engineering broker pack

Authorised Financial Services Provider

A member of the OLDMUTUAL Group

MUTUAL & FEDERAL

PROTECTING WHAT'S IMPORTANT TO YOU. SINCE 1831

Contents

1. INTRODUCTION

As one of South Africa's leading short-term insurers, Mutual & Federal has been protecting clients from financial loss for decades, providing superior insurance solutions to protect their business ventures.

The Engineering department of Mutual & Federal

Our Engineering department comprises a specialised team of experts who will provide the information necessary to allow you to make informed decisions regarding the adequacy and type of cover you require. Our experienced underwriting staff are supported by qualified Engineers who are available to assist you with risk appraisal, loss prevention or maintenance matters. Our Engineering department also includes a team of highly trained claims handlers to deal with your claims quickly and efficiently.

Flexibility and choice

Our Engineering Insurance products not only provide you with security and peace of mind, but also with exceptional value for money.

1.1 ENGINEERING POLICIES

Our range of cover options include:

Contract works

This policy provides protection for the Principals, Contractors and Sub-contractors, covering construction and erection projects, against physical loss or damage to the works during the construction phase. The projects can range from domestic dwellings to a power station.

The policy can also provide protection for the Clients/Contractors Legal Liabilities, in the event of injury or damage to third party person or property arising from the works.

The Contract Works Policy can be extended to include additional specialist cover, such as removal of Support and delay in Start-up.

Removal of Support

This policy provides protection for the Principals, Contractors and Sub-contractors, for their liabilities in the event of injury or damage to third party persons or property, arising from the removal, weakening or interference with the support of land/or buildings adjacent to the Contract Site.

Delay in Start-up

This policy provides cover in respect of consequential losses that the Principal may face, should a project be delayed beyond the estimated completion date, as a result of physical loss or damage to the works during the construction phase. Such losses could be loss of rent or loss of profit.

Plant All Risks

This policy is designed to cover construction, mining and other mobile and non-mobile plant/machinery against physical loss or damage whilst situated on a site or in transit to and from a site.

The cover can also apply to plant hired in or out by the client

Machinery Breakdown

The Machinery Breakdown policy caters for sudden physical damage to installed machinery at the Insured's premises/factory. The cover includes damage resulting from dismantling and re0erection of machinery within the Insured's premises. The machinery can range from small compressors/motors, to all types of machines used in mining, manufacturing, cold storage and material handling.

Loss of Profits

This policy caters for Loss of Gross Profits and Increased Cost of Working (I.C.O.W), resulting from a loss in production/turnover, following sudden physical damage to machinery covered under a Machinery Breakdown policy.

Deterioration of Stock

This policy is designed to cater for deterioration/ spoilage of perishable goods being held in cold storage facilities, resulting from fluctuations in temperature caused by sudden physical damage to machinery, such as the refrigeration plant, which is covered under a Machinery Breakdown policy.

Dismantling Transit and Erection (D.T.E)

The Dismantling Transit and Erection policy provides cover for the movement of machinery between premises and includes the installation, as well as covering testing and commissioning of new machinery.

The cover can be extended to include Third Party Liability arising from the Insured operations.

Works Damage

This policy is designed for the protection of manufacturers, against damage to their products during the manufacturing process, due to impact/collision/dropping/overturning.

The policy may be extended to protect the manufacturing machinery itself, against impact damage due to products falling on such machinery.

Applied Electronics

This policy provides cover for electronic equipment in its widest spectrum of use. The cover is on an 'All Risks" basis, covering fire, theft, surge damage, malicious damage and electrical/mechanical breakdown.

The equipment that can be covered by this policy ranges from PC's (Desktop Computers) to medical apparatus, PABX's (Telephone Exchanges) and mainframes.

The policy can be extended to include Increase Cost of Working (I.C.O.W) and Reinstatement of Data (R.O.D).

1.2 THE BENEFITS OF PARTNERING WITH MUTUAL & FEDERAL

- With offices throughout the country, Mutual & Federal is one of the largest and most respected short-term insurance companies in South Africa
- You are assured of top quality insurance and service
- Claims are handled in a thorough and professional manner
- Experienced underwriters
- Our Engineer is available to assist clients with technical advice on matters such as risk appraisal, loss prevention or maintenance
- AAA credit rating
- The policies can be tailor made to suit client's needs

2. GENERAL NOTES

2.1 APPLIED ELECTRONICS INSURANCE

<u>PURPOSE OF THE POLICY:</u>

1. To insure against loss or damage to Electronic Data Processing Equipment including related office equipment such as Printers, Switchboards, Fax Machines
   and/or
2. To Insure against loss or damage to Electro-Medical Apparatus

