

ERECTION & CONSTRUCTION ALL RISK INSURANCE POLICY

PRESENTATION

BY



Accurate Risk Managers & Insurance Brokers Pvt. Ltd.



ERECTION ALL RISKS POLICY

SCOPE

All Risks
subject to Exclusions



GENERAL EXCLUSIONS

- ▶ War and War like perils
- ▶ Nuclear Perils
- ▶ Willful Act and Willful Negligence
- ▶ Cessation of work whether Total or Partial



SPECIAL EXCLUSIONS

- ▶ **Excess**
- ▶ **At the time of taking inventory**
- ▶ **Normal Wear and Tear**
- ▶ **Faulty design, Defective material / casting Bad workmanship other than faults in erection**
 - ▶ **Limited to the items immediately affected and shall not be deemed to exclude loss or damage to other insured items resulting from such excluded peril**

SPECIAL EXCLUSIONS

CONTD...



- ▶ Rectification or correction of any error.
- ▶ Files, drawings, accounts, bills, currency, stamps etc
- ▶ Penalties on account of insured's non-fulfillment of the terms of the contract.



- ▶ **Completely erected value of the property inclusive of :**
 - ▶ **freight**
 - ▶ **customs duty**
 - ▶ **erection cost etc.**

SUM INSURED



- ▶ Marine (imports) - landed cost at site
- ▶ Marine (Indigenous) - landed cost at site
- ▶ Cost of erection
- ▶ Permanent Civil Engineering works
- ▶ Half the escalated value if escalation is opted for

INGREDIENTS FOR SUM INSURED



- ▶ **Nature of project**
- ▶ **Project period**
- ▶ **Sum insured**
- ▶ **Duration of testing**
- ▶ **Higher excess opted**
- ▶ **Additional covers**
- ▶ **Compliance of minimum fire protection**

PREMIUM FACTORS



- ▶ **Principal**
- ▶ **Contractors**
- ▶ **Principal and Contractors**
- ▶ **Contractors and Sub Contractors**
- ▶ **Principal, Contractors and sub contractors and other associated financial institutions**

INSURED



- ▶ Commences from the date of arrival of 1st consignment at the site of erection.
- ▶ Shall continue until expiry of the policy period or completion of the project (whichever is earlier)

PERIOD



- ▶ Extension rates shall apply on the value on the remaining part of the project.
- ▶ Volume discount would not be applicable
- ▶ Higher excess discount is permitted
- ▶ Excess as per original policy
- ▶ Earthquake zones - pro-rata extra of the additional rates

EXTENSION BEYOND POLICY PERIOD



- ▶ **Period of Insurance : 18 months and above**
- ▶ **Notice - before commencement of testing or in any case not later than 7 days after commencement of testing**
- ▶ **Claim experience less than 60%**
- ▶ **Minimum period of refund - 3 months**
- ▶ **Refund allowed only after reworking of the premium on reduced policy period**

REFUND OF PREMIUM FOR EARLY COMPLETION OF THE PROJECT



- ▶ **More than 12 months**
- ▶ **Minimum period: 3 months**
- ▶ **Full premium - 6 months in advance of the expiry date**
- ▶ **1st installment - 5% more than the other installments.**
- ▶ **All other installments equal.**

INSTALMENT PREMIUM



- ▶ First test operation - from the date of synchronization of Turbo Generator set with the grid system/bus bar
- ▶ Date of synchronization must be within 72 hrs from the date of introduction of steam into the turbine

TEST RUN DEFINITION IN RESPECT OF THERMAL POWER PLANT



TESTING DEFINITION - CONTD..

- ▶ The cover shall continue till the turbo generator set is operated at full load for a continuous period of 72 hrs or until expiry of testing period granted under the policy whichever is earlier
- ▶ In case the date of synchronization exceeds 72 hrs from the date of introduction of steam of the first trial operation, test loading is deemed to have commenced from the date of introduction of steam into the turbine of turbo generator set



- ▶ Testing period shall cease to operate with the commencement of commercial production or with the handing over of the plant to the Principal whichever is earlier.
- ▶ In no case , the duration of the testing period shall exceed 12 months

TESTING PERIOD FOR PLANTS OTHER THAN THERMAL POWER PLANTS



SUSPENSION OF TESTING PERIOD

- ▶ If testing is suspended after commencement of test run during which no testing activities carried on, exceeds 7 days it can be treated as erection period provided :
 - ▶ It is within the policy period
 - ▶ It does not fall within testing extension period
 - ▶ It is due to fortuitous accident happening anywhere at site and
 - ▶ Situation is beyond the control of the insured.



