



# What Construction Insurance Do I Need In Ireland?



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# What Construction Insurance Do I Need In Ireland?

If you work in the construction industry, then you'll know that it comes with its fair share of risks. It is a physically demanding industry with plenty of opportunities for accidents and injuries in the course of any normal working day. If you don't have the right construction insurance coverage in place, one wrong move could have devastating financial repercussions for your business.

That's why it's so important to be aware of the different types of insurance policies that are available and know exactly which ones you need for your construction company.





# What is Construction Insurance?

Construction insurance is an umbrella term for various insurance policies that relate to construction projects.

In general, it protects construction companies and general contractors from lawsuits or liabilities that may arise during or as a result of their activities. Each insurance policy provides a specific type of cover, so you will most likely need a combination to ensure you are fully protected.



## What are the different types of Construction Insurance policies?

### Employers Liability Insurance

In general, this protects you from liability if one of your employees sustains an injury or dies during the course of their work.

## Public Liability Insurance

Protects you from liability if a third party (other than an employee) sustains an injury or loss/damage to their property during your business activities.

## Products Liability Insurance

Provides legal liability for accidental injury or damage to property caused by:

- Products sold or supplied by your company
- Work or services that you have provided in connection with your business.



## Contractors All Risks Insurance / Contract Works Insurance

Provides cover for contractors in the case of any loss or physical damage on new construction or renovation projects. It only applies to the property that is being worked on (e.g. a new build or home extension), so if there is an existing structure that is being refurbished/extended, it must be covered under a separate policy.

## Motor Fleet Insurance

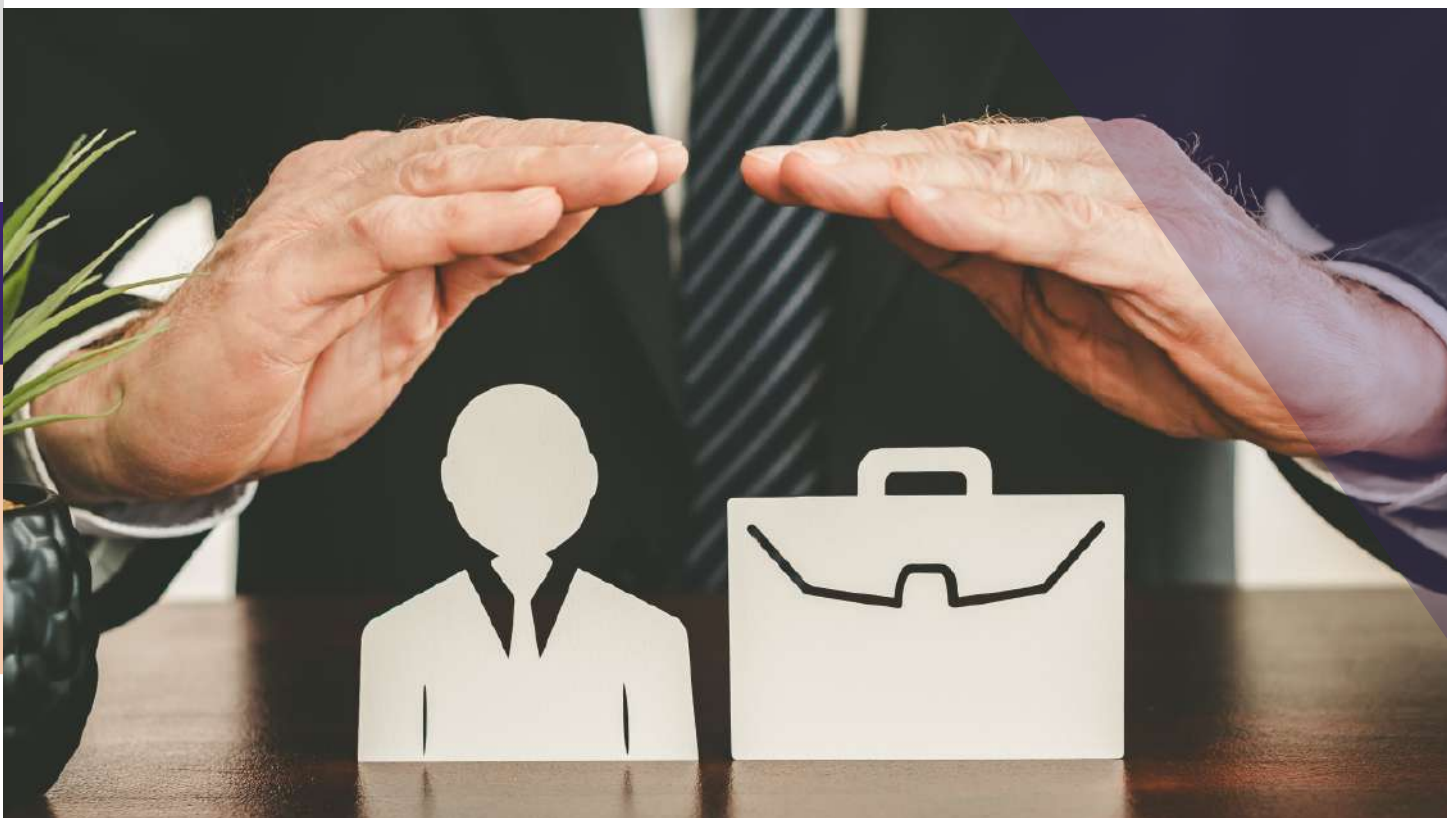
Provides your drivers and vehicles with varying degrees of cover, depending on your needs (e.g. Third Party Only, Third Party Fire & Theft, Accidental Damage Fire & Theft, Fully Comprehensive).

