



Owner controlled insurance programmes

The smart way to insure
your construction project

Protecting
your world


Miller

Insurance isn't always at the top of an owner's to-do list when embarking on a construction project. We understand that. But failing to protect your investments, assets and against possible legal action can be expensive.

It may be that key partners consider the traditional approach is for the contractor to insure the project - after all, the contractor carries the risk! However, more and more project owners are adopting an alternative approach that can offer valuable risk advantages, especially in relation to contractor insolvency.

Introducing owner controlled insurance programmes.



Why choose an owner controlled insurance programme?

Owner controlled insurance programmes (OCIPs) have rapidly become the preferred option for building and refurbishment projects. A policy arranged and held by the project owner, it provides the following key advantages.

Coverage certainty

Relying on your contractor's insurance policy can leave you at risk. A poor claims history or ineffective risk management may mean important aspects of cover are not included. Furthermore, some contractors may opt for inadequate insurances or unreasonable excesses simply to manage costs.

An OCIP strategy empowers you to make your own coverage decisions and understand any risk gaps before the project starts, not when a loss occurs. It also allows you to purchase additional protection for the project. For example, insurance for delayed completion, which is only available to the project owner and not the contractor.

Cost transparency and savings

It can be difficult to get a fully transparent view of a contractor's insurance costs, particularly when annual insurance programmes are used. An OCIP can mitigate this as coverage and cost is negotiated directly between the project owner, its insurance broker and the insurer.

Cost savings can also be a welcomed consequence of an OCIP as it typically covers all site activities of the employer, contractor and subcontractors in any tier, thereby eliminating insurance duplications in the supply chain.

Continuity of coverage

Construction is a risky business. There have been some high profile insolvencies in recent years, along with a good number of near misses. In the nightmare scenario of a contractor defaulting, its insurance programme also becomes ineffective. This leaves the project owner in an invidious position, having a partially completed asset requiring immediate insurance protection.

To complicate matters further, this emergency insurance will need to integrate with the replacement contractor's own insurances. A project owner can avoid this costly, complex and time-consuming problem from the outset by following an OCIP strategy.

Complexity reduced

Under an OCIP strategy, all supply chain members are insured under the same policy, with the same insurer. This not only reduces the possibility of disputes, but simplifies any claims process, which is prepared specifically for the project, recognising its particular risks, interfaces and complexities. The need to seek evidence of the contractor and subcontractors' insurances is also removed.



Which insurances are included within an OCIP?



An OCIP comprises of the following key coverages:

Construction All Risks (CAR)

CAR insurance protects you against damage to the works under construction, along with any equipment or materials required to complete the project. This can include whilst in transit to the site or even whilst in off-site storage, and be extended to include damage arising from defective design, workmanship or materials. The policy is in force during the construction period and can also indemnify for construction related losses arising in the defects rectification period.

CAR policies can also cover existing structures in which refurbishment works are being undertaken. The contractor's construction plant and equipment (CPE) is not normally insured under OCIP arrangements as the employer has no financial interest in this property.

Delay in Start-Up (DSU)

DSU insurance can **only** be purchased in conjunction with CAR insurance. In the event of damage to the works, a DSU policy will protect the revenue lost or the additional project finance costs incurred as a result of delayed completion. Additional extensions are available to include loss or damage to items stored at supplier premises or whilst in marine transit.

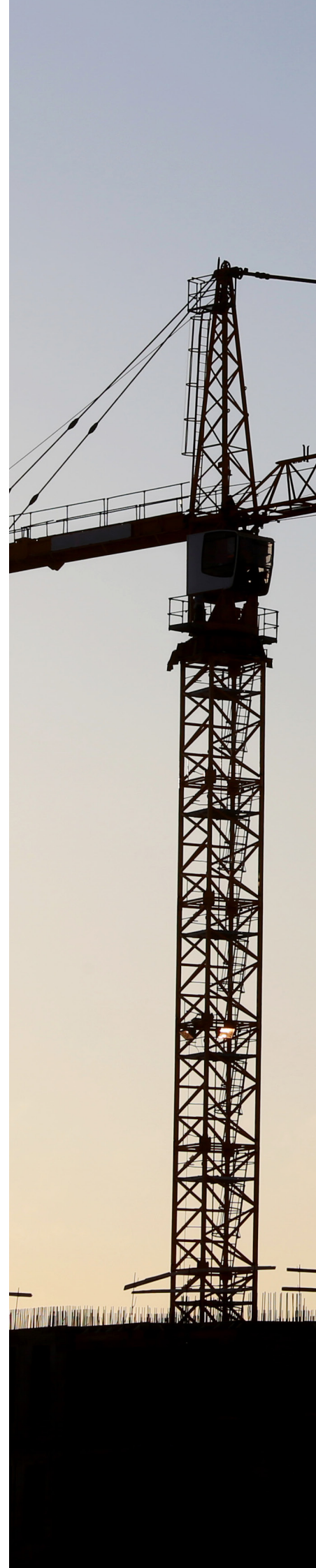
Alternatively, the policy can pay the increased cost of working to mitigate either the impact on revenue or additional debt service costs.

