



LOGISTICS & MARITIME FORUM

The sustainable, connected and resilient road to 2030

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PROJECT CARGO: MARINE INSURANCE

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Project Cargo

The supply, within a predefined time frame, of goods necessary for the construction of a plant.

The PC generally covers the entire shipping process (from the moment the goods leave the manufacturer's warehouses until they arrive at the project site).

Complex risk in many ways.

https://sofinter-my.sharepoint.com/:f:/g/personal/marsilio_resente_sofinter_it/EoVfaoAUh59CpAy5RpneJVsb8qqRWOUzEt2_mIjO9L-zQ?e=19cnGT

Complex Risk

- ❑ - Goods involved, with particular reference to the so-called 'critical items'



Complex risk

❑ Travel features



Complex risk

❑ *Project site*



Complex risk

- ❑ - High exposures
- ❑ Failure to arrive at the site can result in large losses

Material and direct damage to transported goods

Economic damage suffered as a result of the delay in the start-up of the plant's production activity (loss of profit, fixed expenses, bank debts, higher costs)

Insurance wording

Project Cargo Insurance and Project Cargo Delay in Start Up Wording JC2009/020

Two sections:

- Marine Cargo Policy (Sez. 1)
Danni materiali e diretti
- Marine Delay In Start Up (Sez. 2)
Pregiudizio economico sofferto (danno indiretto)
Advanced Loss Of Profit (ALOP) – Delay in Start Up (DSU)

Insurance Wording

“Marine Cargo Policy” (Sez. 1)

Typical clauses adopted:

ICC (A) - War&Strikes

Critical items to be inspected immediately after the arrival onsite in order to promptly act in case of loss

Check in the policy wording the appropriate inclusion “clause '50/50' in combination of the 2 policies:

Marine Policy &

CAR(Construction) /EAR (Engineering)

Purchase of critical items preferable on an Ex Works basis (no CIF - DDP) in order to have the full control on the transported goods.

Garanzie Assicurative

Advanced Loss Of Profit (ALOP) – Delay in Start Up (DSU) (Sez. 2)

❑ It is activated when:

there is a loss recoverable under Section 1'direct damages'
(or that would have been recoverable without the application of the deductible, if any)

Mechanical breakdowns / damage to the means of transport (ship, aircraft) attributable to:

"Institute Voyage Clauses – Hulls" - War & Strikes

"Aircraft All Risks policy" - War, hi-jacking and allied perils

Mechanical breakdowns / damage to land transport (truck – railway)
Involvement of the means of transport in General Average or rescue

Insurance wording

Advanced **L**oss **O**f **P**rofit (ALOP) – **D**elay in **S**tart **U**p (DSU) (Sez. 2)

Establishes:

- ❑ The form of compensation (chosen by the insured before the inception of the risks)

- Loss of profit

- Fixed costs / debt service

- For both: including higher labor costs incurred

The maximum amount of compensation provided for this section
(with the maximum daily compensation indication)

The time limit within which compensation will be paid
(e.g. 6 months – 12 months – 18 months)

The time allowance (in days)

Project Cargo Risk Management

SURVEY WARRANTY

The Role of the Surveyor:

- ☐ Verify that all recommendations and/or requirements imposed for the project to be carried out properly at each stage by each of the parties involved
- ☐ Monitoring the preliminary risk analysis, control the transport, promptly be active in case of accident (better intervention strategy to mitigate any damage ALOP - safeguarding the right of recovery for the insurers against responsible third parties in order to protect the cost of the policy)
- ☐ Provide an International Network in all critical geographical areas of the project (in order to better manage with local rules and best practices)

Project Cargo Risk Management

Critical Item

Crucial activity for the Surveyor :

- ❑ Plan appropriate loss prevention activities on "Critical Items"

(GOODS THAT IN THE EVENT OF DAMAGE OR LOSS DURING TRANSPORT, CANNOT BE REPAIRED OR REPLACED IN TIME TO START THE PLANT BY THE SCHEDULED DATE)

