

CONSTRUCTION AND LIABILITY INSURANCE SUMMARY

Construction and Liability Insurance provides asset protection for one of the largest industries in Australia. This Policy class provides two separate products packaged together to provide maximum protection.

Policy types also have differing coverage, the main two policy types are;

- **Single Project Policy**

This relates to one off projects and as a rule provides less coverage than the annual declaration policy. This type of policy is mainly utilized on major projects where annual declaration policies cannot be provided due to the complexity of the risk exposure.

The advantage of a single project policy is the ability to obtain a broader financial loss cover also known as Advanced Business Interruption, this protects the Principal against various financial risks like future loss of profit, Loss of future rentals, Holding costs and the like.

- **Annual Declaration policy**

Main advantage is the provision of Legal Liability on completed stock known as Products Liability or Completed Operations. This cover remains in force as long as the policy is renewed annually. It also carries other additional benefits like tools cover anywhere in Australia and a broader geographical scope.

The Construction Industry can be broken down into several categories, all with their own specialisations

- **Domestic Construction** – Houses, multi units, renovations and installations.
- **Commercial and Industrial Construction** – Warehouses, low rise and high-rise office space. Factories and Commercial Strata.
- **Civil Construction** – Mining, bridges, tunneling, sewerage, dams and drainage works, site works.
- **Erection and Installation of Plant and Machinery** – also known as EAR risks, this provides protection from office air conditioning installation to power station installation.

These categories all require their own considerations and Policy coverage. Off the shelf policy documents simply will not provide adequate protection. We can provide customised solutions to the physical, legal and contractual exposures you encounter.

A summary of the protection offered under this style of policy is as follows:

Section 1 – Material Damage

Designed specifically to protect the Construction materials against physical loss or damage throughout the construction process, includes but not limited to:

- All materials for incorporation into the project whether permanent or temporary (ie, formwork, scaffolding, site buildings, security fencing and hoardings to name a few).
- Existing structures can also be covered during this process as well as the Insured's tools, plant and equipment and owner or principal supplied materials. This is an optional cover taken on a case by case basis when needed. (additional premiums will apply)
- Coverage can extend to include offsite storage and transit. The main consideration of coverage is who has the contractual responsibility for the materials and structures.

If a loss does occur, additional benefits are provided to enable rectification to commence as quickly and efficiently as possible, these benefits are essential and include but are not limited to;

- Removal of debris for site clean-up following loss.
- Professional fees for architects and engineers and other professional services Expediting expenses where parts need to be replaced urgently.
- Mitigation cost reimbursement to prevent further damage.
- Margin for escalation where costs increase throughout the project due to economic factors thus increasing the cost of rectification.

These covers are generally capped somewhere between 5-15% of the contract value.

Perils are physical events that the policy responds to, they include but are not limited to: Earthquake, Fire, storm, flood, water, landslip, erosion, subsidence or collapse, theft, malicious damage and in some instances, resultant damage as a result of defects in construction. If a risk is not specifically excluded in the policy, it is deemed to be covered.

Main exclusions relate to defects, wear and tear, general upkeep, financial loss and fines /penalties. There are many additional exclusions that can apply which are project specific where that the Insured will need advice, these may relate to piling, underpinning, shoring and dewatering to name a few.

Section 2 - Legal Liability (Public Liability and Products liability)

This section provides protection against your legal exposure to:

- Third party Property Damage and associated Financial loss
- Third party Bodily Injury

Depending on the type of policy taken, it can provide protection during the construction and maintenance period and extend to cover completed projects. It also provides a limited protection for property in your legal control.

Due to the complexed nature of a construction site where multiple trades work simultaneously, a unique feature of this product is the protection provided to not only the Insured, but Principals and sub-contractors alike, this opens up some interesting contractual exposures that the Insured should obtain specialist advice.

The main exclusions relate to Design faults. Those risks Insured under statutory classes like Workers Compensation and CTP, asbestos and pollution hazards, fines and penalties, war and civil unrest, nuclear risks and terrorism.