The sum insured is determined by calculating the loss of revenue (or additional project finance costs) during the period in which it would take to reinstate the works (plus demolition or debris removal) in the event of a catastrophic loss.

Third Party Liability (TPL)

Construction sites are inherently dangerous. Even the best risk management cannot eliminate all hazards and these can result in liabilities to the workforce, neighbours and members of the public. TPL insurance protects the project parties against legal liabilities, such as injuries to workforce or members of the public, or subsidence damage to surrounding properties. An OCIP guarantees that TPL insurance is provided for all contractors and subcontractors to a consistent level and on identical terms.

If the project faces liabilities that are more onerous than the common law position, such as through asset protection agreements for infrastructure owners or crane over-sail agreements, these may require separate Contractual Liability Insurance (CLI).



Ancillary Insurances



Whilst not forming part of an OCIP, the following additional cover options are available to owners wishing to implement a comprehensive insurance strategy for their project.

Latent Defects Insurance (LDI)

LDI provides cover for damage to completed structures caused by latent defects, which are normally excluded under permanent property insurances. Insurers conduct a due diligence exercise during the construction period and the policy incepts once practical completion is achieved. The policy runs for a period of ten or twelve years after completion.

The policies are procured by employers and can be assigned to tenants or subsequent owners. LDI is becoming more popular in the UK, especially in the developer market, where there is a desire for a first party product which reduces the risks presented by contractor insolvency.

Contractual Liability

Where projects are located adjacent to critical infrastructure, it is not uncommon for those owners to insist that the employer agrees to provide an indemnity for losses arising from the project. Often referred to as asset protection agreements, these extend the employer's obligations beyond that provided for in common law. As a result, they fall outside the scope of normal TPL insurance, but can be covered under policies specifically designed to respond to these more onerous liabilities.

Weather Delays

A recent addition to the suite of project insurances available, Weather Delay insurance is a parametric product that pays a pre-agreed loss when certain meteorological thresholds are exceeded. For example, if an employer is concerned about the impact of low temperature on its project, the insurer agrees to pay an agreed sum equivalent to a daily debt service cost for each day that site temperatures drop below freezing point. The policy will most likely be arranged to pay once a threshold level number of days is exceeded.

This product provides employers with an alternative risk transfer route to the contractor.

Construction Pollution Liability (CPL)

Standard TPL insurance (see above) covers damage to third party property and injury arising from sudden and accidental pollution. This leaves some gaps in coverage including:

- Gradual seepage or pollution
- Own site clean-up (as this is not third party property)
- Complementary and compensatory damages under environmental legislation

These coverage gaps are protected under a specific CPL policy, which is underwritten by considering the unique aspects of each projects' purpose, method of construction and location.

Miller's UK Construction Practice - A New Choice

Market consolidation continues at a pace, inevitably leading to reduced customer choice. This may not feel like a tangible disadvantage until you start looking for an alternative to your current broker!



Founded in 1902, Miller has grown to become one of the world's leading specialty insurance brokers. Innovative and forward thinking, we fervently focus on our clients' needs and delivering risk transfer solutions that lead the market. We are the new choice for UK construction risks.

Our service proposition can be summarised by the following:





Industry experts

Our specialists are leaders in their fields. With extensive expertise across all aspects of UK construction risk having operated within the industry as clients and in the London insurance market as brokers and underwriters, we understand your business inside out. This allows us to propose risk solutions to both protect and enhance your projects.

Based in the heart of the world's foremost insurance market, we interact daily with underwriters. We stay at the frontline of market developments and insurer appetite for construction risks. Our experts are well known and respected in our marketplace and have the depth of relationships to secure the best deals for our clients with contract certain terms and unambiguous pricing.