<u>GENERAL NOTES ON THE POLICY:</u>

1. This policy covers the Insured Property at specified premises detailed on the schedule. The policy will then extend to include incidental transit to another temporary location including temporary storage en route. For the transit to be regarded as incidental, it must not form part of the Insured's normal Business operation, and it is intended that the items would always have to be returned to their original locations. Note that a permanent office move is therefore not covered and should be regarded as a Marine Risk. It is possible to extend the policy to cover this additional risk; however it must be charged for considering you are widening the policy.
2. The policy wording makes reference to the type of Property Insured. This wording is redundant and may be deleted. In fact, if you are insuring Electro-Medical Equipment it **must** be deleted.
   One of the original reasons for having this clause is to differentiate between standard operating software and software bought additional to the Property Insured:
   a) Standard Operating Software comes with the computer when bought e.g. Microsoft Word and therefore does not need to be listed separately on the schedule
   b) Specialised Software like Pastel must be added separately on the schedule
3. Portable Equipment is covered worldwide but only temporarily. Like incidental transit, for the cover to be in force, the items must be planned to return to the Addresses listed on the schedule.
4. This is one of the most important Exceptions in this policy, as it details very specifically:
   a) That theft is not covered if discovered during routine checks like stocktaking
   b) When cover is in force or not in force whilst in transit
5. This is a similar exclusion that is found in the Machinery Breakdown and Plant All Risks Policy. The exclusion excludes cover for expendable parts when damaged on their own, but will cover them if lost or destroyed with the rest of the item following an indemnifiable event.
6. This exclusion excludes costs incurred by the Insured for reinstating lost data following an indemnifiable event. The Reinstatement of Data extension brings the cover back in.
7. The Applied Electronics Policy is based on the concept of New for Old. In other words, following a total loss, settlement is based on the new replacement cost of the Property Insured, or if not available, the nearest equivalent, provided certain provisions are met by the Insured, namely:-
   a) Any replacement or reinstatement must be carried out within a reasonable time period. The reinstatement or replacement may be carried out at another site.
   b) The Insured must pay for the replacement themselves first and thereafter, we will indemnify. However, this provision is waived the majority of the time and we will indemnify if the Insured provides an invoice or other proof of commitment to order the replacement items.
   c) These provisions must be met within 6 months of date of loss.

d) If the provisions are not met or alternatively the Insured is unwilling or unable to replace or reinstate, indemnity will revert to Market Value.

8. For partial losses, indemnity is the cost of restoring the item to working order.
9. The average provision clearly states that the Sum Insured must represent the Installed New Replacement Value.
10. These Additional Costs are not payable on top of the Limit of Liability or the Sum Insured. The broker and/or client must make sure their Sum Insured is sufficient to cater for these additional costs.
11. The Capital Additions Memo grants cover to equipment bought by the Insured without having to advise us straight away. However, the equipment must be similar in nature to the current equipment insured on the policy and must be installed and commissioned. If a client buys a number of PC's and stores them away for future use, they will not be regarded as covered in terms of the Capital Additions extension.
12. The Declaration Memo is included, due to the Capital Additions Memo. The client must provide an updated list of equipment detailing the items deleted and added during the year and the premium will be adjusted according to this list.
13. The ICOW extension covers costs incurred by the client to prevent any interruption in their business. A good example is hiring in replacement computers following a power surge claim that has damaged a number of computers. While the computers are getting repaired, the ICOW extension will cover those costs. Please remember that the ICOW has its own Time Deductible and Indemnity Period.
14. The Reinstatement of Data covers costs to recover lost data on a computer following an insurable event. It is important to remember that this extension will not pay for recovering lost data following viruses, Trojans or intentional or unintentional destruction or deletion of data & programme errors. There must be physical damage to the equipment for this cover to be in force.
15. The best way to explain Incompatibility Cover is by way of an example. Following a power surge, a number of computers are totally destroyed and have to be replaced. It is established that the server is unable to operate effectively with the new computers due to an age difference. This extension will cover the costs to modify or alter the server currently already insured so as to operate effectively with each other. The extension can also include upgrade of software. Note that this extension is limited to 20% of the Sum Insured but maximum R 25 000.

<u>DIFFERENCES TO THE MULTIMARK ELECTRONIC EQUIPMENT SECTION:</u>

There are 2 main differences, being:-

1. The Applied Electronics Policy does **NOT** restrict cover to forcible and violent entry or exit. However as per the Theft Exception, it must still be an identifiable event.
2. While the Applied Electronics grants New for Old irrespective of age, the Electronic Equipment Section in the Multimark Wording only provides new for old for equipment younger than 7 years.

