

CONSTRUCTION INSURANCE KNOW-HOW

10 HIRED-IN EQUIPMENT

INTRODUCTION

Builders and contractors often hire tools, plant and equipment, and other materials to execute the works. Usually, the rental company offers a Damage Waiver at the time of hire which relieves the hirer of liability for loss or damage to the hired equipment under certain conditions.

This edition of “Know-How” helps explain the extent of coverage under the SURA policy, how it works in practice and how SURA’s innovative approach can help you, our broker, and our mutual clients.

A TYPICAL SCENARIO

Our insured is Joe Blogs Building Company Pty Ltd (JBBC), a suburban builder, who subcontracts around 70% of the contract works to outside tradesman - for example plumbers and electricians. He employs a carpenter and an apprentice carpenter and insures their hand tools as well as his own under his Employee Tools cover (see [KNOW-HOW 07 Employee Tools & Mobile Machinery](#)).

Occasionally JBBC have the need for a brick saw, jackhammer or chainsaw for a couple days at a time and they elect to hire these when needed.

JBBC estimate they spend around \$15,000 on hiring charges every year. They notify you, their insurance Broker, for advice.

SURA offer a basic level of cover under Section 1 on either a blanket or specified items approach which “dovetails” with the Damage Waiver offered by the Hiring out company, for example Kennards Hire. You arrange for their SURA construction policy to be extended to provide this cover (Endorsement E-151) and inform Joe to take out the damage waiver and the additional premium which together provides cover for the hired in plant.

About halfway through the project there is an on-site break-in, and the jackhammer and chainsaw are stolen. The brick saw is found thrown up against the side of the security shed and is badly damaged.

TYPES OF COVER SURA PROVIDES

Cover for Hired Equipment can be granted under Section 1 Material Damage by endorsement on a blanket cover basis for hired in items up to a \$5,000 replacement value, or by specifying items over \$5,000 in value.

The normal cover provided by SURA is a Difference in Conditions / Difference in Excess cover to the terms of the Damage Waiver offered by the Hire Company which means *the insured must accept the Damage Waiver offered by the Hire Company to be covered by this endorsement*.

If on the odd occasion JBBC uses a hired-in item SURA could accommodate cover via the Care Custody Control Endorsement under Section 2 to include Hired equipment in circumstances where cover under Section 1 is not warranted.

HOW DOES SURA’S COVER WORK?

SURA Construction only covers the items themselves whilst hired in by our Named Insured only. There is no cover for things such as loss of revenue, additional hire charges, or where the hired item is hired out by our insured to other parties (“cross hiring”).

Cover ceases at the end of the hiring period.

In the typical scenario above JBBC lodged a claim for their loss. As it turns out the Damage Waiver covered the items for theft but had an exclusion for vandalism. In addition, the damage waiver imposed an excess of 15% of the value of the item.

SURA would pay for the difference in excess on the two stolen items (if any) as replacement of the items is covered under the Damage Waiver.

For the brick saw that was vandalised SURA would pay for the repair costs if repairable otherwise SURA would pay a fair Market Value.

It would be normal practice for SURA’s in-house claims team to negotiate directly with the hire company to establish an equitable settlement as this is in the best interests of our Insured.

RISK MANAGEMENT TIPS

What things could you do to better understand which type of cover best suits your client’s needs?

- Ask the client about hired in plant and make sure you understand the extent of their exposure.
- Obtain a copy of the Hire agreement to check out what your client is responsible for and the extent of coverage available under the damage waiver to understand what the client’s residual exposure is.
- If your client has a substantial expenditure in this area, then a separate specialised cover should be seriously considered.
- Inform our insured that in the event of a claim for hired equipment not to deal directly with the hire company but to contact the SURA claims team immediately.