



...between the
financial and
insurance
viewpoint



DSU WORKING PARTY CONCLUSIONS

IMIA Conference 2013 – New Delhi



AGENDA

- Background
- Working Party aims and activities
- What was achieved?
- Next chapter
- Question and answer session

BACKGROUND

WHY?

- Historical difficulties
- High profile claims activity
- Low DSU premium base
- Increasing exposures
- Complexity
- Evolving accountancy practices

MUTUAL AREAS OF UNCERTAINTY: A COLLECTIVE FEELING OF UNEASE

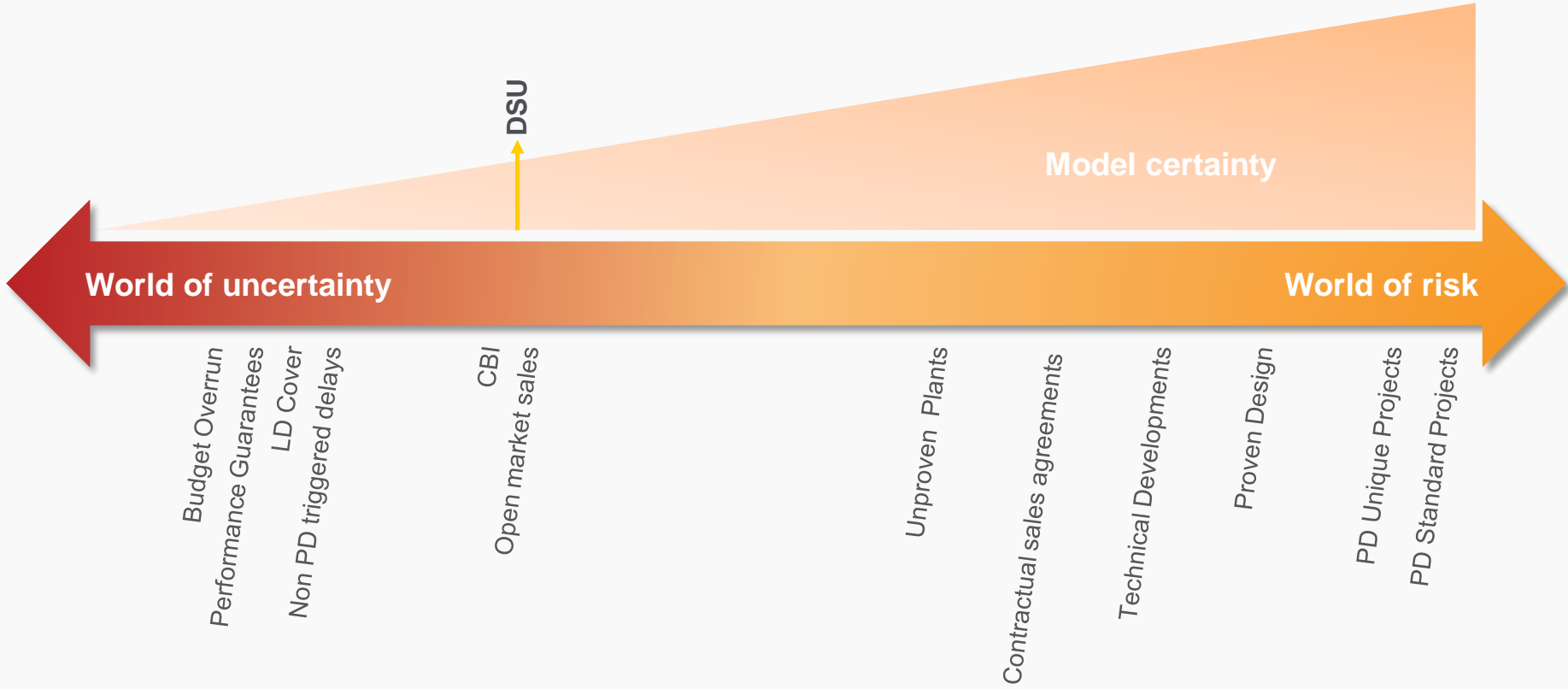
A common
appreciation of
the issues

Broker (and
Client/Lenders)