<u>THINGS TO WATCH OUT FOR:</u>

1. Tablet Computers (Ipads) are devises somewhere between a Laptop and a Smart Phone. As a rule, you should not insure these items stand-alone but can only do so if part of an account where you already insure Computers or Laptops etc.
2. Cellphones and Smart Phones and not to be insured under this policy.
3. CCTV equipment can only be included under this policy if the policy already insures computers etc.

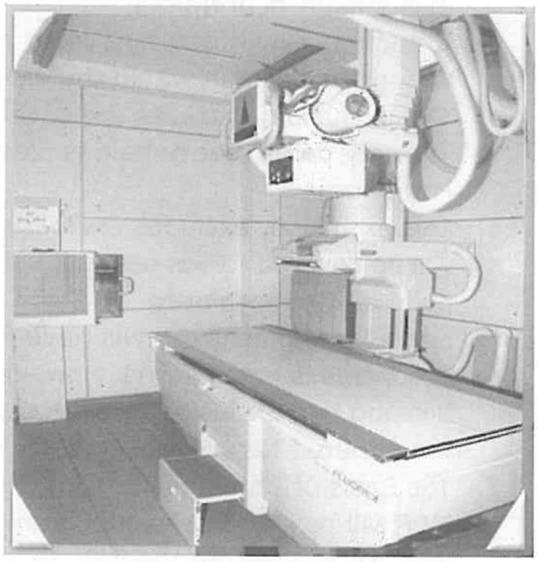
PHOTOS:

Laptop

Tablet Computer

Desktop Computer

X-Ray Machine



MRI Scanner

2.2 MACHINERY BREAKDOWN, LOSS OF PROFITS AND DETERIORATION OF STOCK

Purpose of the Policy:

1. To insure against sudden and unforeseen breakdown of fixed industrial machinery
2. To insure against the resultant loss of revenue or profits
3. To insure against the deterioration or destruction of goods held in cold rooms, following damage to Refrigeration Equipment

General Notes on the Policy:

Part 1 Machinery Breakdown

1. This is the most important part of the Machinery Breakdown Policy. For there to be an insured event, the loss must be unforeseen **AND** sudden. An event that is not unforeseen would be picked up during routine maintenance. And a loss that is not sudden would be wear and tear.
2. Cover remains in place while being cleaned and inspected even while at a repairer or manufacturers premises.
3. It also must be noted that cover remains in place if the machine is dismantled, moved to another position within the existing address and re-erected.
4. This exclusion, excludes the cover that would be bought with the Commercial Policy. The only perils that remain is Electrical or Mechanical Breakdown, Impact and Powersurge
5. This exclusion, excludes cover for items that have a short life span. However, the parts will be covered for its residual value if damaged as a result of an insured event to other parts of the machinery
6. Some large machinery will have foundations or false floors etc. In terms of the standard policy this is not covered. However, in some instances this cover can be granted by deleting this exclusion, provided of course that the cost of the foundations is included in the declared New Replacement Value and premium therefore charged.
7. The Basis of Indemnification is the most important part of the policy as it describes how M&F will pay for losses once they occur. This one states that in the event of a partial loss, we will restore the item to working order. As a rule M&F will replace damaged parts with new parts. Refer therefore to commentary on New Replacement Value etc. under "Things to watch out for"
8. In the event of a total loss, M&F will replace the item with a new machine if the machine is less than 3 years old, provided certain conditions are met. For items older than 3 years, indemnity will be Market Value
9. There are a number of additional costs which M&F would pay for, namely Removal of Debris Costs, Professional Fees and Plan Scrutiny Fees. It must be noted that this is not a separate limit, and the New Replacement Value declared must be sufficient for these costs.
10. This clause is usually standard on every policy. The escalation clause allows for the increase in value of the machinery by a certain percentage without the Insured having to notify us of increased Sum Insured.
11. Memo 1 refers to Capital Additions. This allows the insured to install additional machinery of like nature and to not advise M&F of this new item immediately, provided the value is within the percentage allowed. Because of this Memo, Memo 2 is included, converting the policy to a declaration policy. At the end of the period, the insured must advise the new sum insured included the new items added in terms of Capital Additions and the premium adjusted accordingly.

Part 2 – Loss of Profits

1. The insured will declare their Annual Gross Profit or Revenue to M&F. We will cover the loss or revenue or profit and/or Increased Cost of Working following an insured event under the Machinery Breakdown Policy. Increased Cost of Working is the additional costs incurred by the Insured solely to avoid or diminish a loss of revenue or profit.
2. Under the definition of accident, the policy clearly states that cover will only respond following an insured event under the Machinery Breakdown Policy
3. The Indemnity Period is the maximum period that the Insured can claim for loss or revenue or profit. The wording also refers to the Time Excess, which is in fact the deductible on the policy. The Time Excess is the first period where any loss of revenue or profit will not be paid. It is important to note that the indemnity period only starts after this Time Exclusion ends.