COMBINED CYCLE POWER PLANT

- ▶ Where both GTs and STs cover under the same EAR Policy for the common period of Insurance, the policy can be extended to cover Open Cycle Mode of GTs at following rates:
 - ▶ Within policy period Re.1.00‰ per month or part thereof
 - ▶ Beyond the policy period Re.1.50‰ per month or part thereof
 - ▶ GTs which are covered under separate policies have to be considered operational - no EAR cover



- ▶ Automatically covered for storage and erection risk at normal EAR/SCE Rate
- ▶ During hot testing period, the additional rate applicable is 0.20%o to be charged on the value of the catalyst
- ▶ Excess - 5% of the value of the catalyst subject to a minimum of Rs.2,50,000/-

COVER FOR CATALYST



- ▶ **Construction Plant and Machinery -**
 - ▶ Sum Insured not exceeding 5% of EAR/SCE sum insured or Rs.25 lacs whichever is lower - CPM rate.
 - ▶ Sum insured beyond as stated above- separate CPM Insurance as per CPM tariff
- ▶ Excludes loss or damage directly caused by own explosion or its own mechanical or electrical breakdown.

EXTENSIONS –CONTD..



- ▶ Surrounding property with or without FLEXA
- ▶ Automatic Reinstatement of sum insured above 10%
- ▶ Clearance and removal of debris
- ▶ Off site storage/fabrication
- ▶ TPL (cross liability)
- ▶ Escalation
- ▶ Expediting cost including air freight and express freight and overtime rate of wages
- ▶ Continuity of cover during operational phase awaiting integrated testing

EXTENSIONS – CONTD..



EXTENSIONS – CONTD...

- ▶ Testing of second hand equipments
- ▶ Design defect cover
- ▶ Additional customs duty.
- ▶ Maintenance visit/extended maintenance cover
- ▶ EQ (Fire & Shock)
- ▶ Terrorism

THIRD PARTY LIABILITY



For policies with SI upto 10 crs Upto Rs. 1 cr

For policies with SI above 10 crs 10% of the completely erected value of the project or Rs. 10 crs whichever is lower

TPL Insurance in excess of the above limits should be underwritten in the Miscellaneous Dept. at the discretion of the insurer.



- ▶ Escalation benefit will be limited to a maximum of 50% of the sum insured.
- ▶ Permitted only once at the time of inception of the policy.

ESCALATION



AIR FREIGHT

Rate -5% on the amount of indemnity selected

Excess - 5% of the air freight incurred per claim in addition to policy excess.



Additional customs duty -

- ▶ has to be selected at the inception of the policy.
- ▶ Cannot be reinstated
- ▶ Rate - 2% to be charged on additional customs duty selected.
- ▶ Excess - 5% of the ACD incurred in addition to the excess amount applicable for the affected item under the policy.



Covers solely loss of or damage to contract works caused by the insured contractors in the course of operation carried out for the purpose of complying with the obligations under the maintenance provisions of the contract.

MAINTENANCE VISIT COVER



- ▶ In addition to the above,
- ▶ Loss or damage occurring during the maintenance period provided such loss or damage was caused on the site during the erection period

▶ Cover	Rate	
	6 months	12 months
Maintenance cover	0.25	0.50
Extended maint. Cover	0.50	1.00

EXTENDED MAINTENANCE COVER



MAINTENANCE AND EXTENDED MAINTENANCE – CONTD.

- ▶ Charging pro-rata premium for the periods less than 6 months or 6 to 12 months shall not be allowed.
- ▶ Can be granted for periods exceeding 12 months as per the contract.
- ▶ Deletion of cover (availed at the inception of the policy) before attachment of risk - refund allowed by retaining 25% of premium.



- ▶ Normal – 5% of claim amount subject to a stipulate minimum
- ▶ Testing - 5% of claim amount subject to a stipulate minimum
- ▶ Fire & Explosion
 - ▶ 10% of the claim amount subject to a minimum of testing period excess with an upper limit of Rs. 2 Cr.
- ▶ AOG and Major Perils
 - ▶ 10% of the claim amount subject to a minimum of testing period excess with an upper limit of Rs. 5 Cr.

EXCESS



FOR NON COMPLIANCE OF MINIMUM FIRE PROTECTION REQUIREMENTS

Excess for fire explosion claims

- ▶ 20% of the claim amount subject to a minimum of testing excess with an upper limit of Rs. 3Cr.
- ▶ 2.5% discount on EAR/ SCE Rate.
- ▶ But can be reduced to 10% subject to a minimum of normal level subject to compliance certain norms



- ▶ Sum Insured shall be adjusted at completion of erection on the basis of the actual values to be declared by the insured in respect of freight, handling charges, customs dues and cost of erection.
- ▶ Difference in premium shall be met with by payment at the rate agreed.
- ▶ Any increase or decrease in prime cost of plant and equipment shall not be the subject matter of premium adjustment.

PREMIUM ADJUSTMENT



***If SI of Civil engineering works is more than 50% of total contract value.**

***Testing cover not available.**

***Design defect is totally excluded.**

*** Rating pattern is different**

All other terms and conditions as per E.A.R Policy

CONTRACTORS ALL RISK INSURANCE



ADVANCE LOSS OF PROFITS POLICY DELAYING START UP POLICY – DSU

- ▶ Indemnity for anticipated GP lost due to delay in starting of commercial operation of new project Due to admissible claim/damage under project insurance like EAR/SCE/CAR Policy
- ▶ During indemnity period
- ▶ Issued in advance of commencement of project



Policy can be issued only to

- ▶ principal
- ▶ Project owner/Developers under BOT/BOOT etc.

ALOP - CONTD..



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WISH YOU ALL THE BEST

THANK YOU