
Maintenance Covers



Maintenance

- Insurance cover for the maintenance period should only be granted when the works contract imposes maintenance liability on the contractor and only to the extent of the liability specified.



Maintenance

- Therefore, study the works contract maintenance clauses and then propose a suitable endorsement.



Maintenance

- Insurance cover during the maintenance period is basically limited to loss or damage caused by the contractor carrying out:
 - minor adjustments, ■
 - normal making good,
 - replacing parts of subnormal quality,
 - correcting deficiencies

Maintenance

to achieve guaranteed performance in fulfilment of his contractual obligations.

- This basic cover is given with the endorsement called:



Visits Maintenance

Maintenance

- The following two endorsements:

Extended Maintenance and

Guarantee Maintenance

gradually extend this cover.

Visits Maintenance

- This endorsement covers loss or damage due solely to acts and activities of the *contractor on the site* during the *maintenance period and required by the works contract*,

e.g. if the contractor damages a rolling mill gear which he has to open for inspection within the maintenance period, then the damage is covered.

Extended Maintenance

- This endorsement includes the cover of Visits Maintenance and additionally cover for accidental loss or damage caused by *faults and errors made during the erection work*
 -or due to *consequences of faulty material and/or bad workmanship*, always excluding the faulty part.

Extended Maintenance

- If during the maintenance period a motor shaft breaks, clearly due to bad alignment of the motor to the driven machine, which is an erection fault, the damage is covered.
- If a blast furnace fan disintegrates during the maintenance period because its shaft breaks due to faulty material, damage to the fan is covered. However, the faulty shaft and the normal cost of exchanging it would not be indemnified but only the cost of repairing all additional damage.

Guarantee Maintenance

- This endorsement includes cover of Extended Maintenance and additionally cover for accidental loss or damage due to *consequences of faulty design*,

e.g. if a crane bridge collapses because the design is inadequate, damage caused during the maintenance period to machinery erected and operating below is covered. However, replacing the too weak bridge by a correctly designed one would not be indemnified.

Maintenance

Description of cover ↑

		Due to consequences of faulty design, faulty part always excluded
	Due to faults or errors made by the contractor during erection time and/or consequences of faulty material and/or bad workmanship	
Solely due to activities of the contractor on site required by his contractual obligations		

