

A Guide to Contractors All Risks Insurance

We will start shortly...



Hello & Welcome!

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18 years experience in the insurance industry

25 years experience as a trainer

(Bit of a nerd!)





Objectives & Learning Outcomes



Have an understanding of the construction risks market & how best to secure an effective insurance solution for your client.



Demonstrate an understanding of How best to approach a construction risk & the factors which need to be considered



Feel more confident in offering effective solutions to clients within the construction industry

A background image showing a pair of hands gently cupping a red heart. The image is semi-transparent, allowing the text and logo to be overlaid.

The Construction Industry





The Construction Industry

- 🌀 The construction industry is worth £117 billion per annum
- 🌀 Nearly 300,000 companies are connected to the construction industry
- 🌀 99% are SMEs
- 🌀 UK construction employs 2.7 million people
- 🌀 Almost one in five small and medium-sized businesses in the UK are construction companies
- 🌀 For every £1 invested in construction, 92p stays in the UK
- 🌀 For every £1 invested in construction, £2.84 is generated in the wider economy



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Risk Exposures within the Construction Industry

- ⦿ Perils such as fire/ storm/ impact etc
- ⦿ Sickness, injury, death of workers
- ⦿ Unavailability/delay of materials
- ⦿ Staff shortages
- ⦿ Increased cost of the job
- ⦿ Changes in legislation
- ⦿ Catastrophic events
- ⦿ Recession/Boom
- ⦿ Professional errors
- ⦿ Long tail issues



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Contractors All Risks Insurance

