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Appendix A

Questionnaire form and results

CONTRACTORS INSURANCE POLICY QUESTIONNAIRE

- The main purpose of this questionnaire is to identify the efficiency of the insurance policy taken by contractors for their works
- During this survey we assure your privacy and we request your honest and kind cooperation.

Section 01

Please fill in the blanks

- 1.1 Organisation:.....Department:
- 1.2 Designation:

Section 02

Please state “√“in the given box. You can tick more than one answer.

2.1 What is your stand about guidelines given in the SBDs regarding insurance for works?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.1.1	Do the guidelines are efficient enough for contracts works					
2.1.2	Those are not project specific					
2.1.3	Need amendments in general					
2.1.4	Need to change according to nature of work					

2.2 If the insurance guidelines need to be work specific how can it to be prepared

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.2.1	By client in the procurement stage					
2.2.2	By contractor when procurement is publish					
2.2.3	By appointing experts by client					
2.2.4	By appointing experts by contractor					

2.3 Do you think by taking risk management in the work site would useful than taking insurance

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.3.1	No, insurance is necessary					
2.3.2	Yes, identifying risks and taking precautions is better than insurance					
2.3.3	Yes, but for some extends insurance is required					
2.3.4	Yes, but separate risk managing team shall be allowed to monitor continuously					
2.3.5	Yes, cost can be reduced					

2.4 Is it advisable for a contractor to avoid taking insurance and make a good risk management practice in work site?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.4.1	No, risk management practice is to be done even took the insurance					
2.4.2	No, insurance can cover if the amount of loss is not bearable by contractor					
2.4.3	Yes, because risk management practice is to be done even took the insurance					
2.4.4	Yes, spend the cost to risk management is better than paying premium					

2.5 Do you think the premiums amount charged by the insurers is reasonable?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.5.1	Yes, than taking risk transferring to insurers with a premium is much better					
2.5.2	No, even the premium is high insurers reluctant to pay the claims					

2.6 What are the difficulties encounter make a claim against a defect?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.6.1	Exclusions are more sensitive					
2.6.2	Due to deductibles number of claims can't be made for small defects					

2.6.3	Due to general conditions there are chances to reject the claims by the insurer					
2.6.4	Many written formalities					
2.6.5	Time to time changes to be notified, extension of cover					
2.6.6	Time consuming procedures					

2.7 Why contractors are taking insurance policies for works?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.7.1	To satisfy the client only					
2.7.2	To satisfy the conditions of contracts only					
2.7.3	To share the risk with insurer					
2.7.4	Suspect in their risk management programme					

2.8 Do the insurance cover all the possible risks?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.8.1	Yes					
2.8.2	No, there non insurable risks					
2.8.3	Soft risks are not covered					
2.8.4	Insurance should be extended more					

2.9 Can contractors reduce the cost by avoiding insurance cover?

		strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.8.1	No, has to suffer for a not bearable defect					
2.8.2	Yes, with saving the premium can bear the cost incurred					
2.8.3	Yes, because of the deductibles and conditions cannot get efficient usage of insurance					
2.8.4	Yes, even though with insurance the risk management should be done					

Section 03: Please comment your ideas about the Construction insurance:

Questionnaire Survey results

Appendix B

Interview with insurance underwriters

Question	Answer
1. Is there any insurance covers available for cover soft cost?	No.
2. How you are preparing the questionnaire for contractors?	The Board of Insurance Sri Lanka has a standard format, in addition to that if further details required company asks more questions.
3. If a contractor having their normal company insurance in an insurance company and he take policies for a specific project in addition to that. Can he get two claims for a loss or damage?	No. Whether it is in a same insurance company or different contractor can only get from one policy or percentage wise payment from both covers.
4. How you decide the deductibles?	According to the risk analysis results. For example if an area is prone to flood then the deductible for the flood damage cover is high.
5. In addition to the general exclusion how you exclude others?	According to the risk analysis results if the specific damage is expected to be happen definitely then insurers are making that event as exclusion, but if corporate customers asked then increase the deductible and cover the specific risk.
6. Can the third party claim make collectively for more than one event to avoid deductible?	No
7. How you decide the premium?	The Insurance Board of Sri Lanka has set the minimum percentage for premium as 0.2% of the contract sum. Then with risk factor this percentage is increased. Also the insurance company is reinsuring in some foreign companies for the same covers then they also influencing when decide the premium. If the company is not re-insuring then the premium is less but reluctant to pay the claim against any defects.
8. Is the premium amount depends on the contract period?	Yes.
9. Can contractor take policies for separate period for one contract?	No, for one contract the policy shall be taken at the initial for all the work items.