Part 3 – Deterioration of Stock

1. The insuring clause states that cover is in respect of fortuitous damage to the products, Increased Cost of Working to prevent or minimize damage to the products, and damaged as a result of accidental escape of refrigerant
2. This exception clearly states that only stock housed in an Insured Cold Room is covered.
3. Any consequential losses following the damage to the stock is not covered
4. Like the Loss of Profits section, the definition of Accident clearly states that there must be an insured event under the Machinery Breakdown policy to the Cold Room housing the stock.
5. Cover is also extended to include Deterioration of Stock following failure of the public supply of electricity. But this must be at the terminal ends of the suppliers service feeders at the Insured's Premises.
6. The Sum Insured of the Stock can represent either:-
   a) Purchase price paid by the Insured for the stock
   b) Cost price
   c) Selling price

   Usually, the value is based on Cost Price. We would prefer not to base on Selling Price, as this includes Profit
7. This memo states that it is the Insured's responsibility to destroy the products and they must obtain a Certificate of Condemnation from the appropriate Local Authority
8. Memo 2 clearly states that the Cold Rooms must be maintained and proof must be kept of the maintenance
9. This Memo states that the switchgear must have an automatic restarting mechanism following a failure of electricity

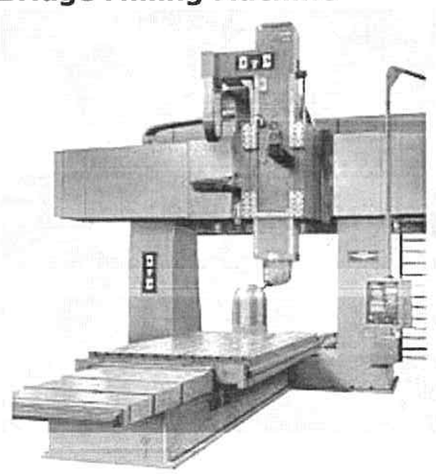
Things to watch out for:

1. The Machinery Breakdown Sum Insured must represent New Replacement Value, considering that M&F will be indemnifying new for old for items less than 3 years.
2. The Machinery Breakdown policy is for fixed machinery that generates income for a company. Therefore items like Escalators and Elevators should not be insured stand-alone under this policy.
3. Your loss of profits Sum Insured will always represent a 12 month Revenue or Profit if your indemnity period is 12 months or less. An insured can buy an indemnity period longer than 12 months; however the Sum Insured then be equal to the indemnity bought, in other words, 18 months indemnity period must represent an 18 month gross profit.

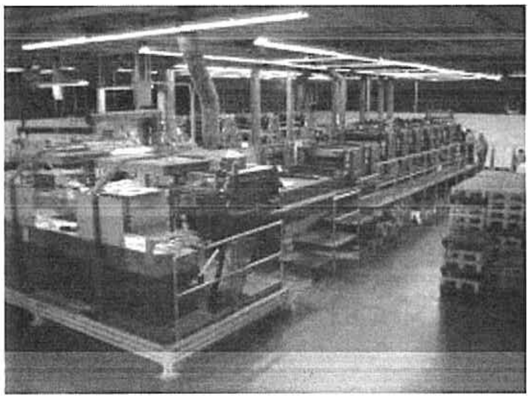
4. Additional Increased Cost of Working can be bought in addition to the standard ICOW. ICOW is the concept whereby the Insured will spend R 1 to save R 1 on profit. AICOW is where the Insured will spend more than R 1 to save that R 1.
5. As a general rule, the only goods to be insured under Deterioration of Stock should be consumables.

