



Construction and Installation Insurance

Product guide, valid as of 1 October 2023

Construction companies often face significant risks in their operations. Potential losses include damage to a building under construction, such as water or fire damage. In addition, machines or equipment critical to construction operations may be damaged. If provides construction insurance and other comprehensive insurance solutions for your construction company to ensure the continuity of operations in the event of unpleasant surprises.

Commercial Property Insurance

In If's Property Insurance, the company's property risks are divided into easy-to-understand categories. In the Policy Document, you can easily see the insured property, the territorial limits and level of cover and deductible you have selected for each insured asset.

Property is categorised as follows:

- Residential buildings
- Non-residential buildings
- Movable property of the company, such as inventories, machinery and equipment
- Business interruption insurance
- **Construction and installation work, tools and surrounding property**
- Commercial forest and plot forest
- Production animals, horses and dogs

Insuring construction activities

The most significant insured interest in construction activities is unfinished construction and installation work. Property risks during construction differ from those of a completed building, as in most cases the security arrangements, fire compartmentation and fireproofing are not yet at the final level during construction.

Construction insurance requirements between companies are regulated by the Finnish General Conditions for Building Contracts YSE 98. They define the insurance requirements of the project, unless otherwise agreed by the parties. Although

there is extensive contractual freedom between companies, in practice, the majority of contracts do not deviate from the terms of YSE 98. Construction insurance products offered by If meet the requirements of the General Conditions for Building Contracts.

If's product range includes insurance for various construction needs:

- Annual insurance for contracts is a continuous insurance policy for a construction company, which insures all materials and work included in contracts performed during the insurance period. Annual insurance for contracts is typically made on the basis of the turnover of the construction company.
- Fixed-term project insurance insures materials and work included in an individual contract, as long as these are taken into account in the sum insured.
- The tools, machinery and equipment of a construction company can also be insured separately. In this case, the sum insured is the total amount of the company's own, rented and employee-owned tools and equipment, as well as site huts and containers. An exception to this are the most important and valuable machines for the company's operations, which must be insured individually.
- Insurance for surrounding property can be used to insure the customer's uninsured property for which the policyholder is liable in the event of damage. Uninsured property includes the reduced scope of coverage and deductible of the customer's own insurance as well as exceeding of the maximum sum insured.

Select a suitable level of coverage

The level of coverage of construction and installation insurance offered by If is all-risks insurance, in accordance with the requirements of YSE 98. All-risks insurance covers damage caused to the site by a sudden and unforeseeable event, such as fire and damage, as well as demolition and clearance costs. The level of coverage of tools, machinery and equipment as well as surrounding property is also all-risks cover. In practice, all-risks insurance means the broadest possible insurance coverage that covers direct property damage, including external and internal breakdowns in accordance with the insurance terms and conditions.

Validity of the insurance

If's construction contract insurance is valid to the extent specified in the YSE 98 at the construction site as well as at storage locations outside the site.

The policy also covers losses incurred during transport up to 20,000 euros per loss event. Even if the risk of damage has passed to the insured on the basis of a contract, building materials are already insured at the manufacturing plant or retailer of the materials. Therefore, in the event of loss or damage during transport, it makes no difference whether the material is transported by the insured or by a subcontractor.

Fixed-term project insurance for an individual contract is always made for an individual project and is not renewed automatically. For this reason, it is always a good idea to select a validity period of the fixed-term insurance that ensures that the insurance does not expire before completion even if the project is slightly delayed. If the damage occurs during warranty repairs, the insurance is valid in accordance with the requirements of the YSE, but no longer than for 24 months from the date of delivery. When the project is handed over or commissioned, the insurance expires even if the insurance period is still ongoing.

In case of several contracts, a continuous and automatically renewed annual insurance must be selected. Similarly, tools, machinery and equipment are insured with a continuous insurance, as the need to insure equipment continues even after an individual contract.