We also have the expertise to draft our own wordings to create broad and flexible policies that insurers may not offer first hand.

Collaboration

Teamwork is in our DNA. We work in partnership with our clients to identify and understand your problems, and work together as a team to deliver solutions. We always act in your best interests, without exception.

We also believe in developing tripartite relationships between ourselves, our clients and insurers. Not only does this improve communication and a shared understanding of each other's business needs and objectives, but building close relationships with insurers has tangible benefits when faced with difficult risks or contentious claims.

One of our key objectives is to increase our clients' understanding of our industry and marketplace. We commit to providing educational insights and market intelligence and can deliver training seminars either in person or remotely.

Client-first service

We place our clients at the front and centre of everything we do and believe in building long-term partnerships. Our service model, based on this ethos, is what differentiates us from our peers.

Our construction team handles all core aspects of client service, including day-to-day enquiries, market broking, account handling and claims advocacy. Every team member knows your account in full and we all share the same commitment to your business.

We offer clients a perfect blend of experience and enthusiasm. We work with clients to develop a bespoke service plan that matches your needs and requirements. The effectiveness of these plans, as well as our own performance, is regularly monitored to identify opportunities for improvement.

Integrity

We refuse to earn market derived income from our clients' transactions and we exist solely on fully transparent fees and commissions. When we provide quotations or place business on your behalf, you can be confident that the insurers have been selected on merit alone, and not for any additional financial gain.



How we work with you

Throughout, we work in partnership with you to ensure your project is comprehensively and cost effectively protected. This starts well before the project works commence and continues after completion, until the last claim is paid. Details of each element of our service are shown below.



1

Market information & risk advice

Our commitment to clients starts before we are even appointed.

We continuously analyse the insurance market to understand trends and developments, and make this information available in a digestible format to ensure you are best placed to make beneficial decisions for your project.

We have also developed our website to act as a useful resource centre for construction risk and insurance issues. Content includes information on classes of business, specific risk topics and market terminology.

Understanding your project

Our role is to first understand your project risks and collect information required by underwriters.

We will also review any lenders' insurance requirements to ensure that financiers' interests are protected. Any information prepared for underwriters' review will be first signed off by you to ensure it is a true reflection of the risks facing the project.



2



3

Proposing solutions

We then propose appropriate risk transfer solutions based on what you've told us.

This will normally include the standard OCIP classes of insurance but also, where appropriate, other ancillary policies such as LDI, CLI or Weather Delays.



4

Market selection

We work hand-in-hand with you to identify the best markets to approach.

We overlay our knowledge of insurer appetite with those insurers with whom you may have strong existing relationships. We believe in adopting a "best of both worlds" approach.



5

Broking and securing terms

At this stage, the Miller integrated service model comes to the fore.

The risk is presented and explained to the selected markets by the same team who collected the project information. This delivers a greater understanding to underwriters, and results in much better outcomes for our clients.



6

Quoting & securing instructions

We present quotation terms to clients in an intelligible and concise report format.

We explain the base level terms and identify variations with the cost consequences of each option. We equally highlight the additional benefits available from each insurer, such as claims service or risk management expertise to ensure you have the full picture.

Our quotation reports include a detailed recommendation for clients to consider before providing us with instructions on how to proceed.



7

Supply chain liaison & support

We recognise that once an employer has chosen to invest in an OCIP, it is important that the return is maximised.

This is why we support clients in helping the supply chain to understand the breadth of the OCIP purchased and where it should allow them to discount its own insurance costs.

This may require a detailed “note to tenderers”, which requests full and transparent details of their annual insurance costing by class of business and requires an agreement that the OCIP arrangement will result in discounted insurance costings.



8

Binding & confirming cover

Once the client has provided a firm order, Miller will immediately bind cover with the lead market.

Once the lead insurer is confirmed, our team will seek to complete the placement by securing the requisite follow market support. We will then issue copies of the market documentation, followed by formal certification of cover and debit notes no later than 30 days following inception.



9

Claims

We know how vital proactive and efficient claims handling is.

So whilst some brokers choose to separate their service and claims teams, we take the opposite approach. Our in-house claims experts form part of our integrated account service team and are fully up to speed on all accounts so that if the worst was to happen, no time is lost.

