



Marsh Spe

# The insurability of modern methods of construction





# The insurability of MMC

The potential of modern methods of construction (MMC) to revolutionise the construction industry is well documented. Construction companies are increasingly using these MMC techniques and we can only see this trend continuing as the industry embarks on the quest for greater sustainability. However, uptake could be hindered in the UK by insurance companies' risk appetites.

This is despite the advantages of MMC, including: reduced construction costs, increased productivity, improved health and safety, and enhanced environmental, social, and governance (ESG) performance.

The public sector is leading the way, with procurement and adoption on projects due to the issue of the UK government's Construction Playbook. In order to reap the rewards of MMC — and bring comfort to insurers — UK contractors and developers should carefully consider the following factors when embarking on a project involving MMC techniques.

## HOW INSURABLE IS MMC?

MMC is a wide term, covering a range of offsite manufacturing and onsite techniques. MMC has

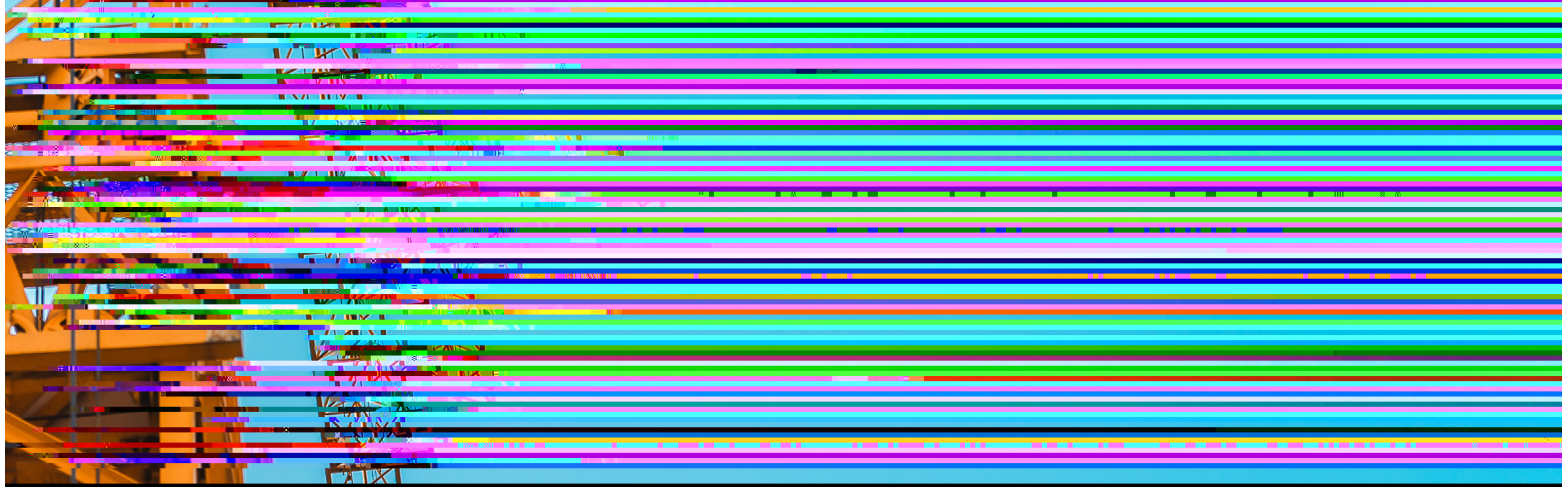
## HOW MMC RISKS ARE PLACED WITH CONSTRUCTION INSURANCE COMPANIES

those that will not. However, there are varying appetites across the MMC spectrum. For example, some markets will consider CLT and/or timber elements, while others will not entertain them at all, even if such elements represent only a small proportion of the estimated contract value.

Potential markets will require detailed information on the:

- Contractor's experience of dealing with MMC.
- Quality assurance (QA) and quality control (QC) procedures in place with the manufacturer (access to the production facility could be requested).
- Contract agreed between the contractor and supplier, and the risk allocation between both. For example, at what point does the risk for the manufacturer end and the risk for the contractor begin? And who takes responsibility for the risks undertaken during transit of the modular items?
- Laydown and offsite storage plans, in order to assess accumulation risks. For example, if a series of bathroom pods have been moved to a site, but the site is not ready to receive them, adequate storage will have to be found for the pods in order to prevent exposure to weather damage.

risks, such as QA and QC, transit risks, series loss risk, supply chain concerns, and the ability to rectify and investigate damage on site.



