

# CREATING COORDINATED INSURANCE SOLUTIONS FOR SPORTS VENUE CONSTRUCTION



As the sports and leisure sector commands ever-increasing financial investments and rewards, the risks involved in a new stadium development or the redevelopment of an existing facility are significant.

These risks may include:

- The proximity of the works to existing operating facilities and the public.
- The pressure of meeting deadlines to complete the project in time for a major event.
- The impact on the predicted revenue stream if delays to the project occur.
- The associated risks of new structural designs and technology.

A high level of expert risk management is required to bring a stadium project to successful completion on time and within budget.

Upon practical completion of the stadium, a property insurance policy would be expected to cover the structure and to include significant business interruption extensions to support revenue protection if required. The transition from construction to operations needs to be carefully handled to ensure no overlaps or gaps in coverage.

## THE BENEFITS OF WORKING WITH MARSH'S CONSTRUCTION AND REAL ESTATE TEAM

- Experience of similar clients and developments.
  - A hands-on approach to delivering service across construction and real estate risks, through working with contractors and owners.
  - Our high level of technical knowledge in key areas such as existing structures, handover issues, delay risk, and latent defects cover.
  - An innovative approach to designing insurances that are bespoke to meet your specific needs.
  - Specialist team members who can add value during your project, such as professional indemnity and environmental impairment liability insurance.
  - The strong relationships we have with the insurance market to help us negotiate competitive terms for you.
- The extent of our benchmarking data, which helps us accurately comment on limits and cover purchased on similar projects. This should help provide peace of mind over your procurement decisions and put you in a firm position when negotiating insurance terms with contractors and lenders.

## THE MARSH MODEL WORDING

Marsh is able to offer our clients the benefits of the Marsh Model Wording, an advanced version of an all-risks form designed by our in-house construction experts. This was developed over a number of years to push the boundaries of the insurance market and provide a clear and comprehensive level of cover for our clients. It is continually tested against lender requirements and in claims scenarios, and regularly reviewed and updated to consider changes in the insurance market and legal developments. It is the base form for our major projects, but can be adapted to cater for unique risks that we identify associated with any project.

## LENDER REQUIREMENTS

We will work to avoid insurance issues delaying finance disbursement and will help you ensure that you only purchase insurance that is important to you and reasonable for the lender to request. Without strong arguments to the contrary from your insurance broker, lender insurance requirements can be unduly excessive, costly, and can potentially delay the financial close.

## ACCELERATION COSTS

We recognise the importance and financial implications of completing your development on time. For this reason we help you ensure that all insurance options are considered, to provide you with an indemnity for expediting the project in the event of insurable loss or damage. We can discuss these options with you and design a solution best suited to your needs.

## CASE STUDY

Our client secured planning for a strategic regeneration opportunity to provide a mixed use development, although during the course of planning a number of objections were raised. Subsequently our client was concerned about the potential for a judicial review to be awarded and upheld.

Marsh worked closely with the client, its surveyors/planners and lawyers to come up with an insurance-based solution to provide protection against loss of market value, additional construction/demolition costs, and loss of rent cover in the event that a judicial review was upheld. The client was then able to begin the development without delay in order to ensure sufficient time to complete the development before set deadlines.

### The core insurances that need to be considered during construction are:

**Construction all risks (CAR) insurance** – This is the key cover, which protects your project from losses as a result of material damage.

**Third party liability (TPL) insurance** – There is often a significant TPL exposure related to stadium projects where major construction work is taking place in close proximity to a heavily urbanised area and operating facilities.

**Delay in start-up insurance (DSU)** – Also termed advanced loss of profits (ALOP), this provides an indemnity for the expected revenue stream following commencement of

commercial operations, or specified financial commitments (i.e. debt service and fixed costs) which will need to be met following the anticipated date of commercial operations. The DSU indemnity is payable only in the event of a delay caused by physical loss or damage to the project insured by the CAR section of the insurance policy.

**Terrorism all risks and terrorism DSU insurance** – Protecting the project from damage and resultant delay caused by terrorist activities.

### Other insurances to consider:

**Marine cargo and marine cargo DSU** – For materials and plant lost in transit and the subsequent delay.

**Environmental impairment liability (EIL)** – Indemnifying gradual pollution liability.

**Professional indemnity (PI) insurance** – Indemnifying the professional negligence of design consultants and architects.

**Latent defects insurance** – Ensuring all damage from defects is insured for an extended period following construction.

Marsh's sports and events team is also focused on providing dedicated solutions relating to loss of revenue, or additional expenses associated with the organisation of specific sporting events (such as **cancellation insurance**).

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