Visit Maintenance

Extended Maintenance

Guarantee Maintenance

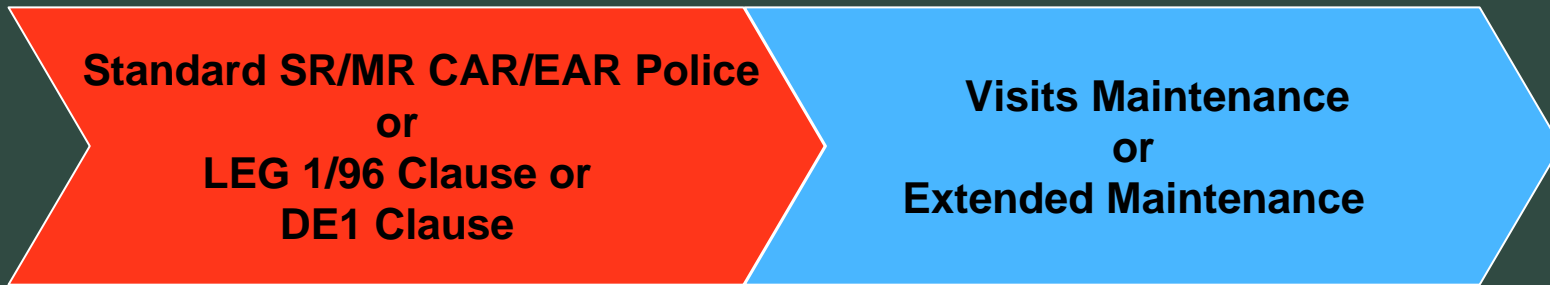


Faulty Design Cover in CAR/EAR

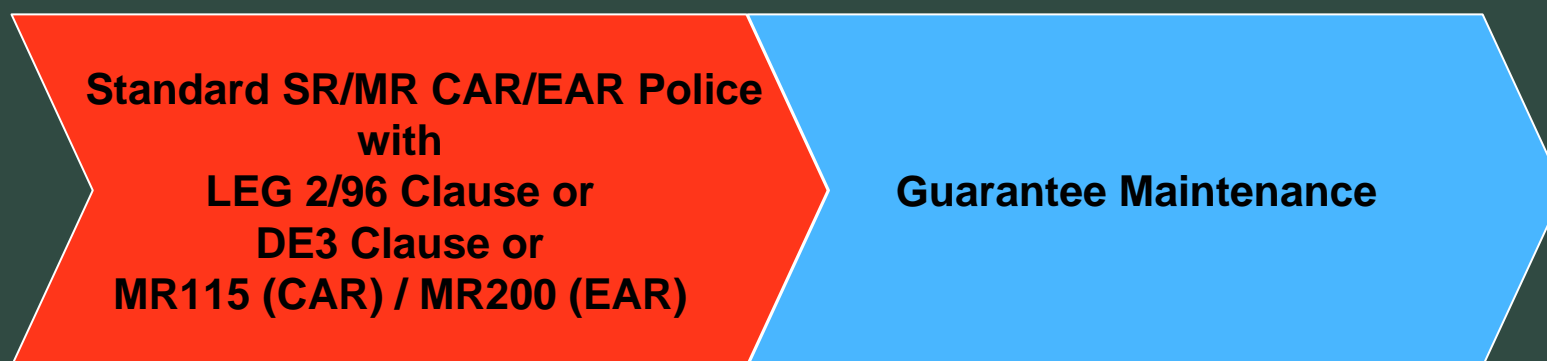
Clauses	LEG 1/96 (DE1) “Outright” defects exclusion	LEG 2/96 (DE3, MR115/200) “Limited cover” (faulty part excluded)	LEG 3/96 (DE5) “Full cover” (improvement excluded)
Type of damage			
Mere design defect, no physical loss or damage (yet)	excluded	excluded	excluded
Physical loss or damage to property insured (faulty part)	excluded	excluded	covered
Physical loss or damage to property without faulty part (consequential damage)	excluded	covered	covered

DE3 covers the consequential damage to property but excludes the faulty part,
DE5 covers both the consequential damage and the faulty part provided that physical damage did occur.

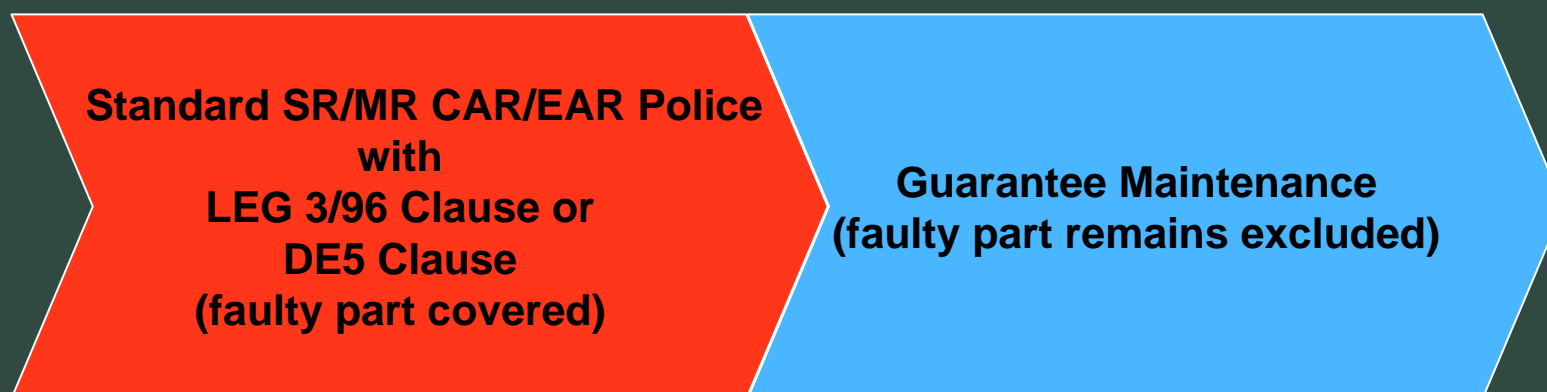
Adjust Maintenance Cover with basic CAR/EAR Cover



