or cleaning up any **Pollutant** unless it results directly from an act, error or omission of the **Insured** in the conduct of the **Business** which results in a **Structural Defect**.

3.12 Product Recall

any cost or expense incurred in withdrawing any product or good from sale or recalling any product or good.

3.13 Retroactive Date

any act, error or omission committed or allegedly committed prior to the **Retroactive Date** specified in the **Schedule**.

3.14 Related Parties

any **Claim** made by or on behalf of:

- (a) one or more **Insured** against another **Insured**;
- (b) a spouse or partner of an **Insured**, a parent of an **Insured**, a parent of a spouse or partner of an **Insured**, a child of an **Insured** or a sibling of an **Insured**;
- (c) any entity which is owned, controlled or managed by any **Insured**; or
- (d) any parent company or subsidiary company of any **Insured**.

3.15 Aircraft & Watercraft

the operation, ownership, maintenance or use of aircraft or watercraft.

3.16 Owners & Occupiers Liability

the ownership, management, control or occupation of real property by the **Insured** unless it results directly from an act, error or omission of the **Insured** in the conduct of the **Business** which results in a **Structural Defect**.

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3.17 War

war or military action which includes without limitation the following:

- (a) war, including undeclared or civil war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), military or usurped power or confiscation, nationalisation, requisition, destruction of or damage to property by or under the order of any government or public or local authority;
- (b) warlike action by military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (c) insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

3.18 Terrorism

any actual or threatened act of **Terrorism** or any action taken to, or taken in an attempt to, control, prevent or suppress any act of **Terrorism**.

3.19 Registration & Other Compliance

work in respect of which the **Insured** is not properly registered, licensed or accredited as required by any Acts, rules, regulations or industry codes of practice or fails to comply with the conditions of such registration, licensing or accreditation.

3.20 Sub-Contractor Work

work performed by the **Insured** as a sub-contractor.

3.21 Civil Works

any **Civil Works**.

3.22 Domestic Building Work

any **Domestic Building Work** unless such work is done to provide structural support to work which is not **Domestic Building Work** and not otherwise excluded under this **Policy**.

3.23 North American Jurisdiction

- (a) legal proceedings brought within the United States of America or Canada or any of their territories or protectorates;
- (b) the enforcement of any judgment or award obtained within or determined pursuant to the laws of the United States of America or Canada or any of their territories or protectorates; or
- (c) legal proceedings in which the laws of the United States of America or Canada or any of their territories or protectorates are applicable even if only in a limited respect.

3.24 Territorial Limitation

any work where the construction site is located outside of the territory specified in the **Schedule**.

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3.25 Radiation & Nuclear

- (a) the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
- (b) any weapon of war employing atomic or nuclear fission or fusion or other like reaction or radioactive force or matter.

4. Claims Conditions

4.1 Notification of Claims & Co-operation

As soon as the **Insured** becomes aware of a **Claim** during the **Policy Period**, the **Insured** must:

- (a) notify **Liberty** in writing of the **Claim**. The notification must be sent to:

The Claims Department
Liberty Specialty Markets
Level 38, Governor Phillip Tower
1 Farrer Place
Sydney, New South Wales, Australia 2000
Tel: 61-2-8298 5800

- (b) give **Liberty** such information and co-operation as it may reasonably require including but not limited to:
 - (i) a description of the **Claim**;
 - (ii) the nature of the alleged act, error or omission;
 - (iii) the nature of the alleged or potential loss;
 - (iv) the names of actual or potential claimants; and
 - (v) the manner in which the **Insured** first became aware of the **Claim**.

4.2 Defence & Settlement

Liberty may, in its absolute discretion, take over the conduct of any investigation, settlement or defence of any **Claim**.

