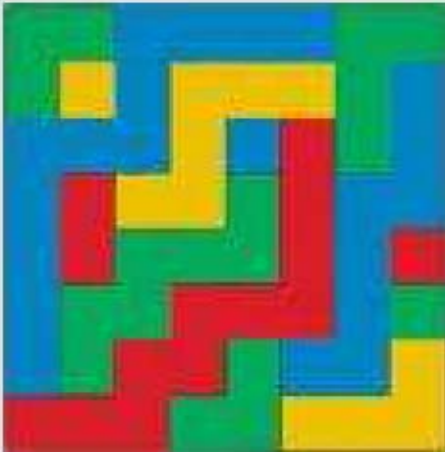




„ Silent Risks “

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The Art of counting

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Introduction

Normally a CAR/EAR project... ..runs smoothly, reaching completion allowing the contractor to hand over the works in line with the original time schedule

- **Causes of interruption of works:**
 - **Investors become unable to fulfil their obligations**
 - **Temporary liquidity problems**
 - **Changes in the economic environment**
 - **Works progress affected by disputes between principal and a contractor**
 - **Project time schedule delayed by shortage of, or late delivery of material and equipment**

These circumstances lead to

1. The investor decides to abandon the project and dissolves the works contract accordingly
2. The contractor abandons the site following unilateral contract frustration by the principal, eg cancellation of progress payments
3. The works are temporarily suspended after negotiations and agreement between principal and contractor.



Those scenarios represent a „material Change in risk“

In such cases continuance of the project shall be „subject to terms and conditions – endorsement – to be agreed“

Projects affected by suspension

Type of risks

- Residential and commercial building (hotels, residential)
- Civil engineering projects (dams, metros, roads)
- Industrial buildings (warehouses, harbours)
- Plants (desalinations, chemicals, processes)



Abandon

Cancellation - >final premium adjustment



Silent risks

Restricted terms and covers



“Slow motion risks”

Post Uwing; surveys, & adjustments

Standstill periods in CAR and EAR insurance (1)

Unfinished works and projects are primarily exposed to external perils:
Transfer from original CAR All Risks cover into Named Perils cover

Notwithstanding the conditions, provisions and other endorsements of the policy, it is agreed and understood that for the standstill period as specified below, insurers shall only be liable for loss or damage caused by:

- **Natural Perils**

Flood

Earthquake

Inundation

Windstorm

- **Man-made**

Fire

Theft SRCC

IDI

TPL

Covers extensions

- **MTCE**
- **TPL**
- **Existing property**
- **Advance loss of profits (*)**
 - ceases with the interruption of works
 - and is renegotiated once the construction or erection works are resumed
 - See also IMIA Publication on Extension of the period for Delay in Start Up Cover (DSU / ALOP) (September 2002)
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**All (*) these extensions can be offered
subject to new terms and conditions - endorsement - to be agreed.“**

View to the outlet of Diversion Channel



~~1. PROJECT DESCRIPTION~~

Silent risks Real case based on Nationale Suisse Portfolio.

- Owner:** Republic of....
Ministry of Energy and Natural Resources
- Contractor:** CCC tech , Switzerland
BBB, Austria
- Project:** 4 x 186 MVA Hydro Power Station consisting of:
4 Francis Turbines
4 Generators
13 Single Phase Power Transformer
4 Autotransformer
1 Shunt Reactor
SF6 Gas Isolated Switchyard
Balance of Plant Equipment
- Original scheduled PAC Date:** January 2005

Typical Storage Room where more than 400 mio CHF of equipments are stored for a longer period as foreseen



View of the fencing all around the Site



Storage between Hangar 1 and Hangar 2 Equipment need to be rotated to avoid „storage dammages



Generator Rotor Core Carrier

Elements not sufficiently protected detec by Ing. survey



Main Entrance to the Power Station Cavern



Standard minimum requirements include:

- **fencing of the site, 24-hour watch and site patrolling with trained security guards,**
- **removal of highly inflammable and explosive substances, clearance of combustible waste material**
- **Securitisiation of slopes**
- **installation and regular inspection of appropriate fire-fighting equipment (size and number),**
- **sufficient supply and storage of fire-extinguishing water (quantity and pressure) and direct contact with nearest fire brigade,**
- **sufficient standby pump capacity for dewatering purposes**
- **semi-completed installations and work sections secured against windforce, safety nets installed around superstructure.**

Summary

1. **Material change in risk**
2. **Re underwriting based on new conditions**
 1. **Fire; water, corrosion, storage**
3. **Terms and conditions for the silent risks based on site survey (as shown in example)**



**Silent risks
are always
Tailor-made
solutions**

In such cases continuance of the Policy shall be subject to a new wording / endorsement to be agreed.