

Contracting insurance in the specialist short-term industry

Due to unique industry operating conditions, which was caused by the onset of the global financial crisis and the subsequent recovery efforts of companies, there is a growing need for specialist insurance products that protect companies from specific market liabilities. However, specialist insurance products cannot always conform to standardised policy wordings because of the nature of the risks they are meant to provide indemnity from, says **Vic Van Nus, Specialist Contracting and Engineering Underwriter at AC&E Engineering Underwriting Managers.**



As increased funds are being made available for the establishment and improvement of basic infrastructure in South Africa and neighbouring territories, specialist type covers such as contracting, liability and professional indemnity, are in demand.

Onerous task

In the small to medium sized construction enterprises, contractors and brokers are often unfamiliar with the various specialist covers that are available to the industry. It can therefore be quite an onerous responsibility on the shoulders of the broker to correctly advise his or her contracting clients on the appropriate insurance cover required for projects awarded to them.

The broker would need to be familiar with tender documents and contract conditions to the extent that he or she knows where to find reference to the contractors' insurance responsibilities relating to a particular project. He or she would need to be aware of the policy covers available in order to correctly advise clients with regards to the cover necessary to comply with the contract or tender requirements.

Fighting an uphill battle

Apart from the small group of specialist brokers in the market who really are extremely well versed in the specialist project insurances, the vast majority of general practice intermediaries cannot possibly be expected to fully understand these covers or the policy wordings.

However, they are in many cases being asked to arrange insurance where the insured's needs are not always fully understood.

We all recently spent much time and effort in achieving our regulatory examinations qualifications, which addressed many aspects, except product specific information. Specialist underwriters should, however, be proactive and that training relative to the covers provided by the various specialist underwriters should be made available to non-specialist intermediaries in the form of mini seminars and product awareness workshops. Some underwriters have already been actively engaged in providing information sessions to brokers. Brokers should also be prepared to call on underwriters to assist.

Claims department faux pas

The lack of understanding of various specialist insurance products is nowhere more obvious than in the claims departments, where incorrect or inadequate cover leads to disputes about validity of cover and indemnity. In this regard, not only is the insured prejudiced, but also the insurer who faces pressure from the intermediary to pay for claim events that may not be indemnified.

Intermediaries who deal with specialist classes of insurance, in particular construction business, should study the cover provided by each product supplier and should also engage with the specialist underwriter who will always be more than willing to provide specific product training. ●