The **Insured** must:

- (a) take all reasonable steps to avert or minimise any loss that might give rise to a **Claim** under this **Policy**;
- (b) not agree to any waiver or limitation of or delay as to their legal rights of recovery against any other party;
- (c) not admit liability, negotiate any settlement, enter into any settlement agreement or incur any **Defence Costs** without the prior written consent of **Liberty**; and
- (d) give **Liberty** all the information and assistance that **Liberty** requires for the purpose of:
 - (i) investigating the cause and consequences of any **Claim**;
 - (ii) investigating the **Insured's** liability to any party in respect of any **Claim**;
 - (iii) investigating whether **Liberty** has any liability to the **Insured** under this **Policy** and, if so, the extent of its liability; and
 - (iv) where applicable, conducting the defence of any **Claim**.

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4.3 Other Insurance

If **Loss** or **Defence Costs** insured under this **Policy** are also potentially insured under any other insurance policy or policies, then the **Insured** must advise **Liberty** within a reasonable time of making a claim under this **Policy** and provide **Liberty** with details of the other insurance.

4.4 Allocation Clause

In the event the **Insured** is a party to any demand or legal proceedings which is covered only in part by this **Policy**, the **Insured** and **Liberty** will use their best efforts to agree upon a fair and proper allocation of **Loss** and **Defence Costs** which relate solely to what is covered under this **Policy**.

In the event that an agreement cannot be reached a Senior Counsel (to be mutually agreed upon by **Liberty** and the **Insured**) will, as an expert not an arbitrator, determine a fair and proper allocation. Until the Senior Counsel has made his or her determination **Liberty** may, in its absolute discretion, pay such **Loss** and **Defence Costs** as it considers appropriate. The cost of such Senior Counsel's opinion will be deemed to be part of **Defence Costs**.

4.5 Requirement to Contest a Claim

Liberty will not require the **Insured** to contest any **Claim** unless a Senior Counsel (to be mutually agreed upon by **Liberty** and the **Insured**) advises that such **Claim** should be contested. In formulating such advice, Senior Counsel will take into consideration the economics of the matter (including potential **Loss** and **Defence Costs**) and the prospects of the **Insured** successfully defending the **Claim**. The cost of such Senior Counsel's opinion will be deemed to be part of **Defence Costs**.

In the event that **Liberty** recommends settlement in respect of any **Claim** and the **Insured** does not agree that such **Claim** should be settled, the **Insured** may elect to contest such **Claim** provided always that the liability of **Liberty** will not exceed the amount for which the **Claim** could have been settled plus **Defence Costs** incurred with **Liberty's** prior written consent up to the date of such election.

4.6 Subrogation

If **Liberty** grants indemnity under this **Policy** in respect of any claim under this **Policy**, then **Liberty** will be subrogated to all the **Insured's** rights of recovery in respect of such claim whether or not payment has in fact been made and whether or not the **Insured** has been compensated in full for their loss. Each **Insured** must, at its own cost, provide all reasonable assistance to **Liberty** (including, but not limited to giving information, signing documents and giving evidence) to help enforce those rights.

The **Insured** must not do anything that may prejudice **Liberty's** position or its potential or actual rights of recovery against any party, however, **Liberty** recognises that in the conduct of the **Business** the **Insured** may from time to time enter into commercial agreements with other parties which may limit the liability of such parties and **Liberty** agrees that such agreements will not prejudice the **Insured's** right to claim under this **Policy**.

Any amounts recovered by **Liberty** in excess of **Liberty's** total payment to the **Insured** (including **Defence Costs**) will be restored to the **Insured** less the cost to **Liberty** of such recovery.

5. General Conditions

5.1 Material Change to Risk

The **Insured** must, within 30 days of a material change to the risk that is the subject of this **Policy**, notify **Liberty** in writing of that change. Such changes include but are not limited to:

- (a) any material change to the **Business** conducted by the **Insured**;
- (b) any acquisition of another company or entity, partnership or business by the **Insured** or any merger by the **Insured** with another company or entity, partnership or business;
- (c) the appointment of a trustee or an administrator, receiver or liquidator including provisional liquidator to any **Insured** or bankruptcy of any **Insured**; or
- (d) cancellation, suspension or imposition of any conditions to the **Insured's** registration with any professional association or licence relevant to the conduct of the **Business**.