Commercial Combined insurance

Liabilities

Business Interruption

Property damage

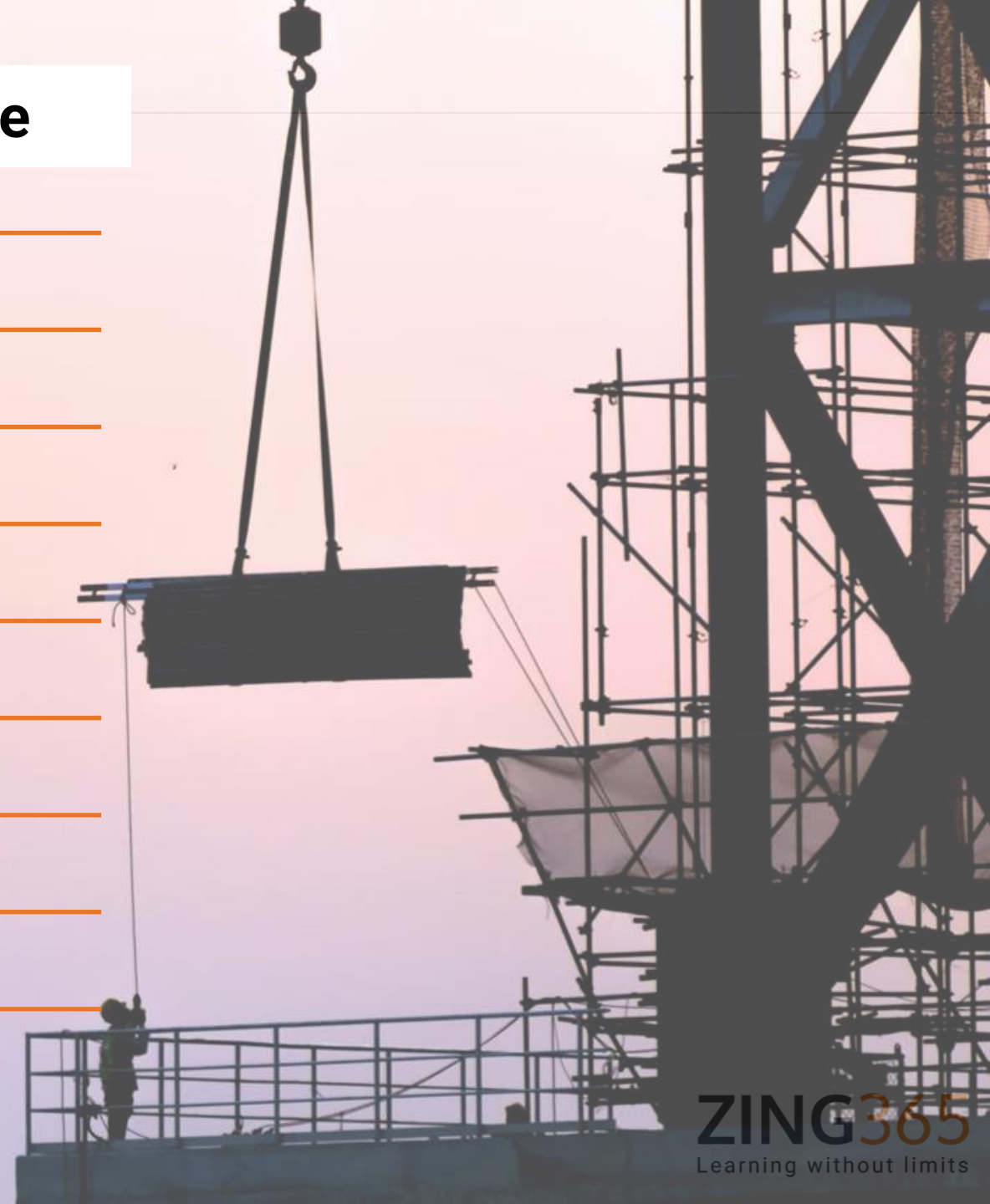
Own property damage

Hired in plant

Engineering insurance

Fidelity guarantee

Goods in Transit





Contract Works Insurance

Covers the physical loss or damage arising on the site of the contract during the period of insurance

Permanent works

Temporary works

Materials

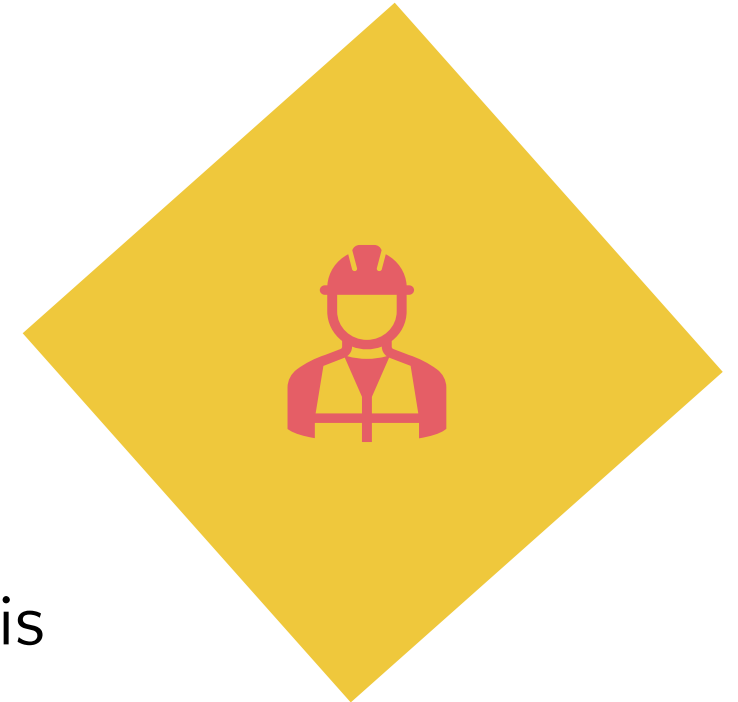


For loss, destruction or damage



Public & Products Liability

- Public & Products Liability
 - Limits of indemnity
 - Value of the project
 - Value of the construction
 - Required by the principal
- Excess Layers
 - Come into force once standard policy limit is exceeded





Public & Products Liability

- Bona-fide Subcontractors
- Contractual Liability
 - In connection with business
 - Excl liquidated damages
- Additional Persons Insured
- Corporate Manslaughter and Corporate Homicide Act 2007
- Cross Liability
- Defective Premises Act 1972
- Health and Safety at Work etc Act 1974
- Indemnity to Principals
- Motor Contingent Liability
- Temporary Employees
- Work Overseas



Public & Products Liability





Extent of Cover

What can be covered with a Contract Works policy?