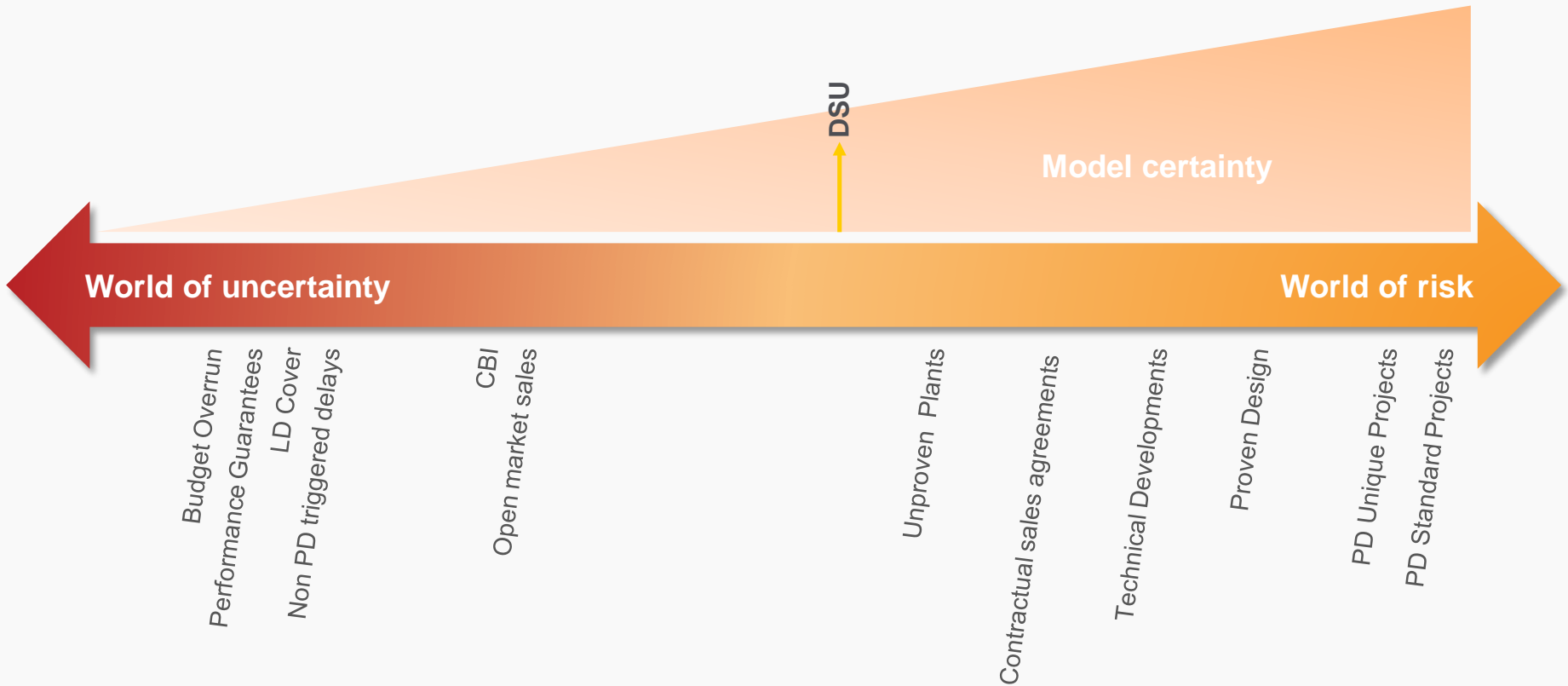
Underwriter

Loss
Adjustor

UNCERTAINTY



FROM UNCERTAINTY TO CERTAINTY VIA IMPROVED TRANSPARENCY



By sharing information systematically greater transparency can be achieved resulting in improved insurability.

HOW WERE THE ISSUES ADDRESSED?

To build upon the good work of prior publications:

- Global Reinsurer technical papers
- IMIA Working Group papers 6-53 (1996), 11 (2000), 25 (2002), 48 (2006) and 63 (2009)
- Insurance of Revenue for Projects Under Construction – ASG 254 (published 2003)
- Various Loss Adjustor, Lawyer, Broker and Insurer publications
- Numerous market presentations, working groups and discussions

INTENTION TO PICK UP ON THE ISSUES RAISED AND FOCUS ON SOLUTIONS

- Munich Re
- Zurich
- XL
- Liberty
- Catlin
- Allianz

- Marsh
- JLT
- Aon
- Willis
- Matson Driscoll Damico
(forensic accountants)
- Cunninghams and Integra also
consulted

Questionnaire

Sent out by each broker to

- 2/3 selected Owners.
- Lenders Insurance Advisers.

Results (non attributable) reported to Group and consolidated.

Discussion points

- Lack of transparency
- DSU form versus accounting practice
- Lack of underwriting information
- Need for customisation
 - Wording by industry segment? No
 - Sum Insured against the Financial Model? Yes
- Lack of expertise
- Mismatch of expectations

MISMATCH OF EXPECTATIONS



Client perspective

Insurer perspective

The client's wish...

and what has been purchased...?

There is a delay – please indemnify us!

Is it caused by insured property damage?

No. Then we need an extension...

... there is no automatic extension. Please provide additional information.

We have a PD loss – please indemnify us under the DSU section

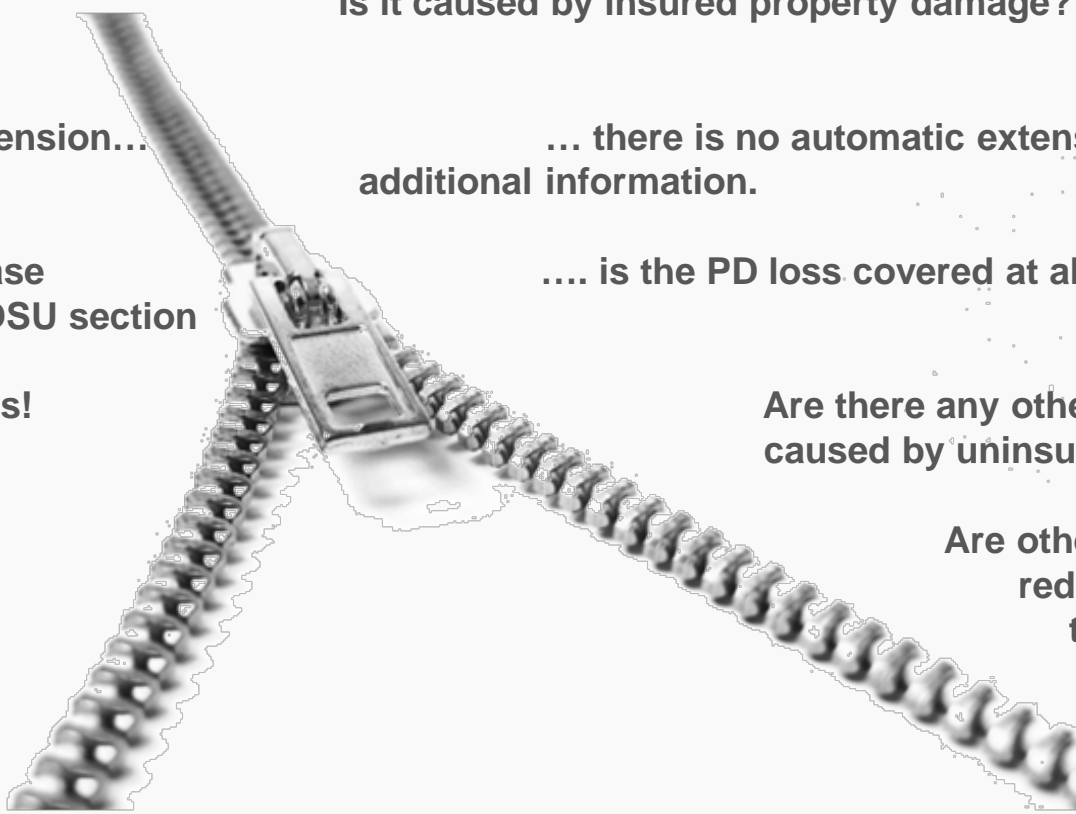
.... is the PD loss covered at all?

Yes – please indemnify us!

Are there any other delays caused by uninsured events?

Yes – but that shouldn't matter....

Are other delays reducing the indemnifiable period ?



