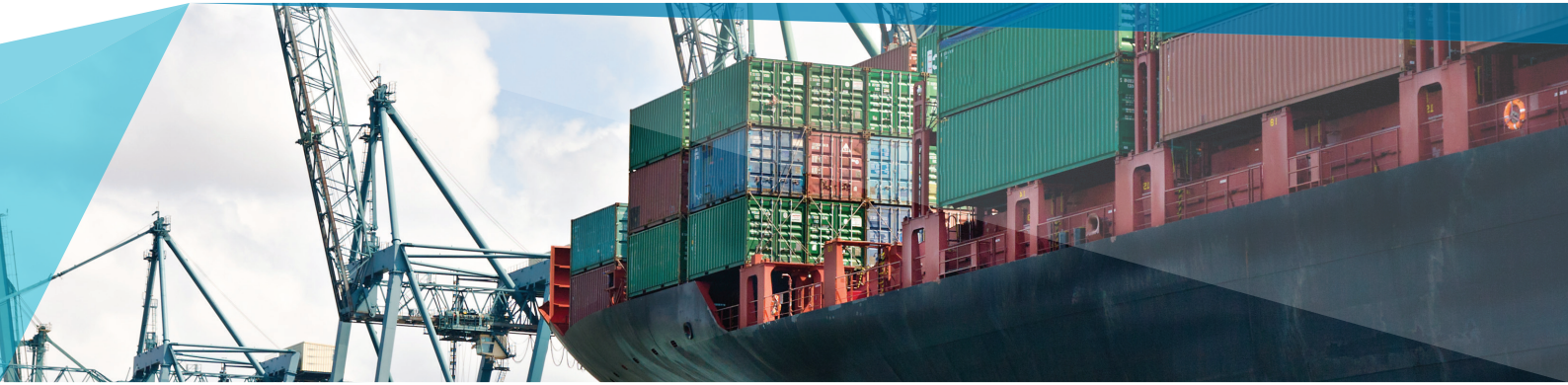


INSURANCE SOLUTIONS FOR THE PORTS AND TERMINALS SECTOR



Marine construction works are often described in the insurance market as “wet works”. Where construction projects are predominantly onshore or are connected to the mainland, these will be underwritten by onshore construction insurers. However, due to the wide variety of perils to which wet works are exposed, a significant proportion of onshore construction insurers choose not to underwrite these risks, or they allocate low levels of capacity. This makes the understanding of this type of insurance all the more important in order to achieve the optimum risk transfer at the most competitive pricing.

UNDERSTANDING THE RISKS

The primary perils during construction are:

- Exposure to natural hazards.
- Defective design workmanship and materials.
- Impact of shipping.

NATURAL HAZARD EXPOSURE

Due to the global nature of ports and terminals many are situated in areas significantly exposed to natural hazards, such as windstorms and earthquakes. Insurers will be concerned by this exposure and will seek to understand the mitigation measures being put in place.

DEFECTIVE DESIGN

Insurers will look to understand the design criteria, including consideration of the geology, reclamation and compaction techniques, and any point loads on the quay side.

The sea conditions and design return period will be carefully analysed and the wet works conditions imposed will have a significant effect on the cover provided.

PROXIMITY TO OPERATIONAL SHIPPING

The potential for the impact of ships to damage the project is present, as is the third party exposure to operational shipping. This risk is particularly prevalent where a project is an expansion of an existing port, or where there is to be phased handover and partial operations.

ENVIRONMENTAL EXPOSURES

Legislation varies from country to country but the potential to cause damage to the environment through the project works – especially for brownfield sites – remains high.

PROJECT FINANCE

Marsh recognises that many port and terminal developments are the subject of project finance and we are able to guide you through this process if necessary. We are particularly adept at driving discussions with lenders to ensure that any potential issues are swiftly concluded and finalised in good time prior to financial close. Our extensive global credentials enable us to use benchmarking or case studies to resist any unreasonable lender requests which may increase your insurance costs.

It is important for your broker to have experience of typical lenders' requirements. For example, whilst it is possible to dovetail the insurances of your suppliers to your insurance programme for cost efficiencies, lenders will have certain security requirements which will either need to be met by taking the responsibility and cost to insure, or by an innovative and acceptable insurance solution.

In many cases, the application and impact of project finance is often uncertain at the start of construction works, when the need to finalise the insurance programme for your project arises. Marsh has a number of different approaches to deal with this complication, and we know from experience that our Marsh model wording will be acceptable to lenders should they become involved at a later stage.

MARSH COVERAGE SOLUTIONS

Marsh is able to offer you the opportunity to use the Marsh Model Wording, which is a broadform wording developed by our global construction practice. It is used regularly on the world's most high-profile projects and stress-tested for claims response. We have been successful at placing this form on the same or similar terms to a standard insurer wording, whilst providing significantly wider cover in the case of most claims.

Insurers will look to impose wet works conditions on any marine project insurance. The application of these to your works is crucial as they can almost entirely remove cover for the vast majority of the project works located in, on, or immediately adjacent to the water.

Marsh has developed key cover extensions for ports and terminals designed specifically for your industry, to your benefit.

Marsh has an in-house risk engineer who is available to work with you on your construction projects. The benefit to you is the technical input that he provides directly to the insurers, the use of detailed industry experience to highlight key underwriting considerations, and the ability to present this expertise to colleagues and to insurers.

Marsh has a client base of over 250 ports and terminals across the globe. We value each of our clients and working with this unique client base affords us an insight into the specific risks inherent to this industry. Whilst we are familiar with the general risks involved, we also ensure that we investigate and understand the specific risks to each company, project or location. We take great pride in creating innovative solutions intended to give you a best-in-class insurance risk transfer approach at an optimal cost.

For further information, please contact your local Marsh office or:

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