01

All Commercial & Domestic new builds

Office blocks, new builds, housing developments

02

Repair, refurbishment, alteration or extension to existing property

Extensions, conservatories, annex, garden room

03

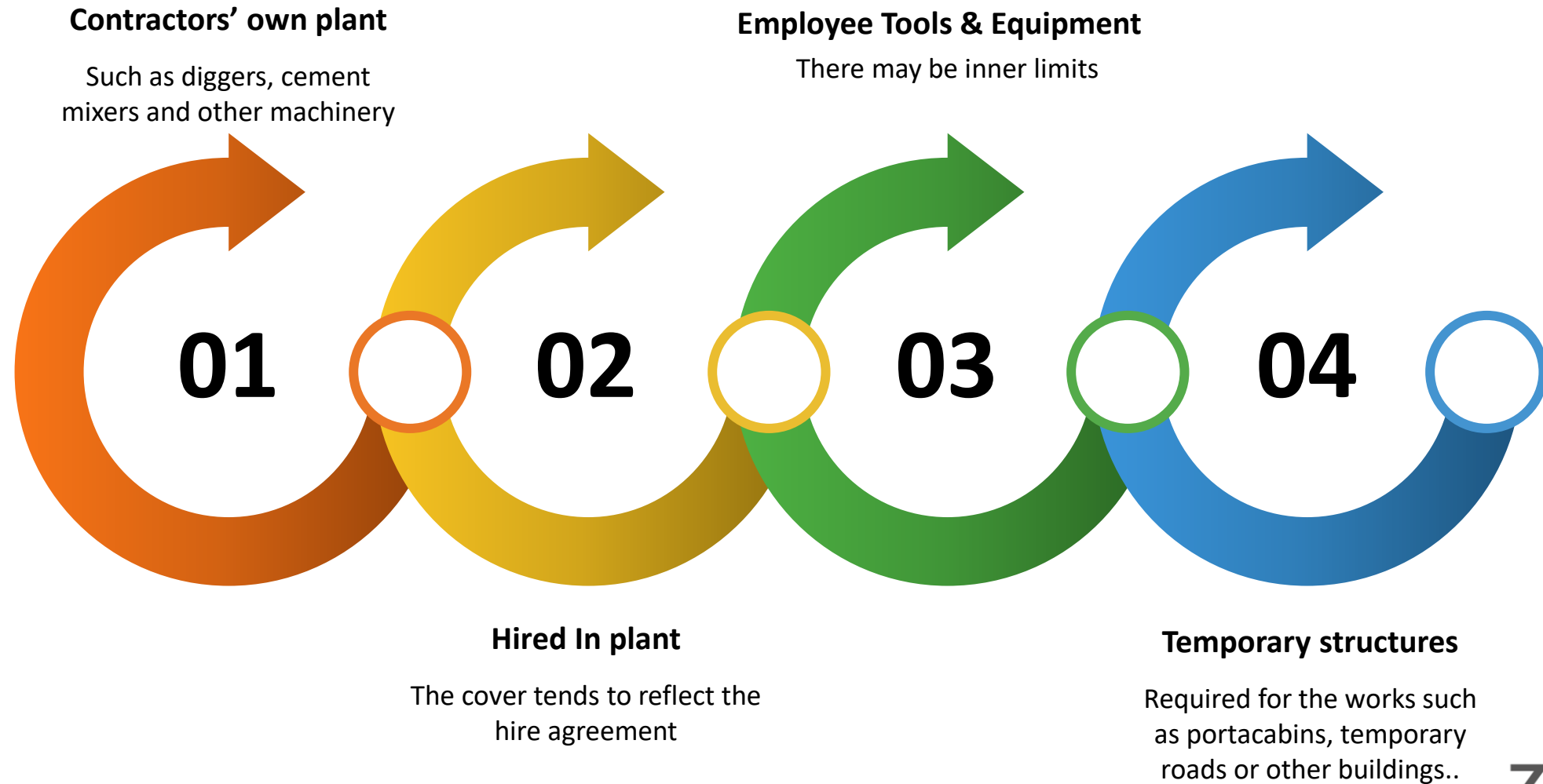
Civil Engineering

Roads, bridges, flood defences ground works (public Utilities)



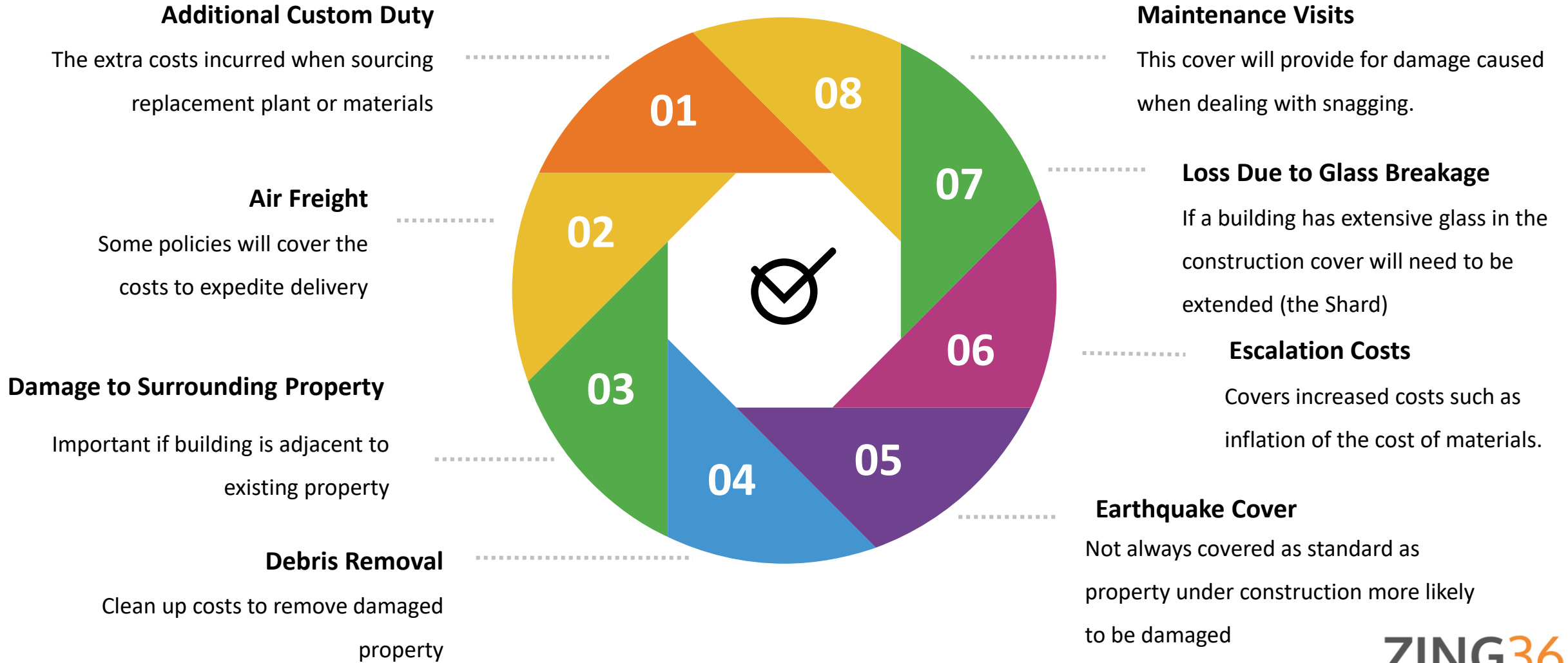
Extensions to Cover

What additional cover can you get? (some of these covers may be standard)



Additional Extensions to cover

What else can be included?





