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# **IMIA – WGP 53 (07) - Rehabilitation Works and High Coverage Limits for Existing Property**

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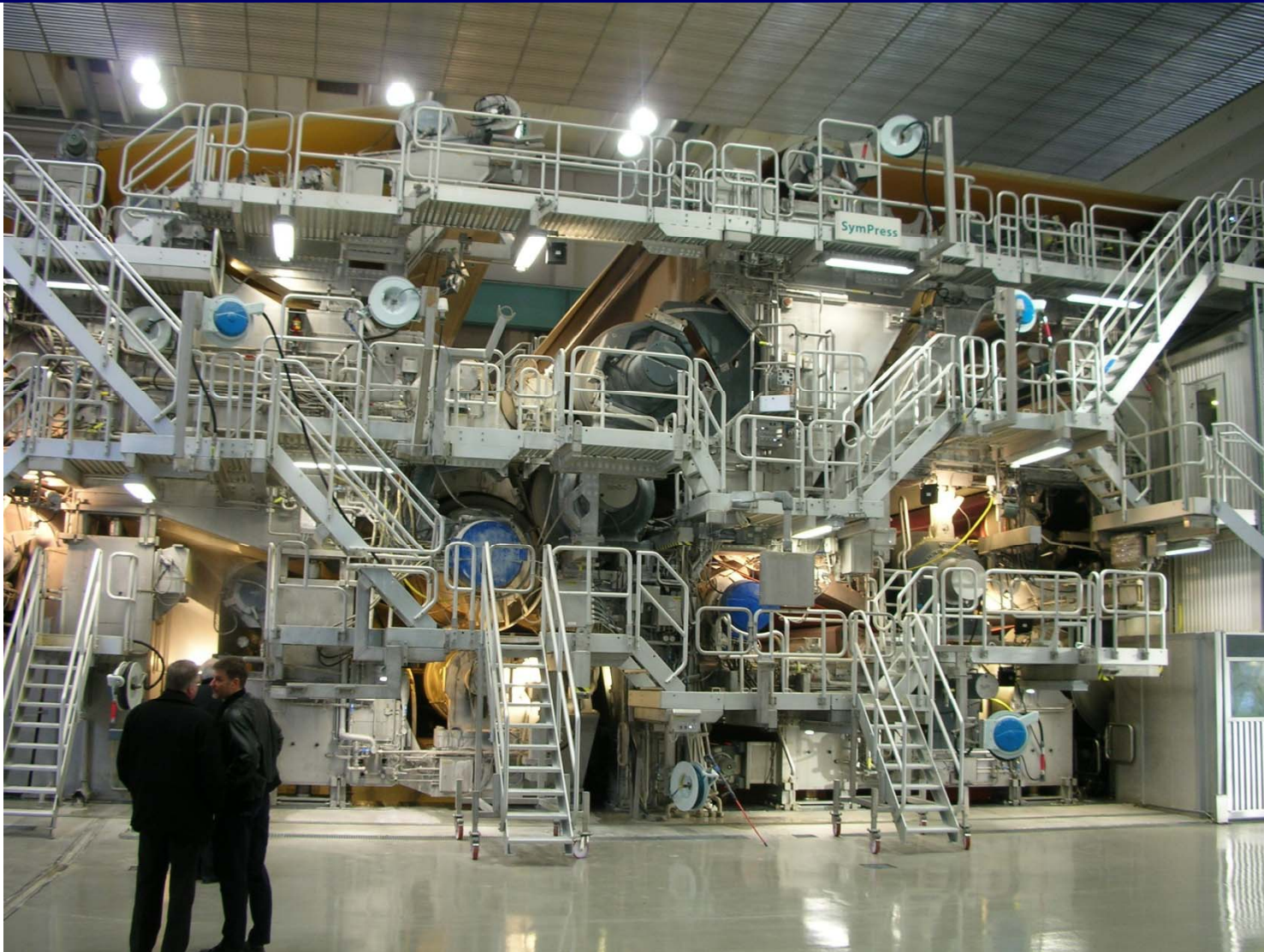
# Once upon the time...