5.2 Limit of Liability

The maximum amount payable by **Liberty** under this **Policy** for:

- (a) all **Loss** insured under this **Policy** is the **Loss Limit of Liability** specified in the **Schedule**;
- (b) all **Defence Costs** insured under this **Policy** is the **Defence Costs Limit of Liability** specified in the **Schedule**.

The **Loss Limit of Liability** and **Defence Costs Limit of Liability** exclude costs incurred by **Liberty** in determining whether the **Policy** provides insurance to the **Insured**.

5.3 Excess

Liberty will only pay in respect to each **Loss** (or alleged **Loss**) and associated **Defence Costs**, the amount which is above the **Excess** specified in the **Schedule**. This **Excess** will be the first amount borne by the **Insured** and will remain uninsured.

5.4 Governing Law & Exclusive Jurisdiction

This **Policy** is governed by the law in force where the construction site is located. All matters arising from or relating to the construction or operation of the provisions of this **Policy** will be submitted to the exclusive jurisdiction of the courts exercising jurisdiction under the law of Victoria.

5.5 Policy Interpretation & Construction

The headings in this **Policy** are for descriptive purposes only and do not form part of this **Policy** for the purpose of its construction or operation. Words used in the singular will include the plural and vice versa. For the meaning of any words in bold refer to the **Schedule** and Section 6 - Definitions.

5.6 Breach of Economic, Trade or other Sanction or Law

Notwithstanding anything else to the contrary in this **Policy**, whenever coverage provided by this **Policy** would be in violation of any United Nations resolutions or the economic or trade sanctions, laws or regulations of the European Union, United Kingdom, Australia, Singapore or the United States of America, its territories or protectorates, such coverage will be null and void and **Liberty** has no obligation to pay a **Claim** if to do so would breach that sanction or law.

6. Definitions

In this **Policy**:

- 6.1 Business** means the **Named Insured's** business as a builder.
- 6.2 Civil Works** include but are not limited to roads, railways, bridges, dams, weirs, aqueducts, tunnels, water supply systems, sewage or drainage works, gas or oil pipelines, electricity supply systems or other infrastructure except that forming part of **Structural Works** insured under this **Policy**.
- 6.3 Claim** means any written demand or legal proceedings for compensation first made against the **Insured** during the **Policy Period** and reported to **Liberty** during the **Policy Period** which may result in **Loss** or **Defence Costs** insured under this **Policy**.
- 6.4 Completion Date** means:
- (a) the date of issue of the Occupancy Permit in respect of the building work (whether or not the Occupancy Permit is subsequently cancelled or varied); or
 - (b) if an Occupancy Permit is not issued, the date of issue of the Certificate of Final Inspection of the building work for the construction of the building; or
 - (c) if clauses (a) and (b) do not apply, then the definition of **Completion Date** will mean the date specified in the building contract or if no such date is specified the date the work reaches the stage of practical completion.
- 6.5 Defence Costs** means costs and expenses incurred by **Liberty**, or by the **Insured** but only with **Liberty's** prior written consent, solely for the benefit of the **Insured** in the investigation, settlement or defence of a **Claim** covered under this **Policy**. **Defence Costs** excludes the **Insured's** salaries, wages, travel or accommodation expenses.
- 6.6 Domestic Building Work** means any work:
- (a) in Victoria, which falls within the definition of "Domestic Building Work" in the Domestic Building Contracts Act 1995 (Vic), as amended from time to time; or
 - (b) in Tasmania, which falls within the definition of "Building Work" in the Housing Indemnity Act 1992 (Tas), as amended from time to time.
- 6.7 GST** means the tax imposed as goods and services tax under the A New Tax System (Goods and Services Tax) Act 1999 (Cth) or as amended and any penalty and interest payable in respect of that tax.

