



ROYAL INSTITUTE OF CHARTERED SURVEYORS

CPD EVENT

CONSTRUCTION INSURANCES



INTRODUCTION

Speakers

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AGENDA

CONSTRUCTION INSURANCES
COMMON FORMS OF PROJECT CONTRACTS
JCT DESIGN & BUILD CONTRACT 2016
INSURANCE OF THE WORKS
UNDERSTANDING THE RISK
LIABILITY INSURANCE
PROFESSIONAL INDEMNITY INSURANCE
NON-NEGLIGENCE COVER
ADDITIONAL INSURANCE COVERS

COMMON FORMS OF PROJECT INSURANCE

- JCT
- NEC
- Other bespoke contracts apply to :
 - Engineering
 - Civil Engineering
 - Process Engineering – Petrochemical/Waste to Energy
 - Infrastructure - Rail

JCT DESIGN AND BUILD CONTRACT 2016

- 1 Insurance of Works Provisions:
 - Contract Works (Joint Names Provisions)

- 2 Liabilities:
 - Employer Liability (Usually an annual cover)
 - Public Liability
 - Professional Indemnity (More usually arranged on an annual basis)
 - Defects (Design/Plan/Materials & Workmanship)
 - Non-Negligent 6.5.1 Cover

- 3 Other Covers - Consequential Loss:
 - Advanced Loss of Profits
 - Delay Start up
 - Additional Costs & Expenses

INSURANCE OF THE WORKS

CLAUSE 6.7 (OPTIONS A, B AND C)

JOINT NAMES POLICY 'WORKS INSURANCE'

- | | |
|----------|--|
| Option A | Contractor assumes responsibility (New buildings) |
| Option B | Employer assumes responsibility (New buildings) Mainly single projects |
| Option C | Employer assumes responsibility including insurance of the existing structure (Alterations and Extensions) Often single projects |
| NB: | Care when Employer is Tenant/Leaseholder |

INSURANCE OF THE WORKS – COVER DETAILS

ALL RISKS COVER

Arranging adequate cover protection – under insurance concerns

- Terrorism Option – additional cost implication
- Policy Excesses
- Joint Names – including funders
- Cover may be extended to include the separate interest of both the Insured (the developer) and the contractor and the sub-contractors of each and every tier
- Cover may also extend to include the separate interests of financial institutions or other parties where this is required (Lenders Clauses)
- The interest of all loss payees is automatically included where required and cover is provided for multiple Insured's and provides Non-Vitiating benefits



UNDERSTANDING THE RISK

JOINT FIRE CODE

Joint Code of Practice (JCOP) 9th Edition

- Ensuring there is a standard approach to minimising fire exposure
- Usually a standard requirement of Contractors All Risks Policies

LIABILITY INSURANCES

- **EMPLOYERS LIABILITY – Compulsory Insurance**
 - Indemnity Limits – minimum £10,000,000 (£5,000,000 – Terrorism)
- **PUBLIC LIABILITY**
 - Choosing adequate Indemnity Limits
 - Nature of surrounding Area & Property
 - City Locations – High Density Locations
 - Road/Rail/Underground Infrastructure

PROFESSIONAL INDEMNITY INSURANCE

- ‘Claims Made’ Basis
- Choosing an Indemnity Limit
- ‘ANY ONE CLAIM’ v ‘AGGREGATE’ basis
- Retro-active date – to include past activities
- Asbestos, Toxic Mould & Pollution – Restrictions & Exclusions
- Collateral Warranties

NON-NEGLIGENCE COVER (CLAUSE 6.5.1)

- The Employer has a liability in tort for damage to third party property, by specified event/perils where this does not flow as a result of the negligence of the Contractor.
- Employer is responsible for the cost of arranging this protection
- Where the Contractor is liable for design either by D&B Contract or design portion supplement, the contract sum should include an allowance for the cost of 6.5.1 Insurance
- Contract Particulars will indicate if this cover is to be arranged

ADDITONAL INSURANCE COVERS

- LATENT DEFECTS (Building Warranties)
 - 10 or 12 Year Policy
 - Market Availability
 - Insurance v NHBC
- LEGAL EXPENSES
 - Before the event
 - After the event

ADDITIONAL INSURANCE COVERS CONT'D

PERFORMANCE BONDS

Options Include:

- Contract Performance Bond
- Road and Sewer Bonds
- Advance Stage Payment Bonds
- Retention/Maintenance Bonds

ADDITIONAL INSURANCE COVERS CONT'D

RIGHT OF LIGHT/LEGAL INDEMNITY

Enables a developer to proceed with fears of Right of Light repercussions, thus providing financial security in the event of a claim

RESTRICTIVE COVENANTS

DEFECTIVE TITLE

STATUTORY LICENCE (Utility Companies)



ANY QUESTIONS ?





Thank you

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