

IUMI Webinar
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IUMI
150

Project Cargo and DSU



PROJECT CARGO DSU PRESENTATION

IUMI APRIL 2024

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1) Cargo the transportation and storage phase.

- Getting it there.

2) Delay in Start Up, DSU, ALOP, Advanced B.I, Consequential Loss. (Advanced B.I)

- Things to consider.....

The Cargo underwriter is concerned about the cost of repair

The DSU underwriter is concerned about how long the repair will take.

PROJECT CARGO DSU DISCUSSION -What does a Project / Project Cargo look like?



PROJECT CARGO DSU DISCUSSION

- Cargo moves from one location to another (It's not complicated!)
- It may be stored
- Module yard – what happens there? Small things become may become Critical Items
- Project is built and starts to produce goods and revenue

PROJECT CARGO DSU DISCUSSION

- What type of cargo is project cargo?
 - Machinery, Large, Heavy, High valued, we've just seen some pictures
 - Long lead items
 - Is there a definition? (JC20 wording)
 - Operationally damaged items? (CAR u/ws – Increased Cost of working?)
 - One off items going for scheduled maintenance

- Terms of Sale (Incoterms) – Does it matter? This will keep coming up as we go through

PROJECT CARGO DSU DISCUSSION

- Underwriting the Cargo part
- Conditions / Wording?
 - Every Broker has one, often many variations
 - Starr
 - JC20 (But that's not a cargo wording)
 - Any other wording
 - Is clarity key?
 - Driven by you r/i
- Surveys and Surveyors on named Critical Items
 - Key to a successful project?
 - Who pays? Is Brokerage taken on the survey fee?
 - Some surveyors become underwriters. I've never known an underwriter to become a surveyor
 - I'm not a surveyor and this isn't a presentation on method statements
- The CAR guys cannot build it until we get the equipment to site!

PROJECT CARGO DSU DISCUSSION

A BIT MORE DETAIL

- The window of opportunity for a loss? The voyage, the storage, modularization, final positioning
 - Type of vessel – tug barge, heavy lift, ro/ro, general cargo vessel. Classification clause, IPG
 - Road, Rail, Air, how far inland?
 - Storage – CAT perils
 - Modularisation – do we cover that?
 - Port infrastructure – some good, some not good, do we know?
 - Inland hauliers – some good, some not so good, surveys, recourse?

PROJECT CARGO DSU DISCUSSION

- Where are we on risk, where are we off risk?
- What does arrival at site actually mean?
- What does final positioning actually mean?
- Lay down yard, on site or off site, transit from the lay down site (Time exposure)?
- Sanctions – shipments through Russian waterways on Russian vessels
- WSRCC (A.P Cargo vs A.P DSU)
 - Black Sea, Sea of Azov
 - Gulf of Aden, Red Sea
- Clarity, remove conflicting clauses – there are often many

PROJECT CARGO DSU DISCUSSION

- Terms of Sale. Does it matter? Yes it does. Remember the picture of the transformer?
- Would we rather be fully insuring all items Ex Works or Delivered to site and insured by the supplier?
- Price and deductibles (unbinding examples)
 - Apply a % rate to the total Cargo values.
 - Apply a minimum deductible for transit USD**,*** e.e.l
 - Apply a minimum storage deductible USD**,*** e.e.l
 - Apply a bigger CAT deductible for storage
 - Modularisation is a CAR risk.

PROJECT CARGO DSU DISCUSSION

- Does the BOV make sense? And if it's CIF plus 10% and freight costs go up? And what if it is Replacement cost at site.
- Did the kit get to site before the loss?
- Is premium paid on the same basis?
- Claims inflation, 3 years on?
- But we received a discount on the original purchase order!!

PROJECT CARGO DSU DISCUSSION

- How do we summarise the Cargo section?
- What are the key 5 things to consider?
 - 1) To / From
 - 2) On risk / Off risk
 - 3) Wording
 - 4) Surveys
 - 5) Price and deductible
- And 6,7,8,9,10 – ?
- Does the policy wording make it clear?

PROJECT CARGO DSU DISCUSSION



PROJECT CARGO DSU DISCUSSION

The A.B.I Part.

- A policy of delay that doesn't cover delay!
- Initial thoughts
 - What delay does it cover?
 - What sort of project is it?
 - Where is it?
 - Who is it for?
 - Who is involved – Lenders – Owners – Contractors – Suppliers. Are they important?
 - Terms of Sale (Repeating myself!) – JC20 clause 7.4

PROJECT CARGO DSU DISCUSSION

- The Indemnity, do we understand it?
- What is the money / Indemnity?
- Is the Measure of Indemnity the same as the Insured Interest within the wording?
- Will revenue exceed costs from day 1? Relevant to Fixed Costs?
- Indemnity titles we see

PROJECT CARGO DSU DISCUSSION

- Capacity Payments
- Gross Margin / Gross Profit
- What about PPA's?
- What about just Fixed Costs only?
 - What about Fixed Costs where initial revenue does not exceed fixed costs
 - “The inability to proportionately pay” – JC20
- You may see all of these headings within the Measure Of Indemnity / limit
- Does the Measure of Indemnity match what's stated in the Limit / Interest?