- Unit price of an item of Project Cargo is valued in excess of EUR 5,000,000 and will be shipped in break-bulk.
- Any Project Cargo which including packing has dimensions in excess of 12 Meters length and/or 2.5 Meters wide and/or 2.5 Meters high [or US equivalent] and therefore does not fit inside a standard 40 foot container or equivalent road trailer.
- Any Project Cargo including packing with a weight in excess of 100 Metric Tonnes.
- Ocean barge shipments

Project Cargo Risk Management

ALOP
CRITICAL ITEMS
SCHEDULE

PROJECT NAME: _____

NOTICE TO PROCEED DATE: _____

START UP DATE: _____

PERIOD OF INDEMNITY REQUIRED IN MONTHS: _____

DEDUCTIBLE PERIOD IN DAYS: _____

TOTAL VALUE OF CARGO: _____

TOTAL INDEMNITY LIMIT: _____

MAXIMUM VALUE PER SHIPMENT: _____

DESCRIPTION OF CRITICAL ITEMS	COUNTRY OF ORIGIN	INSURED VALUE	ESTIMATED SHIPMENT MONTH AFTER NOTICE TO PROCEED	ESTIMATED ARRIVAL DATE AT SITE	ESTIMATED REPLACEMENT TIME IN MONTHS <small>(i.e. from time of re-order until ready for shipment)</small>	ESTIMATED INSTALLATION AND TESTING AND COMMISSIONING TIME IN MONTHS

Project Cargo Risk Management

SURVEY WARRANTY

The surveyor has the role to check that all the parties follow:

- Project engineering and/or constructor recommendations
- Packaging adequacy and shipping mode
- Suitability of the means of transport (special attention to barge transport)
- Supervision of loading and unloading operations (suitable mechanical means)
- Proper road survey studied for exceptional transport

Project Cargo Risk Management

Failure to comply with the Survey Warranty does not affect the whole insurance coverage but:

Affects only the individual transport by reducing the range of guarantees from ICC (A) to ICC (B) or ICC (C)

The guarantee remains fully in force for all other transports provided that it is carried out in accordance with the Survey Warranty.

Case study 1 – Damage to a Rotor

A rotor (250 tons) unbalances the ship during the boarding operation with on-board cranes and falls to the ground.

Adequate lifting plan has not been drawn up in advance
(ship suitability - check on-board cranes)

Negligence in the calculation of ballasting



Material damage to the good
And possible damage on ALOP
section



Case study 2 – Damage to a transformer

A transformer hits the bottom of an overpass during road transport.

The good cannot be further transported and must return to the manufacturer for damage check and repair.

A new “heavy load” has to be organized and the item has been stopped for several weeks in a parking area.

Schedule of critical items not set up
Lack of "Road survey"



Material damage to the good
And possible damage on ALOP section



«Winding pack» (m. 16,10 x 9,80 x 2,80 – 200t)





Road Map from La Spezia Warehouse to La Spezia Porto (circa 6 km)

- ✓ Via Melara: Portone exit largh factory. 10 p.m. Reverse entry to Porto
- ✓ Via Melara: Guardrail wire wall side left in 9.45 guardrail wire flyover
- ✓ Via Melara: Round about the hand with signage removal
- ✓ Largo G. Rossi: Round to be covered entirely against the hand with removal of signage side dx
- ✓ Via Valdilocchi: Reverse entry into the roundabout with removal of signage on the side of the dx
- ✓ Via della Concia: ramp with slope to be cleared as already performed
- ✓ Via della Concia: Turn to dx in the direction of port entrance

«Winding pack» (m. 16,10 x 9,80 x 2,80 - Kg. 196.000)



Conclusions

Damage to a Project Cargo during transportation can cost millions of euros, cause major project delays, and potential lengthy and costly legal disputes.

The risks associated with these important projects can be largely mitigated through careful risk management by highly qualified individuals.

Insured, Broker, Insurer and Surveyor are the main players in this complex scenario. Everyone's active role contributes to the 'safe' management of the entire project.