RESULT

“Closing the Gap”

- DSU Principle Paper
 - DSU overview for non experts
 - Akin to a "key facts" document
 - High level
 - Concise
- DSU Sum Insured Worksheet



These are the “Lead in” for further discussion with the clients and brokers

DSU Principle Paper outlining the basic intention/concept of DSU



LEG
London Engineering Group

Delay in Start Up Insurance

London Market Working Party 2012
Supported by IMIA and The London Engineering Group

An overview

Introduction

Delay in Start Up (DSU) is also referred to as Advanced Loss of Profit (ALOP). DSU insures project owners for the financial consequences (as described in the policy) of a delay to project completion arising from an insured physical damage event. The cover is best purchased with the Contractors All Risks/Extension All Risks (CAR/EAR) policy covering physical loss or damage to the project.

Key Facts

- 1. Insured Parties for DSU Insurance.**
Typically, DSU is purchased for the project owner. Any project financiers / lenders to the project are likely to require purchase of DSU cover, where finance is on a limited recourse basis. For concession contracts however contractors (as concessionaires) may also be insured.
- 2. Claimants under DSU Insurance.**
The project owner, and where applicable the project financiers / lenders and contractors under concession contracts will be entitled to claim.
- 3. Contract of indemnity.**
The indemnity granted under a DSU policy will reimburse the owner only to the extent that they have actually suffered a loss. Any claim settlement will take into account seasonal and market fluctuations in the actual business performance, and usually the effect of any uninsured events (such as poor contractor performance, late delivery of equipment etc) which have delayed project completion.
- 4. Material damage proviso.**
The DSU cover is triggered only by a delay to project completion due to physical damage events insured under the CAR/EAR cover.
- 5. Scope of cover.**
There are generally three levels of cover:
 - Gross profit: Loss of anticipated revenue, including debt service costs, fixed operating costs as well as anticipated net profit, less variable costs.
 - Debt service and fixed costs.
 - Debt service only.
 Increased cost of working is also insured under DSU to the extent that the increased expenditure reduces the insured loss. Any indemnity will be limited to the insured's actual loss sustained within the policy parameters.
- 6. Triggering a DSU claim.**
The policy will contain a DSU trigger date. It is the agreed date the project was anticipated to be complete and the commercial operations would begin. Such date may be linked to a contractually defined term. There are 3 key criteria for payment of a DSU claim:
 - An event indemnifiable under the physical damage policy.
 - The resultant delay exceeds the DSU deductible.
 - A resultant loss of the interest insured (e.g. Gross Profit).
 Variants to address specific operating regimes such as phased handover and interim operations are also available.

7. DSU Sum Insured.
The amount payable under the policy will be expressed as both a monetary and a time limit - a sum insured and a maximum indemnity period. It may be further defined by a maximum daily indemnity amount. Insurers will pay up to the amount stated as either the sum insured or the indemnity period, whichever is exhausted first.
The maximum indemnity period purchased should ideally not be less than the maximum rebuild period envisaged. The sum insured should be sufficient to reflect the financial exposure for the level of coverage purchased, during the indemnity period.

8. Deductible.
Also referred to as a 'waiting period' or 'time excess', this is the period of the loss during which the delay is self insured. The deductible is usually expressed as a number of days and will be applied to the aggregated delay.

9. Aggregate delay (insured and uninsured).
The delays suffered by a project potentially from multiple physical damage events will be aggregated, leading to one overall delay period beyond the trigger date. Delays can also occur to a project from events that are not covered by the physical damage insurance, such as slow progress or late supply of materials. Indemnity under the DSU policy will discount time lost to such circumstances.

10. Reinstatement of cover.
The DSU sum insured is invariably an aggregate limit. If DSU is triggered, it may be necessary to reinstate the sum insured, indemnity period and deductible. The policy may contain provisions relating to the reinstatement of the DSU section. It should be noted that there is generally no obligation on insurers to extend the period of insurance, to advance the trigger date, or to reinstate the sum insured.

11. Key exclusions.
DSU typically does not cover:

- Fines and penalties.
- Non damage delays (non performance, late delivery of materials etc.)
- Periods of insured delay concurrent with those from uninsured events.
- Delays due to redesigning, adding or improving the insured property.
- Inadequate funding to complete the project.


12. The claims process.
In the event of a claim under the DSU policy, insurers will usually seek to establish:

- The actual status of the project progress at the time of the physical damage occurrence. Generally, the more transparent the project progress, the simpler the claims process will be. Providing insurers with regular progress reports and schedule updates during the life of the project is strongly recommended.
- The actual revenue situation of the insured business had the loss not occurred.

Forensic accountants may be used to assess the actual loss sustained.

Claim settlements will be subject to deduction of concurrent uninsured delays and the application of the policy deductible.

Delay in start up – example



Trigger: disseminated date of commencement of commercial operations

Indemnifiable delay = size length of delay to construction programme - uninsured delay - waiting period = 4+1-2 = 4+1 weeks

Your insurance adviser should be able to assist with the following:

- A detailed explanation of principles and the scope of cover.
- Insurance programme design, assessment of needs, selection of interest insured, sum insured, maximum indemnity period, reinstatement needs.
- Identification of potential loss scenarios with indemnity examples.
- Establishing a statement of intent from insurers on advancing the trigger date/ extending the period of insurance.
- Periodic reviews of project schedule.

By explaining the intention of the cover, close the gap between differing expectations.

“Your insurance adviser should be able to assist with the following:

- A detailed explanation of principles and the scope of cover.
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- Identification of potential loss scenarios with indemnity examples.
- Establishing a statement of intent from Insurers on advancing the trigger date/extending the period of insurance.
- Periodic reviews of project schedule” .