## THE BENEFITS AND CHALLENGES OF PLACING MMC RISKS

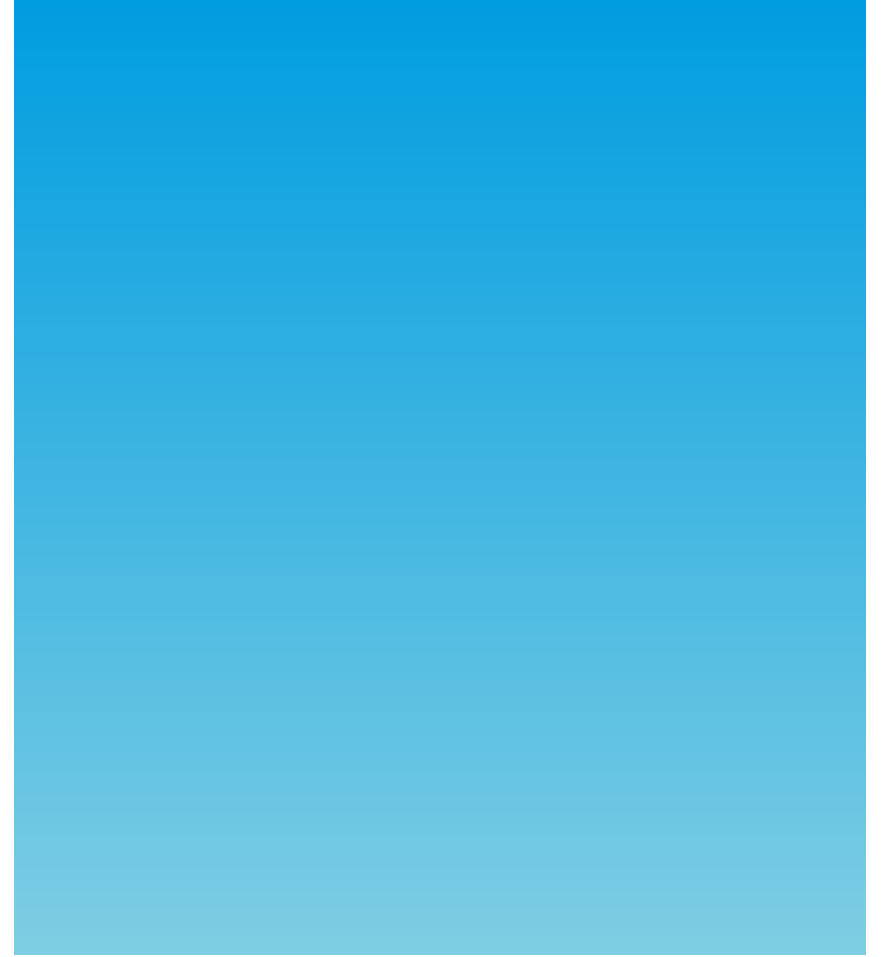
4DA NEG >AJ A FOKB- - # ?KI L=NA@FK I KMA FN=@FKJ =H?KJ CFQ?FKJ methods/materials are manifold. One example is the reduced manpower required on site. This creates a better health and safety environment, with a lower chance of accidents as less hot works are being engaged in, along with reduced amounts of working from height. With many of the building elements being manufactured indoors, there are fewer delays as a result of the weather, and a shorter natural perils exposure on site.

The potentially shorter build periods can make the risks more attractive to insurers, meaning additional markets could enter the space, wanting to provide capacity. The homogeneous nature of the risk can assist in the

! HKBFDA =>KRA S HHH=COEPEI @AI KJ CFN=FEJ C >AJ A FOK I =NGAFO=J @?KQI result in potentially improved terms from insurers. But they will also lead to increased information requirements from insurers, who will want to see them documented and supported in the underwriting presentation.

Placement challenges include the need for clear policy language in @A@Q?FE>MA =LLHP=FKJ FDA @A J FKJ KBKBOFA CFKN=CA =J @I =J QB=?PQNA and of who has risk of loss during the manufacture, delivery, fabrication,

The insurability of MMC



## About Marsh

Marsh is one of the world's leading insurance brokers and risk advisors. With around 45,000 colleagues operating in 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), one of the world's leading LNKBAOQKJ =HCANREAO N OEJ FDA =NA=OKBNEG QFN=PACU =J @LAKLHA 7 EED =JJ Q=HNARAJ OA JA=NU . >EHKJ Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four

---

This is a marketing communication. The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such. Statements concerning legal, tax or accounting matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants, and should not be relied upon as legal, tax or accounting advice, which we are not authorised to provide. Marsh NV/SA has entered into the UK's Temporary Permissions Regime and is deemed to be authorised and regulated by the Financial Conduct Authority &#! \$AP=HQBPA 4AI LKN=NUOAN ECKJ O2ACE A SDE'D =HKS O%8 >=CA@ N ORK KLAN=PA EJ FDA 5+ BKN= HI EFA@LANK@S DEFA seeking full authorisation, are available on the FCA website. Full authorisation will be sought from the FCA in due course. Branch . QI >AN" 2 2ACEFANA@/ ?A 3P" KFKHLD" QH#EJ C ( KQJ @O@EP'D , KJ@KJ %# ! ! 7 6! 4. QI >AN" "

Marsh NV/SA, part of the Marsh McLennan Companies, Inc. (MMC) group, is a Lloyd's Broker and is registered as an insurance =J @NAE CON-J ?A >NKGANS EED FDA " AHCE-J &EJ =J ?E=H3ANREAO- =NGAPO! QPDKNERU &3- ! QJ @ANJ QI >AN ! 2 - =NDD . 6 3! D=REJ C EFNACIFANA@K ?A =PI RAJQA ( ANN =JJ \$A>NKOT ( ANN =JJ \$A>NKOTH=J " NQOQAIH " AHCEJ =J @EONACIFANA@S EED FDA " AHCE-J #NKCON=@O" =J G BKN%J PAN. NQAOQJ @ANFDA J QI >AN - =NDD 3LA?E=HRJ " KS NEJ C - =NDD #HEI O3KHQPRJ O Echelon Claims Consultants, Insolutions, Lloyd & Partners, Marsh Aviation Consulting, Marsh Claims Management Services, Marsh Reclaim, Marsh Risk Consulting are trading names of Marsh NV/SA. Marsh Specialty is a trading name of Marsh Ltd. Marsh Ltd is authorised and regulated by the Financial Conduct Authority for General Insurance Distribution and Credit Broking (Firm 2ABANAJ ?A . K #KLUNEDP - =NDD , P@ 2ACEFANA@EJ %J CH+J @=J @7 =HAO. QI >AN 2ACEFANA@K ?A 4KS AN OH?A 7 ACP 4KS ANOH?A , KJ @KJ %# 2 " 5 ! HNECDFONACANRA@