Insurance of the surrounding property can also be continuous, in which case it is valid for all construction sites. Alternatively, it can supplement the fixed-term insurance of an individual contract.

What is compensated and how?

All-risks insurance covers sudden and unforeseeable property damage that is not specifically excluded from the insurance in the insurance terms and conditions. The insured event must be verifiable: what, how, where and when it has occurred, and what caused the loss or damage.

Amount of compensation

The insurance compensation of a contract covers the costs of restoring the contract to the stage at the time of the damage. After a loss event, it is agreed whether compensation is paid to

each contractor according to the loss incurred or to the client, who will then compensate each contractor as the reconstruction progresses.

The insurance does not cover rush costs, such as overtime and weekend work, or possible fines for delayed delivery. The compensation is paid excluding value added tax, unless the insurance has been agreed for the amount including tax. Insurance for the amount including tax is necessary if the client of the project is not permitted to deduct value added taxes and there is a possibility that the contractor is not allowed to redo the work following a loss. This is the case when a residential building that is the subject of a renovation contract no longer exists after the damage, for example.

If the loss concerns a motorised machine, the maximum amount of compensation is the current value of the machine.

Age deductions and depreciation

An age deduction or depreciation based on the use of the tools is applied to all losses and damage involving tools. If the technical value of the property prior to the damage is less than half of the value of the new equivalent, the insurance will cover no more than the technical value as the poor condition of the property reduces the amount of compensation. On the other hand, as the property ages, its breakage is no longer considered entirely unforeseeable, nor does its value correspond to the value of a new equivalent.

As a rule, an annual deduction of 5% based on the age of the insured property is applied in the event of breakage damage to construction machinery. For measuring instruments and other similar devices subject to more intense wear from use, the age deduction is 15% per year. Age deductions are not applied for the calendar year following the first year of use. The deduction is calculated by multiplying the deduction percentage by the number of calendar years following the aforementioned twenty calendar years. Age deductions are applied regardless of whether the broken property can be repaired. In the case of breakage damage, age deductions are calculated based on the age of the original appliance.

In losses other than breakage damage, the amount of covered damage to construction tools, machinery and other fixed assets is reduced in accordance with the following table. However, no deductions are made for the first year of use or for subsequent calendar years exempt from age deductions. The amount of compensation is reduced by multiplying the number of calendar years that started after the exempt years by the age deduction percentage as follows:

Age deductions affecting the amount of compensation and the rules on compensation are described in more detail in chapters 7 and 10 of the insurance terms and conditions.

Read more:
[if.fi/en/
commercial](https://if.fi/en/commercial)

MACHINE GROUP	Deduction percentage	Years exempt from deductions
Hand tools, electric and battery-operated machines, access control and burglar alarms	15 %	1
Tools and machines powered by internal combustion engines, compressors, circular saws and compactors	10 %	1
Mould equipment, scaffolding, containers and other site facilities	5 %	3

A deductible is applied to the compensation

Each damage comes with a deductible, which is the amount of money deducted from the compensation and which your company must pay. You can choose the deductible from several options. With a higher deductible, you pay expenses arising from smaller loss or damage yourself, while the insurance covers larger claims that involve more substantial financial losses. The amount of deductible also affects the price of your insurance. The deductible is deducted separately for each property location. The deductible is not, however, deducted from costs arising from limiting or preventing a loss, with the exception of the cost for coding locks.

The deductibles for construction and installation insurance policies typically start at 1,000 euros. Some losses are subject to higher deductibles, which are described in more detail in chapter 7 of the terms and conditions.

The amount of the deductible may be adjusted by our company due to general cost developments by notifying the policyholder.

Exclusions

Not all losses are compensated. The insurance does not cover damage caused by, for example:

- wear, corrosion, spoiling or other gradually occurring phenomena
- damage to property that has been incorrectly designed, constructed or installed or not used according to instructions
- a manufacturing defect or defective materials

Nor does the Insurance cover:

- misplacing or losing property
- fraud or embezzlement
- theft without burglary or robbery

The levels of coverage of each insured interest are listed in the Policy Document. Covered events and exclusions related to each level of coverage and type of loss can be found in chapter 5 of the insurance terms and conditions.

