

Principal Arranged Insurance

Background

Prior to 2001 RTA required contractors to arrange their own insurance for Contract Works Insurance and Public and Products Liability.

In 2001 RTA embraced the practice of Principal Arranged Insurance (PAI) for construction and maintenance works on its road infrastructure.

However, under existing Single Invitation Maintenance Contracts (SIMCs), RTA allowed Councils to choose whether to take up PAI for the Services or to arrange their own insurance policies.

Current issues

Two different approaches have lead to confusion and an unacceptable risk to RTA. In particular, Insurers engaged by Contractors on the basis of 'best price' often do not pay claims, resist claims or reduce the amount of claims. Problems have included:

- Potential for non insurance or non payment of claims.
- Financial failures of insurers.
- Unacceptable delay in responding to claims.
- Need for Ministerial intervention on behalf of disadvantaged and/or angry members of the public.
- Negative impact on RTA's reputation.
- Administratively burdensome task of checking insurance and renewal dates.

Benefits of PAI

The RTA's PAI process has been an outstanding success with significant benefits including:

- Better pricing.

- Better quality insurance - insurers are approved by NSW Treasury and have history of professional claims management.
- Better control of claims.
- Improved administrative arrangements.
- Creation of a level playing field between Contractors.

Implementation of new arrangements

For RMCCs, RTA will engage a professional insurance broker to effect PAI for Contract Works and Public & Product Liability Insurance. RTA Contract Manager's only needs to complete a simple declaration form in order to access PAI for each Contract. The insurance broker will also check the certificates of currency for the other insurances required under the Contract.

In this way, cost and administration savings will be achieved as well as improved management of claims.

The incorporation of RMCC work into the RTA's PAI should reduce the premium paid by Council under existing insurance policies. Premiums are driven by risk profile and if risks are transferred to the RTA's PAI then the premiums should fall.

Councils may benefit from a presentation by the RTA and its broker to show how PAI works for both parties and how the Council can prevent duplication of insurance costs. The RTA will endeavour to ensure that all Councils have an opportunity to attend such a presentation.

RTA's PAI expert, Judith Harriss, can be contacted on 9218 6132.

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