

DETAILS OF INTERESTING CLAIM

No:

Type of Insurance:

EAR

Description of damaged item:

Bucket-wheel excavator

Cause of Loss:

(use code)

(3) – Faulty design

Claim Cost (100%)

(Net of deductible or time excess)

US\$ 11 Mio.

Description of Incident and Loss Prevention measures initiated:

The loss occurred on the site of a coal-fired power plant. The coal is delivered by ship, stockpiled, and then conveyed to the power plant units as required using bucket-wheel excavators and conveyer belts. The coal-transporting facility has four bucket-wheel excavators, two of which were being erected when the loss occurred. A serious incident occurred during the erection of one of these excavators.

One of the critical phases in erecting a bucket-wheel excavator is placing the concrete counterweights in a metal cage at the end of the horizontal arm opposite to the bucket wheel boom.

During this tricky operation, the connection between the horizontal arm and the vertical structure broke. As a result the loadbearing structure collapsed almost entirely, and nearly all of its metal struts were buckled. Two erection workers were killed and eight others injured. The loss was very probably the result of faulty design.

During the first on-site inspection it was initially thought that the excavator would be a total loss. Specialists called in by the insurers investigated the damage more closely and found that some of the components – especially the electric motors, the transmission, and running wheels – were at most only slightly damaged and hence were considered no more than marginally part of the loss in the meaning of the EAR policy covering the risk.

When erection operations resumed, the interfaces between the vertical structure and the horizontal arm were reinforced. This kind of accident is now unlikely to occur again.

Outline the interesting or unusual aspects of this claim or problems experienced during settlement:

Determining the amount that was actually indemnifiable turned out to be a difficult affair. After extensive negotiations the policy holder finally accepted the insurer's offer to settle the loss at approx. 40% of the replacement cost originally claimed.

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CODES

1. Type of Insurance

M Machinery Breakdown

BE Boiler Explosion

LP(M) M - Loss of Profits

ALOP (DSU) Advance Loss of Profits

EAR Erection All Risks

CAR Contractors All Risks (Civil)

G Guarantee

EE Electronic Equipment

O Other Classes

2. Cause of Loss

(1) Faulty operation

(2) Faulty material or workmanship

(3) Faulty design

(4) Other internal causes

(5) Fire

(6) Explosion

(7) Storm

(8) Earthquake

(9) Other external causes

(10) Other causes