...construction complexity on existing property was low



# And today....

...rehabilitation works on an existing paper machine



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# High Coverage Limits for Existing Property

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# High Coverage Limits for Existing Property

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## The problems for insurers:

Contract works Insurers usually feel uneasy if contract works involve high values of Existing Property (EP) :

- Insufficient knowledge / information of the EP (how deeply involved, technical condition, protection measures?)
- Insufficient knowledge of the actual values of EP involved (exposure may be substantial even at a low sub-limit)
- Rating difficult (rate on contract value only is inadequate, rate on existing property limit difficult to evaluate – add. premium for EP may look disproportionate compared with premium calculated on contract value only)
- Delay in Start-Up cover difficult to evaluate for complex rehabilitation works and cover normally excludes BI for EP.

# High Coverage Limits for Existing Property

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## How to achieve reasonable cover:

Parties involved need to look at :

- cover provided or possibly available within existing Property / Machinery insurance covers and additional Contract Works and DSU covers in order to supplement cover for gaps as far as possible in one or the other policy.
- Verify possibilities of waiver of recourse against the contractor for damage to EP (at least for small contracts at large exposed EP values).

# Study of various Cases and their possible cover of **Existing Property (EP)**:

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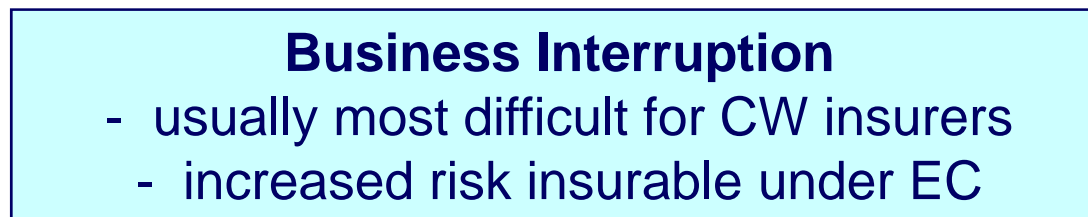
under:

- **Existing Covers (EC)** and
- **Contract Works (CW) Covers**
  
- **Case A** – Existing Property **not** directly involved and operation continuing
  
- **Case B** – Existing Property **directly** involved and operation **not** continuing



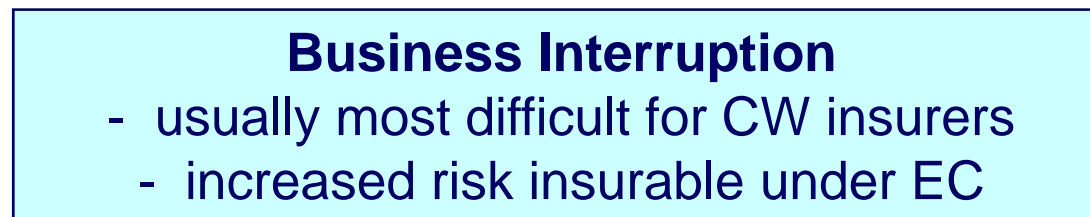
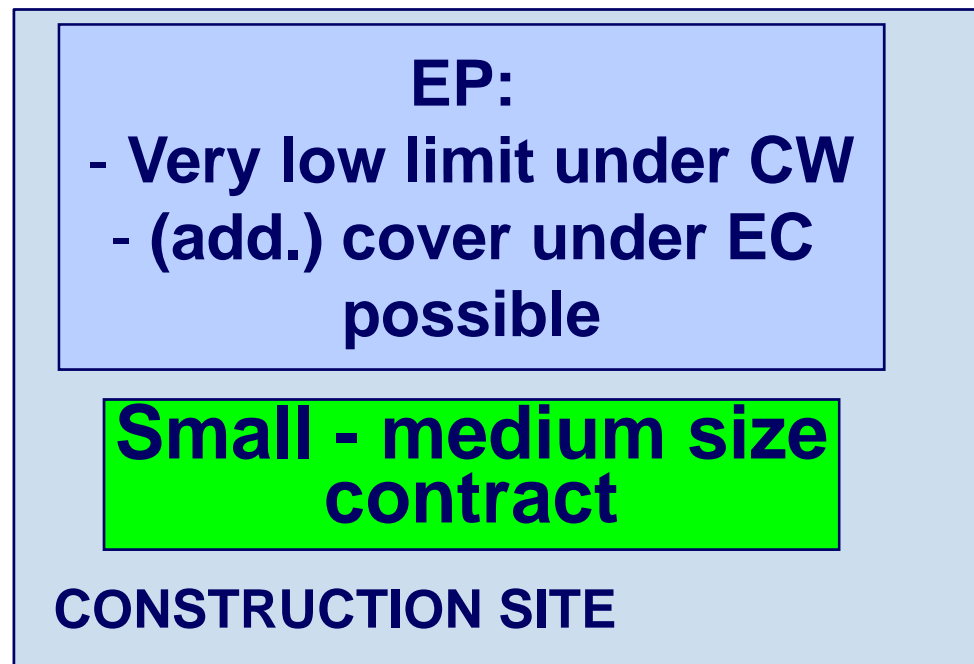
# A) Existing Property **not** directly involved and operation continuing

## Case 1: **Small contract – High EP value**



**A) Existing Property **not** directly involved and operation continuing**

**Case 2: Open CW policy – unknown EP details**



**A) Existing Property **not** directly involved and operation continuing**

**Case 3: Large contract – High EP value**

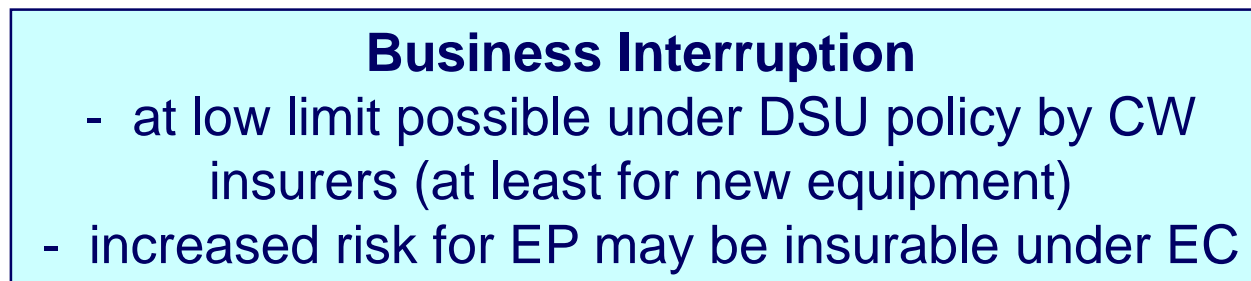


**Business Interruption**

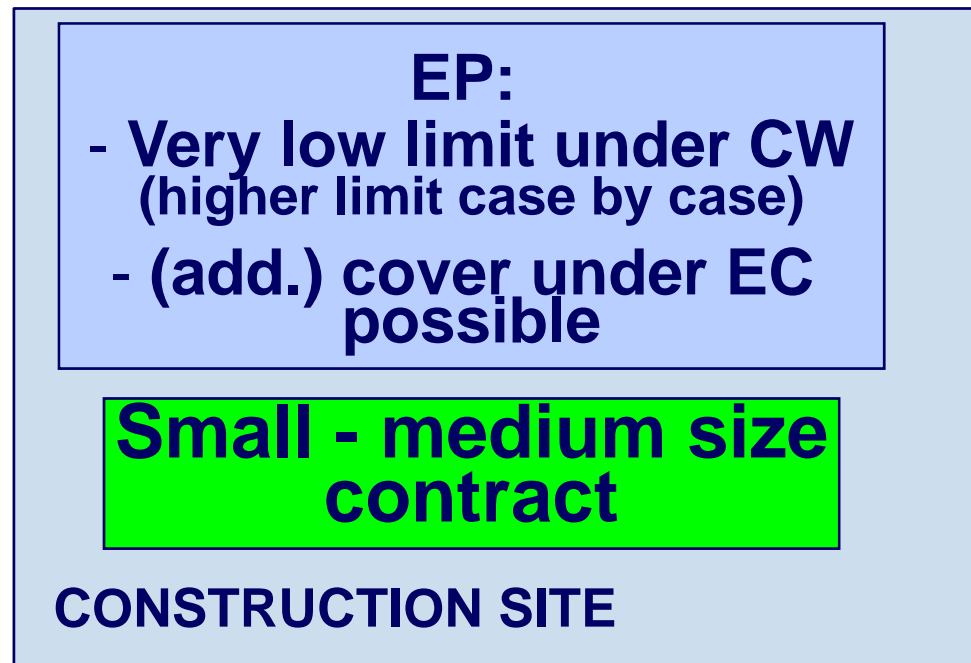
- usually most difficult for CW insurers
- increased risk not easily accepted under EC

