

Press Release

Heathrow - Terminal 5

Guest Presentation at IMIA Conference 2009, Gleneagles 16th September 2008

Richard Williams of Swiss Re, London delivered a presentation on the implications of providing CAR insurance for the construction of the Terminal 5 project at Heathrow airport. The complex technical and organisational issues of this exceptionally huge and controversially discussed project required consideration of various critical aspects. Mr. Williams went into the work that was done jointly with the contractors and investors in getting control over the project. Managing the risks was crucial to the success of the construction project. By getting all involved into a jointly working team a framework was created where all focused on the same goal. Best practice was the approach in the risk management to successfully deliver T5. Principles developed previously in the TCOP, the Tunnelling Code of Practice, and a fire survey programme were implemented in coordination with the T5 management. Special insurance terms were an essential part in providing a cover adequately acceptable to the insured party and the insurers. In the end the basis for insurance and the terms of risk management have proven very successful during the full period of construction.

See also attached newspaper clipping from Insurance Day.

INSURANCE DAY

Friday 19 September 2008

T5 helps rehabilitate construction sector

HEATHROW Terminal 5's (T5) baggage-handling crisis earlier this year overshadowed what was a successful construction project in difficult market conditions, according to Richard Williams, a director for industrial risk insurance at Swiss Re.

At the time of the T5 project, Williams said "the construction insurance industry had a reputation for under-performing, even being labelled a value destroyer".

This was due to years of under-performance and failure to deliver. Williams added that after September 11, 2001 the sector was seen as being "not a very attractive area to deploy limited capacity" by insurers.

T5 was therefore seen as a risky project for any company bold enough to get involved. However, Williams said: "These conditions also offered scope to do things differently – a chance for opportunity to rise out of adversity." This enabled everyone to reconsider how best to approach constructing and insuring a major project.

T5 was a massive project, involving a projected cost of £4.4bn (\$8bn), a construction period of more than five years and a site area equivalent in size to Hyde Park. Risk, therefore, had to be measured effectively. This included the encouragement from Heathrow's owner, BAA, for insurers to be fully involved at every step and that risk management should be placed at the core of the decision-making process.

"I cannot over-emphasise the importance of the insurers' involvement in monitoring risk management on site. This was an integral part of the under-writing process," said Williams. "The construction of T5 turned out to be a perfect opportunity to do it differently this time. For all concerned, it was a first and a leap of faith. We took a calculated risk, managed it well and profited."



Terminal 5: baggage-handling crisis overshadowed what was an impressive construction and insurance achievement