

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, Most Gracious, Most Merciful.

In the name of Allah, Most Gracious, Most Merciful.

In the name of Allah, Most Gracious, Most Merciful.

A close-up photograph of architectural blueprints. A red pencil is positioned diagonally across the lower left, pointing towards the center. A ruler is placed horizontally across the middle of the frame. The background shows various lines and numbers on the blueprint, including '15', '16', '17', and '18'. The text 'CONSTRUCTION INSURANCE' is overlaid in the center in a bold, black, sans-serif font.

CONSTRUCTION INSURANCE



GROUP MEMEBERS

- Khalid Rehman
- Muhammad Saleem
- Dawood Khan
- Fahad-ullah
- Abid Ali
- Ismail Khan



➤ What is Insurance?

4

- ❑ Insurance is a contract by which one party (the insurer), in exchange for consideration (i.e., money or a premium) promises to make payments upon the destruction or injury of something in which the other party (the insured) has an interest.
- ❑ The insurer agrees to give the insured some benefit (usually financial compensation) if a specified event occurs. The event must involve some uncertainty about whether or when it will happen.

➤ Why use insurance on a construction project?

5

- A responsibility given to a party under a construction contract may be substantial.
- The party accepting a risk often chooses to cover its liability with insurance.
- Insurance also protects the party to whom liability is owed because the party accepting the risk may be unable to discharge its liability unless it has insured against the risk.
- For example, if an architect's practice designed a building with a defect in it, which would cost £1 million to remedy, the architect may not have £1 million. Often, only a successful insurance claim would allow the architect to pay the remedial cost.

➤ **CLASSES OF INSURANCE**

6

- ❑ Insurance policies in the construction industry fall into two categories:
 - Property Insurance
 - Liability Insurance

➤ **PROPERTY INSURANCE**

7

- This relates to damage occurring to property or the works themselves during construction and is referred to as “property” or “works” insurance policies.
- It covers the property, contract work, materials, equipment and machinery connected with it.

➤ LIABILITY INSURANCE

8

- ❑ The second category is liability insurance dealing with claims by third parties for personal injury and property damage.
- ❑ It covers the insured's liability to third parties.
- ❑ There are three main types:
 - Employer's liability
 - Public liability
 - Professional Indemnity

➤ **LIABILITY INSURANCE**

9

➤ **Employer's liability:**

The employer's liability to his employees under a contract of service or apprenticeship for personal injury or disease arising out of the course of employment.

➤ **Public liability:**

- This covers liability for accidental injury or death to any person (other than employees) and loss or damage to a third party's property.
- It is usually designed to cover common law liability to adjoining owners and the general public arising during the course of or in connection with the work on site.

➤ LIABILITY INSURANCE

10

- Public liability insurance therefore covers the contractor's liability to the employer for damage to property which is adjacent to the site but not belonging to the employer.
- **Professional Indemnity:** Indemnifies the insured against legal liability arising from the insured's professional activities. The activities can of course vary tremendously, and therefore must be defined in the policy.

➤ SALIENT FEATURES OF AN INSURANCE CONTRACT

11

- The insurance company will ask for information relating to the risk and then will offer the person a quotation. If the quotation is accepted, then a contract will exist. The quotation should include amongst other things the following information:-
 - The premium that is payable
 - The amount of taxation
 - Any additional fees payable
 - How long the quotation is valid for
 - The name of the insurance company
 - Key facts document outlining all the salient information pertaining to the insurance

➤ What Insurance Can and Can't Do?

12

- Not all risk is insurable
- There is an interplay between insurable and uninsurable risk.
- Regardless of insurance in place, loss avoidance and mitigation are preferable to an insurance settlement.
- Insurance can remove barriers to collaboration
- Insurers provide their best terms and conditions to projects where risk is managed.

➤ **Types of Insurance on Construction Projects**

15

□ There are five common types of insurances:

- All risks insurance.
- Professional indemnity insurance.
- Product liability insurance.
- Public liability insurance.
- Latent defects insurance.

➤ ALL RISKS INSURANCE

16

- ❑ All Risks Insurance is an insurance modality that covers all types of Engineering Civil Works.
- ❑ This includes the fundamental aim of protecting against the accidental loss or damage to the works, including the contractor's construction plant and equipment, as well as third parties' claims due to personal damage, provided that these directly result from such construction works.