In our experience, quality claims service has three key aspects: a clear and simple claims handling procedure in place before the project begins; expert technical support in the event of serious or contentious claims; and finally, a prompt collection and remittance of funds once agreed by insurers.



10 Risk alterations & general enquiries

No one can foresee all of the potential issues that may arise during a construction project.

Some may represent a significant change in the risk and require formal notification to insurers to amend the policy. This is actioned through endorsements to the original placement documents. Some of these may be agreed by the insurer at no additional terms, whereas some may attract additional premium or actions by the insured.

We keep in regular contact with clients to stay abreast of project developments and any changes that may require action. On receipt of instructions to amend cover, or to advise insurers of changes to the risk profile, we immediately contact the lead insurers to agree any changes with minimum impact. Upon agreement from the lead underwriter and the client, we will finalise the amendments with the follow market also. All changes will be confirmed with formal documentation as quickly as possible.

Risk management support

We work with insurers who support their insureds with loss avoidance and mitigation programmes whilst the project is in progress.

One example is the provision of fire surveys to assist the employer with compliance and best practice in relation to the Joint Code of Practice for Fire Prevention on Construction Sites.

In other circumstances, more specific risk management support may be provided, for example, for high-risk projects (such as tunnelling or wet-works) or progress monitoring where there is significant delay in start-up risk.

Our construction specialists work hand-in-hand with both insureds and insurers to secure best value from this risk management support for the benefit of the project and the client.

11



12 Project closure

Upon completion of the project, the risk moves to the owner's permanent property insurance programme and the OCIP concludes.

This will involve a final contract value declaration to the insurer and an adjustment of the premium. The OCIP policy period will continue to run until the end of the defects rectification period,

Your Miller construction team

Contact our UK experts for more information relating to OCIP programmes, or any other insurance requirements for your business.

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Career & Expertise

Steve heads up Miller's UK Construction practice. With over 40 years' experience in the construction insurance market, he has worked on some of the most prestigious projects placed into the London market and handled some very significant claims over the years. Steve has extensive experience of both contractor and developer programmes, and advises clients and their advisers on complex contractual arrangements and delivery of insurance solutions.

Outside of work

Steve is a big sports fan particularly enjoying cricket, rugby and golf and is interested in amateur theatre having performed in nearly 100 shows. He loves spending time with his three grandchildren and his 2-year-old golden retriever (Daisy).

What do you like best about construction insurance?

"The fact that every project and client is different means it is always new and exciting to work in the construction insurance sector. The insurance market can have its challenges, but can nearly always be relied on to work with us to provide a solution for our clients."



Jonathan Burke

Account Executive

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Career & Expertise

Jon has over 8 years' experience in the insurance market, working for both developers and contractors on annual placements, standalone projects, and complex energy from waste placements.

Outside of work

Jon likes to keep fit in the gym and enjoys playing board games.

What do you like best about construction insurance?

"I love that my work has a tangible outcome, that I can see a project go from plans to reality and be a part of that journey."

Jason Baston

Head of Construction Client Development

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Career & Expertise

Jason has over a decade of experience in Construction insurance, specialising in solutions for UK and Irish insureds. Prior to that, he has worked both in the UK and overseas across Property and Casualty lines.

Outside of work

Jason enjoys spending time with his three children, road cycling and the gym.

What do you like best about construction insurance?

"Finding the right solutions to match the intricacies of each construction project."

Charlie Cain

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Career & Expertise

Miller is Charlie's first role in the insurance industry, and his focus is on client development. He previously worked as an International Sales Executive, selling VRLA batteries and Lithium batteries, predominantly used for renewable energy. He holds a degree in Business Economics from the University of Liverpool and is currently working through his insurance qualifications.

Outside of work

Charlie's hobbies include playing golf, running, and cycling.

What do you like best about construction insurance?

"I'm very much looking forward to expanding my knowledge of the construction industry, building relationships with clients and working on exciting projects."

About Miller

We are a leading independent specialist (re)insurance broking firm with more than 800+ people across our UK and international operations.

Our reputation as the strongest advocates in the business comes from our exceptional people delivering exceptional results for over 120 years.

With a client-first approach, we value our long-standing relationships and continue to build strong and rewarding partnerships.



Miller is a Chartered Insurance Broker, the industry's gold standard for insurance brokers. We have committed to delivering professional excellence and adhering to a Code of Ethics.



Miller is a Professional Service Member of Build UK, the leading representative organisation for the UK construction industry

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