It does not provide all the answers, but should help start the conversation

DSU SUM INSURED WORKSHEET

DSU-Worksheet09012013-final (2).xlsx [Read-Only] - Microsoft Excel

Home Insert Page Layout Formulas Data Review View

Arial 10 Wrap Text General

Clipboard Font Alignment Number Conditional Formatting Styles Insert Delete Format Cells AutoSum Fill Sort & Find & Filter Select Clear Editing

B38

IMIA

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London Engineering Group

Delay in Start Up Insurance
London Market Working Party 2012
Supported by IMIA and The London Engineering Group

Insured Interest based on figures for "Undisturbed Operation" plus "Additional Costs"

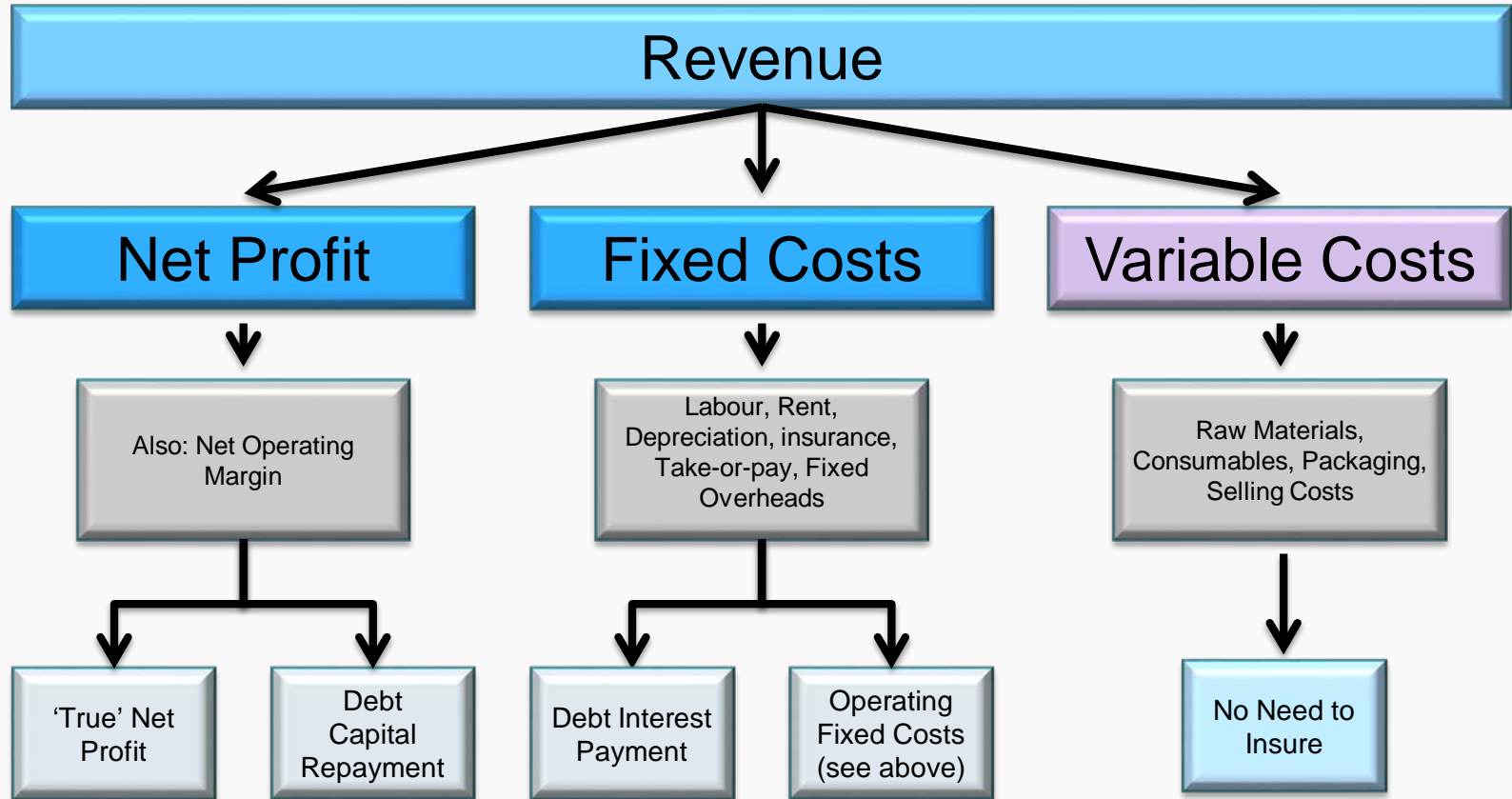
Anticipated Turnover of Insured Business				Additional Costs
Gross Profit of Insured Business				Costs Savings from Variable Costs
Anticipated Net Profit of Insured Business				
Specific standing charges				
Debt Service		Fixed OPEX		
Capital Repayments	Interest Payments			
capital repayments	interest payment / loan fees	Fixed Staff / labour costs	Variable Staff / labour costs	Re-Financing
	loan fees	Fixed Maintenance costs	Variable Maintenance Costs	Re-Advertising
		Depreciation (unrelated to actual use)	Depreciation (proportional to time of use)	Cancellation Costs
		Take-or-pay costs for fuel or raw materials	Fuel (non take-or-pay)	Trade Deficit
			Raw Materials	
			Consumables	

