

Access Roads in Project Insurance

IMIA Working Group paper WGP 87 (14)

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Outline of Presentation



1. Introduction/Purpose
2. Definition of Access Roads
3. Technical Features & Challenges
4. Basics of Risk Assessment & Risk Management
5. Claims & Lessons-learned Cases
6. Coverage & Insurance Clause(s) Proposition
7. Q&A Discussion

Introduction/Purpose



- Promote **understanding and best practice** in engineering insurance
- Raise awareness of **technical features**
- Provide contractors, brokers and underwriters with a **basic guidance** on necessary information to be contained in the underwriting submission
- Analyze insurance **coverage extent** for access roads and suggest specific clause(s) proposition
- Ultimately align insurance stakeholders interests to ensure **commonly understood and acceptable** solutions

Introduction/Purpose



Key considerations and queries from an insurance perspective:

- How should access roads be insured as **part of a construction project**?
- How can insurers **identify temporary works** necessary to project development?
- How can insurers **properly assess exposure** with limited information?
- Which limitations should be introduced for temporary works with **design criteria** below normal standards for permanent works?
- Are there quality assurance and risk management measures available to **mitigate exposure** and/or assist in loss mitigation?
- Which adjustments to **pricing models** should be considered to counter access roads minor construction costs against above-average exposure?

Introduction/Purpose



Introduction/Purpose



Linthal 2015 Project
AXPO
Limmernsee, Glarus (CH)

Introduction/Purpose



Too impervious to reach with traditional access road solutions
(sizeable to allow construction material delivery and heavy equipment traffic)...

Introduction/Purpose



Heavy duty **cable lift system** designed for purpose to serve as an **aerial access road**

Definition of Access Roads



Access roads (public or private) are **temporary or permanent** facilities affording access **into and through** a particular area, where accessibility is impaired or unmanageable using existing infrastructures

Access roads are generally required for transporting **construction materials and oversize loads** to a construction site with no direct access from road networks – where roads either do **not exist** at all or are **not fit for purpose**

> **From where to where?**

> Which are **contractual & insurance boundaries** (responsibilities)?

Ask and negotiate for a clear classification!

Technical Features & Challenges



Raise awareness of technical features... **minor details which make the difference!**

- Design and Planning
- Road grade
- Road finish
- Road drainage
- Culverts
- ...



Photo supplied by Catchments & Creeks Pty Ltd



Photo supplied by Catchments & Creeks Pty Ltd



Photo supplied by Catchments & Creeks Pty Ltd



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Technical Features & Challenges



Raise awareness of technical features... **minor details which make the difference!**

- ...
- Watercourse crossing
- Cuts and embankments
- Maintenance and inspections



Basics of Risk Assessment & Management



Inherent causes of exposure:

- Design and materials
- Geology related issues
- Natural events
- ...



Isn't this “normal” roads exposure???

Construction and management of access roads can be crucial item for a smooth timely and successful completion of a project

This have implications from an insurance perspective but access roads **exposure is often underestimated** and only little information is normally provided to underwriters

Basics of Risk Assessment & Management



- Basic underwriting check list
- Onsite risk engineering surveys check list (risk management recommendations)

IMIA – WGP 87 (14)	IMIA – WGP 87 (14)																		
<p>Appendix II – Risk Management Check List/Questionnaire</p>																			
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Basics of Risk Assessment & Management



Everybody knows that a **quiet picturesque mountain stream** can change into a devastating mud-wave when swollen with ice water....



Basics of Risk Assessment & Management



... but who is really prepared to **take expensive precautions** or **costly alternative routes** for a (temporary) access roads?



Claims & Lessons-learned Cases



There is plenty of claims examples in the Engineering Lines insurance literature and **flood** is one of the most common and evident causes but **landslides** exposure is also remarkable



Claims & Lessons-learned Cases



Access roads to a wind farm project

- Mountainous area
- Oversize loads
- Temporary access roads constructed and minor rural roads adapted
- Dry stone walls demolished but **immediately restored** in the original condition
- Full cost to **demolish and re-build** these walls were part of the project



Claims & Lessons-learned Cases



Access roads to a wind farm project

- During testing phase a blade got irremediably damaged **and had to be replaced**
- **Oversize transport necessary** to remove the damaged blade and replace it with a new one
- All the dry stone walls **had already been rebuilt** to restore original conditions => it was necessary to demolish them **again**

The contractor had to restore all temporary access facilities **doubling the initial budget** for access roads interventions and counting for a relevant part in the overall cost of the blade failure (loss)

