

Marine insurance - Delay in Start Up - Marine Consequential Loss

The standard form of Cargo/Transit policy will ordinarily cover the physical damage to the insured goods only, not consequential losses.

The very nature of many infrastructure and Project Cargo risks means that the consequences of loss or damage to goods and, more particularly items critical to the continuity of the project can have a significant ongoing impact to operations.

Increased Cost of Working, Standing Charges and Anticipated Profits are items of expenditure or revenue which may be severely impacted as a consequence of loss or damage caused during transit/delivery.

Delay in Start Up (DSU), Advanced Loss of Profits (ALOP) and Marine Consequential Loss (Con Loss) covers fill this cover void.

What is DSU/ALOP/Con Loss?

Often associated with large infrastructure projects, these covers arise from the need for an Insured to be able to meet ongoing project or financial commitments as a result of damage to goods during the transit which causes delay in the start up (earning capacity) of a project - e.g. factory, power station or de-salination plant.

Coverage

Cover is placed as an adjunct to and will follow losses recoverable under the cargo/transit policy with few, if any insurers offering DSU as a stand alone cover. Control over both policies (cargo & DSU) is deemed a critical factor to insurers in order to mitigate any loss or delay. The trigger for DSU activation will be loss or damage under the cargo/transit policy with the consequences causing impact (loss or delay) to the defined revenue or expenditure targets set-out for the project. The level of indemnity for DSU should reflect the reasonable anticipated profits expected from the completed complex (during the indemnity period) and/or fixed overheads and charges due.

Sums insured will usually be expressed as a Daily Sum and up to a maximum specified period of delay running from the originally planned start up date, to give a total sum insured - e.g. \$50,000 per day for up to 182 days (\$9,100,000). Excess (also expressed in days) of 30 days.

Cover terminates on safe arrival of the goods at the contract site, when any equivalent non-marine coverage will take over.

Critical Items

Lead time for repair or replacement of critical, one off or prototype items can be lengthy and this exposure represents a major focus for any underwriting assessment. Risk management resources will likely be employed to survey the packing, preparation, conveyances, loading and discharge operations to ensure appropriate care is taken and any damage is immediately discovered.

DSU contracts are often technically involved with sums insured for the larger projects running in to the hundreds of millions of dollars.