

Commercial Risk Summary – Contractors – Construction

BUILDING CONTRACTORS

Category: Contractors - Construction

UK SIC CODES:

41201 (2007) / 45211 (2003) Builder and contractor for commercial buildings

41202 (2007) / 45212 (2003) Builder and contractor for domestic buildings

Description of operations: Building contractors manage the construction of a new building or renovation to an existing building. They are in charge of the entire project from initial clearing and excavating of the land to finishing the final structure.

Building contractors generally specialise in constructing single family homes, commercial buildings, or specific types of buildings such as restaurants, factories or stadiums. Most have a set group of permanent employees, and then subcontract the remaining tasks to speciality subcontractors. While firms whose employees do no actual construction work are commonly called 'paper' contractors, they generally act as 'prime' contractors for such tasks as framing carpentry, structural masonry, or metal building erection. Mechanical tasks such as plumbing, heating, and electrical are usually completed by subcontractors.

Once the land has been purchased and the design or architectural work has been done, the building contractor takes the project from the site or land preparation, through excavation and laying of the foundation, to the completion of the building, including the interior finish. Typically, the building contractor first turns the architect's design into specifications for work and materials, setting quality standards and also scheduling the phases of the project, as well as dictating insurance requirements for the project as a whole and for the subcontractors. The contractor then gets bids (solicits competitive proposals) from potential subcontractors and suppliers. Together with the customer (the project owner), the building contractor awards the bids to the successful subcontractors.

The building contractor is also responsible for complying with all regulations, codes and zoning requirements. This includes purchasing the necessary permits and obtaining the necessary surety bonds.

Property exposures at the building contractor's own location are usually limited to an office operation and storage of materials, equipment and vehicles. If the building contractor is involved in framework or masonry, timber or bricks may be stored on site, increasing the exposure to fire, inclement weather, vandalism and theft.

Surety bond exposures arise from the requirement for many construction projects to obtain financial guarantees for the completion of projects and payment of labour and supplies. Inability of the contractor to qualify for these bonds due to their prior experience and financial condition may indicate a moral hazard.

Premises liability exposures at the contractors' premises are usually limited due to lack of public access to the premises.

At the job site, the building contractor is ultimately responsible for the job site, all injuries or property damage that results from construction operations, including those that are due to the acts or omissions of subcontractors. Lack of adequate communication between the different subcontractors can cause hazardous working conditions especially if blasting or similar hazardous operations taking place. Heavy machinery used for excavation may cut power lines, disrupting service to other homes or businesses in the vicinity. Welding presents potential for burns or setting the property of others on fire if not conducted safely. The contractor's employees can cause damage to the client's other property or bodily injury to members of the general public or employees of other contractors. Tools, power cables, and scrap all pose trip hazards even when not in use. If there is work at heights, falling tools or supplies may cause damage and injury if dropped from ladders, scaffolding, or cranes. Failure to protect equipment, building materials and property of others left at job sites from theft and vandalism may result in a subrogated loss. All

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hazards are increased in the absence of properly enforced procedures to control access to the jobsite.

Contractual liability exposures are significant for building contractors. While it is important to control physical hazards, the absolute key to successful performance as a building contractor is likely to be management of contractual language. Catastrophic financial losses (and expensive litigation) may arise if the building contractor fails to verify that subcontractors' certificates of insurance are accurate and the limits are adequate.

Completed operations exposures are high. The designer and engineer of the project, the quality of materials, and the construction details are all critical. Failure of the insured to maintain quality control and full compliance with all construction, material, and design specifications may give rise to serious loss.

Motor vehicle exposures may be limited to private passenger only as executive supervisors travel from site to site. Usage of private passenger vehicles for personal use should be controlled. If the building contractor is also handling part of the construction, workers, equipment and supplies may be transported to and from job sites. Hazards depend on the type and use of vehicles and radius of operation with the main hazards being upsets and collisions. Vehicles may have special modifications or built-in equipment such as lifts and hoists. Large materials such as air conditioners may be awkward and require special handling and tie-down procedures. Age, training, experience and the motor vehicle records of the drivers are important issues to consider, in addition to the age, condition and maintenance of the vehicles used in transport operations.

Employers' liability exposures vary based on the size and nature of the job. When an executive supervisor is only reviewing and giving oversight, the exposure is clerical with some jobsite inspection. However, if actual construction work is done, the exposure should be reviewed based on the type of construction taking place. Control of the jobsite is the responsibility of the building contractor, who may be held responsible for any injuries of subcontractors on the job.

Other exposures may include book debts, contractors' plant & equipment, goods in transit, contract works, and deeds and documents. Subcontractors generally have their own equipment, but the building contractor may arrange for the lease of larger equipment, such as cranes, for subcontractors to use, either with or without operators. The contractual agreements with the rental firms determine who is responsible for any damage to the rented equipment. If the building contractor performs tasks at the job site, equipment may be subject to water hazards, drop and fall from heights, or being struck by other vehicles.