PHOTOS

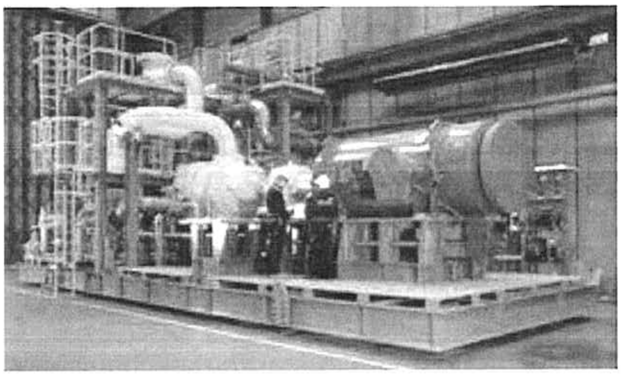
Bridge Milling Machine



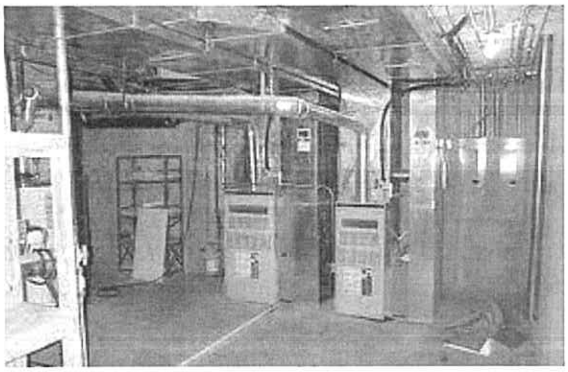
Printing Press



Compressor



Furnace



Cold Rooms

Generators

2.3 PLANT ALL RISK INSURANCE

PURPOSE OF THE POLICY:

1. To insure against loss or damage to Constructional Equipment whilst on a construction site; or
2. To Insure against loss or damage to Mining Equipment whilst on a mine; or
3. To Insure against loss or damage to Quarry Equipment whilst on a quarry

GENERAL NOTES ON THE POLICY:

1. The Policy excludes loss or damage to the Plant when it is driving under its own power. This risk should be covered under the Motor Policy, however refer to "Construction Vehicles and Equipment Policy" or "Things to watch out for" if cover on our policy is required
2. The Plant Policy must clearly state on the schedule that the Insured Premises is "any construction site within the territorial limits" (or mining / quarry site etc.).
   Therefore, the Policy does not insure the Plant when stored at the Clients own premises (For example during December Holidays), however it will be covered if **temporarily** stored at their own premises provided it is en route to a Construction Site
3. Temporary Hire Charges will cover the costs to hire in a similar machine to continue to do the job of the Machine damaged so that the client will not suffer a financial loss. This extension is subject to its own Time Deductible and Indemnity Period. The client would buy a limit which would be sufficient to cover these costs in the event of a substantial loss.
4. This paragraph merely extends to include cover for items that are Hired-in by the Insured, provided of course the client has bought the cover and therefore included on the schedule.
5. Continuing Hire Charges will cover the fees the client has to (contractually) continue to pay for the plant he has Hired-in, that has been lost or damaged. This extension is subject to its own Time Deductible and Indemnity Period. The client would buy a limit which would be sufficient to cover these costs in the event of a substantial loss.
6. If there is damage to the Machinery because the item was not used in the correct manner, the loss would be excluded. For example, if a crane can only carry 10 Tons, but the operator uses the crane to carry 50 Tons resulting in the crane collapsing, the loss would be excluded.
7. This exclusion excludes losses from electrical or mechanical breakdown. You would not want to insure breakdown of machinery that is put under heavy use, and is similar to the idea of not insuring breakdown of your car under your motor policy.
   However, the exclusion does state that the policy will cover resultant damage to the machinery following breakdown of a part.
8. This memo merely states that where plant is hired-in, we will only indemnify based on the Standard CPHA Conditions.
9. Because the premium for Hired in Plant is based on the Estimated Fees the client is expecting to pay for the next 12 months, the policy becomes a Declaration Policy (with the premium being a deposit premium) and subject to adjustment when the Client declares the Actual Fees paid.
10. This memo states that if the policy is cancelled or not renewed but the client has paid premium for the plant hired-in, we will continue to insure until the client returns the machine to the owner. This is a similar concept to Run-off under a Construction Risks Policy.
11. The Basis of Indemnification is the most important part of the policy as it describes how M&F will pay for losses once they occur. This one states that in the event of a partial loss, we will restore the item to working order. As a rule M&F will replace damaged

parts with new parts. Refer therefore to commentary on New Replacement Value etc. under "Things to watch out for"

12. This paragraph states that in the event of a total loss (this also means stolen), the maximum we will pay is the Market Value of the Item less any salvage. The paragraph also clearly explains when we will consider the item to be a "write off".
13. This condition states that the Sum Insured must always represent New Replacement Value and what the consequences would be if it does not, in other words Average will apply.

