

Back to basics:

understanding the construction and engineering industry

1. PARTIES TO A CONSTRUCTION PROJECT

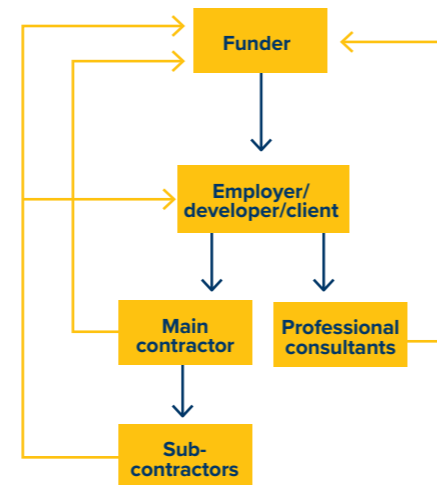
The main participants in a construction project are:

- **Employer/developer/client:** The person or entity who wants a project built.
- **Funder:** financing the project.
- **Main contractor:** overall responsibility for building and can have design responsibility if it is a design and build contract.
- **Sub-contractors:** employed by the main contractor to carry out specific parts of the works.
- **Professional consultants:** such as architects, engineers, surveyors, specialist consultants etc employed by either the employer or the main contractor depending on the procurement method.
- **Validation/checking engineer:** employed directly by either the employer or the main contractor to check and report on the sub-contractor's work

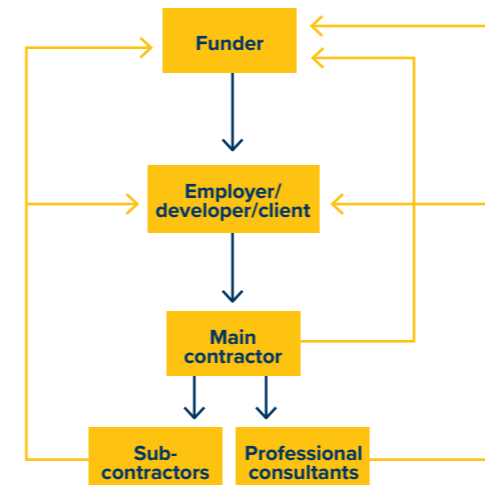
2. PROCUREMENT METHODS AND COLLATERAL WARRANTIES

How the parties all fit together depends on the procurement method used (contracts shown with blue arrows, typically agreed collateral warranties shown with yellow arrows).

Traditional:



Design and build:



4. CONSTRUCTION PROJECT: TYPICAL CLAIMS



5. INSURANCES FOR CONSTRUCTION PROJECTS

Different losses will be covered by different insurance policies, for example:

- **Professional Indemnity (PI) Insurance:** Defective design. Regulatory bodies (and contracts) often require consultants to maintain minimum levels of insurance.
- **Contractor's All Risk (CAR) Insurance:** Covers contractor for physical damage to the works and site materials.
- **Owner Controlled Insurance Programme (OCIP):** A single policy covering all the parties to and majority of liabilities arising from a construction project (usually excluding professional liability).
- **Employer's Liability (EL) Insurance:** Protects against injury to employees.
- **Public Liability Insurance:** Personal injury or death to members of the public caused by the works; loss or damage to certain property.
- **Erection/Construction All Risks (EAR/CAR):** Covers all parties on a specific project against loss or damage to the works.

But the scope of the insurance policy may be different from the wording in the contract, leaving some losses uninsured.

Note: defective workmanship is normally not covered by professional indemnity insurance. Performance bonds or guarantees may protect employers.

Always check the policy wording! If in doubt, speak with your broker or legal adviser.

3. STANDARD FORM CONTRACTS

Construction:

- JCT, and
- NEC

Engineering:

- FIDIC
- ICC, and
- IChemE

Professional consultants:

- RIBA
- RICS
- NEC, and
- ACE

6. ANY QUESTIONS?

For more in depth knowledge, please contact us:



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