Overview Gross Profit Graph

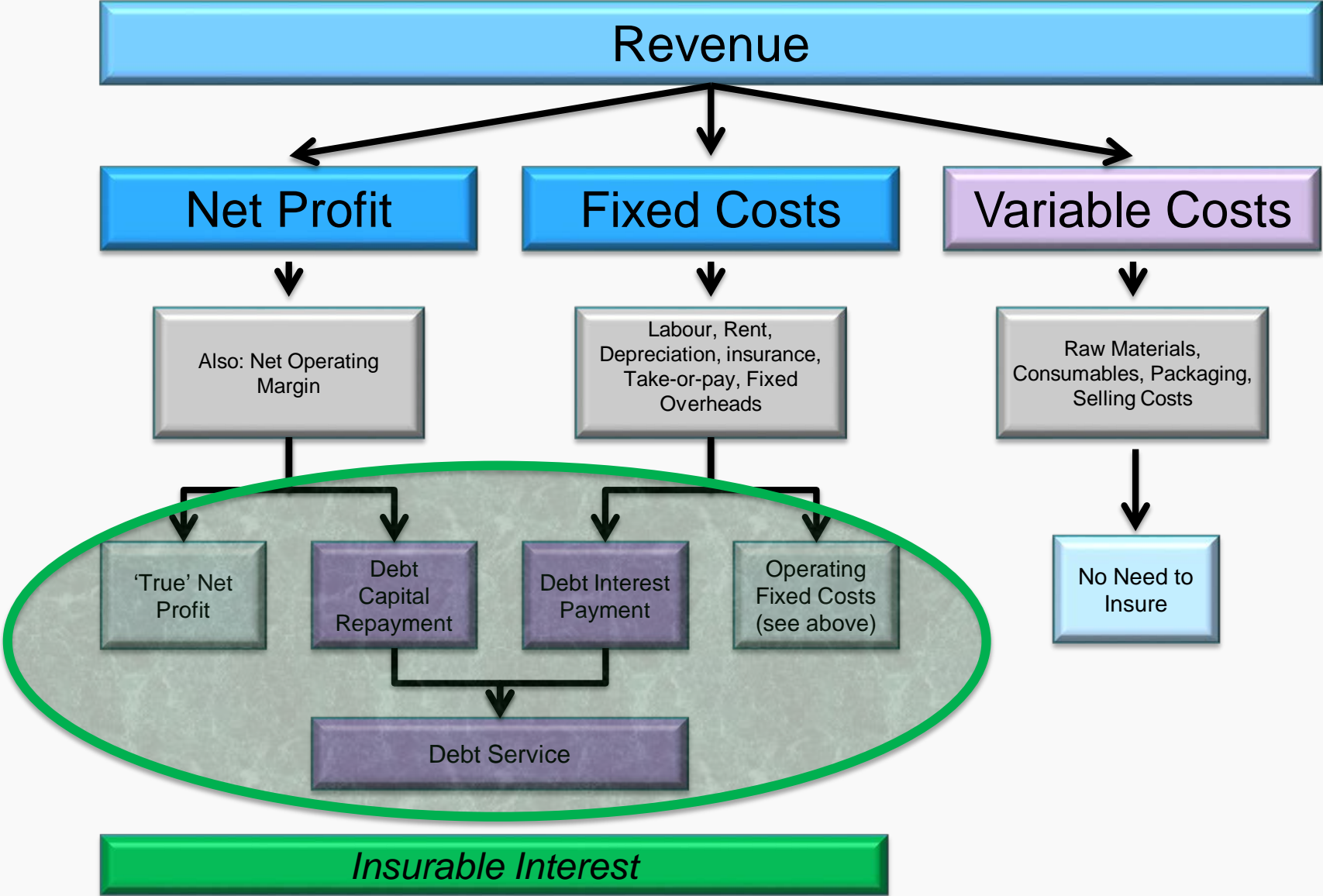
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Obtain transparency of the sum insured and thereby close the gap of “what is intended to be insured”