Coverage & Insurance Clause(s) Proposition



Contract Certainty

‘Contract Certainty is achieved by the complete and final agreement of all the terms between the insured and insurer by the time that they enter into the contract, with contract documentation provided promptly thereafter’

Reference: Chartered Insurance Institute - Insurance Law P05 Study text

Step 1 – Access Roads Classification

- Access roads
- Temporary access roads (TAR’s)
- TAR’s becoming permanent roads
- Existing roads / streets and highways

Coverage & Insurance Clause(s) Proposition



Step 2 – Access Roads Coverage

- Access roads (permanent) are fully insurable under CAR Property Damage – Section I as they are part of the project and of the operational property upon termination
- TAR's (irrespective of their characteristics) have an insurable value/interest for stakeholders only while they are under construction
- The existing streets / roads (not a part of the insured project) cannot be insured under the CAR policy for the project, except the liability arising out of damage to these existing properties due to the project activities
- Delay in Start Up (DSU) – Section III and Contingent Business Interruption (CBI) extension must be separately considered (if any)

Coverage & Insurance Clause(s) Proposition



Access roads coverage review has anyway shown **two points of view on cover for TAR's**:

- One agrees with the cover for loss/damage to TAR **only** while they are **under construction** (CAR basis), and
- The other is in favor of cover all roads/streets being a part of the project (including TAR) **during the project duration**, without making any differentiation between access and other kind of roads/streets (CECR basis)

As a consequence the WGP proposition is **NOT** for **one clause** but for **two clauses to address separate coverage scopes** which are both adequate but involve different exposures

Coverage & Insurance Clause(s) Proposition



A – Limited cover of TAR’s (during construction only)

Insurable interest of “temporary works” (short-term nature) which can be covered **during construction only (on CAR basis)** e.g. while this interest exists without doubt or confusion

Cover for TARs would be granted only:

- While they are under construction
- If they are conceived as temporary
- If their construction is detailed and registered in the project log
- As long as they are not in use
- If they and their value can be identified and quantified in the BOQ of the insured project
- If their length, path and value have been declared separately to the insurance

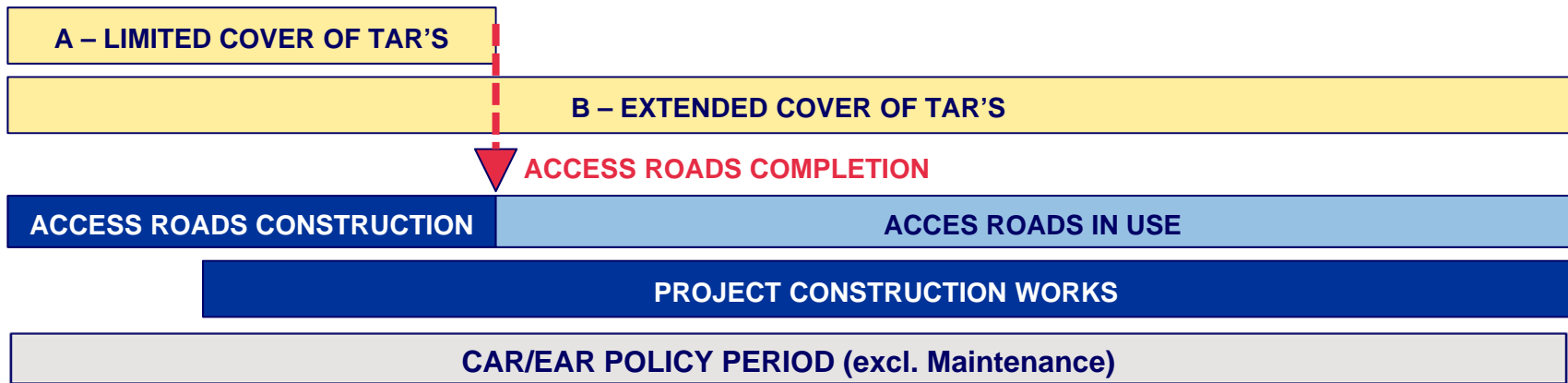
Coverage & Insurance Clause(s) Proposition



B – Extended cover of TAR’s (construction and operation)

Insurable interest of “temporary or permanent works” built as part of the project which **remains covered after their completion** for the entire policy period

After their completion TAR’s are basically excluded from the basic coverage of CAR/EAR policy and the wording shall be adjusted to provide operational cover (**CECR basis**)



Maintenance costs are anyway excluded from both the coverage!

Access Roads in Project Insurance



Thank you for listening and let's NOT take a ...