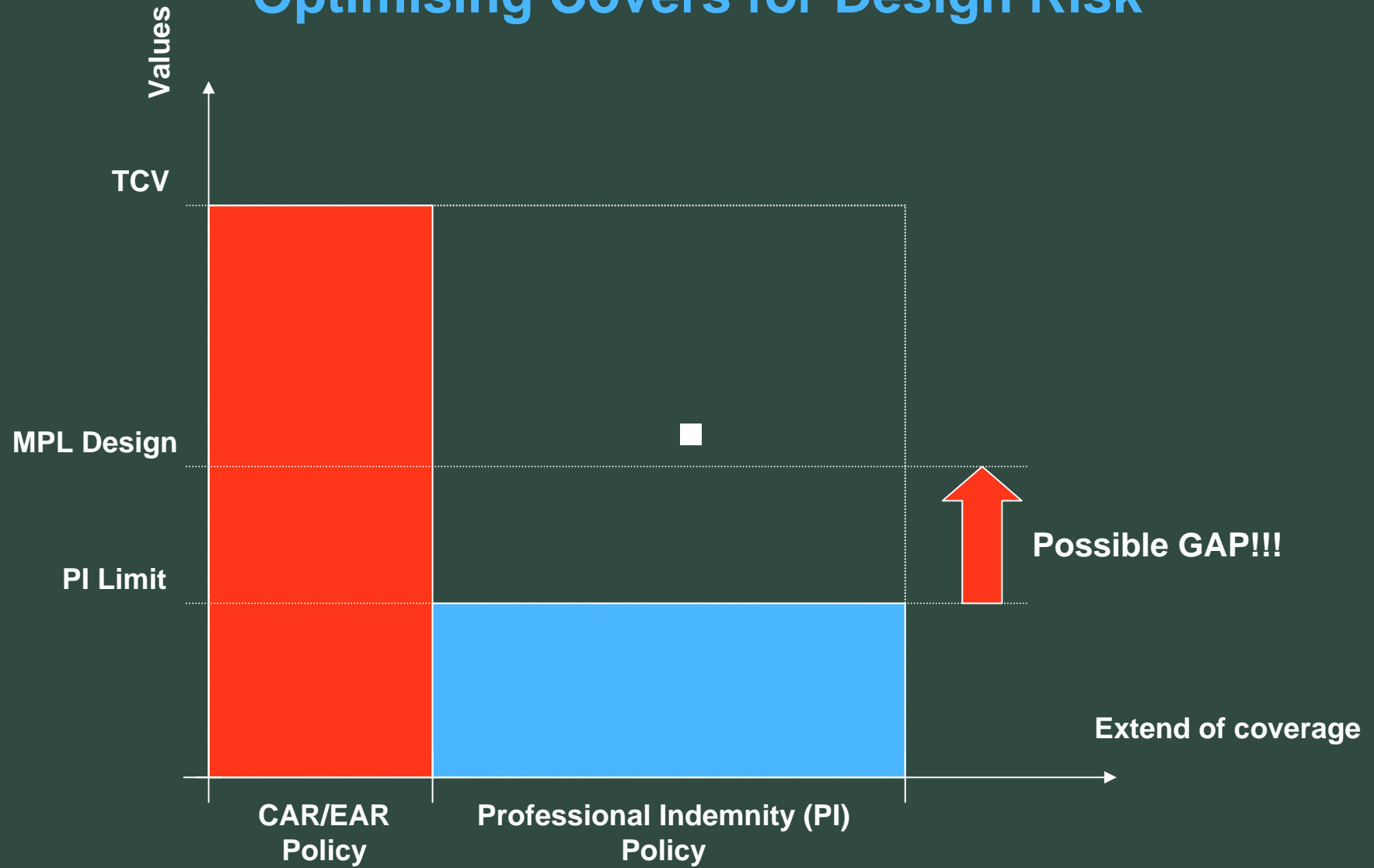
Adjust Maintenance Cover with basic CAR/EAR Cover



Adjust Maintenance Cover with basic CAR/EAR Cover



Optimising Covers for Design Risk



Clauses



LEG 1/96

The London Engineering Group Model "Outright" Defects Exclusion

The Insurer(s) shall not be liable for:

Loss or damage due to defects of material [■]workmanship design plan or specification.

LEG 2/96

The London Engineering Group Model "Consequences" Defects Wording

The Insurer(s) shall not be liable for:

All costs rendered necessary by defects of material workmanship design plan or specification and should damage occur to any portion of the Insured Property containing any of the said defects the cost of replacement or rectification which is hereby excluded is that cost which would have been incurred if replacement or rectification of the Insured Property had been put in hand immediately prior to the said damage.

For the purpose of this policy and not merely this exclusion it is understood and agreed that any portion of the Insured Property shall not be regarded as damaged solely by virtue of the existence of any defect of material workmanship design plan or specification.

LEG 3/96

The London Engineering Group Model "Improvement Consequences" Defects Wording

The Insurer(s) shall not be liable for:

All costs rendered necessary by defects of material workmanship design plan or specification and should damage occur to any portion of the Insured Property containing any of the said defects the cost of replacement or rectification which is hereby excluded is that cost incurred to improve the original material workmanship design plan or specification.

For the purpose of this policy and not merely this exclusion it is understood and agreed that any portion of the Insured Property shall not be regarded as damaged solely by virtue of the existence of any defect of material workmanship design plan or specification.

Outright Defect Exclusion DE1 (1995)

This policy excludes loss of or damage to the Property Insured due to defective design plan specification materials or workmanship.



