# At the heart of modern construction

## An insurance-led perspective for mechanical and electrical contractors

QBE

# M&E contractors

Mechanical and electrical (M&E) contractors sit at the centre of project performance, safety and reputation. As buildings and infrastructure become more complex, connected and regulated, the risks facing M&E contractors are no longer isolated events – they are systemic, capable of impacting programme, cost, safety and long-term asset performance.

From an insurance perspective, the most resilient M&E businesses are those that treat insurance not simply as a contractual requirement, but as part of a broader risk strategy that supports sustainable growth and predictable delivery.

## Why M&E risk has changed

Historically, construction risk was often dominated by structural failure or physical damage. Today, losses increasingly arise from:

- System failure rather than component failure
- Interdependency between trades and technologies
- Late-stage testing and commissioning events
- Post-completion defects with financial, not physical, consequences.

M&E contractors typically install the last systems on site, but those systems are the first to be relied upon once a building becomes operational. Further, they often inherit non-compliant elements installed by contractors engaged on earlier works which can impact timetables, budgets and final finish. This shift places M&E firms under growing scrutiny from clients, regulators and insurers.

**Policy wording check:** Does your policy include efficacy exclusions? QBE do not exclude 'efficacy' under our standard wording, which could be a key cover issue where you are installing fire or security systems.

The 'traditional' risks remain, however the consequences of failure have changed. Availability of land and cost means we are building higher which brings with it a higher risk of failure in water systems and the financial consequences are more severe.

## Installation risk: more than physical damage

Fire is and always has been the main source of claims in construction insurance, due to severity and media attention, however the frequency is low.

Escape of water is now close behind, as the frequency of loss is high and impact can be significant, particularly as escapes often happen close to handover, causing damage to buildings, damage to susceptible materials such as timber and expensive finishes, moisture exposure to sensitive equipment, delays to operations and delayed occupancy.

The true cost of these events, however, often lies not only in the damaged item itself, but in:

- Access and strip-out costs
- Damage to completed finishes
- Programme delay and liquidated damages
- Disruption to adjacent trades
- Reputational loss.

Construction insurance such as **Contractors' All Risks (CAR)** is designed to protect against physical loss or damage during the build phase, including high-risk periods such as testing and commissioning.

Leading M&E contractors increasingly differentiate themselves by combining insurance protection with disciplined controls around temporary works, hot works, phased energisation and protection of completed systems.

**Policy wording check:** Ensure your cover includes testing and commissioning. QBE provide cover for seven days from commencement of testing and 30 days from commencement of commissioning.

## Testing, commissioning and handover: the critical moment

The most severe construction losses often occur towards the latter end of the project, during:

- Pressure testing
- System integration
- Live commissioning
- Early occupation.

At this stage, multiple systems interact, responsibility can be unclear, and the tolerance for failure is minimal. Construction insurance typically continues through testing and defined maintenance periods, but clarity around when construction risk ends and operational risk begins is essential.

Contractors should prepare detailed commissioning plans early in the construction phase that should align their commissioning protocols, contractual milestones and insurance arrangements to avoid gaps in protection.

**Policy wording check:** Cover during the maintenance or defects liability period is essential. Standard cover in the market on Contractors' All-Risks insurance is 12 months, however QBE can provide cover up to 24 months. Note that periods can be different for your third-party Liability cover and Professional Indemnity.

## Liability risk in a connected environment

As systems become smarter and more integrated, failures can affect:

- Occupiers and end users
- Adjacent property and infrastructure
- Business continuity and reputation.

**Public and Products Liability** insurance remains fundamental, particularly where M&E systems are implicated in water damage, fire spread or life-safety failures.

Increasingly, integrated **Contractors Combined** insurance solutions are used to reduce fragmentation between construction, liability and operational cover.

Strong interface management, isolation procedures and protection of completed works are now seen by insurers as indicators of a well-run M&E business.

**Policy wording check:** Work on air conditioning systems is common. Check if you have cover for Legionella, either explicitly, and/or make sure any communicable disease exclusion does not inadvertently remove the cover.