THINGS TO WATCH OUT FOR:

1. Some items are not designed for the Plant Policy, though brokers may ask for them to be included. Examples are small handheld tools, lawnmowers etc. Considering our policy is meant for larger specialised Construction Equipment, these items are best insured under the Commercial All Risks Section.
2. Contrary to popular belief, our standard plant policy does cover losses to windscreens. However because we apply a minimum deductible of R10 000, any losses to windscreens falls within the deductible. When we apply a separate windscreen deductible, we are actually reducing the excess to allow these small claims to be covered. Doing this should generate an increase in rate considering you are reducing the excess.
3. When you insure plant on a mine (particularly plant that may go underground), there are 2 additional exclusions that must be added to the standard policy, being:-
   - Loss or damage due to the collapse of the working face
   - Loss or damage due to the collapse of the hanging walls
4. Our policy will cover items where our Insured hires out their plant, but it is important to realise that cover will not be any wider.
5. A common confusion amongst clients and brokers is where we state "Insured Premises" in our wording. Regrettably brokers and clients see this as reading "Insured's own Premises" instead of referring to the policy schedule which will define the "Insured Premises" as Construction Site or Mining Site.
6. If cover is given for items driving under its own power, the standard policy must be endorsed to include this cover or alternatively reissued on the Construction Vehicles and Equipment Policy
7. Cover is not available for any Business Interruption cover following a loss. Temporary Hire Charges and Continuing Hire Charges are provided instead to prevent any reduction in turnover the insured may suffer.
8. The policy can be extended to cover items temporarily going outside South Africa. This can only be done if the item is returning to South Africa and thus remains a South African asset. If this is done, the policy must be endorsed accordingly and the following additional clauses to be included:
   - Assessors fees 50/50
   - RSA Jurisdiction
   - Excluding Confiscation, Nationalisation, Abandonment (this is already implied in the wording and no need to re-endorse).

PHOTOS

Bulldozer

Excavator

Front End Loader

Grader

TLB

Bell TLB used for civil construction operations.

Crane

2.4 CONSTRUCTION RISK INSURANCE

INTRODUCTION:

Construction contracts could involve diverse projects, such as the construction/extension of a domestic dwelling costing R30 000, or a power station at Billions of Rands. Invariably, Finance is required and Financial Institutions always require that projects financed by themselves be insured. Considering the risks which a Contractor faces, Insurance is essential and so is insuring correctly.

Large contracts may consist of many sub-contracts such as transport, electrical, mechanical, civil and building contracts, each undertaken by one or more sub-contractors.

The Principal or Employer, Main Contractor and Sub-contractors, are all exposed to many perils which could result in damage to their work or materials, or which could lead to them being held legally liable for damage to third party property and injury to third parties.

The Principal is also often faced with consequential losses, should a project be delayed beyond the estimated completion date. Such losses could be simple, such as Loss of Rent or Advanced Loss of Profit, or more complex, such as export tax incentive.

The Principal's needs and requirements should always be determined, and full details provided to the Underwriters, to facilitate the calculation of equitable rates and the provision of the necessary covers.

COVER:

The Policy cover is tailored to the needs of the Contracting Parties, as expressed in the Contract documents. The Basis of the Policy is, in fact, the underlying contract (to the extent that the exposure is insurable).

Essentially, the Policy provides cover in respect of fortuitous physical damage to the Contract Works, materials for incorporation therein, free issue materials (to the extent that the Contract Values includes the cost thereof, and Temporary Works, from perils such as the elements, fire, theft, impact, electrical / mechanical failure during testing, during construction, and after completion, from damage resulting from prior defects.

Cover is provided for transit risks within the territorial limits, and whilst materials are in temporary storage en route. Cover is extended to cover equipment returned to the manufacturer for modifications (excluding damage caused by manufacturing processes or mis-application of tools).

Certain exposures are either uninsurable, or better insured elsewhere under more specific policies. As such, events which are not fortuitous (e.g. damage caused by normal expected rainfall), would not be indemnifiable, while negligent actions of professionals such as Consulting Engineers and Architects, are better covered under their Professional Indemnity Policies.

Defective design, workmanship and materials must be rectified at the cost of the responsible parties, but should such defects result in damage to part, or parts of the Works which are not defective, the additional costs (i.e., additional to the cost that would have been incurred to rectify the defect had the resultant damage not occurred), are indemnifiable.

Policies could be structured to provide for "contingent exposures", such as when the Contractor is not required to insure the Works but requires buy-down cover on the deductible, (Difference in Excess cover would protect the Contractor's interests in such cases), or in the event of the responsible party neglecting to insure, or insuring incorrectly, (Contingent Cover). Such Covers would be restricted to Clients with Annual Policies.

Policies can be arranged on an Annual or One-Off basis.

SUM INSURED:

The Sum Insured in respect of a One-Off Policy is the estimated Contract Value at commencement of the contract, and includes the value of any "Free Issue Materials" (Materials provided free of charge to the Contractor by the Principal/Employer). The Policy is a declaration Policy which requires the final Contract Value to be declared on completion, and provision can be made for anticipated changes in costs by requesting escalation, inflation, and currency fluctuation cover.

