INSURANCE AND RISK MANAGEMENT IN CONTRACTUAL CONDITIONS

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Construction Risks

- Delays
- Missing Paperwork
- Fluctuating Materials Pricing and Availability
- Poor Project Management
- Labour Shortages
- Poorly Defined Scope of Work
- Confusion Around Change Orders
- Health & Safety Hazards
- Bankruptcy
- Payment Disputes

Construction Risks

Classifications of Construction Risk

Construction Risks

Steps to Manage Construction Risks

Inspection

Determine what risks are most likely to affect your project

Quantification & Planning

Assess the risks carefully

Response Monitoring & Control

Monitor risk responses & determine if the risk exposure has changed

General Principles & Liability

Framework governing party liabilities, indemnities, and foundational legal boundaries under

“Clauses 17- Risk and Responsibilities”

Limitation of Contractor Liability

Total Liability Cap

The total liability of the Contractor to the Employer shall not exceed the sum stated in the Particular Conditions or the Accepted Contract Amount.

Protects the Contractor from unlimited financial exposure while maintaining clear standard performance bounds.

FIDIC 1999 RED BOOK

Clause 18 & Clause 19

Insurance & Force Majeure

General Conditions of Contract Overview for Construction Projects

General Insurance Rules

Sub-Clause 18.1 Overview

The "insuring Party" is designated per insurance type. Terms must be approved by the Employer and aligned with pre-Letter of Acceptance agreements.

Evidence of insurance and policy copies must be submitted to the Employer within specified periods, with payment receipts provided as premiums are paid.

Key Provisions of Sub-Clause 18.1

Joint Insured Cover

Applies separately to each insured. For additional joint insureds, Contractor acts on their behalf (Employer acts for Employer's Personnel).

Default & Remedies

If the insuring Party fails to maintain insurance, the other Party may effect cover and deduct premiums from the Contract Price.

Policy Alterations

No material alterations may be made without prior consent. Insurers must be kept informed of relevant operational changes.

Insurance for Works & Equipment

Sub-Clause 18.2 Scope

- **Full Replacement Value:** Covers Works, Plant, Materials, and Contractor's Documents plus demolition, debris removal, and professional fees.
- **Effective Period:** From Commencement Date until Taking-Over Certificate issue, continuing for Defects Liability Period.
- **Contractor's Equipment:** Covered for full replacement value including transport to Site.
- **Joint Names:** Maintained jointly to ensure funds are allocated directly for loss or damage rectification.

Summary of Required Policies

Insurance Cover	Clause	Minimum Value Required	Insured Parties
Works & Documents	18.2	Full replacement cost + debris/fees	Joint Names (Employer & Contractor)
Contractor's Equipment	18.2	Full replacement value incl. delivery	Contractor
Third Party Liability	18.3	Amount per occurrence (Appendix)	Joint Names (Property & Injury)
Contractor's Personnel	18.4	Full statutory & legal liability	Contractor (Indemnifies Employer/Engineer)

Injury to Persons & Property

Sub-Clause 18.3 & 18.4 Requirements

- **Third-Party Liability (18.3):** Insures against loss, damage, death, or injury to any physical property or person (excluding Works and Personnel).
- **Unlimited Occurrences:** Must cover each occurrence up to the stated Appendix limit with no cap on event counts.
- **Personnel Protection (18.4):** Covers liability for claims arising from injury, disease, or death of Contractor's Personnel.
- **Employer Indemnity:** Fully indemnifies Employer and Engineer against personnel liability claims.

Clause 19: Force Majeure

Defining exceptional events, qualifying legal criteria, and operational notice requirements under FIDIC Red Book

4 Criteria for Force Majeure

1. Beyond Control

An exceptional event or circumstance that is entirely beyond a Party's control.

2. Unforeseeable

Could not reasonably have been provided against before entering the Contract.

3. Unavoidable

Having arisen, could not reasonably have been avoided or overcome.

4. Non-Attributable

Is not substantially attributable to the other contracting Party.

Force majeure severe natural catastrophe event

Events & 14-Day Notice

Sub-Clause 19.1 & 19.2

Force Majeure includes war, rebellion, terrorism, riots (by non-personnel), radiation, and natural catastrophes (earthquakes, typhoons).

The prevented Party must give written notice within **14 days** of becoming aware, specifying the exact obligations prevented.

Questions & Discussion

FIDIC 1999 Red Book — Conditions of Contract for Construction

⚖️ Contract Governance & Risk Management Review

THANK YOU