

a redefined vision
of service

Project Cargo and Transit Insurance

a **reliable** company
available teams
attentive advice



What about ?





Key points

- International operations
- Spot or planned
- High values
- Multi Modal
- Many contractors and subcontractors
- Out of standard
- No right to fail
- No two projects are alike

What stakes?

Insured

- ✓ Technical requirements
- ✓ Budget
- ✓ Deadlines



Insurer

- ✓ Specific cover
- ✓ Reactivity
- ✓ Anytime, anywhere





Project Cargo: Transit insurance and then?

Project cargo focus

Nicola Linguerri



What is Project Cargo?

Almost exclusively worldwide shipments of large, heavy, high value or critical pieces of equipment for the purpose of infrastructure and industrial projects.

In each project a time element loss exposure is present. Time is in limited supply, and it is important to consider:

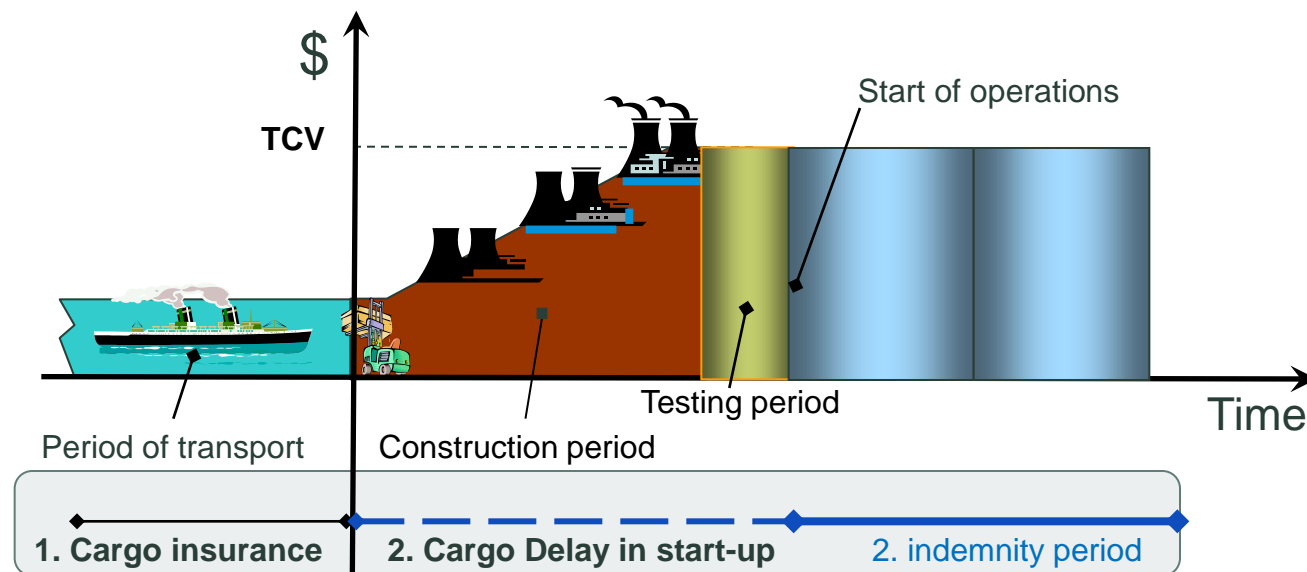
- the expected completion time
- scheduled start and completion time of each activity
- critical activities

Project Cargo insurance

Traditionally set up in two sections

A) Cargo

B) Cargo delay in start-up (DSU; ALOP; CONLOSS)





Project Cargo insurance

A. Cargo section

What can be insured?

Shipments of equipment for a certain project

Who can be insured?

All parties in the project which have an interest in the safe arrival of the goods.

Such as:

- Contractors and suppliers
- Principal or owner
- Parties financing the project

What risks are insured?

- All risk cover. All types of physical damage to the insured goods during the shipment are covered until arrival at the construction site.



Project Cargo insurance

A. Cargo section

Limit of Liability

All shipments up to an agreed limit per conveyance are automatically insured

Wording

Usually based on the Institute Cargo Clauses or (equivalent) local market conditions.

Additional special clauses applied:

- | | |
|---------------------|--|
| - Concealed damage: | not more than 60/90/120 days |
| - 50/50 clause: | 50/50 split between Marine & Engineering |
| - Survey warranty: | Stipulates survey requirements for critical items |
| - Carrying vessel: | Which vessel permitted to be used. For shipment of critical items limited to 15 years. |



Project Cargo insurance

B. Cargo DSU section

What can be insured?

