

Summary of Engineering Insurance Classes of Business^{*})

Non-renewable (one off) covers

Comprehensive project (CP) insurance

Comprehensive project insurance offers all-in-one insurance protection for the entire duration of a project. The multi-line policy provides cover for pre-storage followed by construction/erection, testing/commissioning and finally maintenance works. The cover ceases once the project has been completed and/or handed over to the operator or the employer. The policy can be taken out for civil engineering and infrastructure projects as well as for the erection of machinery, plant or steel structures of any kind. The insurance may be concluded by the employer and/or by the contractors engaged in a project, including all subcontractors.

The comprehensive project insurance policy has the following structure:

- General section (Definitions, general exclusions and general conditions)
- Section Ia (Material damage to contract works)
- Section Ib (Material Damage to plant, machinery & equipment)
- Section II (Third party liability)
- Section III (Delay in start-up).

In addition a marine cargo cover, including DSU, can be attached in order to provide a comprehensive project cover from the beginning.

Depending on the type of project and requested scope of cover the insured can take out any of the above sections and tailor his comprehensive project insurance policy in accordance with his insurance requirements.

The general section and Section Ia (material damage), however, are to be considered compulsory. The general section contains definitions, general exclusions and general conditions which are applicable to all sections. The general exclusions are in line with those found in construction and erection all risks insurance policies used in the international insurance markets.

Section Ia (Material damage) represents a combined construction and erection all risks coverage and follows the same insurance principles as outlined under CAR/EAR. This section thus provides a very wide cover and is subject to only few standard exclusions. Compared with the traditional CAR/EAR covers this new CPI also provides cover, among other things, for

- material consequential loss as a result of manufacturer's fault
- property belonging to or held in care, custody and control by the insured
- professional fees, plans and documents
- expediting expenses
- off-site storage and inland transit.

The cover can further be tailored to the protection actually required by means of specific endorsements.

Section Ib (Plant, machinery and equipment) is based on the existing CPM policy, however, with the exception that it covers not only construction and erection machinery and plant but also the temporary equipment (e.g. camps, stores, scaffolding) installed at a construction or erection site and not only that belonging to the contractors but also to the insured employer.

In terms of *Section II (Third party liability)* coverage is provided for third party claims in respect of property damage or bodily injury arising in connection with the execution of a construction or erection project. This insurance section also contains a cross liability clause according to which the insurance applies to the insured parties named in Section 1a as if a separate policy had been issued to each party.

The main exclusions under this Section II are

- loss of or damage to property insured under Sections Ia and Ib,
- death of, bodily injury to or illness of any employee of the insured parties named in Section Ia,
- consequential financial loss arising from loss of or damage to property belonging to or held in the care, custody or control of the insured parties named in Section Ia.

Section III (Delay in start-up) indemnifies the insured employer for a loss of the interest insured as a result of delayed commencement of the business insured caused by an accident covered under *Section Ia*.

The interest insured is

- the loss of gross profit actually sustained due to a reduction in turnover or
- the standing charges not earned due to a reduction in turnover and
- the increased cost of working, i.e. the additional expenditure necessary and reasonably incurred for avoiding or diminishing a reduction in turnover, revenue or rentals. This cover is advisable for all construction and erection projects provided that these projects are not considered to be of a prototype nature.

As far as the list of exclusions, the calculation of the sum insured and premium and the meaning of the terms time excess and indemnity period limit are concerned, the same insurance principles are applied as outlined under advance loss of gross profit (ALOP) insurance.

The comprehensive project insurance policy can be supplemented by a marine cargo cover, which provides indemnification to the insured for loss of or damage to the property insured or its delayed arrival in accordance with the Standard Institute Cargo Clauses widely used in the international marine market.

*) This summary is taken from Munich Re's booklet Technical Insurance References and is based on the examples of Engineering Insurance wordings of Munich Re, but broadly applies in general to the class of Engineering Insurance referred to herein.