Contract works cover is an important cover for many building contractors. Besides obtaining cover, they may need to coordinate their subcontractors' covers and terms. Exposures will vary depending on type of project. New construction rather than renovation building is also a major consideration.

Minimum recommended cover:

Machinery & Contents, Employee Dishonesty, Contract Works, Surety Bonds, Public/Product Liability, Employee Benefits Liability, Excess of Loss/Difference in Cover, Motor Liability, Employers' Liability

Other covers to consider:

Building, Business Interruption with Increased Expenditure, Book Debts, Computers, Contractors Plant and Equipment, Goods in Transit, Deeds and Documents, Employment Practices Liability, Environmental Impairment Liability

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Broker: The covers listed below are suggested for consideration. After evaluating each of the listed covers, check the recommended blank by those that apply specifically to the client. Make sure both the exposure and the cover are explained thoroughly to the client.

Client: For each of the covers that the broker has recommended, initial whether you have chosen to accept or reject that cover in the blanks provided.

Please note that this list is NOT exhaustive. If you have a specific need not on the list, please contact us at Trade Protect to address your needs and to arrange a bespoke policy.

CLIENT/BROKER COVER AGREEMENT

	Recommend	Accept	Reject	N/A
PROPERTY				
Buildings				
Standard Cover	_____	_____	_____	_____
Basic (Additional Perils)	_____	_____	_____	_____
Catastrophe (FLEA)	_____	_____	_____	_____
Additional Building Covers				
Accidental Damage	_____	_____	_____	_____
Subsidence	_____	_____	_____	_____
Terrorism	_____	_____	_____	_____
Domestic Perils	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Tenants Improvements	_____	_____	_____	_____
Machinery and Contents	_____	_____	_____	_____
Premises	_____	_____	_____	_____
Portable	_____	_____	_____	_____
Office Contents	_____	_____	_____	_____
Premises	_____	_____	_____	_____
Portable	_____	_____	_____	_____
E-Risks				
Computer Hardware	_____	_____	_____	_____
Computer Software	_____	_____	_____	_____
Computer Data	_____	_____	_____	_____
Stock	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
Work in Progress	_____	_____	_____	_____
Customers Goods Held in Trust	_____	_____	_____	_____
Other Property Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Settlement Bases				
Indemnity	_____	_____	_____	_____
Reinstatement	_____	_____	_____	_____
Day One – uplift NN%	_____	_____	_____	_____
85% Average	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
CONSTRUCTION/SITE RISKS				
Contract Works (Contractors All Risks)	_____	_____	_____	_____
Permanent	_____	_____	_____	_____
Temporary	_____	_____	_____	_____
Contractors Plant and Equipment	_____	_____	_____	_____
Own Plant	_____	_____	_____	_____
Hired In Plant	_____	_____	_____	_____
Offsite Storage (Materials)	_____	_____	_____	_____
Site Cabins and Temporary Buildings	_____	_____	_____	_____
Other Construction/Site Risks				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
ENGINEERING COVERS				
Damage and Breakdown	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
Boilers and Pressure Plant	_____	_____	_____	_____
Engine Plant	_____	_____	_____	_____
Electrical and Mechanical Plant	_____	_____	_____	_____
Lifting Machinery	_____	_____	_____	_____
Erection and Installation	_____	_____	_____	_____
Inspection	_____	_____	_____	_____
Engineering Interruption	_____	_____	_____	_____
Machinery Movement	_____	_____	_____	_____
Computers	_____	_____	_____	_____
Other Engineering Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
BUSINESS INTERRUPTION COVERS				
Business Interruption With Increased Expenditures	_____	_____	_____	_____
Gross Profit / Revenue / Rentals/ Other	_____	_____	_____	_____