It indemnifies for the financial consequences caused by a delay in completion of the project **due to an insured loss under the cargo section**. Does not cover other delays or any kind of guarantee.

Who can be insured?

All parties in the project which have **an interest in the future revenues of the project**:

principal or owner

parties financing the project

Indemnity period (IP)

Period during which the use of the insured property is impaired by a delay in commencement of the operations due to a recoverable cargo loss or damage.



Project Cargo insurance

B. Cargo DSU section

Insured indemnity

Sum insured represents the expected insured interest e.g. gross profit (turnover less variable operating costs) for the maximum indemnity period.

Further policy provisions

- express a daily indemnity limit
- include specific requirements for documenting and establishing a valid claim
- stipulate the duties of the assured in the event of a loss
- include type of documentation that may be required to substantiate a claim



Takeaways for the loss adjusters

- **Time:** speed in executing the best possible option at occurred loss to minimise outcome.
- **Contingency Planning**
- Special attention to clauses which determine responsibilities and cover limitations: concealed damage / 50/50 clause / Survey warranty / Carrying vessel



Thank you



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Project Cargo and Transit Insurance
Focus on risk management and
loss prevention

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CESAM

Heavy Lift Transportation

■ Project prone to 3 demands

Organizational

- ✓ Planning
- ✓ Coordination
- ✓ Staff monitoring
- ✓ Costs control



Project Cargo require a mix of operating programs and strategy

A Surveyor: What For?

