

2022-23 PRINCIPAL-NOMINATED CONTRACT WORKS AND LEGAL LIABILITY INSURANCE

- The Principal has arranged Contract Works and Legal Liability insurance to cover all civil and civic construction works with a contract value of up to \$30 000 000¹ (excluding GST), that do not fall within the works excluded or applicable limitations or are outside the applicable construction or defects liability periods.
- For 2022-23, Contract Works and Legal Liability insurance cover is provided through separate insurers for construction material damage and construction liability, on the terms outlined below.
- Any queries in respect to Contract Works and Legal Liability insurance, including excluded works and limitations, the premium rates and statutory charges applicable should be directed to the Principal's insurance broker, JLT Public Sector (JLT) on telephone (03) 6220 7401.

Administration

- Each contract will be issued with its own unique policy number at the time of placement.
- The Contractor should note that premiums applicable to Tables 1 and 2 below should be combined for the purposes of estimating the insurance premium. The Contractor should allow for the insurance premium and any related costs in the Contract Sum. Examples of how to determine the applicable premium are included in Attachment A.
- The Contractor will pay the insurance premium within 14 days of being invoiced that amount by the insurer or insurance broker.
- Failure by the Contractor to pay the premium will result in the Principal maintaining the insurance cover. The premiums so paid as well as any incurred expenses in undertaking this additional work shall be a debt due from the Contractor to the Principal.
- If the Contractor considers that the insurance cover arranged by the Principal is not sufficient to cover the Contractor's liabilities, then the Contractor shall take out and pay for additional insurance, as it considers necessary.

Construction Material Damage

- Cover is provided by Liberty Mutual Insurance Company, Australia Branch (T/As Liberty Specialty Markets) as lead insurer and co-insurers.
- The Policy rates individual contracts according to the specific project type by class, as shown below. Certain project types that do not fall within these classes must be referred to the insurance market by the Principal's insurance broker to determine appropriate terms and a premium rate².

¹ All works with a contract value greater than \$30 000 000 must be referred to the insurance market by the Principal's insurance broker to determine appropriate terms and a premium rate.

² Projects types to be referred include airports - runway and airside; breakwater, dam, dams including weirs; mining; offshore risks; micro tunnelling / horizontal drilling, inland rivers; pipelines - new, pipelines - offshore – maintenance; power – transmission lines; power generation – prototype / experimental works; power generation > 25MW; power generation (all gas turbines); road construction including tunnels, tunnels – new – road / rail / pedestrian; underground works; wet risks – over 20 per cent of contract value in, on, or over water.

Class 1 - including airports - terminal and associated buildings; building construction = new < 3 stories; building construction = new > 3 stories; footpaths; Government buildings; Housing developments; landscaping; maintenance; parks (community recreation area); pre-project investigation works; refurbishment of existing buildings; schools; shopping centre; swimming pools;

Class 2 - including desalination plant; earthworks; entertainment venues (stadium, oval, amenities); fire suppression systems; hospitals; pipeline maintenance; power – substations; road construction < 3 lanes; road construction > 3 lanes; road maintenance; trenches; works within existing tunnels – road / rail / pedestrian; waste recycling centre; water network – fresh / waste / storm; and

Class 3³ - including bridges; wet risks – with under 20 per cent of contract value in, on, or over water, including, canal, wharf construction, harbour upgrade works, land reclamation and port works; power generation (excluding gas turbines) < 25MW; rail works including track and signalling; waste treatment plants; water treatment plants; pipelines – onshore – new.

- The Policy provides cover for a construction period not exceeding 24 months and a defects liability period not exceeding 24 months. These periods may be extended by negotiation with the insurer through the Principal’s insurance broker.
- The premium rates, including the applicable Terrorism Insurance Act (TIA) levy and all other statutory charges, are shown in Table I below. The terrorism levy is calculated as a percentage of the base premium. It is set by postcode (of the works). A postcode search to determine the associated tier is available on the ARPC website (www.arpc.gov.au/our-customers/postcodes/).

Table I - Construction Material Damage Premium Rates

Contract Sum up to and including \$5 000 000	Location of works in TIA Tier B Postcode	Location of works in TIA Tier C Postcode
Class 1 (Contract Sums up to and including \$250 000)	\$815.44 (minimum premium)	\$794.53 (minimum premium)
Class 1 (Contract Sums greater than \$250 000 but less than \$5 000 000)	\$32.62 per \$10 000 of Contract Sum	\$31.78 per \$10 000 of Contract Sum
Class 2 (Contract Sums up to and including \$250 000)	\$1 223.16 (minimum premium)	\$1 191.80 (minimum premium)
Class 2 (Contract Sums greater than \$250 000 but less than \$5 000 000)	\$48.93 per \$10 000 of Contract Sum	\$47.67 per \$10 000 of Contract Sum
Class 3 (Contract Sums up to and including \$428 571)	\$2 446.33 (minimum premium)	\$2 383.60 (minimum premium)
Class 3 (Contract Sums greater than \$428 571 but less than \$5 000 000)	\$57.08 per \$10 000 of Contract Sum	\$55.62 per \$10 000 of Contract Sum

Contract Sum greater than \$5 000 000 up to and including \$30 000 000	Location of works in TIA Tier B Postcode	Location of works in TIA Tier C Postcode
Class 1 (Contract Sums greater than \$5 000 000 but less than \$30 000 000)	\$40.77 per \$10 000 of Contract Sum	\$39.73 per \$10 000 of Contract Sum
Class 2 (Contract Sums greater than \$5 000 000 but less than \$30 000 000)	\$57.08 per \$10 000 of Contract Sum	\$55.62 per \$10 000 of Contract Sum
Class 3 (Contract Sums greater than \$5 000 000 but less than \$30 000 000)	\$73.39 per \$10 000 of Contract Sum	\$71.51 per \$10 000 of Contract Sum

³ Class 3 is a new class introduced for the 2022-23 placement as proposed by the lead insurer - Liberty Mutual Insurance Company.

