

Insurance for the building and construction sector

What are the key risks in the building and construction industry?

Construction projects involve multiple stakeholders and are often undertaken on challenging sites. Construction businesses must often manage changes to scope or orders, poorly written contracts and specifications and complex project management issues. They may need to deal with labour and materials shortages, or theft of tools and materials.

Subcontractors and suppliers can provide extra stress for construction firms, as can the rising number of extreme weather events. What's more, cybercrime is an emerging threat to construction businesses, which often use insecure connections from mobile workplaces, and share files and data with stakeholders outside the business.

"The construction industry generates over $350 billion in revenue, producing around 8% of Australia's Gross Domestic Product, and has a projected annual growth rate of 2.5% in the next five years."

Australian Industry and Skills Committee, Construction, 2020

Who should consider insurance?

Whether you're an owner builder, a contractor or a large construction company, you'll need a range of insurance covers to safeguard your workers, building and equipment.

Did you know?

16,000

If you undertake domestic building work worth more than $16,000, then you need domestic building insurance.

(Victorian Building Authority, Building insurance requirements, 2022)

A shortage of skilled workers has emerged as a top 5 risk for the global construction industry in 2022.

(Allianz Risk Barometer, 2022)

Out of hours water damage is a major source of loss in the construction industry.

(Allianz: Construction companies to see robust growth and "new age" risks post-Covid, 2021)

What insurance should you take out - and what can it cover?

Insurance can protect you and your employees onsite, on the way to work and in your office.

Type of cover	Potential benefits
Contract works	Protects any buildings under construction and construction equipment. This cover may include protection against: • natural disasters like fire, earthquake, storm, flood, wind and water damage • damage to property caused by defects, theft and malicious damage or vandalism or smashed glass • third-party personal injury and property damage.
Business pack	Safeguards your business premises against: • equipment or machinery breakdown • employee dishonesty • property or glass damage • legal issues, with public and products liability • tax audit • theft, and theft or loss of money.
Cyber	Safeguards you and your business against expenses and legal costs if your website or other systems are hacked and your system cannot be used or customers' details are stolen.
Motor Insurance	Takes care of your valuable business vehicles with cover to: • help if you or your staff damage another person's vehicle • repair your vehicle after an accident or replace it if it's written off • replace a lost or stolen vehicle • safeguard you against legal liability.
Professional Indemnity	Protects you against legal action from a client for breach of professional duty. This type of insurance is often required by building contracts.
Workers Compensation	Covers the cost of your employees' wages, rehabilitation and medication if they become injured or sick through their work.

What usually isn't covered?

Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer and the requirements of your business.

Case Study

Rick has a small construction business, which employs subcontractors from time to time. As his usual plumber was unavailable for a job renovating a home, Rick employed a plumber recommended from a friend. Unfortunately, the plumber did a careless job and a pipe burst overnight, flooding the building and causing extensive damage to the half-completed renovations. Rick successfully claimed on his contract works, which covered the cost of the labour and materials to rectify the damage.

Contact us today

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