Exclusions to Cover

01

Market Exclusions

War; Sonic Bangs;
Terrorism etc

02

Excess

Usually £250-£00 on smaller policies, can be negotiable on larger policies

03

Liquidated Damages

Penalty clauses,
contractual agreements

04

Existing property

Unless it is integral to the build

05

Post Completion Risks

More about this later

06

Faulty Design, Workmanship or materials.

What are the normal exclusions of a Contract Works Policy?



Where & When Does Cover Apply?

On Site

Cover is on an all risks basis as standard on site for materials, tools, plant if covered etc.

In Transit

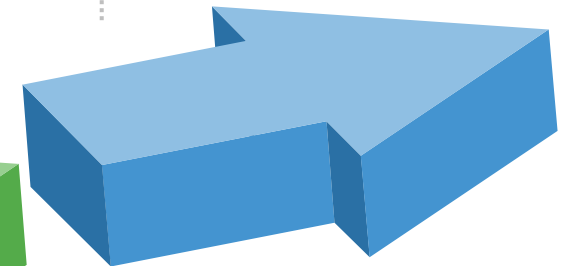
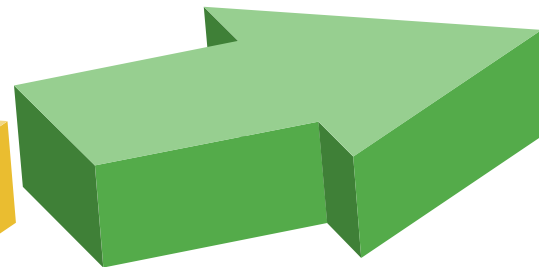
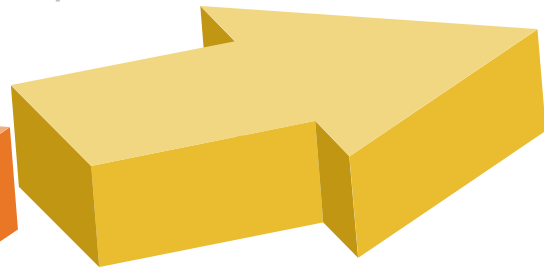
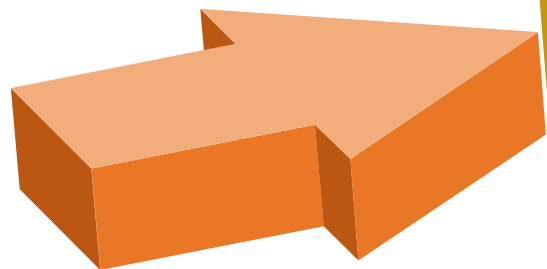
Cover is automatically given for goods held in transport whether own or hired in transportation

Off-site Storage

Most policies won't give this cover as standard however some may give limited cover.

Completed Works

Cover normally ceases at completion, however some insurers will give limited extra cover





Indemnity to Sub-Contractors

Who is involved in the contract?



Although there is likely to be one main contractor, there may be a number of parties involved in the overall construction and they need to be covered for things that can go wrong.

“We will, to the extent required by contract conditions, provide indemnity to nominated or domestic sub-contractors in respect of Damage to the Property Insured.”

A word about Subrogation...



Subrogation Rights

Why is there often a condition in a Contract Works policy that stipulates subrogation rights are waived?





Engineering Cover

- Why is it important to include engineering cover in a CAR policy?



