

# CONSTRUCTION INSURANCE KNOW-HOW

## 01 INTRODUCTION

### INTRODUCTION

Welcome to the first edition of SURA Construction KNOW-HOW!

Our KNOW-HOWs are built to help you understand how construction insurance operates at SURA. They are intended to explain the extent of coverage under the SURA policy and how coverage might apply in claims situations, and how SURA's innovative approach can help you, our broker, and our mutual clients.

### WHAT TYPE OF COVERAGE IS RIGHT FOR YOUR CLIENT?

SURA offers three types of Construction Insurance (CI) policy: Owner Builder, Single Project and Annually Renewable (Annual). The role your client is to play has a big bearing on which policy they need. Let's look at a few "what if" scenarios:

- What if your client is the Owner of the property and has obtained an Owner Builder permit to construct their own dwelling? Here the Owner Builder policy is the way to go.
- What if your client was the Owner of the property and has engaged a builder to construct the dwelling on their behalf? For this case you would recommend the Single Project policy.
- What if your client was a builder who constructs several homes every year? Well the Single Project option would do the job but they might be interested in an Annual policy. This type of policy can provide automatic cover for projects of a certain type and size, meaning it can cover pretty much all of the jobs a builder does during the coming year in one go. There are other advantages of an Annual version and we will go into these in future KNOW-HOWs.

### TYPICAL SCENARIO

Your client, Joe Blogs Building Company Pty Ltd (JBBC), has entered into a contract with John Smith (the Principal or Owner) to construct a dwelling. JBBC has asked you to arrange the insurances required by the building contract.

One of those insurances is CI.

In our typical scenario your client is a builder and if JBBC is doing several projects a year you would probably recommend the Annual policy as their best option.

### HOW DOES SURA'S COVER WORK?

The CI policy is actually two coverages in one. Section 1 of the policy covers material damage and Section 2 covers Public Liability. So how does the Material Damage section work?

This part of the policy responds to loss of or damage caused by Insured Events happening to Insured Property subject to the terms, conditions and exclusions of the policy and any endorsements to it.

"Insured Event" is defined as "A sudden, unforeseen and unintended physical loss of or damage... resulting from any cause not excluded by this Policy" Such damage has to occur at the Contract Site (as defined)

Under the Public Liability section, the policy seeks to compensate our insured parties in respect of either Personal Injury or Property Damage where they are found legally liable for such injury or damage. The injury or damage must be caused by an Occurrence in connection with their construction activities.

The basic coverage under the annual is the same as it is under a Single Project. (TIP: You should think of the Annual as a "multi-single" policy, equivalent to a separate single project policy being issued for each project undertaken by the builder).

### RISK MANAGEMENT TIPS

What things could you do to better understand which type of CI policy best suits your client's needs? Find out

- A complete description of the range of construction activities undertaken,
- How many projects might commence in the next 12 months, and
- If they are concerned about products liability exposure?

What are the main advantages of an Annual policy that you could highlight to a suitable client?

- Lower premium,
- Less paperwork for you and your client and fewer invoices,
- All insured projects benefit from the maximum construction period,
- Other property such as display homes can be covered,
- Coverage for Products Liability can be included, and
- Incidental activities, vacant land and Other business (subject to application) can be included under the liability section

It is really important that the CI policy is compliant with the client's insurance obligations as specified in the building contract. Where possible obtain a copy of their typical form of contract, for example Standards Australia AS 4000, or MBA - Head Contract, for review.

SURA can provide separate applications for each of the 3 types of policies on our website. And these are all in editable PDF format for your convenience.