The Sum Insured in respect of Annual Policies is the estimated Annual Turnover, the final Turnover being declared at the end of the Period of Insurance. The Policy would incorporate a maximum acceptable Contract Limit. Contracts exceeding the Maximum Contract Limit at commencement of the Works, will be excluded from the Policy Cover, and are declared separately at terms to be agreed on. (i.e., Insured under a separate one-off Policy.).

It is worth noting that an Annual Policy will also incorporate a maximum acceptable Contract Period Limit, and that any Contract, where at commencement the Period exceeds this Limit, will be excluded from the Annual Policy.

RATING & PREMIUM:

Rates are determined statistically for the various activities which comprise the Contracts. The final rate is adjusted on the basis of exposure to elemental perils, the period of the Contract, the Contractor's expertise, and discounts are calculated on the value of the deductible, relative to the Maximum Probable Loss anticipated.

The final rate, inclusive of Public Liability and Own Surrounding Property rates, is then applied to the Contract Value to calculate the deposit premium.

DEDUCTIBLES:

The deductibles are determined by the probable exposure and the type of construction activity. Different deductibles for elemental perils, theft, testing and other perils, are frequently found in Construction Risk Policies. The Insured could elect to increase the deductible, and would then benefit from a reduction in premium.

BASIS OF INDEMNITY:

The Insurer reserves the right to repair, replace or reinstate any loss or damage to the Works, or pay cash in lieu thereof, in the event of a valid claim.

For new works, the Indemnity is calculated on the basis of the Contract Bills of Quantities, including additional costs provided for by the Escalation clauses.

Second-hand machinery is dealt with on a Market Value basis. Indemnity also includes related costs, limited to the amounts stated in the Schedule, for removal of debris following a loss, expediting costs, firefighting costs, and professional fees incurred in respect of the repairs to the damaged Works.

CLAIMS:

In the event of a claim, or event likely to give rise to a claim, the Insured must advise the Insurers as soon as possible before remedial work is undertaken. The damage cannot always be preserved and it is, therefore, critically important that the Insurers have the opportunity to inspect the damage.

Should the Insurers or their Assessor delay the process, or should the Contractor need to destroy the evidence of the loss to prevent further damage, photographs should be taken immediately, and records kept, in order to substantiate the claim.

The Insured should be advised not to make any admission, payment or offer of payment, without the express consent of the Insurers, especially in the event of third party claims for damages.

GENERAL:

Consideration should be given to removal of support from third party property and services, when excavating foundations or basements, as such damage is specifically excluded in terms of the Public Liability section of the Policy. A Removal of Support Policy could be issued for specific contracts.

NOTE:

A SASRIA Certificate can only be issued when the Contract is insured under a Construction Risk Policy.

UNDERWRITING:

The following general information would be required:

- Client Type i.e. Principal/Contractor / Sub-Contractor
- Policy Type i.e. One-off or Annual

In addition to the above, the following specific information should be obtained:

1. The names of the contracting parties.
2. Description of the Contract {refer to Contract Specifications}
3. Total Contract Value/Sum Insured, or in the case of an annual policy the Annual Turnover, and the maximum value of any one Contract.
4. A detailed breakdown of the Contract value (i.e. value of Civil, Structural, Electrical & Mechanical works, with a description of the type of work).
5. The Contract Period, or in the case of an annual policy, the average and maximum Contract periods. In the case of a phased development such as a townhouse complex, the period to complete one unit and the number of units under construction at any one time should be ascertained.
6. The Maintenance/defects liability period required in terms of the Contract Agreement.
7. Testing period (New Equipment only).
8. The location of the Site.
9. Geology, Geotechnical surveys & Hydrology.
   Were investigations undertaken?
   By whom? (name of Geotechnical Engineers)
   Details of the geotechnical conditions and recommendations are required.
10. Rain and Flood exposure :
    Was rainfall/flood investigation undertaken?
    Proximity to rivers
    Slope/exposure to run-off water
11. Security on site {refer to Engund Perils Code 018}
    Fencing
    Security guards
    Value of material stored on site
    Value of material in temporary storage
12. Fire exposure on the Site and at any Temporary Storage Premises.
13. Experience of the Contractor(s) with reference to Contracts of a similar nature undertaken in the past.
14. Experience of the Consulting Engineers.
15. Optional Cover Limits:-
    Public Liability
    Demolition and removal of debris
    Professional fees
    Claims preparation costs
    Own surrounding property damage, for property contractually under the care, custody and control of the Insured contractor.
    Escalation during the Contract period (%)
    Escalation during the Reinstatement Period (%)
    Devaluation/Revaluation of currency (%)

CONTRACTOR'S PUBLIC LIABILITY

The Contractor's Public Liability Policy forms part of the Construction Risk Policy, and cover can only be offered if the Contract Works are Insured. As for the Contract Works Policy, cover is limited to the requirements of the Contract Conditions, and also the specified Limit of Liability.