You can get any type of vehicle covered, including 'Special Types' such as forklifts and diggers along with specialist insurance that can be arranged for the movement of heavy plant, machinery or equipment during transit.

## Design & Construct Professional Indemnity Insurance

The purpose of Design & Construct Professional Indemnity Insurance is to protect both your finances and your relationship with your client. The exact coverage of this type of insurance can depend on how exactly the policy has been worded, but a typical one will cover you against any claim made against the conduct of your business by negligence or breach of duty.

Take, for example, if a contractor decides to subcontract out the design element of a build, they assume design liability. Even if a claim against the contractor, taken due to a design-related problem, is ultimately the responsibility of another party, it will still take a monumental cost and effort to redirect said claim away from your business.



The cover offered by Design & Construct Professional Indemnity Insurance can be particularly reassuring to contractors who operate in the electrical, engineering, refurbishment and water areas, but some contractors decide not to take out Design & Construct Professional Indemnity Insurance at all. This occurs because the contractor mistakenly assumes the Professional Indemnity cover already in place would suffice from them incurring design liability. As a result of this many project owners now make Design & Construct Professional Indemnity insurance compulsory.

There is a range of potential exposures that Design & Construct Professional Indemnity Insurance can protect contractors from. The potentials range from the usage of unsuitable and incorrect materials to a failure to notify a client of problems once you become aware of them, and even any liabilities that are caused by an external subcontractor.



## Contractors Plant, Machinery & Equipment Insurance

Provides own plant, machinery and equipment cover for any loss or physical damage. It can also cover their legal liability under terms of any hiring agreement and will pay for any loss or damage caused to a Hired-In Plant, along with any continuing hire charges.



# Performance Bonds for Construction Insurance

The purpose of a Performance Bond is to ensure that a contractor completes a project to a satisfactory standard. It essentially protects the insured party from the said contractor failing to meet their contractual obligations.

Performance Bonds are common in real estate developments as well as contracts with local authorities. While once associated mainly with large-scale projects, Performance Bonds are becoming more popular for smaller construction projects now too.

If you are tendering for a construction project contract, it is quite likely that you'll be asked to provide Performance Bonds as a guarantee to both the value of the work not being lost as a result of unforeseen circumstances as well as the completion of the project.