➤ PROFESSIONAL INDEMNITY INSURANCE

17

- ❑ Professional indemnity insurance insures against liability arising from professional negligence.
- ❑ This usually includes a contractual liability that is equivalent to professional negligence, such as a breach of a contractual obligation to exercise reasonable skill, care and diligence when carrying out design. Architects, engineers, other professional consultants and a building contractor that owes a design responsibility to its employer are usually required to maintain such insurance.

➤ **PRODUCT LIABILITY INSURANCE**

18

- ❑ Product liability insurance protects against liability for injury to people or damage to property, arising out of products supplied by a business. Suppliers of equipment to a construction or engineering project, such as lifts or escalators, may be required to maintain such insurance, sometimes in place of professional indemnity insurance.

➤ PUBLIC LIABILITY INSURANCE

19

- Public liability insurance 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.

➤ LATENT DEFECTS INSURANCE

20

- Latent defects insurance is also known as decennial insurance.
- Typically protects the owner against the cost of remedying the structure of a building, due to a defect.
- Usually, it lasts for ten years from the original construction of a building. Typically, a building owner must arrange the cover in advance.

➤ RISK MANAGEMENT-PROJECTS

21

- A typical construction project has almost 200 distinct construction project risks.
- These risks range from project planning, contract formation, on-site work, subcontractor performance, materials on site etc.
- Of the 200 distinct risks identified in a construction project about two-thirds are not directly insurable.
- Does the contractor employ a risk management plan?
- The six steps in a risk management plan or program.

➤ **RISK MANAGEMENT-THE SIX STEPS PLUS ONE**

22

- Risk Assessment
- Risk Identification
- Risk Analysis
- Risk Evaluation
- Risk Treatment
- Monitoring and review
- Communication and consultation

➤ BONDS

23

- Performance bond is a surety bond issued by an insurance company or a bank to guarantee satisfactory completion of a project by a contractor.
- The surety bond is a contract between insured and bonding company.
- Required on government projects that exceed \$1000,000

➤ TYPES OF BONDS

24

➤ Bid bonds:

- Usually a percentage of the contract price used to guarantee that if a contractor does not accept a bid that is awarded to them that the owner will be compensated by the surety for an amount up to the amount of the second lowest bidder.

BID BOND

(Where applicable the references to Bidder, Surety, Owner or any other party are considered to be plural)

Bidder (Name and Address):

Surety (Name and Address of the Principal Place of Business):

Owner (Name and Address):

Bid
Bid Due Date:
Project (Brief description including location):

Bond
Bond Number:
Date (No later than bid due date):

Penal Sum: _____ (Words) _____ (Numbers)

Bidder: _____

Surety: _____

Bidder's Name and Corporate Seal

Surety's Name and Corporate Seal

By: _____
Signature and Title

By: _____
Signature and Title

Attest: _____
Signature and Title

Attest: _____
Signature and Title

➤ TYPES OF BONDS

26

➤ Performance:

- If a contractor defaults the surety is obligated to complete the project up to the original value plus the value of any change orders that were approved by the surety

PERFORMANCE BOND

(Any reference to the Contractor, the Owner, or any other party is plural where it is applicable)

Contractor (Name and Address: _____ **Surety** (Name and Address of Principal Place of Business): _____

Owner (Name and Address): _____

Contract: _____

Date: _____

Amount: _____

Description (Name and Location): _____

Bond

Date (No earlier than the Contract Date): _____

Amount: _____

Modifications to this Bond Form: _____

The Surety and the Contractor, are legally bound by the terms printed on the reverse side of this document execute this Performance Bond on behalf of the authorized officer, agent, or representative.

Contractor as Principal:

Company: _____

Signature: _____

Name and Title: _____

Surety:

(Seal)

Surety's Name and Corporate Seal

By: _____

Signature and title
(Attach Power of Attorney)

(Additional space is provided below for other signatures if they are required)

Attest: _____

Signature and Title:

Contractor as Principal:

Company: _____

Signature: _____ (Seal)

Surety:

(Seal)

Surety's Name and Corporate Seal

By: _____

Signature and Title
(Attach Power of Attorney)

Attest: _____

Signature and Title

➤ TYPES OF BONDS

28

➤ **Payment (labor and material):**

- If the owner has paid the contractor and the contractor did not pay the subcontractors, then the surety will pay them.
- In this case the surety company still have responsibility to pay for the sub contractor.

