



**GENLIB**

SPECIALISED INSURANCE & INNOVATIVE SOLUTIONS  
FOR BROKERS  
FSP 35482

## **PLANT ALL RISKS (PAR)**

**Insurer:** New National Assurance Company

**FSP No.** 2603

This brochure is an informative document and is always superseded by the specific Policy Wording

## INTRODUCTION

- Indemnity is provided in respect of Loss or Damage to Construction Plant and Equipment, e.g., Earthmoving plant, Excavators, TLB's, Bulldozers, Graders, Cranes, Drill Rigs , Dump Trucks, Compressors, Generators i.e., Plant and equipment used by a contractor on a contract site in execution of the contract
- Cover includes on contract site, in transit between sites, loading, unloading and windscreen
- Sum Insured may be on either New Replacement, Market, or Agreed Value basis.

Plant All Risk is a specialist class of business with the main similarity to HCV insurance being the business owners' mindsets.

There are plant owners who maintain their plant in a better condition than others. Most people maintain the plant in accordance with the Original Equipment Manufacturer (OEM) requirements until the warranty expires and then use third party parts whilst extending the period between services from 250 hours to 500 hours. Some plant owners are more concerned than others about productivity and therefore maintain a fleet of newer plant and others are happy to buy old used plant; some refurbish the plant and some use the plant until it has no value.

In terms of Health and Safety legislation plant operators must have operators' certificates. The operator certificate for any lifting machinery (cranes/hoists) must be issued by a company which is accredited by the Construction Seta and who use the SAQA unit standards. The certificates are issued for a period of 2 years and must be renewed on expiry.

Other construction plant operators must be trained and certificated but there are many providers who are not yet accredited and accordingly not all operators are equal.

All plant operators must have a valid medical certificate, issued annually.

### THE INSURED PERILS

- Sudden unforeseen loss or damage due to
- Falling. Collision, overturning
- Fire, Storm, Flood, Subsidence, Landslip, Earthquake
- Theft and Malicious Damage

## EXTENSIONS OF COVER AVAILABLE:

- Third Party Liability on site only
- Third Party Road Risk
- Hired in/out Plant and Continuing Hiring Charges
- Substitute Plant Hire charges

The policy provides cover for sudden and unforeseen damage – this implies that the Insured must maintain the plant in a reasonable condition failing which a loss may not be unforeseen.

Plant must be inspected daily before use – typically the engine compartment should be inspected for oil leaks and exposed wiring, and this is easier when it is clean. The mines especially, require that the brakes of vehicles must be tested on a ramp, before use.

Coolant and lubricant levels must be checked. Any problems must be rectified before the plant is used on site.

All plant should be fitted with portable fire extinguishers and the operator must be trained to use the extinguisher correctly, pointing at the seat of the fire. Fires must be extinguished immediately as it becomes impossible after a few minutes due to the presence of flammable materials and fuel. An automatic fire suppression system is more effective but is expensive. Premiums can be discounted where this is fitted.

The machine will get hotter after being switched off and it is important that the operator should remain in the vicinity of the machine after parking as fires often start up to 30 minutes later due to the turbo temperature rising after stopping (due to lack of airflow)

## THE MAIN EXCLUSIONS:

- Mechanical or Electrical breakdown
- Normal wear and usage
- Tyres and Batteries unless specifically arranged with the insurer
- Fuels and Lubricants
- Consequential loss, loss of income, standing time penalties for delay etc.
- Plant subjected to overload conditions or tests for overload limits
- Absconsion

The Plant policy cannot extend in respect of electrical and mechanical breakdown which occurs frequently because of inadequate maintenance but also because of the hot and dirty environment in which the plant operates. The policy will however respond in respect of breakdown arising as a direct result of an accident, such as when the plant has overturned, and the engine continued running without lubrication or where the plant accidentally falls into water which enters the engine.

Similarly, batteries and tyres are excluded because of these parts with a limited life expectancy are exposed to a high risk of theft, but if the machine is stolen the cost of tyres and batteries would not be excluded.

Many contractors do not own plant and hire plant in from various plant hire companies. The hire agreement vary from very basic to the most detailed documents and the contractor must be advised to look at the requirements in the hire agreement relating to insurance and other relevant terms and conditions noting that the policy cover is based on the plant hire industry standard as reflected in the CPHA conditions of hire.

Plant Hire Companies can also be insured and if they do not make the hirer responsible for arranging insurance, it is a material fact which must be disclosed to the Insurer. It is critically important that they should verify the identity of the hirer.

## BASIS OF VALUATION

**NEW REPLACEMENT VALUE** – shall mean the cost to replace with new unused plant of the same make / model / type (Incl. cost of registration, licensing ,fees, taxes, delivery )

BETTERMENT does not apply except for wearable parts (limited life)

**MARKET VALUE** – shall mean the amount required to purchase plant of the same make / model / type / age & condition as the insured item immediately before the loss or damage

**AGREED VALUE** -

- a) MARKET VALUE AT START OF THE INSURANCE
- b) Custom built specialist Plant ; New Value less deduction for age and usage & condition
- c) AVERAGE does not apply if value not more than 20% less than Market Value

Most construction plant is imported, and the values are therefore linked to the foreign currency exchange rate. Where the Sum Insured represents New Replacement Value especially, Sums Insured must therefore be reviewed annually.

The Market Value is similar to a retail value but is determined to a greater extent than commercial vehicles, by supply and demand and also the equipment supplier's residual value calculations based on usage, in addition to fluctuations in exchange rates which may be a deciding factor in deciding to rather buy a used than a new item.

## BASIS OF INDEMNIFICATION

**NEW REPLACEMENT VALUE:** **PARTIAL LOSS** : NO BETTERMENT DEDUCTION

**TOTAL LOSS** : MARKET VALUE

**MARKET VALUE:** **PARTIAL LOSS** : DEDUCTION FOR BETTERMENT

**TOTAL LOSS** : MARKET VALUE

**AGREED VALUE:** AVERAGE NOT APPLIED (If not more than 20% Less than Market Value)

**PARTIAL LOSS** : BETTERMENT APPLIED

**TOTAL LOSS** : MARKET OR AGREED (whichever is the lesser)

One of the problems faced when a claim occurs relates to identifying an item on the policy schedule. Every item must be correctly identified on the schedule by description, serial number, chassis number, engine number, VIN and year of manufacture.

Construction plant insurers do not have agreements with repairers as is the case with commercial insurers, who nominate to repair and then instruct the repairer. The reasons are partly due to the nature of the industry where many contractors with a "fleet" of plant have their own workshops or deal with the equipment supplier's local agents in some cases and third-party suppliers in other cases, depending on the nature and age of the plant.

In the case of damage to the plant, the Insured would either recover the plant or appoint a contractor to attend to recovery from site, often from down an embankment or excavation. Following **recovery** the plant will either be transported to the Insured's yard or workshop or to a repairer. The repairer often provides a quotation, to repair the property insured, which includes additional costs for parts which are not damaged but which are replaced as good practice and for servicing the plant at the same time. The policy cover is limited to costs associated with physical damage and excludes consequential costs.