

**ANALYSING THE CONTRACTORS ALL RISK
INSURANCE (CAR) POLICY CLAIMS IN SRI LANKAN
CONSTRUCTION PROJECTS**

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DECLARATION

I declare that this is my own work and this dissertation does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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ABSTRACT

The construction industry is characterized by a high level of risk. Therefore, risk management is a vital strategy to implement in every construction project. Insurance is one of the popular methods utilized by construction practitioners to transfer the risk. Among the various types of insurance, CAR policy plays a major role in the context of risk management.

When it comes to CAR policy contracts, they are categorized under different sections: inclusions, exclusions, complementary, and general covers. However, there are some provisions that do not cover certain risks, requiring an additional premium for coverage. Due to this reason, many insured parties are reluctant to incorporate such inclusions due to financial considerations.

Numerous claims have been submitted by contractors related to CAR policy. While some of these claims might be settled, others may face rejection by the insurance company. The primary aim of this research is to investigate the efficiency of the CAR policy in the Sri Lankan context. This knowledge is poised to benefit future contractors by offering insights into mitigating factors and improving claims processes, ultimately contributing to enhanced project outcomes.

The aim of this study is to investigate the efficiency of the CAR policy in the Sri Lankan context. From the findings, it is evident that material damage was the most frequently claimed type of damage, aside from third-party liabilities. Within material damage, accidental damage emerged as the primary cause of loss, while, notably, cracks due to vibration were identified as the main cause of loss under third-party liability damage. Significantly, a considerable number of claims were not paid, attributed to various reasons. Specifically, in the case of material damage, the unpaid percentage exceeds the paid percentage, with over 50% falling into the unpaid category. Conversely, under third-party liability, there is a reverse effect, indicating a paid rate beyond 50%.

The primary reason for these unpaid settlements is rejection by the insurance company. Many claims have been rejected due to a lack of knowledge regarding the insurance contract by the insured party. Most of the submitted claims fell within the policy deductible, or the risk was categorized under exclusions in the contract. Therefore, contractors are advised to be familiar with the insurance contract before submitting claims. This practice can save both parties time and make the claiming process more effective.

Keywords: Contractors All Risk Policy, Construction industry, Insurance

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LIST OF ABBREVIATIONS

CAR Policy – Contractor’s All Risk policy

RM – Risk Management

FIDIC – The International Federation of Consulting Engineers

JCT – Joints Contracts Tribunal