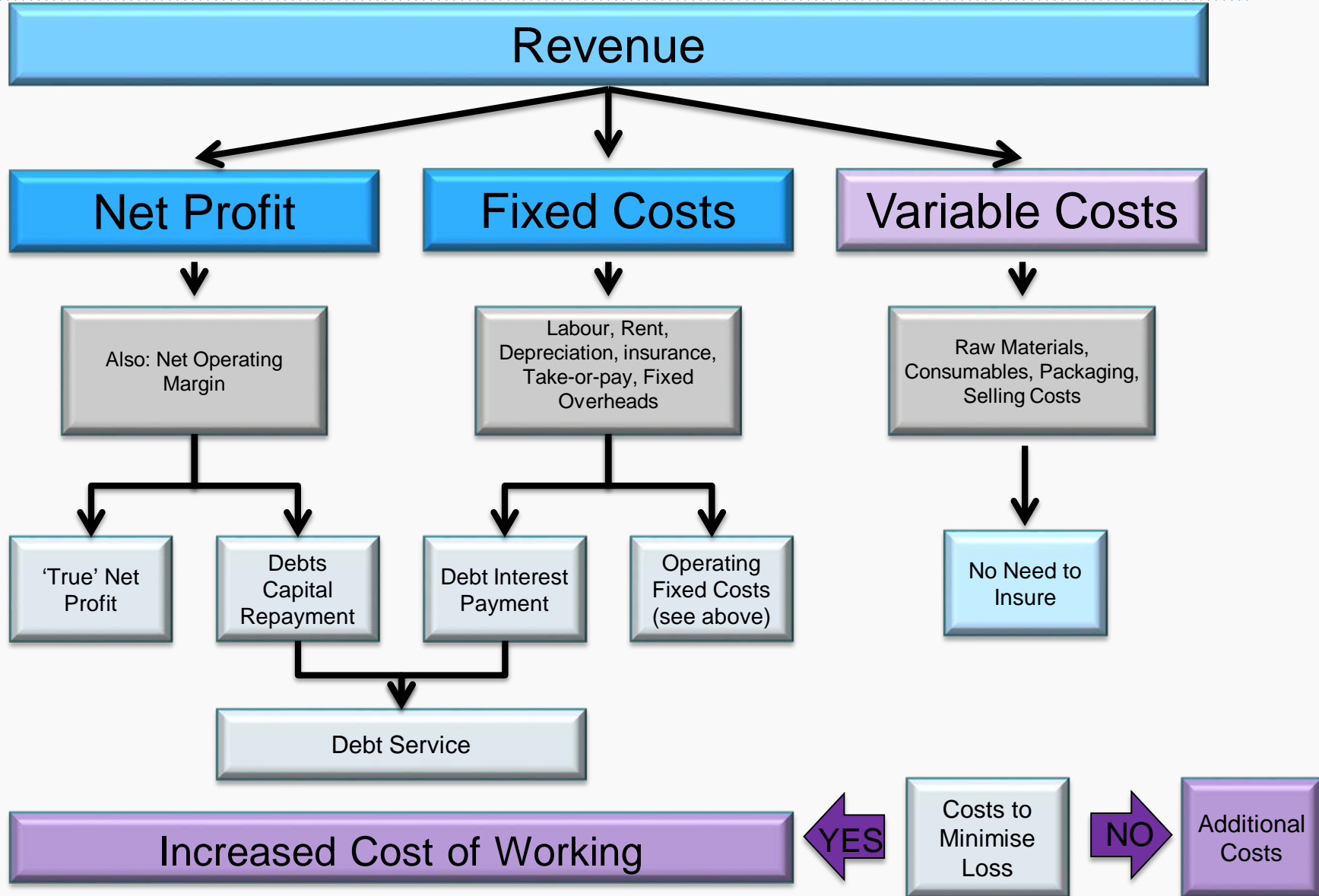
DSU WORKSHEET– FINANCIAL COMPONENTS



DSU WORKSHEET – FINANCIAL COMPONENTS



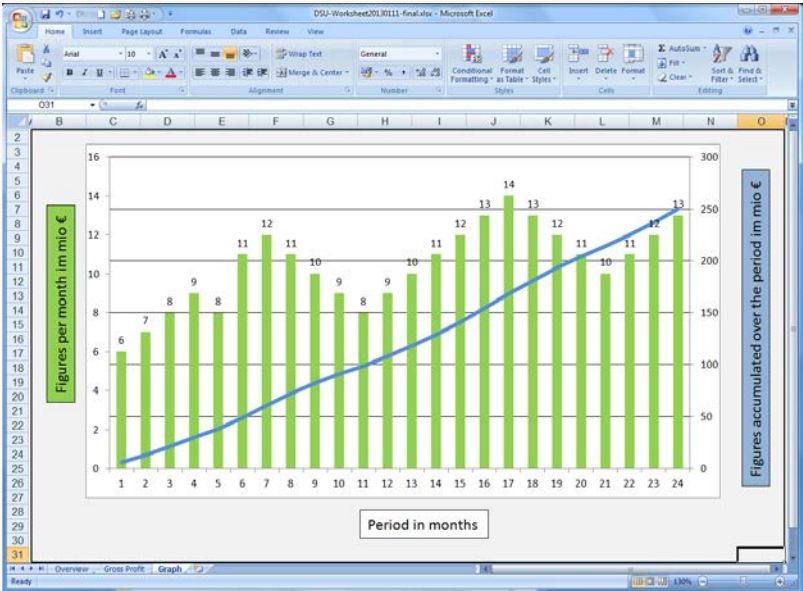
DSU WORKSHEET – FINANCIAL COMPONENTS



DSU WORKSHEET: PROVISION OF INFORMATION PRE-INCEPTION

DSU-Worksheet0012013-final (2).xlsx [Read-Only] - Microsoft Excel

	Total	Period in month																							
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Anticipated Turnover	592	20	20	20	20	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Variable Costs	314																								
Variable Staff/ Labour costs	48	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
Variable Maintenance Costs	24	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Depreciation (proportional to time of use)	0																								
Fuel (on rate or bag)	0																								
Raw Materials	262	10	10	10	10	12	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
Contractables	0																								
Gross Profit	278																								
Anticipated Net Profit	23																								
Capital requirement	-48																								
Capital requirement	-48																								
Specified Standing Charges	303	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
Capital requirement	-48																								
Interest payment / loan fees	63	0	0	0	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
Fixed Operating Expenses	240																								
Fixed Staff/ Labour costs	240																								
Fixed Maintenance costs	0																								
Depreciation (unrelated to actual use)	0																								
Fuel on-bag costs (on fuel or raw materials)	0																								
Additional Costs	19																								
Fixed Staff/ Labour costs	0																								
Raw Materials	17																								
Travel Costs	2																								
Additional ITC	0																								
Fixed Expenses	0																								
Sum insured for IP max	297	3	3	3	3	10	12	10	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	



Provision of information prior to inception will promote improved transparency of the DSU sum insured value split

Project name:		Total	Period in month						
			1	2	3	4	...	23	24
Anticipated Turnover		0.0							
Variable Costs		0.0							
Variable Staff / Labour Costs		0.0							
Variable Maintenance Costs		0.0							
Depreciation (proportional to time of use)	to be included in SI cover not requested	0.0							
Fuel (non Take-or-Pay)		0.0							
Raw Materials		0.0							
Consumables		0.0							
Gross Profit		0.0							
Anticipated Net Profit	cover not requested	0.0							
Debt Service: Capital repayment		0.0							
Capital Repayments	to be included in SI	0.0							
Specified Standing Charges		0.0							
Debt Service: Interest payment		0.0							
Interest Payment / Loan Fees	to be included in SI	0.0							
Fixed Operating Expenses		0.0							
Fixed Staff / Labour Costs	to be included in SI	0.0							
Fixed Maintenance Costs	to be included in SI	0.0							
Depreciation (unrelated to actual use)	to be included in SI	0.0							
Take-or-Pay Costs for fuel or raw material	to be included in SI	0.0							
Additional Costs		0.0							
Re-Financing	to be included in SI	0.0							
Re-Advertising	to be included in SI	0.0							
Cancellation Costs	to be included in SI	0.0							
Trade Deficit	to be included in SI	0.0							
Additional ICW	to be included in SI	0.0							
Extra Expenses	to be included in SI	0.0							
Sum Insured for IP max		0.0	0.0	0.0	0.0	0.0	...	0.0	0.0

Before using the sheet, please enable the macros !

0.00 0 0 0 0 0 0

Project name:		Total	Period in month						
			1	2	3	4	...	23	24
Anticipated Turnover		1200.0	50.0	50.0	50.0	50.0	...	50.0	50.0
Variable Costs		200.0							
Variable Staff / Labour Costs		32.0	1.0	1.0	1.0	1.0	...	2.0	2.0
Variable Maintenance Costs		24.0	1.0	1.0	1.0	1.0	...	1.0	1.0
Depreciation (proportional to time of use)	to be included in SI cover not requested	24.0	1.0	1.0	1.0	1.0	...	1.0	1.0
Fuel (non Take-or-Pay)		24.0	1.0	1.0	1.0	1.0	...	1.0	1.0
Raw Materials		72.0	3.0	3.0	3.0	3.0	...	3.0	3.0
Consumables		24.0	1.0	1.0	1.0	1.0	...	1.0	1.0
Gross Profit		1000.0							
Anticipated Net Profit	to be included in SI	100.0							
Debt Service: Capital repayment		84.0	Capital repayment is part of the net profit and can						
Capital Repayments	cover not requested	84.0	2.0	2.0	2.0	2.0	...	5.0	5.0
Specified Standing Charges		900.0							
Debt Service: Interest payment		300.0							
Interest Payment / Loan Fees	to be included in SI	300.0	20.0	20.0	20.0	20.0	...	5.0	5.0
Fixed Operating Expenses		600.0							
Fixed Staff / Labour Costs	to be included in SI	360.0	15.0	15.0	15.0	15.0	...	15.0	15.0
Fixed Maintenance Costs	to be included in SI	240.0	10.0	10.0	10.0	10.0	...	10.0	10.0
Depreciation (unrelated to actual use)	to be included in SI	0.0					...		
Take-or-Pay Costs for fuel or raw material	to be included in SI	0.0					...		
Additional Costs		100.0							
Re-Financing	to be included in SI	52.0	10.0	9.0	8.0	7.0	...		
Re-Advertising	to be included in SI	0.0					...		
Cancellation Costs	to be included in SI	38.0		10.0	28.0		...		
Trade Deficit	to be included in SI	10.0	1.0	1.0	1.0	1.0	...		
Additional ICW	to be included in SI	0.0					...		
Extra Expenses	to be included in SI	0.0					...		
Sum Insured for IP max		1100.0	53.0	62.0	79.0	50.0	...	41.0	41.0