**B) Existing Property **directly** involved and operation **not** continuing**

**Case 1: Small contract – High EP value**



**B) Existing Property **directly** involved and operation **not** continuing**  
**Case 2: Open CW policy – unknown EP details**

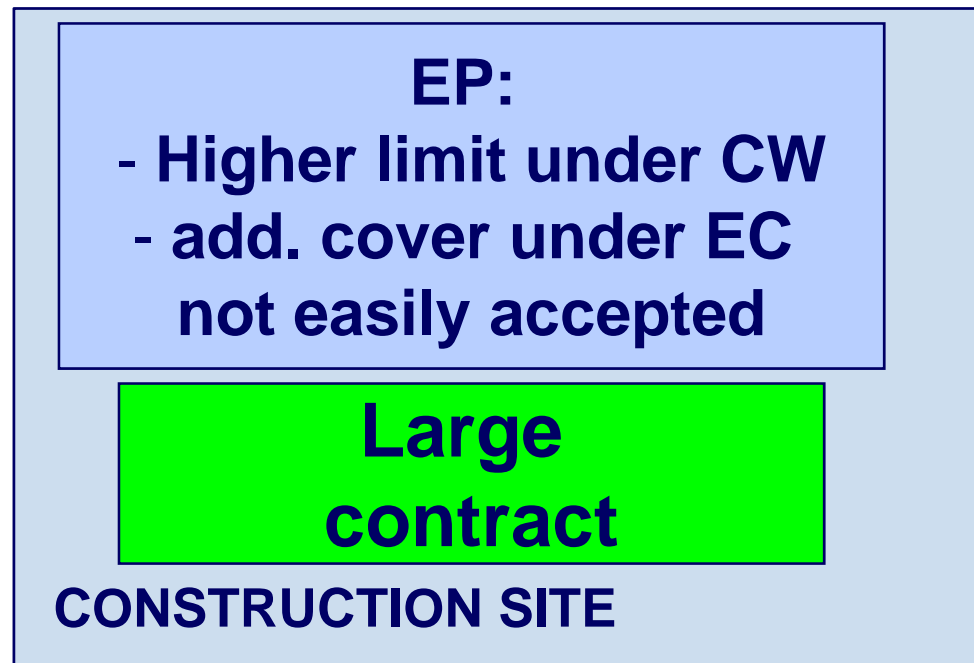


**Business Interruption**

- possible under DSU policy by CW insurers (at least for new equipment) only case by case
- increased risk for EP may be difficult under EC

**B) Existing Property **directly** involved and operation **not** continuing**

**Case 3: Large contract – High EP value**



**Business Interruption**

- possible under DSU policy by CW insurers (at least for new equipment)
- increased risk for EP may be difficult under EC

**B) Existing Property **directly** involved and operation **not** continuing**  
**Case 4: Comprehensive Project – High EP value**



**Business Interruption**

- possible under DSU policy by CW insurers
- risk for EP may not be insurable under EC

# Summary

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- The exposures to Existing Property may vary substantially
- Small contracts in complex environments = not easy to include high limits for EP under Contract Works cover
- Large contracts/high contract values = higher limits for existing property possible under CW policy
- Important large rehabilitation works with high limits for existing property = often insurance is taken out by the Principal (existing property, BI/Delay in Start-up etc).