

Cost Benefit approach to insurable infrastructure projects

Local Fiji Insurers

- What they will or won't cover (focused on infrastructure) the level of capacity they have and potential difficulty with the scope of coverage they have available

Overseas Market

- Subject to the regulations imposed by the Fiji Reserve Bank in regards utilizing overseas insurers
- Greater ability to access higher value coverage with wider coverage terms from overseas providers but does come at cost

Case Study

- We cannot reference any specific clients
- Type of Development we are involved in the value high rise buildings, roading projects, Hotels & resorts, Hanger Contract works
- Local Insurer and Overseas capacity issue
- Project completion date why its important start date and finish date give extra time (unnecessary premium applicable for extensions)
- Fire Service Levy (0.06% of sum insured) materials that can catch fire (pipes on road side)
- Wet risk declinatures



Is Contract Works Insurance easy to get – It depends

- What is the project
- What is the contract value
- Where is the project
- The quality of the underwriting information – contract terms, timelines, parties involved.

Considerations in setting up a Contract Works Policy and the most appropriate Structure

- Project Specific or Annual policy
- Principal or contractor arranged
- Contract Requirements – indemnity and insurance
- Project specific and Principal arranged are the preferred options

Common Pitfalls

- The project commences before the insurance starts
- The period of insurance doesn't align to the construction period
- Optional extensions aren't investigated or included
- Regulatory and jurisdiction challenges aren't fully investigated
- Inconsistent coverage terms where subcontractors provide their own coverage
- No cover for design error or faulty workmanship – Lack of Professional Indemnity Insurance – architects, surveyors, engineers etc
- Contractors agreeing to indemnities that are wider than the coverage provided under the policy

Design and Build Contracts – Liability Considerations

- General or Public Liability coverage
- Professional Indemnity – number of years cover is required for under the contract – market availability and the sum insured is too high

What the insurance covers

- Not just the project build value but aspects such as professional fees, demolition, delays etc – event of a loss the will be more than just the value of material and time
- Professional Indemnity – number of years cover is required for under the contract – market availability and the sum insured is to high
- Cyclone cover limitations – traditional cover has sublimits, parametric coverage

Vinaka