## Non-Negligence Liability Insurance

If a contractor inflicts damage on a third party, even without the damage occurring as a result of negligence, that contractor may be liable to pay compensation. Any damage, including items such as landslip, ground heave or subsidence will not be sufficiently covered by Public Liability Insurance – and negligence does not even need to be proven. It is therefore advisable that a Non-Negligence Liability policy should be taken out to cover this.

## Personal Accident Insurance

Protects you against loss of income and capital benefits if you become ill or sustain an injury that prevents you from working. You can also purchase this for your employees – this may prevent them from claiming off your employers' liability insurance in the event of an injury at work. Any medical expenses that your employees occur at this time would be covered under this policy.



# Directors' & Officers' Liability Insurance

High-level employees of any company are vulnerable to being held personally liable for the decisions they make. Even more alarming is the fact that this liability is unlimited. Senior members of staff, such as directors, cannot 'hide' using the organisation that employs them.

Directors' and Officers' Liability Insurance will protect such senior management from these types of claims being brought against them, whether these claims are based on misstatement, omission, error, negligence or breach of duty.

It is also worth noting that claims such as these can be particularly disruptive on a personal level, as actions can be brought against these staff members personally from an ever-growing number of potential sources, from suppliers and customers to regulatory bodies and employees.



## Cyber Liability Insurance

There has been an unmistakable rise in the number of cyber attacks in recent years. When this is combined with how modern construction firms rely so heavily on IT for logistics, payments and administration, it is clear that construction companies are at serious risk of being ruined by the catastrophic losses that can occur as a result of cyber attacks.

One particular menace that always looms large is the threat of ransomware. If a ransomware attack was to hold up the logistics and supply chain side of a construction business, the resulting delays and costs could prove disastrous.

Cyber Liability Insurance is essential in preventing the worst effects of this by limiting the monetary impact of a cyber attack and allowing your construction firm to get back to work as quickly as possible.

# Why would I need Construction Insurance?

Here are a few fictional scenarios which highlight the need for construction-related insurance:

- An employee suffers a serious injury after falling from height when scaffolding collapses. Employers Liability Insurance will protect the company against financial losses as a result of a claim being made by the employee for injuries, medical expenses, loss of earnings and legal costs arising from the claim.
- An item of plant hired in is stolen on-site. Your Contractors' Plant, Machinery & Equipment Insurance policy covers the losses, in addition to covering the hiring charges for the item until it has been replaced.
- A contractor is carrying out a refurbishment of commercial premises. A fire starts and spreads to a neighbouring property causing significant damage. Your Public Liability Insurance would cover damage to the neighbouring property (e.g. the building and contents), but would not cover the damage to your business.



- A contractor is employed to carry out the refurbishment of domestic flats to a previously agreed specification but is also asked to fit some additional external balconies not included in the original plans. The design of these balconies subsequently leads to water penetration into the flats beneath. The builder's design is found to be deficient, but your Design & Construct Professional Indemnity policy will provide cover for any potential losses.
- You are hired as a contractor to work on the construction of a new home. During the excavation and site preparation, a neighbour complains that you have damaged the adjoining wall. You are found negligent for failing to take adequate measures to protect the neighbouring property, but your public liability policy covers both your legal fees and the cost of repairing the damage.



# What happens if I don't have Construction Insurance?

If something happens and you don't have the right insurance cover in place, your company could suffer huge financial and/or property losses. Even if something goes wrong and you're not responsible, it is still costly and time-consuming to fight a lawsuit.

There are so many risks and potential hazards in the construction industry, including:

- On-the-job injuries (e.g. falls, cuts, electric shocks, etc.)
- Death
- Malfunctioning equipment
- Vandalism, damage or theft of your tools and equipment
- Threat to members of the public
- Construction or design defects

Don't risk leaving things to chance — all it takes is one incident to jeopardise everything you've worked so hard to build.

## Your Construction Insurance Provider

At ERM Financial Services, we have the experience and expertise to provide your construction company with comprehensive and cost-effective protection.

There is still much more to learn about construction-related insurance, so talk to one of our experts today on **(01) 845 4361** or at **[sales@ermfinancialservices.ie](mailto:sales@ermfinancialservices.ie)** and make sure that both your employees and the general public are safe.







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