Increased Cost of Working	_____	_____	_____	_____
Additional Increased Costs	_____	_____	_____	_____
Declaration Uplift NN%	_____	_____	_____	_____
Indemnity Period NN months	_____	_____	_____	_____
Extensions				
Prevention of Access	_____	_____	_____	_____
Failure of Utilities – Station Only	_____	_____	_____	_____
Failure of Utilities – Terminal Supply	_____	_____	_____	_____
Key Suppliers - Specified	_____	_____	_____	_____
Key Suppliers - Unspecified	_____	_____	_____	_____
Key Customers - Specified	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
Key Customers - Unspecified	_____	_____	_____	_____
Goods in Transit	_____	_____	_____	_____
Motor Vehicles	_____	_____	_____	_____
Pattern Moulds and Dies	_____	_____	_____	_____
Contract Penalties	_____	_____	_____	_____
Loss of Attraction	_____	_____	_____	_____
Murder and Suicide	_____	_____	_____	_____
Infectious Disease	_____	_____	_____	_____
Defective Sanitation	_____	_____	_____	_____
Property Stored Elsewhere	_____	_____	_____	_____
Contract Sites	_____	_____	_____	_____
Outworkers	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other Business Interruption Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
LIABILITY COVERS				
Employers Liability	_____	_____	_____	_____
Public Liability	_____	_____	_____	_____
Legal Expenses	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Products Liability	_____	_____	_____	_____
Products Recall	_____	_____	_____	_____
Financial Loss	_____	_____	_____	_____
Environmental Impairment Liability	_____	_____	_____	_____
Directors and Officers Liability	_____	_____	_____	_____
Management (Entity) Liability	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
Employment Practices Liability	_____	_____	_____	_____
Media / Cyber Liability	_____	_____	_____	_____
Special Events Liability	_____	_____	_____	_____
Professional Indemnity (Errors and Omissions)	_____	_____	_____	_____
Accountants	_____	_____	_____	_____
Architects	_____	_____	_____	_____
Consultants	_____	_____	_____	_____
Contractors	_____	_____	_____	_____
Engineers	_____	_____	_____	_____
Financial Advisors	_____	_____	_____	_____
Solicitors	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Trustees Liability (Charity or Pensions)	_____	_____	_____	_____
Other Liability Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
BENEFITS				
Employee Benefits	_____	_____	_____	_____
Group Personal Accident	_____	_____	_____	_____
Group Income Protection	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
GOODS IN TRANSIT COVER				
Goods in Transit	_____	_____	_____	_____
Own Goods	_____	_____	_____	_____
Consigned Goods	_____	_____	_____	_____
Freight Forwarders Liability	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
Hauliers Liability	_____	_____	_____	_____
Warehouse Keepers Liability	_____	_____	_____	_____
Other Goods in Transit Cover				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

OTHER RELEVANT BUSINESS COVERS

All Risks to Cover Portable Equipment	_____	_____	_____	_____
Book Debts	_____	_____	_____	_____
Cameras and Musical Instrument Dealers	_____	_____	_____	_____
Credit Risks and Bad Debt	_____	_____	_____	_____
Deeds and Documents	_____	_____	_____	_____
Difference In Cover / Difference in Limits (DIC/DIL)	_____	_____	_____	_____
Excess of Loss	_____	_____	_____	_____
Film Cover	_____	_____	_____	_____
Furriers Block	_____	_____	_____	_____
Glass and Signs	_____	_____	_____	_____
Goods Held in Trust	_____	_____	_____	_____
Instalment Sales	_____	_____	_____	_____
Jewellers Block	_____	_____	_____	_____
Loss of Profits or Money	_____	_____	_____	_____
Specie and Fine Arts	_____	_____	_____	_____
Specie and Fine Arts Dealer	_____	_____	_____	_____
Theatrical Property	_____	_____	_____	_____
Other Relevant Business Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
CRIME COVERS				
Money, Securities and Other Property				
Employee Dishonesty	_____	_____	_____	_____
Computer Fraud	_____	_____	_____	_____
Funds Transfer Fraud	_____	_____	_____	_____
Kidnap and Ransom	_____	_____	_____	_____
Loss of Money	_____	_____	_____	_____
Terrorism	_____	_____	_____	_____
Theft	_____	_____	_____	_____
Full Theft	_____	_____	_____	_____
Other Crime Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
COMMERCIAL MOTOR COVERS				
Comprehensive	_____	_____	_____	_____
3rd Party Liability	_____	_____	_____	_____
Fire and Theft	_____	_____	_____	_____
Hired Vehicles	_____	_____	_____	_____
Hired Plant and Vehicles	_____	_____	_____	_____
Motor Fleet	_____	_____	_____	_____
Motor Trade	_____	_____	_____	_____
Garage or Internal Risks	_____	_____	_____	_____
Road Risks	_____	_____	_____	_____
Other Commercial Motor Covers				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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	Recommend	Accept	Reject	N/A
AVIATION COVERS				
Hull All Risks	_____	_____	_____	_____
Aircraft Liability	_____	_____	_____	_____
Hangarkeepers Liability	_____	_____	_____	_____
Passenger Liability	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
MARINE COVERS				
Cargo	_____	_____	_____	_____
Hull Cover	_____	_____	_____	_____
Owners Liability	_____	_____	_____	_____
War	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
BONDS				
Bid Bond	_____	_____	_____	_____
Contract Bond	_____	_____	_____	_____
Payment Bond	_____	_____	_____	_____
Licence Bond	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
BESPOKE COVERS				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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Comments

I certify that I have reviewed my cover needs in accordance with this checklist with my broker and I have accepted or rejected the recommended covers as indicated by my initials in the spaces above.

_____ Signature of Client _____ Date

_____ Title

I certify that I have reviewed the covers outlined in this checklist with my client and that the initials of the client indicate the acceptance or rejection of the covers recommended.

_____ Signature of Broker _____ Date