

The importance of INSURING BUILDING WORK

Building operations invariably involve a variety of risks which could affect the environmental, financial, political and technical aspects of a building project. It is therefore important for the parties involved to take out adequate and the correct insurance for the full lifespan of a project, advises Uwe Putlitz, CEO of the Joint Building Contracts Committee (JBCC).

Putlitz says generally five types of insurable risk apply to all construction projects:

- Contract Works Insurance (CWI) deals with the whole works during the construction period including plant and materials, work by specialist contractors, and additional professional fees where damage to the works occurs. Such a policy must be extended to include possible damage to existing buildings during alterations and additions and/or to include adjoining structures;
- Supplementary Insurance (SI) deals with expense or loss caused by events outside the normal control of the parties, including civil commotion, riots, strike action etc. not included in the CWI policy. SI can be obtained from the South African Special Risks Insurance Association (SASRIA) in South Africa, or the Namibian Special Risks Insurance Association (NASRIA) in Namibia. Supplementary to the CWI, SI is not available to the public and needs to be arranged by a broker;
- Public Liability Insurance (PLI) provides indemnity in the event of a death or injury to any person and or accidental loss or physical damage to tangible property;

- Removal of Lateral Support Insurance (RLSI) applies where the execution of the works may cause weakening or damage or interference with the support of land or property on site or adjacent to the site and the consequences thereof; and
- Other Insurances (OI) applies to cover risks in transit of goods imported from overseas specifically for installation in a project.

"The tender documents must specify if the employer or the contractor must insure the works in the joint names of the parties. Regardless of who insures the works, the beneficiary should be the employer – and he or she should pay the premiums."

Putlitz says the concept of insurance is straightforward but the actual selection of appropriate policies for specific contracts is not. "That is why it is important to deal only with a broker experienced in construction industry insurance matters: this type of cover is not a do-it-yourself activity and, if dealt with improperly, all claims will be rejected. The insurance must be carefully considered to include and list all identified risks including the location of the works, the type of structure, the method of construction and where existing structures

or other site conditions may be at risk.

"The period of insurance generally applies until the date of practical completion when the employer can occupy the works but it is advantageous to include the contractor's defects liability period in the CWI to cover malfunctions of mechanical and electrical equipment, waterproofing coatings, and even landscaping. It is equally important for subcontractors to insure the tools they use on building sites and maintain general business insurances.

"Should an accident occur, and someone gets hurt or killed, reparation is sought from the Public Liability Insurance policy so it is important that both the employer, the contractor, and subcontractor maintain separate policies. A third party is not governed by the contract and may therefore institute an action of recourse for injury against any one of the contracting parties, or jointly.

"Finally, it should be remembered that omissions from an insurer's proposal form or false declarations will invalidate an insurance policy," Putlitz adds. ■

The concept of insurance is straightforward but the actual selection of appropriate policies for specific contracts is not.