

Why Transparent & Full Disclosure? (When Buying Project Insurance)

Project insurance (i.e., Contractors' All Risks, Erection All Risks) – whether for construction, engineering, infrastructure, or large commercial works – is built on one critical principle: **utmost good faith.**

“ Full and transparent disclosure is not optional – it is essential. ”

What Does “Full Disclosure” Mean?

Full disclosure means providing complete and accurate information about:

- Project scope and contract value
- Construction methods and timeline
- Ground conditions and site risks
- Past claims history
- Subcontractor involvement
- Existing structures (PEP – Principal Existing Property)
- Special risk activities (piling, tunnelling, marine works, etc.)

Why Transparency Is Critical?

- **Avoid Claim Rejection**

If material facts are not disclosed:

- The insurer may reduce claim payout
- The policy may be voided
- Coverage may not respond to specific losses

For example:

Undisclosed weak soil conditions → foundation collapse claim dispute

Undeclared nearby structures → third-party property damage not covered

Omitted high-risk works → exclusion applied during claim

- **Protects Project Financing**

Banks and financiers often require a valid Contractors' All Risks policy. If a policy is voided due to non-disclosure, it may breach financing agreements.

- **Prevents Legal & Contractual Disputes**

A dispute over policy validity can lead to non-compliance, contractual conflicts, and potential litigation.

Best Practices for Project Owners & Contractors

- Conduct proper risk assessment before insurance placement
- Share full tender documents and soil reports
- Declare contract amendments and variation orders
- Disclose past claims and project experience
- Work with experienced insurance agents
- Keep written records of all submissions

Building a Culture of Transparency

In an increasingly competitive construction market, contractors often focus on cost efficiency. However, insurance should never be treated as a cost-cutting exercise.

Project insurance is designed to protect capital investment, contractual obligations, and business reputation. For contractors, the message is clear:

Full disclosure is not a risk – it is protection.

Contact us now for a free consultation:

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