Your client should be approaching the project with one eye on their connected insurance policies that will normally assume the risk from handover. Whilst the risk is theirs, it offers a chance for you to highlight your understanding of the potential issues that can arise and possibly help mitigate them at an early stage.

As an example, property insurers see electric vehicle charging stations in basements as being an adverse risk feature, however we know that architects and planners often locate them there as this is typically where vehicles are parked. Additional measures such as compartmentation and fire suppression may be required to satisfy the property insurer that the risk is being properly managed.

With solar panels, again there are challenges on liability post-handover especially in regard to maintenance where safe access could be an issue. This might be your issue if you are maintaining the panels post completion.

## Plant, technology and modern tools

M&E contractors rely on high-value plant, specialist tools and digitally enabled equipment. Losses arising from theft, damage or breakdown can quickly disrupt delivery.

Construction insurance can extend to owned and hired-in plant, including transit and temporary storage, although exclusions for wear, tear and inherent breakdown remain common.

Contractors who combine insurance with asset tracking, secure storage and maintenance regimes typically experience fewer losses and more favourable underwriting outcomes.

## People, safety and business resilience

People remain at the centre of construction risk. Electrical works, confined spaces and live environments continue to present serious safety challenges. **Employers' Liability** insurance is a cornerstone of protection, but insurers increasingly focus on:

- Competence management
- Safety leadership
- Learning from incidents rather than reacting to them.

Major insured losses can also disrupt cash flow, confidence and pipeline. Some contractors now integrate business interruption protection alongside construction and liability cover to strengthen resilience.

**Policy wording check:** There may be restrictions on hazardous works (i.e. height or depth limits, restrictions on confined space work or work in 'hazardous' places). The QBE standard policy wording has no such restrictions.

Given the nature of work, M&E contractors are at an increased risk of airborne substances such as lead paint, silica or MDF dust in the workplace. These all need to be considered in your risk assessment and appropriate measures taken to reduce any exposure.

Typically, it is asbestos that is specifically excluded under third-party liability policies which presents you with a potential gap in policy cover. QBE can provide cover for the accidental discovery of asbestos, which provides you with reassurance, for example, where you might not be confident the asbestos register is complete and your employees could inadvertently come across it, resulting in release.

## Insurance as a strategic partnership

The role of insurance in modern M&E contracting is evolving. The most successful contractors work with insurers who can offer:

- Technical understanding of your risk
- Integrated multi-line solutions
- A pragmatic and collaborative approach.

Insurance, when aligned with strong operational controls, becomes a commercial enabler – supporting safer delivery, stronger client relationships and sustainable growth.

## Risk management – collaborative approach

At QBE, our Risk Solutions team focuses on pragmatic and collaborative relationships with our customers to help positively influence risk profiles, reducing the likelihood of incidents and mitigating their overall impact if they occur.

Each approach is specific and tailored to suit the needs and specialisms of each customer, utilising our highly experienced teams and panel resources.

## Casualty and construction

Our most successful relationships with contractors are when we have early collaboration and transparency, so we can assist at the earliest possible stage.

- Collaboration with project and design teams to review technical designs, schematics and specifications to provide insurer input which allows for inclusion of modifications as early as tender stages.
- Collaboration with health, safety, and quality teams to share best practice including our award-winning initiatives.

## Motor

Driving is one of the riskiest activities in many people's working lives. We are dedicated to helping you identify motor risk management solutions that suit your business and deliver tangible results.

Our Risk Solutions team stays at the forefront of the latest research, technology, and innovation, working closely with our Claims team and partnering with market-leading vehicle security providers.

This includes:

- Solutions designed to reduce theft from vans, where criminals are causing increasing levels of damage when attempting to access vehicles and steal essential work equipment such as power tools, cabling, etc.
- Through our risk partners, we provide the most current, practical, and effective guidance and technology to support your organisation.

In an environment of increasing complexity, the question for M&E contractors is no longer "Are we insured?"

It's "Are we managing risk in a way that supports the future of our business?"

Ask your broker about QBE business insurance or drop us a line.

**qbeeurope.com/sectors/construction/**


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