



Insurance in construction projects

Insurance is a contract in which the insured pays a premium to the insurer who agrees to give the insured financial compensation if a specified event occurs. This event must involve some uncertainty as to its occurrence.

An “insured” must take care to comply with the policy requirements as special rules apply to insurance contracts such as duties of disclosure and the contracts are usually subject to detailed exclusions and limitations of the cover provided.

The most common insurances are all risks, professional indemnity, product liability, public liability and employer’s liability, often provided under one over-arching policy. Some projects also have single project and/or latent defects insurance.

“All risks”

This covers physical damage to the works and site materials. This insurance may be maintained by the contractor or the employer, be in the joint names of the employer and any other person with an interest in the project and maintained until practical completion of the project.

On international projects and some Public Private Partnerships projects (PPP), the parties may require additional insurances as part of the “all risks”. Typically these are delayed start-up and business interruption insurances which respond to an event of physical loss or damage that delays the start of the income stream or arises once the completed project is operational but then suffers a shutdown, which affects the income stream.

Professional indemnity insurance (PII)

PII insures against liability arising from professional negligence. Negligence can arise in the design or the services, such as surveying, project management or contract administration. It is usually required from a professional consultant, a contractor with design responsibility and sub-contractor whose duties include a significant design element. As it usually operates on a “claims made” basis. It must be maintained throughout the insured’s period of liability, not just until the end of the project.

Project liability insurance

Suppliers are often required to maintain such insurance in respect of proprietary materials, goods or technology to protect against liability for injury to third parties or damage to their property.

Public liability insurance

This covers liability arising from death or personal injury to third parties other than the insured’s own employees and for damage to property belonging to third parties. As it is usually maintained on an “events occurring” basis it need not be maintained after completion.

Employer’s liability insurance

This protects a party against liability for injury or disease to its employees arising out of their employment. As UK law requires this to be at least £5 million per occurrence it need not be covered in domestic contracts and tends only to be seen for projects with an international element or where a higher level is needed.

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Single project insurance

This covers everyone under one policy, with the insurer waiving its right of subrogation against the insured parties. One policy may cover PII, latent defects insurance, land and buildings insurance and “all risks” insurance. It avoids the “gaps” that can arise with multiple policies and reduces costs by avoiding duplicate insurance. It also reduces disputes by removing the subrogation rights but is still relatively rare in the UK for cost reasons.

Latent defects insurance

This typically lasts for ten years from the original construction of the building and protects the owner against material damage to the building and is generally taken out when a building is first built. The owner does not have to prove fault by any party, the policy pays for latent defects to be remedied.



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The 'very good' and 'hardworking' construction team at Brachers is led by Michael Janney.

[The Legal 500](#)

Meet the team



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