10. What are the materials you are covering in a construction insurance policy?	According to the items given in the BOQ.
11. How you are handling when an incident happened to a work site?	<p>Contractor is asked to inform immediately to insurance company through hotline. According to the damage we visit immediately or some time later depends on nature of the defect.</p> <p>The insurer's engineer or technical person visit to site and jointly with contractor's personnel take measurements of the damage.</p> <p>Type of incident is checked.</p> <p>Prior to carry out the rectification the following documents are requested by contractor,</p> <p>copy of BOQ</p> <p>Design drawing</p> <p>Contractor's time schedule for the damaged work done</p> <p>Technical staff details</p> <p>Log book</p> <p>Flood records</p> <p>Engineer/ client approved method statement</p>
12. To check a claim what are the main areas you are looking?	<p>The insurers are checking the incident as,</p> <p>Whether the work was damaged due to the particular incident.</p> <p>Whether the contractor taken minimum precaution to prevent or minimize the damage</p> <p>Whether it is a will full negligence for example: in the method statement the engineer asked to do the work in a particular way and the contractor did another way and if it damaged then it is a will full negligence. Insurers reject the claim.</p> <p>Whether the work was damaged due to the particular incident.</p>
13. How you are costing the damaged items?	It all based on the BOQ rates quoted by contractor in the contract document not the market rate



14. In your claim assessment do you contact RDA as a client anywhere?	For the approved method statement for rectification client or the engineer for the contract shall be approved. Generally not directly contact them.
15. For a material coverage which materials do you cover?	The materials those are mentioned in the BOQ item. Ex: if concrete is an item, then cement, sand, aggregate etc.
16. Do you agree with the approved method statement of the contractor?	Not always. Sometime insurer asks for amendments according to the actual damage. Ex: if the damaged section was laid 150mm ABC, then contractor proposed 225mm in the method statement.
17. What is the purpose of collecting the log book from contractor?	To find out the natures of the damaged work. Instruction given by engineer.
18. If the contractor not agrees with your assessment, what is next?	He can get a help from insurance ombudsman free of charge. Otherwise through arbitration procedure in the coverage
19. Why you are including the warranty concerning sections than the whole road length?	Because for an incident the whole road length don't be damaged. Only some sections get damage.
20. What are the restrictions to pay same incidents more than one time?	For contract works in the cover the insurers mentions that if an occurrence happened because of same reason they indemnify only once. For vehicle if a particular part gets damaged and rectified or replace once with insurance cover then the same part could not be paid again by insurers. But if another part gets damage then it can be repair or replace for same vehicle with insurance cover.
21. When you pay for damage will you consider price contingencies in the Contract?	If the contractor took policy including the price contingencies only the insurance company cover that, otherwise BOQ rate.
22. When covering the defects liability period what is the different between contract period and defects liability period in the insurance cover?	The period of cover for defects liability means only that cover indemnify the defects only not the construction damages.
23. How you are deciding endorsements?	All based on requirement by the contractor.
24. How you decide the return period of flood?	If the area is a flood prone area then the return time is more than the safe area.

25. What are draw back you encounter in contractor's claim?	<p>Claim more than the actual damaged amount</p> <p>No proper documents attachments</p> <p>No keeping rainfall data</p> <p>Site record keeping very poor</p> <p>Need to do more inquiries</p> <p>Lack of knowledge most minor contractors not aware enough.</p>
26. If proper records not attached what do you do for a claim?	<p>It is very difficult for insurer</p> <p>Inquire site People</p> <p>Area public around the work place</p> <p>Appoint outside experts</p>
27. If any design failures do you accept the claim?	No. the event shall be unforeseen and sudden, design failure is not so.
28. What are the most significant damages in Sri Lankan road projects?	Flood, Land sliding, vibration damages to adjacent properties.



