

# Summary of Engineering Insurance Classes of Business<sup>\*</sup> )

## Non-renewable (one off) covers

### **Erection all risks (EAR) insurance**

This branch of engineering insurance offers comprehensive and adequate protection against all the risks involved in the erection of machinery, plant and steel structures of any kind, as well as third-party claims in respect of property damage or bodily injury arising in connection with the execution of an erection project.

The insured under an EAR policy is normally:

- The manufacturer or supplier of machinery or plant if he carries out the erection work or is responsible for it, or
- The contractor commissioned with erection work, or
- The principal, the purchaser of the machinery or plant to be erected.

EAR insurance provides very wide cover. Almost any sudden and unforeseen loss or damage occurring to the property insured on the erection site during the period of insurance will be indemnified. The insurer will indemnify loss or damage due to the following causes:

- Fire, lightning, explosion
- Flood, inundation
- Windstorm of any kind
- Earthquake
- Theft, burglary
- Faults in erection
- Negligence, lack of skill, lack of experience, malicious acts
- Short-circuit, arcing, excess voltage
- Excess pressure or vacuum, tearing apart on account of centrifugal force
- Any other sudden and unforeseen event such as loss or damage due to collapse, foreign objects, on-site transport of items to be erected, etc.

The cover is subject to only a few exclusions which are applied internationally and are common to the insurance industry. These exclusions are named in the policy and essentially comprise:

- Loss or damage due to faulty design, defective material or casting, and/or bad workmanship; however, if the manufacturer of the machinery or plant to be insured is at the same time commissioned with the erection work and named in the policy as the insured, it is possible to include resultant physical damage in respect of the insured items due to the above-mentioned causes. However, the expenses for rectifying the original fault – had such fault been discovered before the loss occurred – are still excluded from the cover,
- 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, e.g. claims from penalties, losses due to delay, lack of performance, loss of contract,
- 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.

The cover commences directly after the unloading of the items to be insured at the site and continues until the erection work and testing operations have been completed. It therefore includes loss or damage during storage, during the period of erection and during test, test loading or operation.

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 cover also includes loss or damage occurring during the maintenance period but caused during the erection period on the construction site.

#### Maintenance guarantee cover

If the insured is the manufacturer of the machinery or plant to be insured and has also been commissioned with the erection work, the manufacturer's liability for loss or damage during the guarantee period, as stipulated in the supply contract, can be included in the insurance to a certain extent in addition to the abovementioned covers.

#### Premium

Premiums are normally tailor-made and in order to arrive at a premium rate commensurate with the risk from an engineering point of view, it is essential for the insurer to obtain full particulars such as:

- Technical specifications of the relevant project, the contract price, the value of the main items to be erected
- Information on the experience of the erection contractor with similar projects
- A flow chart of the production process, a layout plan (with a view to third-party liability)
- The geological, hydrological and meteorological data on the erection site
- The supply and erection time schedule, details on pre-storage facilities
- Guard services, fire-fighting facilities.

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\*) 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.