

# CONSTRUCTION INSURANCE KNOW-HOW

## 04 ANNUAL POLICIES – COVERAGE BENEFITS

### INTRODUCTION

Annual policies are a cost efficient way of managing a contractor's construction insurance needs. They are also capable of providing additional coverage benefits not usually available with single project covers.

This edition of "Know-How" helps explain the extent of coverage under the SURA policy, how it works in practice and how SURA's innovative approach can help you, our broker, and our mutual clients.

### A TYPICAL SCENARIO

Joe Blogs Building Company (JBBC) is enjoying a period of rapid expansion in their business and is looking to better manage their insurance spend. They have asked you, their insurance broker, if you have any ideas on how to do that.

You suggest it's time for a complete review of their insurance programme and explain this will include

- making a thorough list of all their business activities,
- a risk analysis of their insurance needs, and
- identifying any overlaps in their current insurance policies.

Joe has always been in favour of insurance, yet he feels his current programme is costing too much. He has not made a claim on any of his policies since starting the company almost three years ago. This review sounds like a great idea to Joe and he can't wait to get started!

It's a month later and your review is complete. You are putting the finishing touches on your report and it's coming together really well. Turns out Joe has the typical range of policies placed through a number of different insurers. And even though you have mentioned an annual construction policy before to JBBC they have continued to insure each job under a Single Project policy - often paying a minimum premium for each project insured under a Single Project policy.

*By just taking out an annual construction policy with SURA you can save JBBC a massive 25% off their annual total insurance spend and broaden their cover as well.*

JBBC also have a broadform liability policy for their office risk and a property policy covering their display home.

In addition, you've discovered that Joe started another company which carries out building inspections about three months ago and has not taken out a Professional Indemnity policy. Yikes!

As a consequence of your review, you have revamped the whole programme around a SURA annual construction policy extended to pick up the display home and their property owners liability risk. And even though you're recommending Joe takes out another policy, i.e. a Professional Indemnity policy, the total insurance cost is about 10% less than what JBBC are paying now.

Your presentation goes off without a hitch and Joe couldn't be happier. *It's days like today when it feels great to be an insurance broker!*

### TYPES OF COVER SURA PROVIDES

The SURA annual construction policy can be extended to include covers not available under our single project policy.

For Section 1 Material Damage these are

- Other Property, e.g. display homes, site improvements, hired plant, and
- Difference in Excess/Difference in Conditions.

For Section 2 Liability these are

- Product liability,
- Incidental business activities, meaning activities undertaken as part of running a construction business which do not in themselves earn any revenue,
- Other business meaning activities generating revenue which are outside of a construction project (subject to approval), and

Other advantages are

- Automatic cover for all eligible projects,
- Facilitates the easy issuance of Certificates of Insurance when required throughout the policy year, and
- For the larger builders there is the opportunity to premium fund which provides the advantage of fixing insurance premiums to a preset instalments and by so doing assist the builder's cash flow.

### HOW DOES SURA'S COVER WORK?

Annual policies can be set up as a deposit and annual adjustment, or as a monthly declaration, or pay as you go. Typically speaking the deposit and annual adjustment is the most common form SURA deals with.

### RISK MANAGEMENT TIPS

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

It's best to impress on a client what the limitations of their annual policy are and so which projects he might need to refer prior to their commencement are made clear.

A check list is a great way for your client to easily be sure if the project needs to be referred or not and can also assist our insured to cover off risk allocation at the time of agreeing the construction contract.