

Project Insurance Claims

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Mansoor Ali Khan
General Manager
Hamid Mukhtar & Company



Outline of Contents

- Typical Project Insurance Claims
- Common causes of failures
- Property Damage claims
- DSU/ALOP Claims
- DSU issues and settlement challenges
- Examples of PI Claims



Claims

During the period of Insurance

Whilst at the Project Site (or in storage)

Marine Transit

Natural Hazards (rainfall, storm, earthquake)

Fire, Explosion

Collapse

Machinery Breakdown (during testing)

Damage resulting from faulty design, workmanship and material

Theft

Third Party Liability

DSU/ALOP



Causes of Damages/Failures

Civil Works

Foundation sinking

Concrete failure

Flooding of Project site

Excavation cave ins

Earthwork induced landslides



Causes of Damages/Failures

Mechanical/Electrical works

Handling failures – Crane accidents

Fires caused during welding operations

Electrical connection errors

Due to faulty materials

Due to substandard workmanship

Defects in design

- Incompetent Project supervision



Causes of Damages/Failures

During Testing & Commissioning

Gas Turbines – Blade failures

Wind turbines Lightning, Electrical Fires, Gearbox failure

IC Engines Overheating, Lubrication failure

Turbochargers – Fire, blade damage

Generators - Ruptures, Short circuits

Transformers -Explosions, Fire

Boilers - Explosion , Fire



Claim Examples

IPP Gas Turbine Rotor damage – EAR / DSU

IPP HFO Diesel Generator – Alternator Damages – EAR/ DSU

Hydropower Project loss due to unprecedented rainfall –CAR

WTG Blade damage during lifting operation- EAR/DSU

WTG Blade damage during transportation Marine /DSU

Breakwater rock pitching washed away due to high tide at
Deep water terminal –CAR

Carbon Dioxide Compressor Failure at Chemical Plant – EAR

Tunnel Boring machine damage at Hydro plant - CAR

Flooding damage to 130 km bulk water supply scheme



DSU / ALOP

Project completion delay

Additional Costs

Customer LDs and Contractor Penalties

Working Capital constraints

Debt Servicing

Loss of Market share - Intangible



OPERATIONAL PHASE CLAIMS

During the period of Insurance

During Warranty Period

Natural Hazards (rainfall, storm, earthquake)

Fire, Explosion

Collapse

Machinery Breakdown

Damage resulting from faulty design, workmanship and material

Theft

Third Party Liability

Business Interruption



CAUSES OF DAMAGES/FAILURES

Mechanical/Electrical /Civil works

Operational Errors

Equipment Malfunction

Due to faulty materials - Metallurgical defects

Defects in design – Under specification load designs

Substandard Preventive and Routine Maintenance

House keeping

Staff Qualifications and Training



CLAIM EXAMPLES

- IPP Gas Turbine Compressor Blade & Shaft damage – MBD/ BI
- 730 MW Steam Turbine Plant – Plant Flooded – MBD/BI
- IPP Steam Turbine Rotor damage – MBD/ BI
- Raw Meal Silo Collapse – Structural Failure - MBD
- Clinker bucket Conveyor collapse – MBD
- IPP Compressor Rotor Blade failure – MBD/BI
- IPP Alternator Damage due to design fault – MBD/BI
- IPP Transformer Damage – MBD/BI



BUSINESS INTERRUPTION

- BI Claims usually exceed Property damage costs
- Loss of market share - Not recoverable
- Loss of reputation
- Shareholders dividends curtailed
- Working capital constraints
- Long lead times for Critical equipment



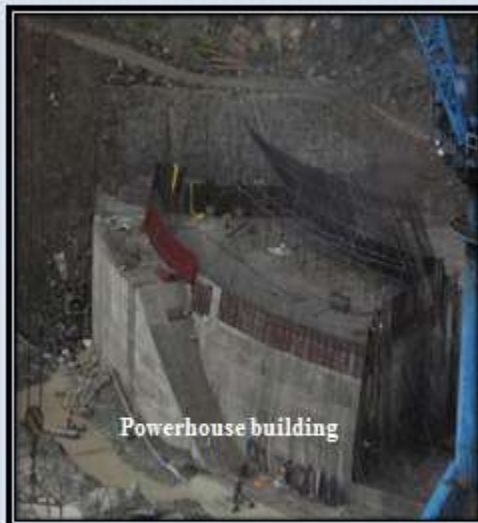
Nicoll Highway

View of collapsed area:





Hydro plant damage due to floods





Steam turbine damage





Damaged wtg blade due to crane accident





THANK YOU

