

A guide to Public Liability insurance

How much Public Liability cover do you need?

Whether you are a builder or trade contractor, the amount of public liability insurance you carry can be vital to the survival of your business, should the worst happen and you incur a serious liability claim against you.



Deciding on the limit of liability (or sum insured) to have for your policy therefore requires careful consideration, but before weighing up some of the factors necessary to arrive at an adequate sum insured, it is worth a quick look at the basics of a public liability policy:

- You are insuring against your legal liability to third parties (other persons).
- Cover is for occurrences of personal injury or property damage.
- The occurrence causing liability must be in connection with your stated business activities.
- The liability must be sustained during your period of insurance.
- Cover provided is for any one occurrence, subject to the sum insured of your policy.

As can be seen, the first four items are reasonably straight forward and they are fully quantified in your policy wording should you need to establish the precise detail. The sum insured however, is not of a definitive nature and it is left to you to determine what is adequate for your own circumstances.

To assist in deciding upon what sum insured is right for your business, some aspects of public liability insurance coverage and how a policy responds are shown below. Also included, are some other considerations that we suggest you should take into account.

Contractual obligations

For works under contract, check the insurance clauses for the level of cover specified.

Whilst this amount must be complied with, it does not represent a full assessment of your risk. Therefore, you should not rely on this as your sole consideration, but you can certainly use it as a good starting point.



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Insurance coverage is for “any one occurrence”

This means that your sum insured needs to be sufficient to cover all claims against you, that arise from “any one occurrence”. For example, if an accident happens and 2 or 3 people are injured, your sum insured needs to be enough to cover all the claims from all the injured persons – your sum insured does not apply individually and separately to each claimant.

Serious claims can and do occur on a regular basis and it does not make sense to risk your business or personal assets by only carrying minimal public liability insurance.

Level of awards

The amounts being awarded by the courts, particularly in personal injury cases, are continually on the increase. There have already been a number of judgements which have exceeded \$5,000,000 for injury to an individual person.

Sum Insured is fixed at date of occurrence

If an accident happens today, your policy cover is the amount you have in place today.

It's a fact however, that most serious personal injury cases will take many years to proceed through the legal system to the final amount awarded – but your policy cover is fixed at the amount you held on the date the accident occurred. You need to allow for circumstances of a multiple person injury and resultant awards being made at future dates and values.

WorkCover recoveries

WorkCover authorities are very active in recovering monies paid by them to injured workers, if they believe that another party caused or contributed to the injury in any way.

The building and construction industry is particularly vulnerable to claims of this nature, due to the multitude of businesses working at the same workplace. All building related businesses, whether in the contractual chain of the injured person or not, are subsequently exposed to claims arising from workers of others.

Additionally, it is not uncommon for injured workers to by-pass the WorkCover system totally, as higher payouts can be achieved by taking civil action (which becomes a public liability claim).

Size does matter

Contractors often make the comment, “it's only a small job and I don't need much cover”.

This is a serious underestimation, as the degree of personal injury liability is not governed by the size of the works being performed. There is actually a quite credible counter argument that a minor housing alteration, with owners and children present around the works, comprises a higher risk than a full blown building site.

When the amount of liability exceeds your sum insured

Should it eventuate that the total liability incurred exceeds your sum insured, the balance is payable by you. This is a particularly sobering thought for sole traders and partnerships, as you have all of your personal assets immediately on the line.

In summary

It is wise to give proper thought to the amount of public liability insurance you take out.

No two businesses are the same and the best person to assess the needs of your particular business operations is you. Coverage of \$10,000,000 is a very common contractual requirement and this level of cover is certainly advisable as an absolute minimum sum insured to hold.

Remember that serious claims can and do occur on a regular basis and it does not make sense to risk your business or personal assets by only carrying minimal public liability insurance.

Bear in mind that it is a quick and easy process to “price” extra coverage, and you may be in for a pleasant surprise as premium rates are scaled down for larger sums insured – you can sometimes increase your coverage by as much as 100%, for as little as 25% extra premium.

For more information contact MBIB Ph: 1800 150 888