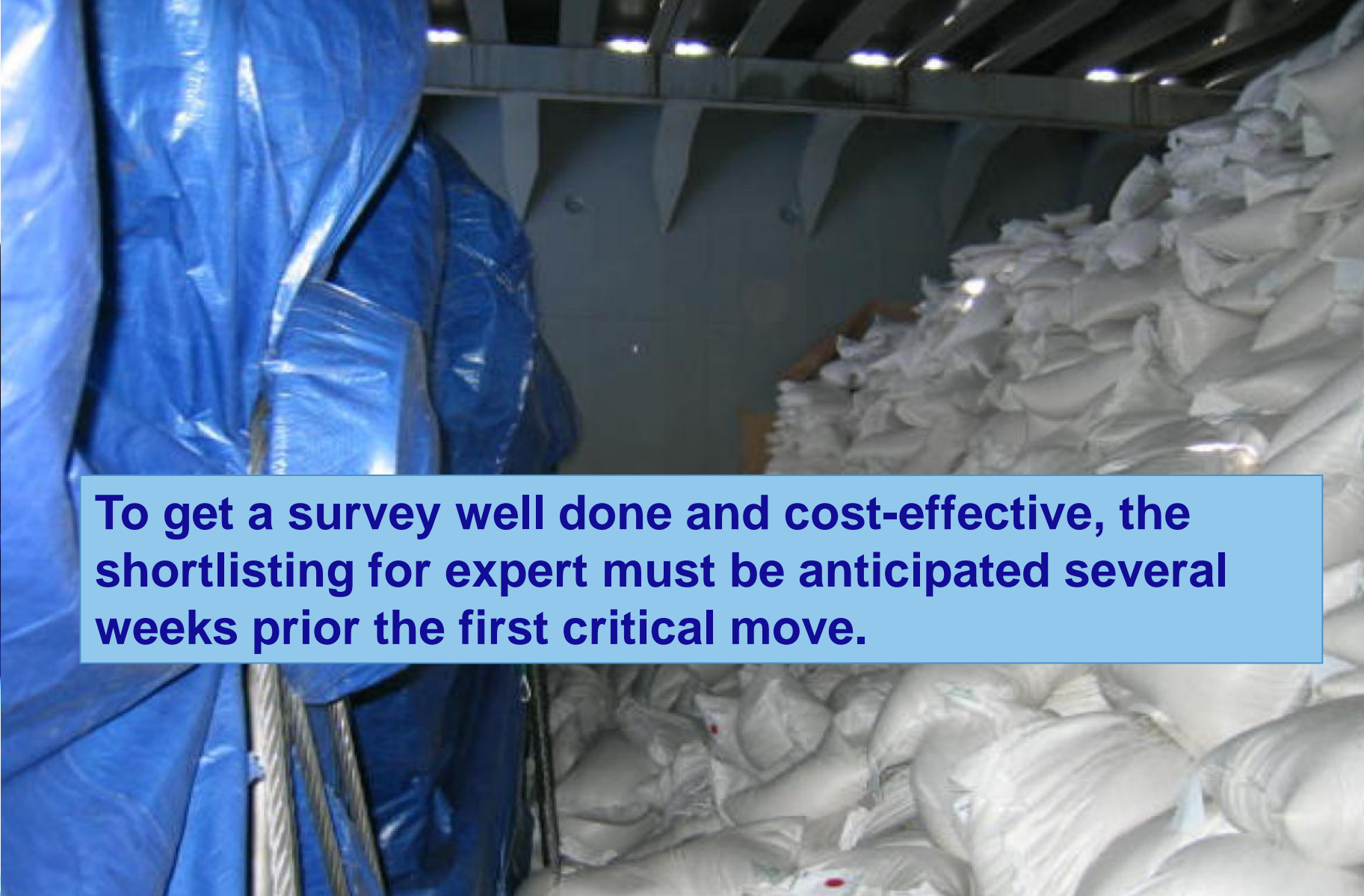


The Principal

- Shipper
- Project Forwarder
- Insurer



Appointment to survey



To get a survey well done and cost-effective, the shortlisting for expert must be anticipated several weeks prior the first critical move.

Expertise Management

Principals

- ✓ Plan transport strategy
- ✓ Anticipate survey needs
- ✓ Closely work with surveyors during the mission

Surveyors

- ✓ Accept single principal
- ✓ Inform on required technical skills / experience
- ✓ Recommend actions for next developments

Risk Management on Project Cargo consists in a long-term cooperation to...

be in a permanent state of readiness

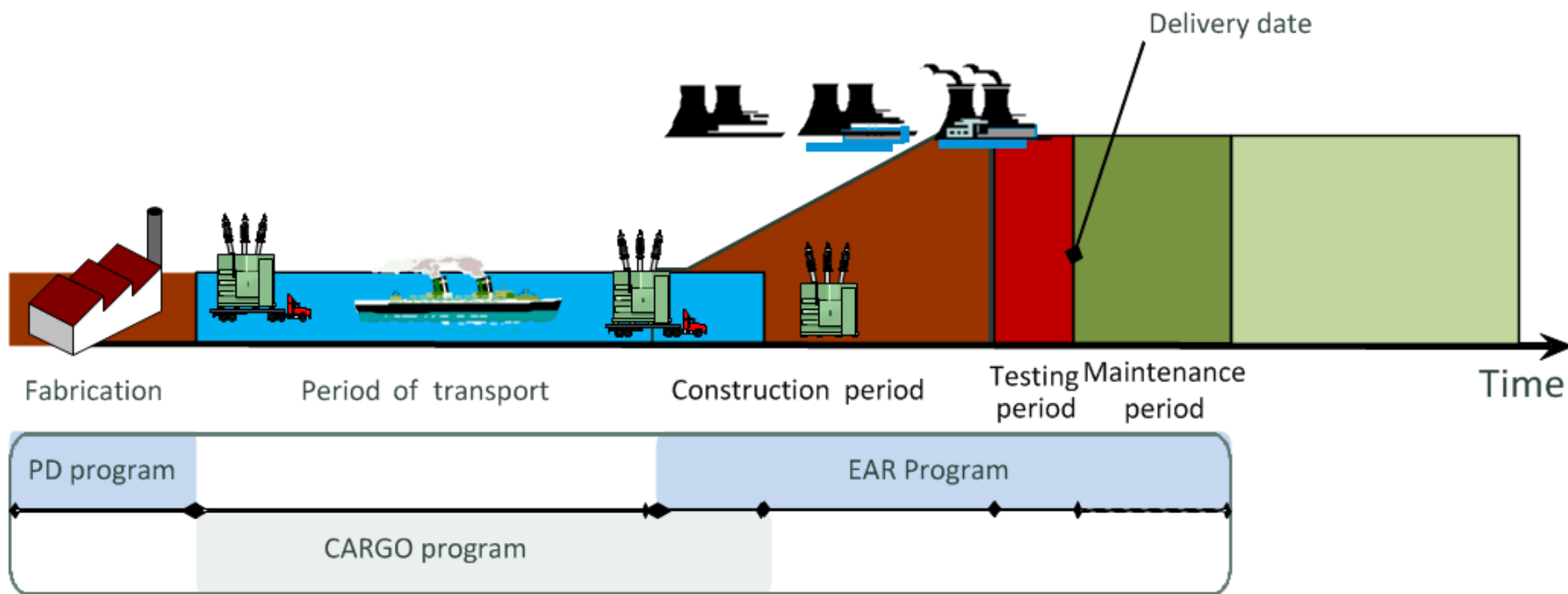


Project Cargo and transit insurance

Focus on damages and other issues

Interdependence between insurance programs

- PD Program
- Cargo Program
- EAR Program





Interdependence between insurance programs

Example 1

Flooding of a generator during transport

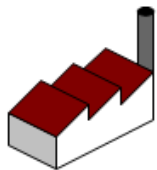
PD and transport coverages involved

Interdependence between insurance programs

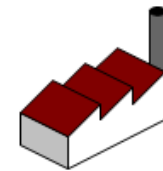
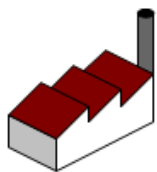
PD - TRANSPORT