The cover provides for costs which the Insured becomes *legally liable* to pay, consequent upon an accident on or adjacent to the Contract Site, and arising out of the performance of the Contract, in respect of injury to Third Parties and/or damage to Third Party property. For the Policy to react, it must be proven that the Insured have been negligent. (Delictual Liability).

UNDERWRITING:

The following details should be determined:

Will the following be used (explosives / earthmoving equipment / compactors / pile drivers)

- Do site and excavation drawings show the type, location and depth of Public Services
- Details and descriptions of adjacent third party property.
- Proximity of the site to the third party property, public roads, or the Employers property access control to prevent the public from entering the site.
- Measures that will be implemented to minimize the PL exposure.
- The Limit of Liability required Contractually.(stated in the Contract Agreement)
- Details of any Beneficial Occupation. (i.e., part of the Works are occupied prior to completion of the Contract.).

The Underwriters should be wary of providing a high P.L. Limit of Indemnity, in relation to the Maximum Contract Value, or Average Contract Value, when quoting on Annual Business. Two recent examples highlight this:

a) Plumber A was employed to reposition sprinkler heads and extend water pipelines in the ceiling of a shop, as part of the refurbishment process. The value of the Plumber's Contract was approximately R 25 000, but he had an Annual Policy that provided Cover on all Contracts up to a limit of R 250 000, with a P.L. Limit of R 1 000 000, each and every occurrence. The Plumber did not switch of the water supply to the line feeding the shop, as he was instructed to do, and when he unfastened a section of the pipeline, the water escaped under pressure, flooding not only the shop where he was working, but the adjacent shops. One of these sold expensive electrical equipment, and the resultant claim for damages was settled for around R700 000.

b) Builder B was employed to install a fireplace, including fitting the Chimney Flue through the roof of the house, which happened to be thatch. The Builder neglected to follow the manufacturer's installation instructions, and soon after the fire was put into use, the roof caught alight, and the majority of the house and contents were burnt and destroyed. Once again, the Builder had an Annual Policy, with a P.L. Limit of R 1 000 000. The Contract was for approximately R 15 000, and the resultant Liability claim was in excess of R 500 000.

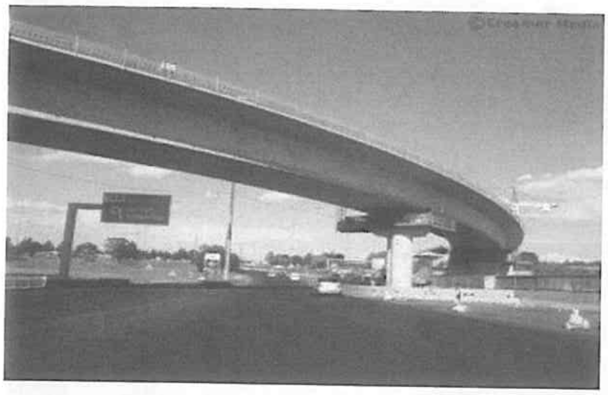
In view of the above, it is important to determine the type and scope of work/Contracts, that the Insured undertakes, as well as the Average Value of same, as these will be a guideline in determining whether the Risk will be predominantly a Liability exposure, instead of a Works Damage Risk, and whether the P.L. Limit should be lowered considerably, or a punitive deductible applied.

PHOTOS

Buildings

Town House Complexes

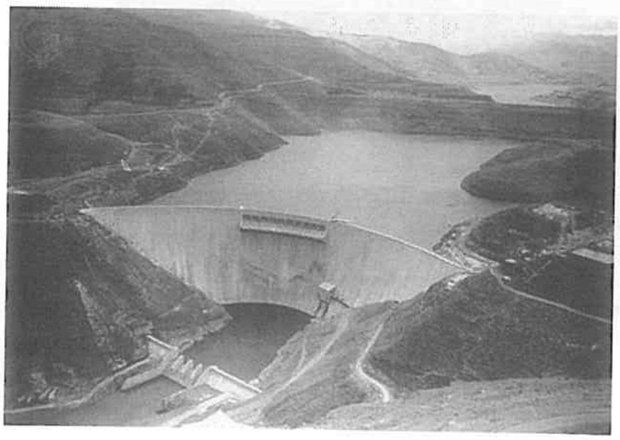
Roads



Factories and Warehouses

Mining Developments

Dams



Claims: