Public Liability Insurance – how much cover do you need?

Whether you are a builder or trade contractor, the amount of public liability insurance you hold can be vital to the survival of your business, in the event of a serious liability claim against you.

Deciding on the limit of liability (or sum insured) for your policy requires careful consideration, but before weighing up some of the factors necessary to select an adequate sum insured, it is worth a quick look at some 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 occurrence must happen 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 straightforward and quantified in your policy.

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 what sum insured is right for your business here are some aspects of public liability insurance coverage, how a policy responds and some other issues we suggest you should take into account.

Contractual obligations

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

Whilst this amount must be complied with, it does not represent a full assessment of your risk. So don’t rely on this as your sole consideration, but certainly use it as a good starting point.

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 or separately to each claimant.

Level of awards

Amounts being awarded by the courts, particularly in personal injury cases, are continually on the increase. Multi-million dollar claims for injury to an individual person can and do occur.

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 independent businesses working at the same workplace. Bearing in mind the overall site safety responsibilities of principal contractors, exposure to claims arising from injured workers of others needs to be taken into consideration.
**Size does matter**

Contractors often 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 in occupancy around the works, comprises a higher risk than a full blown new build 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 operation is you. A public liability insurance limit of $20,000,000 has now become a frequent contractual requirement and given current trends, this level of cover is certainly advisable as the minimum amount 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.

**Master Builders Insurance Services is here to help. Get in contact on 1300 13 13 26 or insurance@mbqld.com.au**

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**Note:** This information is a summary only of policy coverage. We are pleased to provide full copies of Master Builders policy documentation on request should you wish to review the complete terms of cover as these will apply in the event of any claims. Information contained herein is of a general nature and has not taken into account the particular insurance needs of any individual business or person.