Description :

- Generator 1288 MW for a nuclear power plant
- Selling price 30 M€
- Fabrication of the stator in Italy, rotor in Switzerland
- Testing in France
- Final destination in Germany

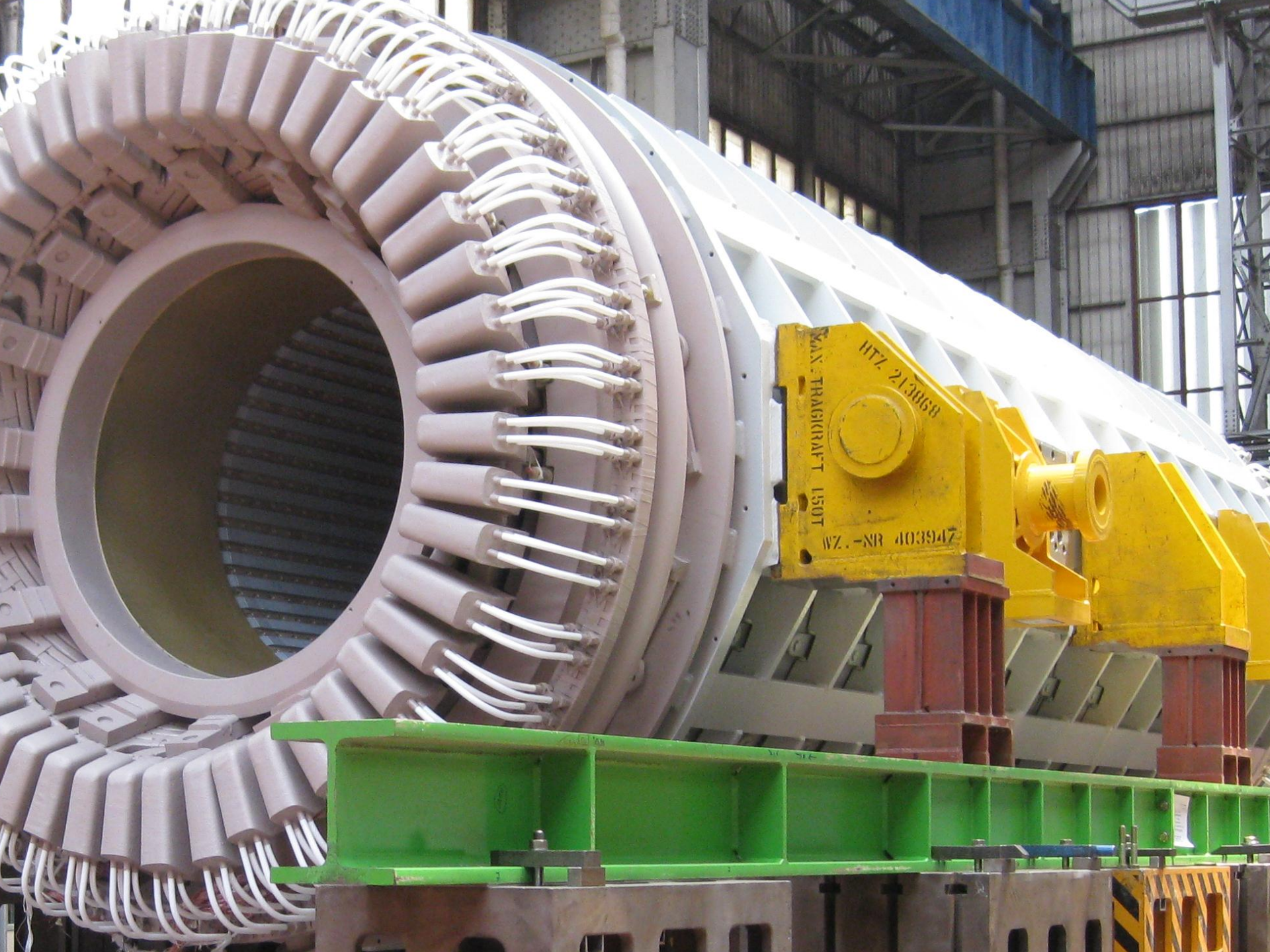


Fabrication of the stator in Italy



Fabrication of the rotor in
Switzerland

Testing in France







Interdependence between insurance programs

PD - TRANSPORT

First incident in January:

During transportation, ingress of water inside the stator due to bad protections;

→ Transport claim : Drying in January and February 500 k€

Second incident in June:

Overheating of a bar during testing;

→ PD claim : Dismantling of the stator in July and August, exchange of some bars (6 M€)

Discovering of corrosion in all the slots, increase in cost of repairs (+ 2 M). Drying method was not enough efficient, dismantling of the bars would have been necessary to dry the slots.

