

Design & Construct



VANTAGE
PROFESSIONAL RISKS

In recent years it has become common place for contractors to incur a design liability, either by offering a design service as part of an overall building package or through a design and build contract where the design work is sub-contracted.

The design liability could be architectural, civil and structural engineering, surveying, mechanical and electrical engineering, heating and ventilation engineering, chemical engineering, soil engineering or even nuclear engineering, all of which represent very different to your company and the insurance you purchase.

Those that don't undertake design as part of their appointment, working from the designs of under the supervision of others, could still incur a liability for these designs under their implied duty to warn.

It is imperative therefore that the areas of work are correctly understood, fully considering the processes that the company has in place, including the appointment of any sub contracted consultants to the company so that the Professional Indemnity Insurance can be placed correctly to cover these appointments.

In addition it is becoming more common for clients to insist on collateral warranties or duty of care agreements to outline the obligations of each party under the contract. Some contracts may form a consortia or joint venture which represent are very different risks to that of standard design and build appointment.

PI insurers generally take the view that they will accept claims arising from sensibly worded agreements but this may in some cases need to be endorsed into the wording for cover to apply. Others will address by setting out clearly the limits beyond which cover will not apply. It is also important to fully understand how the policy responds to the warranties or contracts in place, some



contracts can extend the liability of the Practice beyond the limitations of a standard policy which if not picked up can leave the company exposed.

As PI is written on a "claims made" basis, so in the event of a claim or circumstance it is the policy that is in force at the time the claims arises which would respond and not the policy in force at the time the error, omission or breach occurred, It is important to consider previous contracts or warranties when reviewing the cover in place. Especially if there has been a change of Insurers or the Insurer has change their wording in previous year to ensure that the scope of the cover in place responds to the contracts previously signed.

It is clear that PI for design and construct contractors is a specialist class of insurance which if not understood and then placed incorrectly can leave your business exposed to potentially crippling costs if the policy does not respond due to a gap in cover.

For further information, contact one of the **Vantage Professional Risks** team members on 020 7655 8020 or pi@vantageinsurance.co.uk

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