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6.8 Insured means each of the following:

- (a) the **Named Insured** as listed in the **Schedule**;
- (b) a past, present or future director, partner or principal of the **Named Insured** in the conduct of the **Business** whilst a director, partner or principal of the **Named Insured**;
- (c) any past, present or future employee of the **Named Insured** in the conduct of the **Business** that occurred prior to and including their last day of employment with the **Named Insured**; and
- (d) in the event of the death or incapacity of any such employee, director, partner or principal of the **Named Insured**, the estate, heirs, legal representatives or assigns of any such employee, director, partner or principal of the **Named Insured**.

6.9 Liberty means Liberty Mutual Insurance Company, Australia Branch (ABN 61 086 083 605) trading as Liberty Specialty Markets incorporated in Massachusetts, USA (the liability of members is limited).

6.10 Loss means:

- (a) damages or claimant's costs or both payable by the **Insured** pursuant to an award or judgment entered against the **Insured**;
- (b) settlements negotiated by **Liberty** and consented to by the **Insured**; or
- (c) settlements negotiated by the **Insured** but only with the prior written consent of **Liberty**, in respect of direct financial loss suffered by the claimant caused by an act, error or omission of the **Insured**, which results in a **Structural Defect**.

Loss excludes any:

- (a) amounts uninsurable at law;
- (b) fines or penalties;
- (c) exemplary, aggravated, multiple or punitive damages;
- (d) regular or overtime wages or salaries or travel or accommodation costs incurred by the **Insured** in assessing, investigating, dealing with or assisting others to deal with the **Claim**;
- (e) profit margin for the **Insured**; or
- (f) **GST** imposed or payable in respect of the **Premium** or any payment of insured amounts made under this **Policy**.

6.11 Policy means this policy wording, any endorsements to it, the **Schedule** and the **Proposal**.

6.12 Policy Period means the period of time specified as such in the **Schedule** unless the **Policy** is cancelled in which event the **Policy Period** will end on the effective date of the cancellation.

6.13 Pollutant means any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to smoke, vapour, soot, fumes, noise, acids, alkalis, compounds, chemicals, asbestos including derivatives, mould or waste. Waste includes materials to be recycled, reconditioned or reclaimed.

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- 6.14 Premium** means the amount payable by the **Insured** for this **Policy** including any applicable charges advised by **Liberty**.
- 6.15 Proposal** means the proposal form and any other information submitted by the **Insured** in applying for this insurance.
- 6.16 Schedule** means the schedule attached to this **Policy** and signed by an authorised representative of **Liberty**.
- 6.17 Structural Defect** means a defect in the **Structural Works**:
- (a) which is attributable to defective design by the **Insured**, defective or faulty workmanship and/or defective materials; and
 - (b) which was not discovered by the **Insured** prior to the **Completion Date**; and
 - (c) which:
 - (i) results in a regulatory authority closing or prohibiting the use of the building or any part thereof; or
 - (ii) does or would prevent the continued practical use of the building or any part thereof; or
 - (iii) results in the destruction of the building or physical damage to the building or any part thereof; or
 - (iv) results in threat of imminent collapse that may reasonably be considered to cause destruction of the building or physical damage to the building or any part thereof.
- 6.18 Structural Works** means:
- (a) all internal and/or external load bearing structures essential to the stability or strength of the building or any part thereof including, but not limited to, foundations, floors, roofs, columns and beams; and
 - (b) all other works designed to add strength or support to the building which form part of the external walls and roofing of the building.
- 6.19 Terrorism** means an act or acts by any person or group of persons or government causing or threatening to cause any harm of any nature for political, religious, ideological, ethnic or similar purpose and/or to intimidate or influence any government or the public or any section of the public.