Extended Defective Condition Exclusion DE2 (1995)

This policy excludes loss of or damage to and the cost necessary to replace repair or rectify

- (a) Property Insured which is in a defective condition due to a defect in design plan specification materials or workmanship of such Property Insured or any part thereof
- (b) Property Insured which relies for its support or stability on (a) above
- (c) Property Insured lost or damaged to enable the replacement repair or rectification of Property Insured excluded by (a) and (b) above

Exclusion (a) and (b) above shall not apply to other Property Insured which is free of the defective condition but is damaged in consequence thereof.

For the purpose of this policy and not merely this Exclusion the Property Insured shall not be regarded as lost or damaged solely by virtue of the existence of any defect in design plan specification materials or workmanship in the Property Insured or any part thereof.

Limited Defective Condition Exclusion DE3 (1995)

This policy excludes loss of or damage to and the cost necessary to replace repair or rectify

- (a) Property Insured which is in a defective conditions due to defect in design plan specification materials or workmanship of such Property Insured or any part thereof
- (b) Property Insured lost or damaged to enable the replacement repair rectification of Property Insured excluded by (a) above

Exclusion (a) above shall not apply to other Property Insured which is free of the defective condition but is damaged in consequence thereof.

For the purpose of the Policy and not merely this Exclusion the Property Insured shall not be regarded as lost or damaged solely by virtue of the existence of any defect in design plan specification material or workmanship in the Property Insured or any part thereof.

Defective Part Exclusion DE4 (1995)

This policy excludes loss of or damage to and the cost necessary to replace repair or rectify

- (a) Any component or individual item of the Property Insured which is defective in design plan specification materials or workmanship
- (b) Property Insured lost or damaged to enable the replacement repair or rectification of Property Insured excluded by (a) above

Exclusion (a) above shall not apply to other parts or items of Property Insured which are free from defect but are damaged in consequence thereof.

For the purpose of the Policy and not merely this Exclusion the Property Insured shall not be regarded as lost or damaged solely by virtue of the existence of any defect in design plan material specification or workmanship in the Property Insured or any part thereof.

Design Improvement Exclusion DE5 (1995)

This policy excludes:

- (a) The cost necessary to replace repair or rectify any Property Insured which is defective in design plan specification materials or workmanship.
- (b) Loss or damage to the Property Insured caused to enable replacement repair or rectification of such defective Property Insured.

But should damage to the Property Insured which is free of such defective condition (other than damage as defined in (b) above) result from such a defect this exclusion shall be limited to the costs of additional work resulting from and the additional costs of improvement to the original design plan specification materials or workmanship.

For the purpose of the policy and not merely this Exclusion the Property Insured shall not be regarded as lost or damaged solely by virtue of the existence of any defect in design plan specification materials or workmanship in the Property Insured or any part thereof.

MR115

Cover for Designer's Risk

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon and subject to the Insured having paid the agreed extra premium, exclusion c under Special Exclusions to Section I of the Policy shall be deleted and exclusion d replaced by the following wording:



„d The cost of replacement, repair or rectification of loss of or damage to items due to defective material and/or workmanship and/or faulty design, but this exclusion shall be limited to the items immediately affected and shall not be deemed to exclude loss of or damage to correctly executed items resulting from an accident due to such defective material and/or workmanship and/or faulty design.“

MR200

Cover of Manufacturer's Risk

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon and subject to the Insured having paid the agreed extra premium, lit c under "Special Exclusions to Section I" shall be replaced by the following wording:

"c all costs related to repair and/or replacement of parts and/or items directly affected by faulty design, defective material or casting, bad workmanship other than faults in erection, which the Insured would have incurred for rectifying the original fault had such fault been discovered before the loss occurred;"

This Endorsement does, however, not apply to parts and items of civil engineering sections.

MR003

Visits Maintenance Cover

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon and subject to the Insured having paid the agreed extra premium, this insurance shall be extended for the maintenance period specified hereunder to cover solely loss of or damage to the contract works caused by the insured contractor(s) in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract.

Maintenance cover from to

MR201

Guarantee Cover

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon and subject to the Insured having paid the agreed extra premium, this insurance shall be extended for the guarantee period specified hereunder to cover solely loss of or damage to the insured items resulting from faults in erection, faulty design, defective material or casting, and/or bad workmanship, but excluding the costs the Insured would have incurred for rectifying the original fault had such fault been discovered before the loss occurred.



This extension shall not cover any loss or damage arising directly or indirectly from or in connection with fire, explosion and/or any Acts of God nor shall it cover any third party liability.

Guarantee cover from to

Deductible: 20 % of the loss amount,

minimum any one occurrence.

**Now, tell me what I have forgotten
to tell you!**