PAYMENT BOND

(Any reference to the Contractor, the Owner, or any other party is plural where it is applicable)

Contractor (Name and Address): _____ **Surety** (Name and Address of Principal Place of Business): _____

Owner (Name and Address): _____

Contract: _____

Date: _____

Amount: _____

Description (Name and Location): _____

Bond

Date (No earlier than the Contract Date): _____

Amount: _____

Modifications to this Bond Form: _____

The Surety and the Contractor, are legally bound by the terms printed on the reverse side of this document execute this Performance Bond on behalf of the authorized officer, agent, or representative.

Contractor as Principal:

Company: _____

Signature: _____

Name and Title: _____

Surety:

(Seal)

Surety's Name and Corporate Seal

By: _____

Signature and title

(Attach Power of Attorney)

(Additional space is provided below for other signatures if they are required)

Attest: _____

Signature and Title:

Contractor as Principal:

Company: _____

Signature: _____ (Seal)

Surety:

(Seal)

Surety's Name and Corporate Seal

By: _____

Signature and Title

(Attach Power of Attorney)

Attest: _____

Signature and Title

➤ Certificate of Insurance

13

- The certificate holder should always be the Agency or entity contracting for services.
- The certificate should be signed.
- Named insured correctly identified.
- Dates should cover the entire period.
- Check in the policy limits.
- Make sure there is a policy number.

**APPENDIX B:
COMMON INSURANCE INDUSTRY FORMS**

Reproduction of ACORD, Inc. Form

ACORD CERTIFICATE		INSURANCE		DATE (MM/DD/YYYY)
PRODUCER		INSURERS AFFORDED COVERAGE		NAIC #
INSURED		INSURER A:		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
		INSURER B:		
		INSURER C:		
		INSURER D:		
		INSURER E:		
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN RECALCULATED BY PAID CLAIMS.				
INSUR. ADD'L. LTR. INSCR.	TYPE OF INSURANCE	POLICY NO.	EFFECTIVE DATE	EXPIRATION DATE
*3	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS MADE <input type="checkbox"/> OCCUR <input type="checkbox"/> GEN'L AGGREGATE LIMIT APPLIES PER: POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC <input type="checkbox"/> AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS GARAGE LIABILITY ANY AUTO EXCESS/UMBRELLA LIABILITY OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE \$ RETENTION \$ WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	5	7	
LIMITS PER OCCURRENCE \$ PER AGGREGATE \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS-COMP/OP AGG \$ COMBINED SINGLE LIMIT \$ LIABILITY \$ LIABILITY \$ LIABILITY-DAMAGE \$ LIABILITY-EA ACCIDENT \$ LIABILITY-EA ACC \$ LIABILITY-AGG \$ CURRENCY \$ AGGREGATE \$				
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS				
CERTIFICATE HOLDER		CANCELLATION		
10		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE		
11		CANCELLATION PROVISIONS AS WRITTEN GUARANTEES NOTHING. SOME BROKERS WILL CROSS OUT THE WORDS "ENDEAVOR TO" BUT THIS STILL DOES NOT AMEND THE POLICY.		
12		THE AUTHORIZED REPRESENTATIVE OF THE INSURER SHOULD BE AN EMPLOYEE, UNLESS THE AGENT OR BROKER IS SPECIFICALLY AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY.		

1 This block identifies the Agent or Broker.

4 The insured is your entity's contractor or lessee.

2 This notice confirms the provisions of the California Insurance Code, §384. Other states have similar provisions. It states that the policy, not the certificate governs coverage.

3 The insurer will be identified here. The insurer letter appears again near the left margin at "3" to show which insurer provides which coverage.

5 This notice again states that the policy supersedes the certificate form.

6 These sections show the type of coverage provided through the agent or broker identified in "1" above. If the insured uses more than one broker, this certificate will not identify all existing.

7 These two columns show inception and expiration dates for policies identified. Pay special attention that coverage does not expire before or during your project or lease.

8 This column identifies limits per occurrence and aggregate for each type of coverage afforded. Pay special attention to low aggregate limits for public works-type contractors. Losses on other jobs may reduce your coverage.

9 This section will usually be used to restrict coverage to a specific job or lease. Watch for restrictions that would omit the coverage required by your specifications.

11 Cancellation provisions as written guarantees nothing. Some brokers will cross out the words "endeavor to" but this still does not amend the policy.

ANY QUESTIONS....?

30



thank
thank
you!