



Construction Insurance in the UK With Gallagher



Gallagher

Insurance | Risk Management | Consulting

The construction landscape is changing

Navigating the dynamic landscape of the UK construction industry requires organisations to take a strategic approach. The industry today faces a wide variety of challenges. From demographic shifts to regulatory changes and economic uncertainties. These challenges underscore the need for strategic foresight and proactive management.

An ageing workforce and skills shortages

The UK construction sector is grappling with an ageing workforce coupled with a scarcity of skilled tradespeople, a predicament exacerbated by Brexit, dwindling apprenticeship uptake, and further falls due to the coronavirus pandemic.

According to the [Gallagher Business Risk Index](#) which surveyed over 1,000 UK businesses, employee related risks make up four out of the top five and include, cost of living crisis, lack of skilled talent, employee retention and cost of salaries, reflecting the competitive job market despite the wider economic headwinds.

Connected to these financial human resource issues are rising concerns over mental health in the broadly male-dominated workforce of construction where there are high pressure environments often coupled with a reluctance to seek help.

Beyond the immediate workforce there is a reliance on subcontractors which introduces additional layers of risk, including quality control, project delays, and contractual disputes. Intensified market competition further compounds these challenges, necessitating strategic differentiation, collaborative partnerships, and robust due diligence processes to mitigate subcontractor risks and sustain competitive advantages.

Brexit and economic volatility

The fallout from Brexit continues to reverberate across the construction landscape, engendering uncertainties not just around labour supply, but also material costs, and regulatory frameworks. Economic volatility further compounds these challenges, necessitating agile strategies to navigate fluctuating market dynamics and mitigate disruptions to project pipelines and profitability. Maintaining financial security amid market uncertainties, fluctuating interest rates, and project risks presents a formidable challenge.

Thin margins coupled with project complexities emphasises the need for meticulous risk management and operational efficiencies. From supply chain disruptions to technological disruptions and geopolitical uncertainties, construction companies must adopt a holistic risk management approach, strategic partnerships, and innovative solutions to optimise margins and sustain profitability amidst evolving market dynamics.

Regulatory compliance

Navigating regulatory complexities poses a perennial challenge for construction firms, with evolving frameworks necessitating continuous adaptation and compliance. The interplay of regulatory requirements, environmental mandates, and industry standards underlines the need for proactive engagement, regulatory intelligence, and agile governance structures to mitigate compliance risks and ensure operational resilience.

Stringent health and safety regulations mandate meticulous adherence, posing operational challenges and potential liabilities for noncompliance. The enactment of the Building Safety Act further underscores the requirement for robust risk management frameworks, necessitating investments in safety protocols, training, and compliance measures to mitigate reputational risks and legal ramifications for multi occupancy residential buildings.



The construction insurance landscape

In a risk-laden environment, ensuring comprehensive insurance coverage is indispensable, safeguarding against liabilities, project risks, and unforeseen contingencies. However, amid the complex and evolving insurance landscape, construction firms encounter a range of challenges that impede their ability to secure adequate protection.

Underinsured gaps and unnecessary cover

One of the foremost challenges confronting construction companies is the risk of underinsurance or coverage gaps. Despite the best intentions, inadequate risk assessments and reliance on standardised policies may result in critical exposures being overlooked, leaving companies vulnerable to substantial losses. Conversely, purchasing cover that exceeds actual needs can lead to unnecessary expenses, draining financial resources without commensurate benefits. Without a comprehensive understanding of their unique risk profile, construction firms may find themselves grappling with the consequences of insufficient or superfluous insurance coverage.

Reliance on historical relationships and limited awareness

Many construction companies rely on long-standing relationships with insurance brokers, assuming that familiarity equates to optimal coverage. However, this reliance on historical arrangements may inadvertently lead to suboptimal outcomes, if the broker being used is not a specialist construction broker, as they may not be aware of the dynamic nature of construction insurance, and rely on outdated policies which fail to address evolving risks and industry dynamics offer the most up to date levels of cover and policy wordings. Moreover, a lack of awareness regarding emerging threats and innovative insurance solutions perpetuates the cycle of inadequate coverage, as companies remain unaware of potential vulnerabilities and opportunities for improvement. In essence, they don't know what they don't know, leaving them exposed to unforeseen risks and liabilities. Fire safety exclusions on professional indemnity policies are quite dynamic and some insurers are starting to offer cover, although this varies greatly between different insurers and different sectors of the construction industry. A broker who is not a specialist in construction may not be aware of this and might not negotiate the best level of cover for their clients, as insurers may not offer it automatically.