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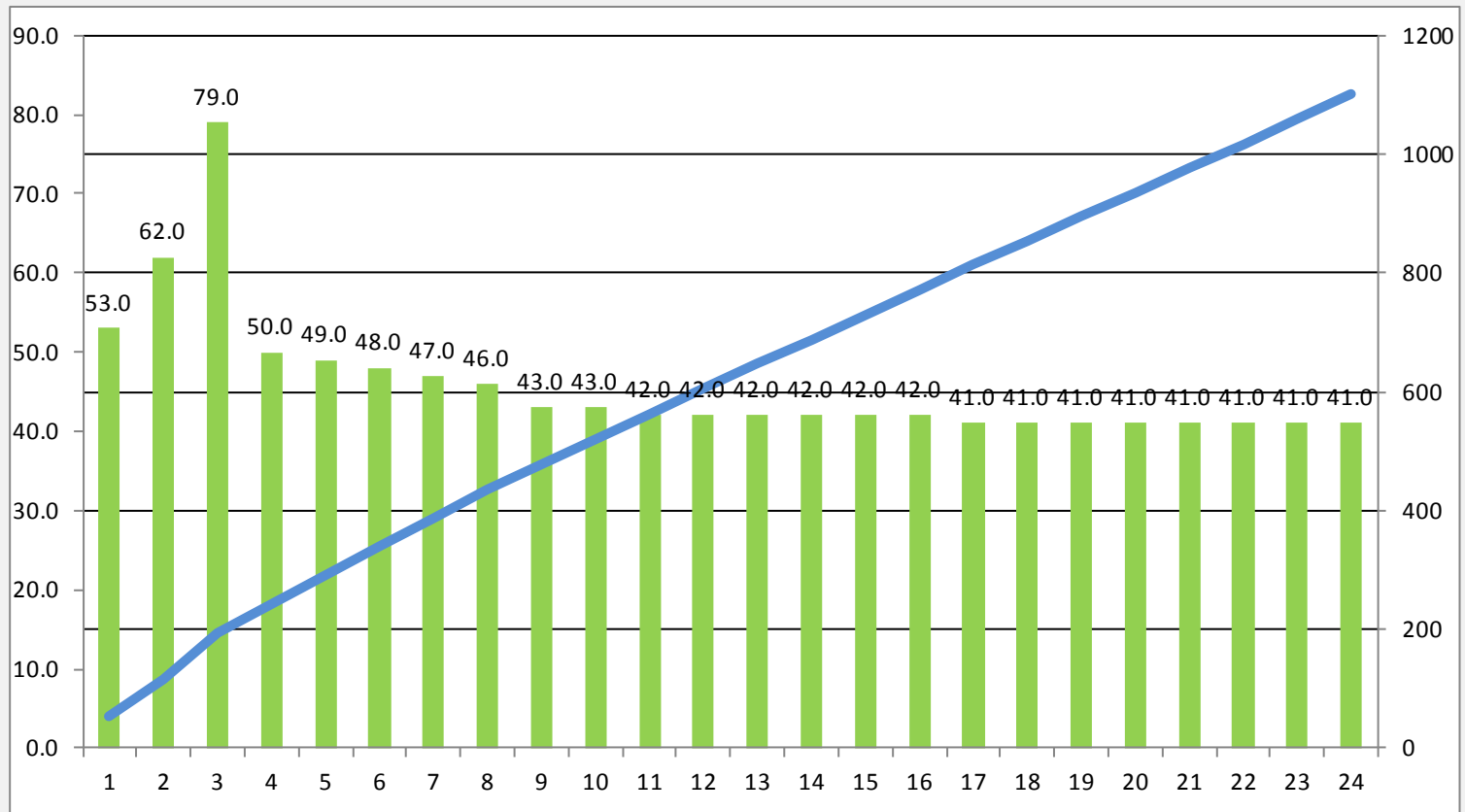
Project name:		Total	Period in month																							
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Anticipated Turnover		1200.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Variable Costs		200.0																								
Variable Staff / Labour Costs		32.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Variable Maintenance Costs		24.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Depreciation (proportional to time of use)	to be included in SI cover not requested	24.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fuel (non Take-or-Pay)		24.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Raw Materials		72.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Consumables		24.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Gross Profit		1000.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Anticipated Net Profit		100.0																								
Debt Service: Capital repayment		84.0	Capital repayment is part of the net profit and can be insured if net profit is not requested. Insurable amount up to max. the amount of net profit !																							
Capital Repayments	cover not requested	84.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	
Specified Standing Charges		900.0																								
Debt Service: Interest payment		300.0																								
Interest Payment / Loan Fees	to be included in SI	300.0	20.0	20.0	20.0	20.0	20.0	20.0	15.0	15.0	15.0	15.0	15.0	15.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	5.0	5.0	5.0	5.0	
Fixed Operating Expenses		600.0																								
Fixed Staff / Labour Costs	to be included in SI	360.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Fixed Maintenance Costs	to be included in SI	240.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Depreciation (unrelated to actual use)	to be included in SI	0.0																								
Take-or-Pay Costs for fuel or raw material	to be included in SI	0.0																								
Additional Costs		100.0	11.0	20.0	37.0	8.0	7.0	6.0	5.0	4.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Re-Financing	to be included in SI	52.0	10.0	9.0	8.0	7.0	6.0	5.0	4.0	3.0																
Re-Advertising	to be included in SI	0.0																								
Cancellation Costs	to be included in SI	38.0		10.0	28.0																					
Trade Deficit	to be included in SI	10.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0																
Additional ICW	to be included in SI	0.0																								
Extra Expenses	to be included in SI	0.0																								
Sum Insured for IP max		1100.0	53.0	62.0	79.0	50.0	49.0	48.0	47.0	46.0	43.0	43.0	42.0	42.0	42.0	42.0	42.0	42.0	41.0	41.0	41.0	41.0	41.0	41.0	41.0	

Before using the sheet, please enable the macros !

clear all contents

53.0 62.0 79.0 50.0 49.0 48.0 47.0 46.0 43.0 43.0 42.0 42.0 42.0 42.0 42.0 41.0 41.0 41.0 41.0 41.0 41.0 41.0 41.0 41.0 41.0