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Appendix C

Diction of CAR insurance cover

“General Exclusions

The insurance company will not indemnify the insured in respect of loss, damage or liability directly or indirectly caused by or arising out of or aggravated by

- a. War, invasion, act of foreign enemy, hostility, civil war, rebellion, revolution insurrection, mutiny, riot, strike, lock out, civil commotion, military or usurped power, a group of malicious person or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation, commandeering, requisition or destruction or damage by order of any government de jure or defect or by public authority*
- b. nuclear reaction, radiation or radioactive contamination*
- c. willful act or willful negligence of the insured or his representative*
- d. cessation of work whether total or partial/ termination of work “*

“Period of cover

“The liability of the company shall commence notwithstanding any date to the contrary specified in the Schedule, directly upon commencement of work or after the unloading of the items entered in the Schedule at the site. The company's liability expires for parts of the insured contract works taken over or put into service.

At the latest the insurance shall expire on the date specified in the schedule. Any extensions of the period of insurance are subject to the prior written consent of the company.”

“General conditions

- 1). The due observance and fulfillment of the terms of this policy is so far as they related to anything to be done or complied with by insured and the truth of statements and answers to the questionnaire and proposal made by the insured shall be a condition precedent to any liability of the company.*
- 2). The Schedule and sections shall be deemed to be incorporated in and form part of this policy with policy and the expression “this policy” where ever used in this contract shall be read as including the schedule and the sections. Any word or expression to which a specific meaning has been attached in any part of this policy or in the schedule or in the section shall bear such meaning where ever it appear.*
- 3). The insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the insurers to prevent loss, damage or*

liability and comply with statutory requirements and manufacturer's recommendations

4). a. Representatives of the insurers shall at any reasonable time have the right to inspect and examine the risk insured shall provide details

b. The insured shall inform if any material change and shall take additional precaution if required to cover if necessary

No material alteration shall be made or admitted by the insured whereby the risk is increased, unless the continuance of the insurance is confirmed in writing by the insurers.

5). In the event of any occurrence which might give rise to a claim under this policy the insured shall:

(a) immediately notify the insurers by telephone or telegram as well as in writing giving an indication as to the nature and extent of loss or damage;

(b) take all steps within his power to minimise the extent of the loss or damage;

(c) preserve the parts effected and make them available for inspection by representative or surveyor of the insurers;

(d) furnish all such information and documentary evidence as the insurers may require

(e) inform the Police Authorities in case of loss or damage due to theft burglary or malicious damage



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The company shall not in any case liable for loss, damage or liability of which no notice has been received by the company within 14 days of its occurrence.

Upon notification being given to the company under this condition, the insured may carry out the repairs or replacement of any minor damage; in all other cases a representative of the company shall have the opportunity of inspecting the loss or damage before any repairs or alterations are effected. If a representation of a company does not carry out the inspection within a period of time which could be considered as adequate under the circumstance the insured is entitled to proceed with the repairs or replacement.

The liability of the company under this policy in respect of any item sustaining damage shall cease if said item is not repaired properly without delay."

"6). The insured shall at the expense of the company do and concur in doing and permit to be done all such acts and things as may be necessary or required by the company in the interest of any rights or remedies, or obtaining relief or indemnity

from parties (other than those insured under this policy) to which the company shall be or would become entitled or subrogated upon their paying for or making good any loss or damage under this policy, whether such acts and things shall be or become necessary or required before or after the insured's indemnification by the company."

7). If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted) such difference shall be referred to the decision of an Arbitrator to be appointed in writing by the parties in difference or if they cannot agree upon a single Arbitrator to the decision of two Arbitrators, one to be appointed in writing by each of the parties, within one calendar month after having been required in writing so to do by either of the parties, or, in case the Arbitrators do not agree, of an Umpire to be appointed in writing by the Arbitrators before entering upon the reference. The Umpire shall sit with the Arbitrators and preside at their meetings. The making of an award shall be a condition precedent to any right of action against the Company.

8). If a claim is in any respect fraudulent, or if any false declaration is made or used in support thereof, or if any fraudulent means or devices are used by the Insured or anyone acting on his behalf to obtain any benefit under this Policy, or if a claim is made and rejected and no action or suit is commenced within three months after such rejection or, in the case of arbitration taking place as provided herein, within three months after the Arbitrator or Arbitrators or Umpire have made their award, all benefit under this Policy shall be forfeited.

9). If at time any claim arises under the policy there is any other insurance covering the same loss, damage or liability, the insurers shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss, damage or liability.

