

## DETAILS OF INTERESTING CLAIM

(From Risk Control and Claims Handling in Advance Loss of Profits Insurance - IMIA Paper WGP11 (00)E)

No: DOIC31 (CAR)

### Type of Insurance:

CAR

### Description of damaged item:

Damage to Construction of a Hydro Power Plant due to Flood

### Cause of Loss:

(9) Other external causes

### Claim Cost

### Description of Incident and Loss Prevention Measures initiated:

#### Project Description

Three hydro power plants were being built on a river within a distance of several kilometres. Each of the plants (PP-1, PP-2 and PP-3) had two turbines with a capacity of about 4 MW together with generators. All three contracts by an independent power producer went to one and the same contractor. Scheduled start-up dates varied but followed within only a few months. Severe winters are observed at the location of construction. After a cold period in November with heavy snowfall and freezing of lakes in the area a warm period with two days of torrential rains followed and caused severe flooding of the river.

The cofferdams of PP-1 and PP-3 were overtopped and broke. Damage occurred to already advanced concrete works and to formwork of the dam and spillway. Mechanical and electrical installation of the turbines and electrical generators was very advanced despite the fact that the water intake or draft tube gates were not yet installed. Consequently water, mud and gravel entered the powerhouse and submerged turbines and generators.

-No serious damage occurred at PP-2.

#### Repair works

Investigations showed that repair of civil works would not endanger the scheduled start-up dates if expedited by means of previously not scheduled winter work.

Turbines and generators were dismantled and shipped to the manufacturer. Only minor damage had occurred to turbines and generators, but disassembly, checking, testing, drying-out and reassembling, especially of the generators were time consuming.

Eventually PP-1 and PP-3 started producing power with a four months delay.

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

Adjustment of delay-in-start-up-loss, loss control and expediting of repair

Civil works were expedited and extra costs for heating and housing-in of work sites incurred.

Expediting was also required in order to have the site safe for the next spring flood season.

Turbines and generators were the critical items. A dispute occurred whether to repair/dry-out or to replace the generators. This dispute was costing time and good will. Replacement would have been more costly and would have caused additional delays. So insurers elected to repair.

Extensive electrical tests and expert opinions, however, were using up some of the originally

projected timesavings. The manufacturer declined full warranty and insurers had to take over the warranty shortfall.

Spring thaw delayed the access of heavy installation equipment to the construction site causing additional delays.

Poor co-operation of the insured parties with the adjuster and between each other contributed to the delay. Complicated contractual relations added to these problems. Some of this not inevitable delay was successfully deducted in the adjustment.

The production of hydroelectric power is a function of seasonal river flow rates. Compromises had to be made in finding mutually agreeable assumptions with regard to lost power production. Conclusions and lessons learned strong claims management (time, cost, engineering, adjuster, experts, control) right from the start is not necessarily a key to success but it will help to prevent disasters.

"weather windows" may substantially increase a ALoP loss. Either due to extra costs for winter work - if insurers are lucky enough that winter work is feasible at all, or, in extreme circumstances due to several months of "extra" delay if seasonal circumstances do not allow construction or transport of materials at all (construction in arctic regions).

Know your experts. Having to change an expert or adjuster on a ALoP claim may not only increase fees but also delay time.

Time pressure may force insurers into accepting more expensive solutions for repair/replacement than they would have accepted without ALoP cover. The ALoP premium should make allowance for this.

## **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 or unknown