Figures per month im mio €



Period in months

Figures accumulated over the period im mio €

BENEFITS OF THE DELIVERABLES



Pre-inception

Post-inception

Post-loss

- | | | | |
|----------------|----------------------------|--|--|
| Insured | ✓ Understands what he buys | ✓ Improved ability to secure cover changes | ✓ Policy delivers as expected |
| | ✓ Correct SI | | ✓ Faster, more efficient loss adjustment |
| | ✓ Increased transparency | | |

BENEFITS OF THE DELIVERABLES

	Pre-inception	Post-inception	Post-loss
Insured	<ul style="list-style-type: none">✓ Understands what he buys✓ Correct SI✓ Increased transparency	<ul style="list-style-type: none">✓ Improved ability to secure cover changes	<ul style="list-style-type: none">✓ Policy delivers as expected✓ Faster, more efficient loss adjustment
Insurer	<ul style="list-style-type: none">✓ Increased model certainty✓ Increased transparency✓ Understands what he sells	<ul style="list-style-type: none">✓ Improved ability to handle changes mid term, e.g. extensions	<ul style="list-style-type: none">✓ Faster, more efficient loss adjustment✓ Increased product credibility =✓ Increased DSU take up / bigger premium pot


BENEFITS OF THE DELIVERABLES


	Pre-inception	Post-inception	Post-loss
Insured	<ul style="list-style-type: none"> ✓ Understands what he buys ✓ Correct SI ✓ Increased transparency 	<ul style="list-style-type: none"> ✓ Improved ability to secure cover changes 	<ul style="list-style-type: none"> ✓ Policy delivers as expected ✓ Faster, more efficient loss adjustment
Insurer	<ul style="list-style-type: none"> ✓ Increased model certainty ✓ Increased transparency ✓ Understands what he sells 	<ul style="list-style-type: none"> ✓ Improved ability to handle changes mid term, e.g. extensions 	<ul style="list-style-type: none"> ✓ Faster, more efficient loss adjustment ✓ Increased product credibility = ✓ Increased DSU take up / bigger premium pot
Adjuster			<ul style="list-style-type: none"> ✓ Less need to discuss coverage aspects with client ✓ Faster, more efficient loss adjustment ✓ Closer correlation with accounting practice

BENEFITS OF THE DELIVERABLES

	Pre-inception	Post-inception	Post-loss
Insured	<ul style="list-style-type: none"> ✓ Understands what he buys ✓ Correct SI ✓ Increased transparency 	<ul style="list-style-type: none"> ✓ Improved ability to secure cover changes 	<ul style="list-style-type: none"> ✓ Policy delivers as expected ✓ Faster, more efficient loss adjustment
Insurer	<ul style="list-style-type: none"> ✓ Increased model certainty ✓ Increased transparency ✓ Understands what he sells 	<ul style="list-style-type: none"> ✓ Improved ability to handle changes mid term, e.g. extensions 	<ul style="list-style-type: none"> ✓ Faster, more efficient loss adjustment ✓ Increased product credibility = ✓ Increased DSU take up / bigger premium pot
Adjuster			<ul style="list-style-type: none"> ✓ Less need to discuss coverage aspects with client ✓ Faster, more efficient loss adjustment ✓ Closer correlation with accounting practice
Broker	<ul style="list-style-type: none"> ✓ Alignment of expectations ✓ Adequacy of product ✓ Increased transparency ✓ More confidence to sell product 	<ul style="list-style-type: none"> ✓ Closer client relationship ✓ Can respond to client needs 	<ul style="list-style-type: none"> ✓ Faster, more efficient loss adjustment ✓ Happier client ✓ Increased DSU take-up / greater earnings

DSU Introduction



 **LEG**
London Engineering Group

Delay in Start Up Insurance

London Market Working Party 2012
Supported by IMIA and The London Engineering Group

DSU Overview and Worksheet

Introduction

The shift to privately financed projects has greatly increased demand for Delay in Start Up Insurance (DSU), over the past 25 years.

More recently CEOs/CFOs have become increasingly accountable for poorly performing projects. This accountability can be mitigated by DSU where a delay in project completion has been caused by an indemnifiable event of physical loss or damage.

There has however often been a mismatch of expectation between insured, insurers, lenders and brokers, with regard to the key principles, the underwriting information required, scope of cover and proof of loss.

Recent high profile DSU loss events have further accentuated this mismatch.

During 2012 a group of insurers, brokers and loss adjusters considered how more closely to align the expectations of the interested parties. To this end they have prepared 2 documents (DSU Overview and DSU Worksheet respectively).

DSU Overview

This explains the fundamentals of DSU and is primarily aimed at Risk Managers, CFOs and Lenders.

DSU Worksheet

This seeks to translate the financial model of a project into the main heads of cover available under DSU. The document is designed to be completed by the Insured with advice from their insurance broker, and will allow both the insured and insurers a transparent and shared understanding of what is, and is not, insured.

Advantages

These two documents will confer the following benefits on the interested parties:

- The insured: a greater understanding of what he has (and has not) purchased.
- The insurer will sell a more credible product.
- Lenders will have increased confidence in its efficacy
- The broker will continue to demonstrate his added value to all parties.

All parties will enjoy a swifter and more certain claims process.

December 2012

DSU Working Party Presentation



„Mind the Gap“
—
between the
financial and
insurance views

DSU - LONDON MARKET WORKING PARTY 2012

Next Chapter

What now?

- Market-wide distribution of the papers & presentation
- Share with peers and clients at every opportunity
- Use the Sum Insured worksheet
- Prompt for discussions on managing portfolio volatility

What next?

- Extensions to the DSU Period of Insurance
 - LEG DSU Working Group – plus guests
 - With & Without physical damage incidents
 - Explore market practice / existing wordings and clarify intent
- Project Progress Monitoring initiative
 - IMIA Group in progress 2013

All documents are available to view and download:

- The International Engineering Insurance Association at www.imia.com under “**Key topics**”
- London Engineering Group at www.londonengineeringgroup.com under “**DSU toolbox**” - please note LEG website is undergoing a refurb.

THANK YOU FOR YOUR ATTENTION

DSU London Market Working Party
IMIA Conference 2013 – New Delhi



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QUESTIONS AND COMMENTS?

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