



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

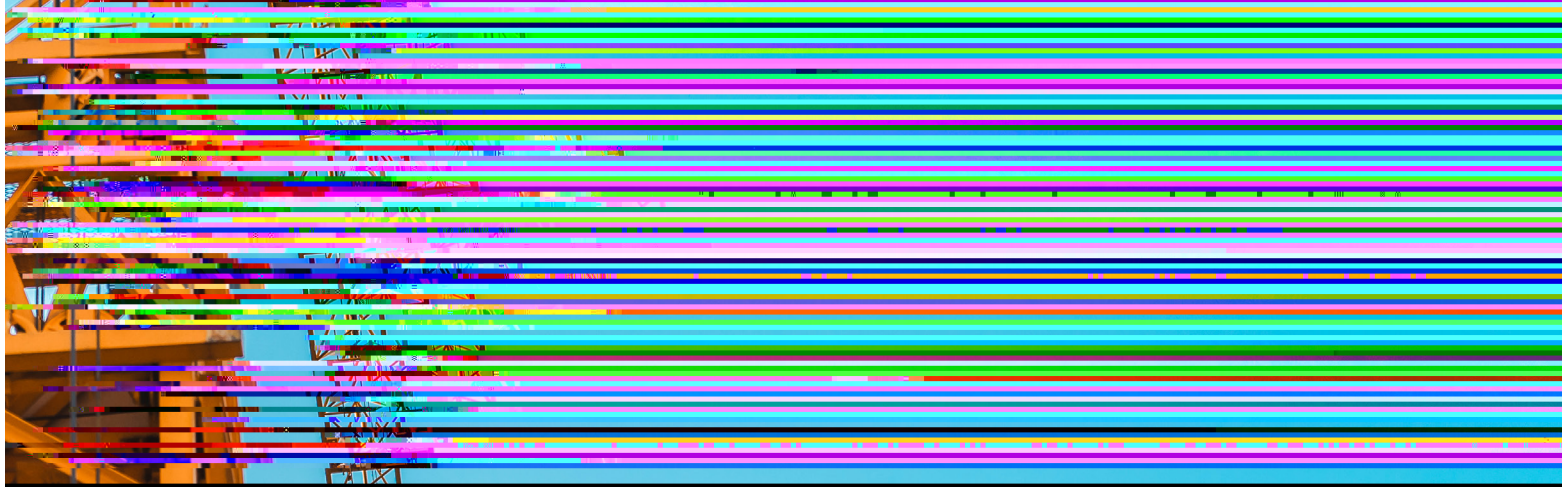
HOW MMC RISKS ARE PLACED WITH CONSTRUCTION INSURANCE COMPANIES

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 CFN?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

! H#KBFDA =>KRA S H#COEPE @AI KJ CFN=FEJ C >AJ A FOK I =NGAFO=J @?KQ# 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,

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