Challenges in claims processing

Even with seemingly comprehensive coverage, the process of getting claims paid can be arduous and time-consuming. Insurers may scrutinise claims rigorously, citing ambiguities in policy wording or disputing the extent of coverage, delaying compensation and exacerbating financial strain. Additionally, the complexities of construction projects and contractual obligations may further complicate claims processing, leading to protracted disputes and uncertainties regarding reimbursement. As a result, construction firms may face significant disruptions to operations and project timelines, exacerbating financial and reputational risks.

Inadequate policy wording and rising premiums

Standard policy wordings often fail to address the unique risks inherent in construction activities. Moreover, escalating premiums and diminishing coverage exacerbate the challenges faced by construction companies, as cost constraints and market pressures limit their ability to secure comprehensive insurance protection.

Inaccurate or inadequate coverage places the entire business at risk, jeopardising projects, assets, and stakeholder interests. The financial ramifications of inadequate insurance can be catastrophic, potentially leading to insolvency, litigation, and irreparable damage to reputation.





The Gallagher **CORE360**[®]

As insurance markets tighten and premiums increase, it is crucial to conduct a thorough assessment of your organisation's risk profile. It is imperative to verify that your insurance coverage remains adequate and aligned with your needs, ensuring that it will respond appropriately in the event of a claim.

Factors such as decreased market capacity for risk, expanded policy exclusions, and stricter underwriting criteria should all be carefully weighed when crafting a tailored insurance programme that best suits your requirements.

Engaging an insurance broker who is a specialist in the construction sector enables construction firms to tailor insurance solutions, mitigate coverage gaps, and fortify financial resilience, ensuring adequate protection against a spectrum of risks and uncertainties.

Gallagher's **CORE360** risk and insurance audit focuses not just on all the historic, predictable costs you are used to paying, but also on the additional costs that are likely to be incurred if the detail is not explored.



The CORE360 methodology

CORE360 proactively identifies and reduces your total cost of risk. Whilst many people talk conceptually about understanding and reducing risk, Gallagher has taken this further by creating a proven process that comprehensively evaluates the following six key cost drivers that underpin any effective risk management programme:

- 1. Insurance Premiums:** Costs for all your existing insurance policies, including how your broker is remunerated.
- 2. Programme Structure:** Costs arising from the individual elements of your programme not working together correctly.
- 3. Coverage Gaps:** Costs arising from gaps in your existing policies, such as sublimits, removable exclusions and extensions of coverage.
- 4. Uninsured & Uninsurable Losses:** Costs of any risks you knowingly, or unknowingly, leave uninsured.
- 5. Loss Prevention & Claims:** Costs incurred by inappropriate loss prevention programmes and ineffective claims management processes.
- 6. Contractual Liability:** Costs resulting from the unsuccessful transfer of risk to a third party.

CORE360 is designed to provide holistic solutions that address the diverse needs of an organisation, ranging from risk mitigation and insurance coverage to employee benefits and wellness programmes.

The CORE360 framework encompasses several key components

- 1. Risk Management Solutions:** Gallagher offers a range of risk management services tailored to the specific needs of businesses across various industries. This includes identifying, assessing, and mitigating risks through proactive strategies, insurance solutions, and compliance support.
- 2. Employee Benefits Consulting:** CORE360 includes expert guidance and consulting services to help businesses design and manage comprehensive employee benefits programmes. This may include health insurance, retirement plans, voluntary benefits, and wellness initiatives aimed at attracting and retaining talent while promoting employee wellbeing.
- 3. Wellness and Health Management:** Gallagher emphasises the importance of employee wellness and health management as integral components of risk mitigation and business success. CORE360 may include wellness programmes, health screenings, and initiatives aimed at fostering a healthy and productive workforce.
- 4. Compliance Support:** Gallagher provides businesses with guidance and support to navigate the complex landscape of regulatory compliance, ensuring that they adhere to relevant laws and regulations governing employee benefits, health insurance, and risk management.
- 5. Data Analytics and Insights:** CORE360 leverages data analytics and insights to provide businesses with actionable intelligence, enabling informed decision-making and strategic planning. By analysing data related to risk exposure, claims trends, and employee demographics, Gallagher helps businesses optimise their risk management and benefits strategies.

The CORE360 output

The review benchmarks the business against industry best practice, taking into account overall price competitiveness, recommendations for future programmes and a view of current and future risk. It provides an in-depth analysis of the current cover and highlight concerns which could lead to a significant uninsured loss or a material impact to the balance sheet. It may sound like a large undertaking; however, while detailed, the review process is carefully structured to limit the impact on an organisation's time and resources.

Organisations receive a comprehensive report on the key issues, potential impacts and actions for each of the six cost drivers, along with scorecards and a cover audit heat map outlining critical exposures and the areas where improvements are required.

Gallagher provides new programme structure options to mitigate identified risk, as well as advice on how uninsured covers can be incorporated without incurring significant cost increases.

Download the **CORE360** risk and insurance audit brochure [here](#).

Why Gallagher for construction cover?

Gallagher stands out in the market by focusing and delivering superior service, tailored solutions, and unwavering commitment to client needs. Unlike other brokers that solely focus on price-matching, Gallagher prioritises value and delivers the best advice tailored to each client's unique requirements. With deep industry expertise and a commitment to understanding the construction industry, Gallagher ensures clients receive comprehensive coverage that truly protects assets and mitigates risks effectively.

Gallagher goes beyond transactions, investing the time to visit and understand the specific needs of clients in the construction industry. By forging personal relationships and gaining first-hand insights into a client's operations, Gallagher can tailor bespoke solutions that address the unique risks and challenges.

One size does not fit all when it comes to construction coverage. Gallagher works closely with clients to design bespoke coverages that align with their risk profile, ensuring that no gaps exist and that clients are adequately protected against potential liabilities.

In addition to this, Gallagher boasts an in-house claims team dedicated to managing claims from cradle to grave. This ensures seamless communication, expedited processing, and maximum advocacy on behalf of clients, minimising disruptions and maximising recovery in the event of a claim.

Comprehensive risk management process

Gallagher conducts rigorous due diligence as part of the risk management process, identifying and mitigating potential risks before they materialise. By leveraging expertise and industry insights, Gallagher helps construction businesses navigate complex regulatory landscapes and emerging threats, ensuring proactive risk mitigation strategies are in place.

Partnering with Gallagher empowers construction companies, helping them understand the nuances of insurance policies and ensuring that what they're buying is correct. With a dedicated wraparound team of experts, Gallagher offers clarity and transparency, enabling clients to make informed decisions that safeguard their interests and ensure peace of mind.

Local presence and expertise

With a local team of experts, Gallagher offer unparalleled construction and technical expertise, grounded in a deep understanding of regional dynamics and regulatory frameworks. This localised approach enables Gallagher to provide personalised advice and responsive service that meets the distinct needs of construction businesses in every market.

The commitment of Gallagher extends beyond policy placement. Ongoing support and advocacy are provided throughout the insurance lifecycle. Whether it's reviewing coverage, addressing emerging risks, or facilitating claims resolution, Gallagher serves as a trusted advisor, guiding construction businesses every step of the way.





About Gallagher

With an extensive team of seasoned construction insurance specialists, Gallagher offers customised risk management solutions uniquely tailored to suit the specific needs of every sector within the construction industry and each individual client.

We cater to a diverse clientele, serving large corporations as well as local UK developers and construction firms. Our comprehensive suite of construction insurance services is available both on an annual basis and for individual projects. Spanning across multiple sectors, including commercial, residential, mixed-use, tunnelling, transportation infrastructure, power generation, renewable energy, and mining, our expertise is extensive.

Our insurance solutions are crafted to safeguard your business from a range of risks and liabilities. With over three decades of industry experience, our Professional Indemnity team delivers cost-effective coverage for claims arising from errors, omissions, or negligent advice. Additionally, we offer specialised coverage such as owner-controlled insurance programme (OCIP), latent defects insurance, and pollution liability insurance to address specific needs.

Our team of specialists excels in crafting comprehensive coverage proposals tailored precisely to your needs, complete with transparent costings. Leveraging our expertise, we adeptly negotiate with insurers to secure coverage at competitive prices. Furthermore, we specialise in negotiating bespoke enhancements to your policy to ensure it perfectly aligns with your requirements. In the event of a claim, count on us for dedicated support and guidance, ensuring a seamless and efficient claims process every step of the way.

Get in touch

With a team of over 80 construction specialists stationed in the UK, we offer comprehensive solutions tailored to construction projects of all sizes. Our expertise spans across various facets of construction insurance, encompassing contractor-controlled insurance programme (CCIP), specialised construction claims, surety, advisory services for financiers' insurance, major project insurance, environmental insurance, and latent defects insurance.

Talk to us today to arrange your confidential **CORE360** review and conduct a strategic audit of your risk, and benchmark the cost of your insurance programme.

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