PROJECT CARGO DSU DISCUSSION

- What is really key to a DSU policy?
- Shipping Schedules – due shipping dates
- Replacement Times – How long and terms of sale
- Time Exposure and Timelines – how many items are exposed
- Critical Items – definition – JC20
- What does a timeline look like

NTP PERIOD OF INSURANCE

Deliver the
equipment

And build the
project

NTP
INCEPTION

NTP - PERIOD OF INSURANCE

Deliver the equipment	Test and Commission period, not a cargo exposure
And build the project	

NTP

NTP

Start-up
date

Deliver the
equipment

Test and
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period
not a cargo
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And build the
project

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NTP - PERIOD OF INSURANCE

Start-up
date

Deliver the
equipment

Test and
Commission
not a cargo
exposure

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Indemnity period
(not a period of insurance)

And build the
project

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NTP

NTP
Date

Original start-up date

Actual start-up date

Deliver the
equipment

Critical item
cargo damage



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Replacement
arrives on-site

Test and
commission

Indemnity period
(not a period of insurance)
but now you have a loss

And build the
project

NTP

Delay in start-up loss period – TIME EXPOSURE

PROJECT CARGO DSU DISCUSSION

- Project start date (COD)
 - Single start-up date - Single production line
 - Multiple start-up dates - Multiple production lines
 - Critical Item Separation clause
 - Early production – simple cycle?
 - Partial operations How does all of this affect the SUD and indemnity?

PROJECT CARGO DSU DISCUSSION

The two most important words “But For”

- Why?
- ABI should be a policy of indemnity, not a guarantee
- The assured is put back into the position they would have been “but for” the loss.
 - Fixed Costs?
- What about L.D’s? Who for and when?

PROJECT CARGO DSU DISCUSSION

- Same question as in the Cargo section – What wording
- The wordings :
 - JC20
 - ECB
 - Broker Wordings
 - Starr Wording
- Is the wording clear?
- I've never met an underwriter who is a qualified accountant or engineer

PROJECT CARGO DSU DISCUSSION

- Here are some other things to consider
- Hull perils / Aviation Perils included in a JC20
- What is covered under these clauses?
- Let's bring in 50/50 clauses here in the ABI section
 - Isn't that for Cargo and CAR P.D losses?

PROJECT CARGO DSU DISCUSSION

- Main issue - Time Exposure, but what does that mean?
- Delivery dates of the cargo
- Arrival dates at site
- Replacement times
- Installation, test and commission – is 3 months enough?
- Time exposure – Critical path and Float.

PROJECT CARGO DSU DISCUSSION

- Can we extend the Period of Insurance and / or the indemnity period?
- What do we do if there is a claim?
- ICOW, does it work and if it doesn't, do we get our money back?
- If the indemnity is Fixed Costs only, should the policy be an Agreed Value policy?
- If there is a CAR or Operational B.I loss, can we help?
- Maximum periods – 60 months? Really?
- The role of the surveyor
 - Across Cargo and ABI

PROJECT CARGO DSU DISCUSSION

- The underwriters and claims adjusters sit in nice warm offices
- The surveyors get their hands dirty. They do the work to protect the cargo from avoidable damages
- Method statement approval
- Attending load, stow and discharge
- Route reviews
- Haulier approval
- May be the first contact in the event of damage
- Provide survey reports to Underwriters
- Ensure recommendations are complied with / letters of protest

PROJECT CARGO DSU DISCUSSION

- Winning the deal?
- Capping the survey fee. Is the survey fee a feature of the premium?
- Competing for the lowest survey fee?
- What happens if a survey is missed?
 - Who's fault?
 - Coverage reduction
- Let's look at the definition of a Critical Item

PROJECT CARGO DSU DISCUSSION

- Project Cargo Critical Items
- A Project Cargo Critical Item shall display one or more of the following characteristics:
 - All Project Cargo which, in the event of loss or damage during transit, cannot be repaired, remanufactured, replaced, reshipped, installed, tested and commissioned within sufficient time to arrive at the Project Site in time to facilitate the Scheduled Commercial Operating Date
 - Where the unit price of an item of Project Cargo is valued in excess of and will be shipped in break-bulk

PROJECT CARGO DSU DISCUSSION

- 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 Metric Tonnes
- Ocean barge shipments
- To facilitate the SCOD? Install and test time do we understand?

PROJECT CARGO DSU DISCUSSION

- Premium
 - Daily rate vs % rate
 - 12 months, it's a day
 - 18 months, it's a day.....
- And if we charge a day, which day do we chose, or do we go on a linear basis.
- When we set the premium we also set the deductible
 - But is it a deductible or an excess.
 - Is it money or time or both

PROJECT CARGO DSU DISCUSSION

- And what if a cargo loss leads to a delay (next slide)
- You should have known about the loss when it occurred during delivery period
- Were there any non-insured delays pushing back the start-up date? 7.3
- Did ICOW work? And if it didn't, can we have our money back?
- Have we kept up with monthly reports?
- Is the indemnity simple
 - PPA
 - Fixed Costs – are they fixed?
 - Time to appoint an adjuster who will work on “but for”

NTP
Date

Original start-up date

Actual start-up date

Deliver the
equipment

Critical item
cargo damage



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Replacement
arrives on-site

Test and
commission

Indemnity period
(not a period of insurance)

And build the
project

NTP

Delay in start-up loss period – TIME EXPOSURE

PROJECT CARGO DSU DISCUSSION

- Summary A.B.I
 - A project is to be built, kit will move
 - If it doesn't start on time someone loses money
 - Keep it simple, clear and read the words
 - Understand the project and the indemnity as best you can
 - Ask for monthly CAR reports
 - Ask what you don't understand.
- Questions

PROJECT CARGO DSU DISCUSSION

- Is it better to have all critical items on one vessel?