Covering Hired in Plant

- Usual perils plus AD & malicious damage
- Continuing Hire charges
- Premiums based on total hire charges (per year)
- Plant in transit



Cover Available - Engineering

Explosion
Collapse
Breakdown
Damage to
surrounding property
Derangement

 Computer Engineering

 Boilers & pressure plant

 Engine & electrical plant

 Lifting equipment



Other Covers





Other Covers Relating to Construction

Environmental Insurance

Contractor's Pollution Liability

Third party liability, defence and Clean-up costs

Indemnity Policies & Bonds

Providing a guarantee against existing structures that have no audit trail

Rights of Light

Covers claims relating to Rights of light nuisance cases

Latent Defects

Cover for new builds against future claims

Inefficacy Cover

Covers a failure to perform



Environmental Insurance



Contractors Pollution Liability

The Environmental Damage
(Prevention and Remediation)
(England) Regulations 2015

Strict liability

Remedial sanctions



Latent Defects Cover

- Cover 10 to 12 years from issue
- Inherent defect in design, workmanship or materials
- Full value reinstatement cover inflation protected (5%)
- Assignable policy
- No requirement to establish liability



Inefficacy Cover

- Covers installers of equipment that has a vital or necessary function
- Failure to perform
- Does not perform as intended
- Often excluded on PI insurance



Rights of Light Insurance

- Indemnity policy
- Wait & see basis
- Agreed conduct basis
- Covers
 - legal costs
 - Settlements
 - Damages
 - Demolition & rebuilding costs
 - Loss of land value



Collateral Warranties

- ⦿ A separate contract that sits alongside a main contract
- ⦿ Where the parties promise something in addition to the main contract
- ⦿ It is separate and independent to the main contract
- ⦿ Without the main contract it cannot exist



Heilbut, Symons & Co v Buckleton 1913



De Lassalle v Guildford 1901



Collateral Warranties

A guarantee to parties outside the contract

- If the building is being sold upon completion
- Let upon completion
- Sold during construction
- Let during construction

Guarantees that duties are performed as per contract

Should not be at odds with any PI cover endorsements



Construction Contracts

◎ NEC

- Produced in 1993
- More progressive than JCT
- More detailed timings & kept up to date
- Pricing method options
- Public Sector

◎ JCT

- Produced in 1931
- Traditional
- No revisions on timings
- Lump sum contract
- High contractor control



Question

What is the tort of nuisance?

How does it relate to contractors?

Answer in the chat function



JCT 6.5.1

JCT's most famous
(or infamous)
clause!

Nuisance can occur
when construction
work is in progress



**Non-negligent
Nuisance Cover**



**Extra cover for
non negligent
events**



**Appears in JCT
contracts under
section 6.5.1**



NEC4 Insurance requirements

- ◎ Liability & insurance
 - Insurance Contracts must be in joint names
- ◎ Allocation of Liability
 - Core clause 8 – Risks & insurance
- ◎ Minimum cover requirements
 - Contractor required
 - Client not required
- ◎ Checking Insurance Certificates



Underwriting Considerations

What information does the underwriter need to know? Answer in the chat function





Underwriting Considerations

- Annual Basis of cover
- Individual Project
 - All parties
 - Subrogation waiver

Value of Contract

01

The underwriter will need to know the total value of the contract or contracts if the insurance is on an annual value.

Type of Works

02

Some construction is more risky than others

Location

03

Flood defence measures; subsidence measures

Value of plant

04

How much is on site at any one time

Type of Construction

05

What are the construction methods?



01

How much hired-in plant

What is the hire agreement and what are the annual costs?

02

Temporary Structures

What are they? How many?

03

Claims Experience

Value of the claims, how many.

04

Method Statement

How the work will be carried out

05

Health & Safety

Record Keeping and control

Thank you for joining today's training



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Matt Owen-James



Thank you for joining us

See you next time