

ERECTION ALL RISKS (EAR) INFO

Introduction

Erection All Risks policy are commonly sought by contractors when they are awarded contract jobs for erection, installation, testing and commissioning work for electromechanical equipment (e.g turbines, transformers boilers). In general erection is made inside the building.

There are two sections dividing the risks as follows:-

- A. Section I - Material Damage
- B. Section II – Third Party Liability (Property and Bodily Injury)

Scope of Coverage

The insurance cover loss of or damage to the insured machinery from any cause while it is on contract site from.

- 1. During Erection
- 2. To completion of testing or taking over by the purchaser whichever is later.
- 3. From completion of unloading.
- 4. During construction.

What does the policy cover

- 1. Fire, Lightning, Water Damage, Flood, Storm and Tempest, Subsidence, Landslide, Cyclone, Hurricane, Earthquake, volcano, explosion, spontaneous combustion, heating, fermentation.
- 2. Burglary, Theft, Impact Damage, Aircraft Damage
- 3. Accidental Damage during assembly e.g. dropping or falling or breakage of slings, collapse and collision, electrical breakdowns.

General Exclusion

- 1. War, Invasion, Civil War, Rebellion, Mutiny or act of war declared or otherwise.
- 2. Nuclear Reaction, Nuclear Radiation or Radioactive contamination.
- 3. Wilful act or wilful negligence.
- 4. Cessation of works.

Exclusion

The following is special exclusion on the policy:-

- 1. Consequential losses and liquidated damages
- 2. Wilful act or wilful negligence of any official of the insured
- 3. Corrosion (consequence of it are covered)
- 4. Non-observance of trade rules
- 5. Loss of or damage to surrounding property
- 6. Defective material, lasting, bad workmanship

Extension Available

1. Riot and Strike
2. Land Transit
3. Overtime and express freight expenses
4. Cross Liability
5. Extended Maintenance
6. Visit Maintenance
7. Surrounding Property clause

Sum Insured

The machinery to be erected should be insured for its new replacement value which include freight, custom rules, erection and testing cost . Thus the safest way to ensure that property is fully insured is to insure for the contract price.

Deductibles

Subject to an excess to claims for all perils, natural hazards and for loss or damage to Third Party property damage.

Premium

The premium is calculated at a rate applied to the sum insured i.e. contract value. The premium is charged for the full period of the contract and the period of commissioning or testing is usually regarded as target risk.

Thus the rate would be applied differently due to their risk to the property and duration of completion based on the following:-

1. Erection Period
2. Testing Period
3. Commission Period
4. Plant (Per Annum)

Underwriting Consideration and Requirement

1. Name of proposer and principal
2. Nature of contract
3. Work site
4. Breakdown in value of contract
 - a. Property to be erected and the value
 - b. Construction plant and the value
 - c. Clearance of debris
5. Limit of third party
6. Period of Insurance
 - a. Erection period
 - b. Testing period
 - c. Commissioning period
7. The contractor's experience in the installation
8. The process of works involved

Minimum Premium – RM250.00

Rating

Refer to the Company