- The deductibles applicable to claims made under the Policy are shown in Attachment B.

Construction Liability

- Cover is provided by AIG Australia Ltd.
- The third party legal liability limit provided by the Policy is \$20 000 000.
- The Policy rates individual contracts according to the specific project type by class, as shown below. Certain project types that do not fall within these classes must be referred to the insurance market by the Principal's insurance broker to determine appropriate terms and a premium rate⁴.

Class 1 - including schools; Government buildings; Offices; Accommodation; Housing developments; swimming pools; refurbishment of existing buildings; maintenance; parks, community recreation areas; footpaths / tracks; and

Class 2 - including road maintenance (no bridges, box culverts or tunnels); road construction (no bridges, box culverts or tunnels); fire suppression systems; hospitals (new builds / new wards / wings; subdivisions (residential - Housing Tasmania); car parks (ground level / high-rise car parks to be referred).

- The Policy provides cover for a construction period not exceeding 18 months and a defects liability period not exceeding 12 months. These periods may be extended by negotiation with the insurer through the Principal's insurance broker.
- The premium rates, including all statutory charges, are shown in Table 2 below.

Table 2 - Construction Liability Premium Rates

Contract Sum up to and including \$30 000 000	
Class 1 (Contract Sums up to and including \$263 158)	\$550 (minimum premium)
Class 1 (Contract Sums greater than \$263 158 but less than \$30 000 000)	\$20.90 per \$10 000 of Contract Sum
Class 2 (Contract Sums up to and including \$476 190)	\$1 100 (minimum premium)
Class 2 (Contract Sums greater than \$476 190 but less than \$30 000 000)	\$23.10 per \$10 000 of Contract Sum

- The deductibles applicable to claims made under the Policy are shown in Attachment B.

⁴ Projects types to be referred include road construction and maintenance involving bridges; new bridge builds and existing bridge stabilisation works; tunnels (road, rail or pedestrian); trenches; dams /weirs / water treatment plant; power/transmission, power generation; rail work - including signalling / track work; mining; underground works; port works; offshore works; land reclamation; pipelines; airport runway and airside; demolition only contract exceeding \$250 000 any one contract; wet risks; waste treatment and water treatment plants.

Examples of how to determine the applicable premium

Example 1

Project Type = Class 1 (not referable to insurers)

Location = Kingston (postcode 7050 Tier B)

Contract Sum \$7 000 000

Material Damage premium = \$28 539 ($\40.77×700)

Liability premium = \$14 630 ($\20.90×700)

TOTAL ESTIMATED PREMIUM = \$43 169

Example 2

Project Type = Class 2 (not referable to insurers)

Location = Devonport (postcode 7310 Tier C)

Contract Sum \$23 500 000

Material Damage premium = \$130 707 ($\55.62×2350)

Liability premium = \$54 285 ($\23.10×2350)

TOTAL ESTIMATED PREMIUM = \$184 992

Example 3

Project Type = Class 1 (not referable to insurers)

Location = St Helens (postcode 7216 Tier C)

Contract Sum \$235 000

Material Damage premium = \$794.53 (minimum premium if contract sum <\$250 000))

Liability premium = \$550.00 (minimum premium for contract sum <\$263 158))

TOTAL ESTIMATED PREMIUM = \$1 344.53

Deductibles - Construction Material Damage and Construction Liability

Project Value up to \$5 000 000	
Material Damage	
Class 1	25 000 ¹ / 25 000 - 250 000 ^{2 & 5}
Class 2	25 000 ¹ / 25 000 - 250 000 ^{2 & 5}
Class 3	25 000 ¹ / 25 000 - 250 000 ^{2 & 5}
Construction Liability	
Class 1	5 000 ³ / 50 000 ⁴
Class 2	10 000 ³ / 50 000 ⁴

Project Value \$5 000 001 to \$20 000 000	
Material Damage	
Class 1	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Class 2	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Class 3	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Construction Liability	
Class 1	5 000 ³ / 50 000 ⁴
Class 2	10 000 ³ / 50 000 ⁴

Project Value \$20 000 001 to \$30 000 000	
Material Damage	
Class 1	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Class 2	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Class 3	50 000 ¹ / 50 000 - 250 000 ^{2 & 6}
Construction Liability	
Class 1	5 000 ³ / 100 000 ⁴
Class 2	10 000 ³ / 100 000 ⁴

1 "All other losses"

2 Losses caused by major perils ie earthquake, landslip, subterranean fire or volcanic eruption, subsidence, collapse, storm and/or tempest and/or rainwater and/or flood and/or tsunami and/or named cyclone

3 "All other claims"

4 Worker to worker claims

5 Minimum and maximum deductible payable. Deductible based on 5 per cent of value of works at risk at the time of loss

6 Minimum and maximum deductible payable. Deductible based on 10 per cent of value of works at risk at the time of loss