

Summary of Engineering Insurance Classes of Business *)

Non-renewable (one off) covers

Contractors' all risks (CAR) insurance

The basic concept is to offer comprehensive and adequate protection against loss or damage in respect of the contract works, construction plant, equipment and machinery, as well as against third-party claims in respect of property damage or bodily injury arising in connection with the execution of a construction project.

A CAR policy may be concluded by the principal or by the contractors engaged in a project, including all subcontractors. CAR insurance provides an "all risks" cover – every hazard is covered which is not specifically excluded. This means that almost any sudden and unforeseen loss or damage occurring during the period of insurance to the property insured on the construction site will be indemnified.

The most important causes of losses indemnifiable under CAR insurance are:

- Fire, lightning, explosion
- Flood, inundation
- Windstorm of any kind
- Earthquake
- Theft, burglary
- Bad workmanship, lack of skill, negligence, malicious acts or human error.

The cover provided by CAR insurance is subject only to a few standard exclusions which the international insurance market usually applies. The exclusions are named in the policy and essentially comprise:

- Loss or damage due to war or warlike operations, civil commotion of any kind as well as acts on the part of strikers and locked-out persons,
- Loss or damage due to nuclear reaction, nuclear radiation or radioactive contamination,
- Loss or damage due to willful acts or willful negligence of the insured or of his representatives,
- Consequential loss of any kind or description whatsoever, including penalties, losses due to delay, lack of performance, loss of contract,
- Loss or damage due to faulty design,
- The cost of replacement, repair or rectification of defective material and/or workmanship. However, consequential material damage is covered,
- Wear and tear,
- Loss or damage due to mechanical and/or electrical breakdown or derangement of construction machinery, plant and equipment.

The cover attaches as from the commencement of work, or after the items entered in the schedule of the policy have been unloaded at the site, and terminates when the

completed structure or any completed part thereof is taken over or put into service. The insurer's liability for construction machinery, plant and equipment (optional cover) commences from their unloading at the site and expires on their removal there from.

Underinsurance is applicable if the sum insured on the date of the loss does not correspond to the replacement value of the objects insured on that date (value of the new item plus customs duties plus transportation and installation charges).

Cost of removal of debris is indemnified only if a separate amount for this cover has been included in the total sum insured.

In addition, it is possible to extend the period of cover to include a maintenance period.

Maintenance visits cover

The insurer's liability during the maintenance period is limited to loss or damage caused by the insured in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract.

Extended maintenance cover

In addition to the protection provided under the maintenance visits cover, this type of cover also includes loss or damage occurring during the maintenance period but caused during the construction period on the construction site.

Premium

The premium is based on:

- Conditions on and exposure of the site (e.g. atmospheric and tectonic conditions, such as the probability of windstorm, earthquake, flood, inundation, fire hazards)
- Design features and building materials
- Construction techniques
- Safety factors considered in the construction time schedule
- Measures provided to ensure safe execution of the project.

*) This summary is taken from Munich Re's booklet Technical Insurance References and is based on the examples of Engineering Insurance wordings of Munich Re, but broadly applies in general to the class of Engineering Insurance referred to herein.