

# Insurance for the building and construction sector



## What are the key risks in the building and construction industry?

Construction projects involve multiple stakeholders and are often undertaken on challenging sites. Construction businesses must often manage changes to scope or orders, poorly written contracts and specifications and complex project management issues. They may need to deal with labour and materials shortages, or theft of tools and materials.

Subcontractors and suppliers can provide extra stress for construction firms, as can the rising number of extreme weather events. What's more, cybercrime is an emerging threat to construction businesses, which often use insecure connections from mobile workplaces, and share files and data with stakeholders outside the business.

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“The New Zealand construction industry contributed more than \$15 billion, or over 6% of the country's gross domestic product in 2020, and construction activity remains at historically high levels.”

**Stats NZ, GDP, December 2020.**

## Who should consider insurance?

Whether you're an owner builder, a contractor or a large construction company, you'll need a range of insurance covers to safeguard your workers, building and equipment.

## Did you know?

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### 27%

Fire is the biggest cause of losses by value on major construction projects globally, accounting for 27% of losses.

(Allianz, Engineering and Construction Claims and Insurance Trends Report, 2019)



Defective products are the biggest source of claims by frequency on major construction projects globally, accounting for 27% of claims.

(Allianz, Engineering and Construction Claims and Insurance Trends Report, 2019)



Natural catastrophes, business interruption and changes to the market environment, including legislation and regulatory change, were listed as the top risks construction companies believe they face.

(Allianz, Risk Barometer, 2019)

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## What insurance should you take out - and what can it cover?

Insurance can protect you and your employees onsite, on the way to work and in your office.

Type of cover	Potential benefits
<b>Contract works</b>	Protects any buildings under construction and construction equipment. This cover may include protection against: <ul style="list-style-type: none"><li>• natural disasters like fire, earthquake, storm, flood, wind and water damage</li><li>• damage to property caused by defects, theft and malicious damage or vandalism or smashed glass</li><li>• third-party personal injury and property damage.</li></ul>
<b>Business pack</b>	Safeguards your business premises against: <ul style="list-style-type: none"><li>• equipment or machinery breakdown</li><li>• employee dishonesty</li><li>• property or glass damage</li><li>• legal issues, with public and products liability</li><li>• tax audit</li><li>• theft, and theft or loss of money.</li></ul>
<b>Cyber</b>	Safeguards you and your business against expenses and legal costs if your website or other systems are hacked and your system cannot be used or customers' details are stolen.
<b>Motor Insurance</b>	Takes care of your valuable business vehicles with cover to: <ul style="list-style-type: none"><li>• help if you or your staff damage another person's vehicle</li><li>• repair your vehicle after an accident or replace it if it's written off</li><li>• replace a lost or stolen vehicle</li><li>• safeguard you against legal liability.</li></ul>
<b>Professional Indemnity</b>	Protects you against legal action from a client for breach of professional duty. This type of insurance is often required by building contracts.

### What usually isn't covered?



Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer and the requirements of your business.

### Case Study



Rick has a small construction business, which employs subcontractors from time to time. Rick employed a plumber recommended from a friend. Unfortunately, the plumber did a careless job and a pipe burst overnight, flooding the building and causing extensive damage to the half-completed renovations. Rick successfully claimed on his contract works, which covered the cost of the labour and materials to rectify the damage.

### Contact us today



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This general information is provided to assist you in understanding some of the terms, implications and common considerations in insurance for the building and construction sector. It does not take into account your specific objectives, financial situation or needs. It is also not financial advice nor complete, so please discuss the full details with your Steadfast insurance broker as to whether this type of insurance is appropriate for you. Building and construction insurance usually has a deductible/excess, exclusions and limits of liability.