Section 2.1 of the General Terms and Conditions also contains certain general restrictions which, among other things, completely exclude damage caused by certain causes from coverage.

Take care – safety regulations

The insurance also involves safety precautions. By following the safety regulations, loss or damage can be prevented and the extent of damage suffered can be mitigated. If safety precautions are ignored, the compensation due may be reduced or refused.

Safety precautions include regulations on

- fire safety
- crime prevention
- data security of software and files

Please read the safety regulations you received with your insurance in section 8 of the terms and conditions and act accordingly. Please note that the safety precautions for hot work found on our website are part of the safety regulations, even though they are not supplied with the Policy Document.

General safety regulations

- Laws, decrees and regulations issued by the authorities must be followed
- Instructions for storing, handling, operating and servicing machinery and equipment must be followed
- Fire, flammable liquids and gases, explosives and other hazardous substances must be handled with care so that there is no danger of loss.

In the event or under immediate threat of a loss or damage, the policyholder or other party entitled to compensation shall immediately take protective and rescue measures, as well as otherwise prevent or limit the event as far as possible.

Insurance is a contract

Insurance is based on an insurance contract. The policyholder must provide accurate and complete information when entering into the contract. The contract determines the scope of coverage and the amount of the deductible, both of which form the basis of the compensations payable when the damage occurs. The main content of the insurance contract is stated in the Policy Document.

Insurance premium and its payment

Depending on the Insured Interest, the insurance premium is based on, among other things

- the policyholder's line of business, location of the office, insurance and claims history
- the properties and the purpose of use of the Insured Interest
- the scope of cover and the amount of deductible.

The insurance remains valid if the insurance premium is paid no later than the date due. If the insurance premium has not been paid, If will terminate the insurance, effective at the earliest 14 days from the date of dispatch of the notice of termination.

Changes to and expiry of the insurance contract

The insurance is valid for one agreed insurance period at a time and is automatically renewed for the next period unless changed or agreed for a fixed term. During the period of validity of the insurance, the policyholder must immediately report any changes or errors in the information concerning the policyholder or insured interests to our company.

The insurance company may amend the insurance terms and conditions and adjust premiums at the turn of the insurance period as provided in the terms and conditions. We notify you of any amendments in advance.

Your insurance can expire:

- at a previously agreed date
- if you notify our company of termination in writing
- upon the insurance company's decision during the insurance period if the insurance premium has not been paid
- upon the insurance company's decision in other circumstances specified in the insurance terms and conditions and legislation

DAMAGE EXAMPLE

Burglars break and enter into a construction in the early hours of the morning and take off with around €10,000 worth of tools and machinery. The burglars broke the locks of two different construction site containers. In accordance with If's terms and conditions, the locks provided sufficient protection.

Construction insurance is always an all-risks insurance, so the criminal damage was covered by insurance. To calculate the amount of insurance compensation, the policyholder must provide the insurance company with a detailed list of the stolen property, their value and year of purchase, as well as requested receipts for purchases. In the case of criminal damage, the amount of compensation is calculated by applying an age deduction of 15% from the purchase price for each year following one full calendar year after the first year of use, as professional tools and machines age particularly rapidly. The deductible chosen by the policyholder, which in construction operations is typically at least €1,000, is applied to the amount of compensation.

DAMAGE EXAMPLE

A fire breaks out in a building under construction as a result of smoking. The fire is able to spread in the structures because fire safety at an incomplete site is not at the same level as in a finished building.

Construction insurance covers the fire damage. No age deductions are applied for fire damage. All-risks insurance covers the costs of restoring the construction to the stage preceding the accident. The deductible chosen by the policyholder, which in construction operations is typically at least €1,000, is applied to the amount of compensation.



if.fi/en/commercial
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