

Marine Delay in Start-Up (DSU) Insurance

Why do more project owners and their lenders demand Delay in Start-Up cover?

Introduction

Marine Delay in Start-Up (DSU) insurance has been one of the few growth Areas in marine insurance in the recent past, due to increased demand for protection, as financiers and project owners realize the potential financial impact on a project due to a delay in critical component delivery to the construction site.



The increasing complexity of projects, and the development of large pre-assembled modules (PAMS) offshore for many critical components, have only fuelled the demand. Transporting PAMS to site requires the construction of new infrastructure, shipping, and handling facilities, since they test or exceed the known limits of existing facilities. All of these factors add to the complexity of underwriting project risks.

Marine DSU triggers and insured perils

The prerequisites to trigger a claim under a Marine DSU policy fall into three categories:

1. Loss due to **material damage**
2. Occurrence of a **fortuitous event** to the conveyance
3. Loss due to uncontrollable **maritime events**

1. Loss due to material damage

Standard Marine DSU perils follow the cargo placement clauses of the wide accidental damage cover under ICC(A) plus War and Strikes.

Cover for on-deck shipments or critical project items not subjected to pre-shipment survey usually is restricted to ICC (C) coverage, as long as there is material damage loss under the policy's cargo section.

Problems arise for cost insurance and freight (CIF) purchases, since the lack of insurable interest under the cargo section will not trigger a DSU claim. Any attempts to circumvent this through additional clauses are likely to fall foul of the insurable interest provisions of the Marine Insurance Act 1909.

Underwriters and Insured need to exercise care if there is a significant inland transit prior to departure, or where the CIF cover is to the port of discharge. In both cases, there will be significant uninsured DSU exposures to address.

2. Occurrence of a fortuitous event to the conveyance

Wordings also respond where the delay is attributable to loss, damage or mechanical breakdown of the conveying vessel or aircraft that would be indemnified under a standard form of Hull Clauses cover or Aviation Insurance policy.

The wordings go further when it comes to other forms of conveyance to include delays attributable to loss or mechanical breakdown of these 'other' conveyance forms. While these wordings do not qualify the type of conveyances, they presumably refer to land-based road/rail conveyances.

There is also no definition of what may constitute mechanical breakdown, other than to limit the event to one of fortuity. Thus, expect a very broad Common Law interpretation to be applied to these words.

3. Loss due to uncontrollable maritime events

The final triggers relate to the vessel becoming engaged in a General Average event or Salvage or Lifesaving Operation.