Transport program accepted to open again the case.



Interdependence between insurance programs

EAR- TRANSPORT

Example 2

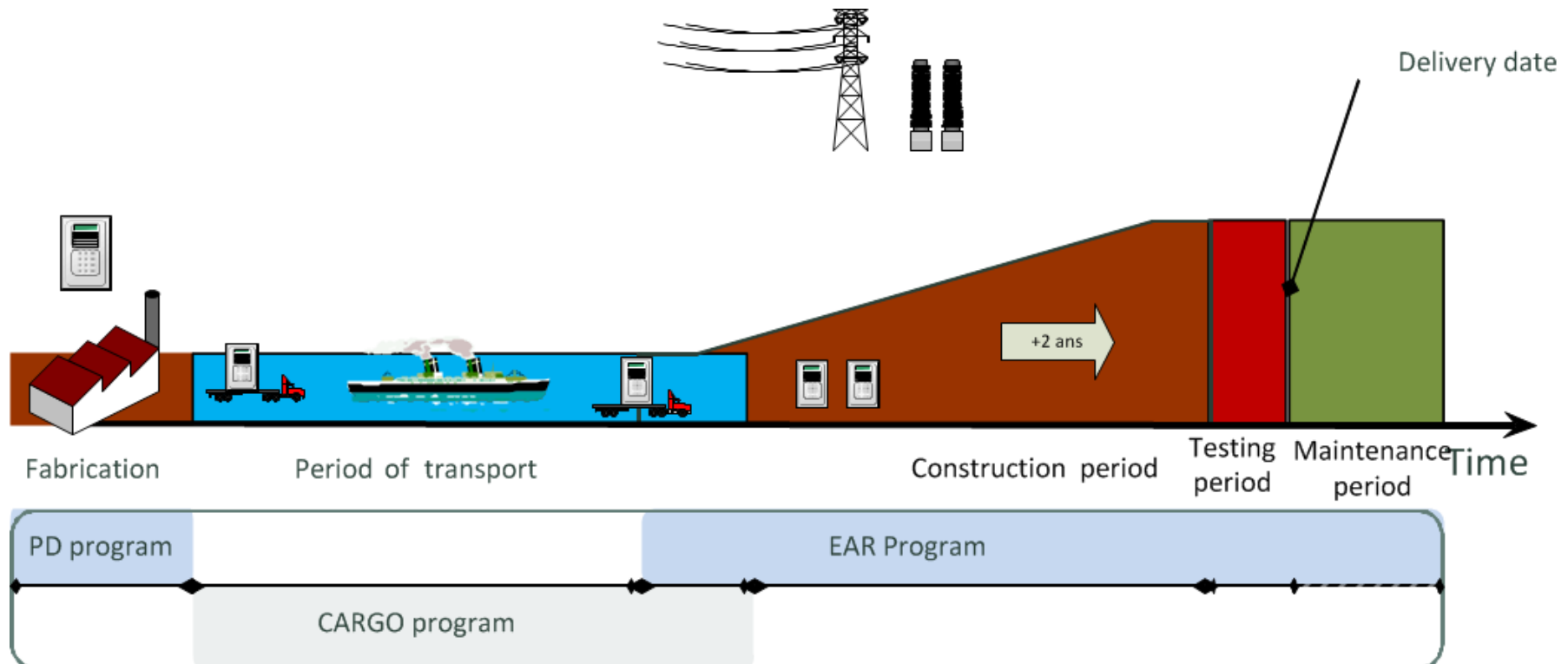
Corrosion discovered after a long storage period

Interdependence between insurance programs

EAR- TRANSPORT

Description :

- Supply of HV switchgears for a substation in Algeria (8 M€) ;
- 2 years storage in Alger port due to delays in the works on site;
- After 2 years, all equipment was rusted: protection was not enough strong





Interdependence between insurance programs

EAR- TRANSPORT

2 different insurers:

For EAR coverage corrosion excluded except if accidental;

For transport coverage, cause ? Date? Prescription?

Parties decided to go to the court

4 years of legal expertise ... and no real conclusion

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Any questions?

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