Contract Procedures Manual (SM021) Part A – Appendix XXIII

Request for approval of insurance amounts PW contract (NZS 3916)

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| **To:** | *<<Guidance note: Required for all PW contracts >$200m. This memo should be sent to* [*Marsh*](https://www.marsh.com/nz/industries/transportation/nz-transport-agency-pai.html/) *, with their comments incorporated for endorsement prior to being submitted to the Senior Manager Procurement.>>* [insurance@nzta.govt.nz](mailto:insurance@nzta.govt.nz) (on behalf of Senior Manager Procurement) |
| **CC:** |  |
| **From:** |  |
| **Date:** |  |
| **Waka Kotahi reference:** | File reference: [File Number] |
| **Subject:** | **Insurance levels: [Project Name]** |

1. Purpose

To seek the Senior Manager Procurement approval for the proposed insurance levels for ] in accordance with Waka Kotahi’s *Contract procedures manual* (SM021), *Insurance, bonds and retention for PW contracts*.

1. Action/Deadline

Senior Manager Procurement to endorse the proposed insurance levels below, or propose an alternative course of action by 10am [day and date]. *<<Guidance note: Provide adequate time frame, typically 3 weeks. If shorter time frame required please substantiate the requirement.>>*

1. Insurance amounts proposed

|  |  |
| --- | --- |
| **Description** | **Value** |
| Professional indemnity (NZS 3916: 2013 Schedule 1 8.6) | Clause 8.6.1   * $ (amount) for any one claim <<Guidance note: default is $500,000>> * $ (amount) for an amount in the aggregate <<Guidance note: default is $2,000,000>>   *<<Guidance note: For low risk contracts the PI level should be calculated at 5 x the design fee at a minimum amount of $500k and maximum of $2M. For high risk project specific contracts Insurance levels must be reviewed and approved. Contracts are high risk where: 1) the contract period is greater than 3 years, OR 2) the contract value is greater than $50M, OR 3) bridge construction cost is greater than $10M OR 4) the contract involves works considered to be of a high risk nature e.g. tunnels, bridges>>.* |
| Public liability (NZS 3916:2013 8.5, 8.9) | Clause 8.5.1  $(million $ amount) <<Guidance note: default is $5,000,000>>  Sub-limits:   * $ (amount) for liability arising out of vibration, weakening or removal of support   *<<Guidance note: $250,000 default, for any contract in an urban or built up area, cover shall be increased to the full minimum limit of $5M>>*   * $ (amount) for liability under the Forest and Rural Fires Act 1977   *<<Guidance note: $250,000 default, for any contract in forested area or vineyard, cover shall be increased to the full minimum limit of $5M>>*  *<<Guidance note: If contract <$200M and meets the policy requirements found on the* [*PAI portal*](https://nz.marsh.com/nzta-pai/)*, delete the above and write “PAI”>>* |
| Motor vehicle 3rd party (NZS 3916:2013 8.5.2) | $(million $ amount) <<Guidance note: default is $5,000,000>> |
| Contract works  (NZS 3916:2013 8.3, 8.8) | The contract price   * plus (percentage)% demolition and disposal * plus (percentage)% professional fees * plus (percentage)% for items to be incorporated and not included in contract sum * plus (percentage)% of contract price due to variations * plus (percentage)% of contract price for increased construction costs.   This equates to $(amount) based on the expected estimate (note no default value in Waka Kotahi’s proforma document).  *<<Guidance note: If contract <$200M* [*and meets the policy requirements found on the PAI portal,*](https://nz.marsh.com/nzta-pai/) *delete the above and write “PAI”>>* |
| Contractors plant  (NZS 3916:2013 8.4) | All plant with market value > $(thousand $ amount) (note default value $200,000). |
| Contractors bond  (NZS 3916:2013 12.3.1) | $ (million $ amount) (note).  *<<Guidance note: There is no default value in* *Waka Kotahi’s proforma document. Bond amount will generally be in accordance with Waka Kotahi’s Contract procedures manual (SM021) section 1.9.10. Project manager to advise Senior Manager Procurement where different, and why.>>* |
| Retention  (NZS 3916:2013 12.3.1) | *<<Default is $200,000 for the maximum amount of retention. However, contracts >$20 million require the retention amounts approved by the Senior Manager Procurement. Best practice for such projects is for contractor to acquire a bond in lieu of retention* *refer to SM021 Section 1.9.9.>>* |

*<<Guidance note: If any of the above insurances are not included in the project, enter ‘not applicable’ in the value column. Add rows for ECI contracts where other insurances are required >>.*

1. Background

*<<Guidance note: Provide brief description of project phase, e.g. this phase is for the construction of the 10km four-lane upgrade with one interchange structure for…… Phase period will be for ‘x period’, construction start anticipated to commence {date] and expected to run for ‘x period’).>>*

Tenders for this contract close (contract closure date).

1. Contract risk profile

*<<Guidance note: This is the critical part of the submission to the Senior Manager Procurement; ensure a rigorous assessment of risk has been undertaken. Identify in this section the Extreme and High risks with their current exposure risk score, which should they impact may result in a claim under the policies to be established.*

*Append the Risk and Action Registers, with the date of issue identified.>>*

1. Insurance background

*<<Guidance note: Prior to submitting this memo to* [*insurance@nzta.govt.nz*](mailto:insurance@nzta.govt.nz)*, the project / network manager must discuss the contract with our insurance advisors to enable this section of the Appendix XXIII to be satisfactorily completed.* [*Contact Marsh*](https://www.marsh.com/nz/industries/transportation/nz-transport-agency-pai.html/) *for further information regarding what the insurers will require. Note that this may vary between projects.*

1. Recommendation

That the Senior Manager Procurement approves the insurance levels currently stated in the contract documents.

***Prepared by***: ***Project Manager***

Name: Signed: Dated:

***Endorsed by the Senior Manager Risk & Assurance***:

Name: Signed: Dated:

***Approved by the Senior Manager Procurement:***

Name: Signed: Dated: