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Project Cargo

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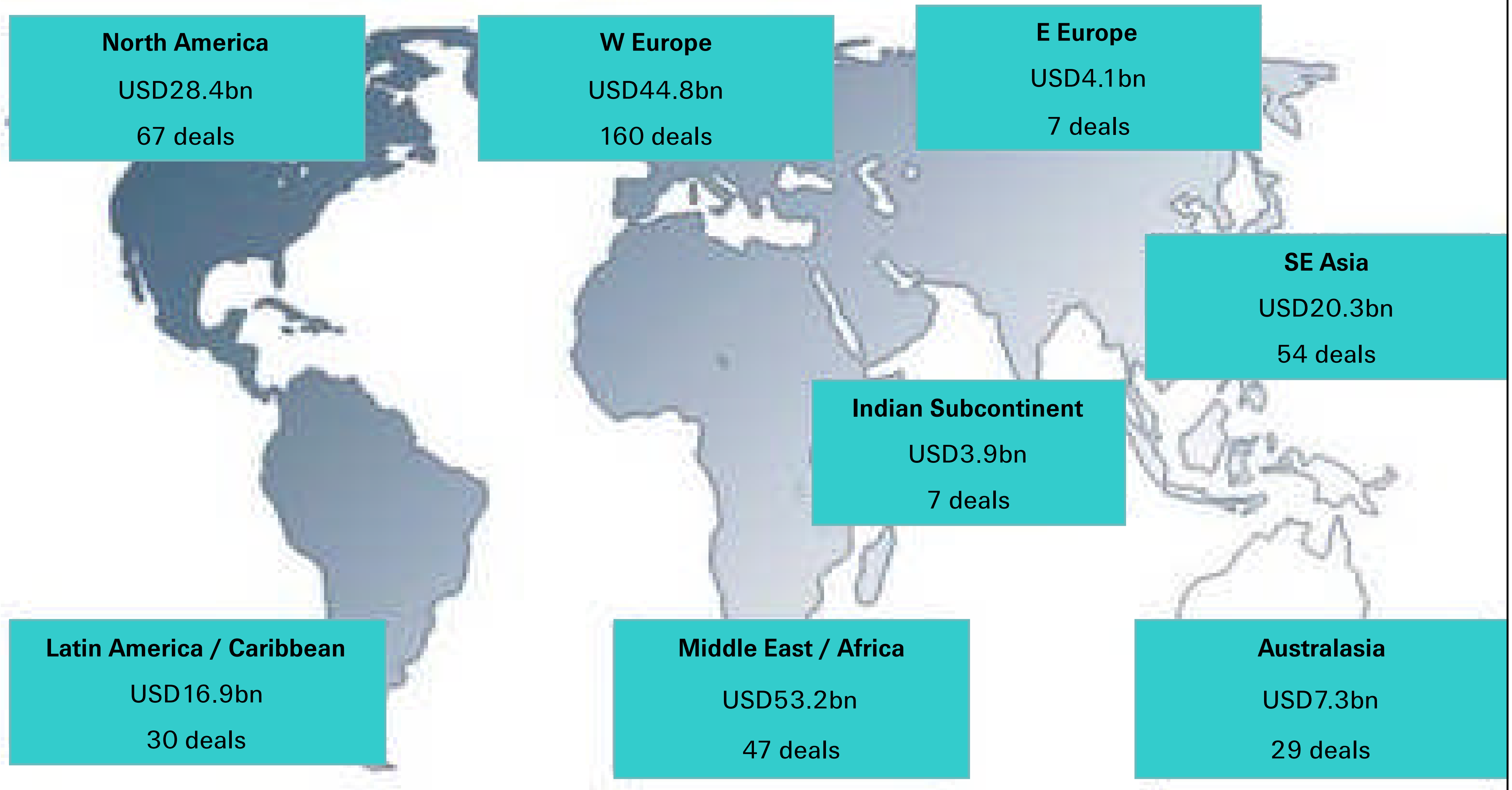
Worldwide Financed Projects

Middle East, SE Asia and Latin America Key Developing Insurance Markets



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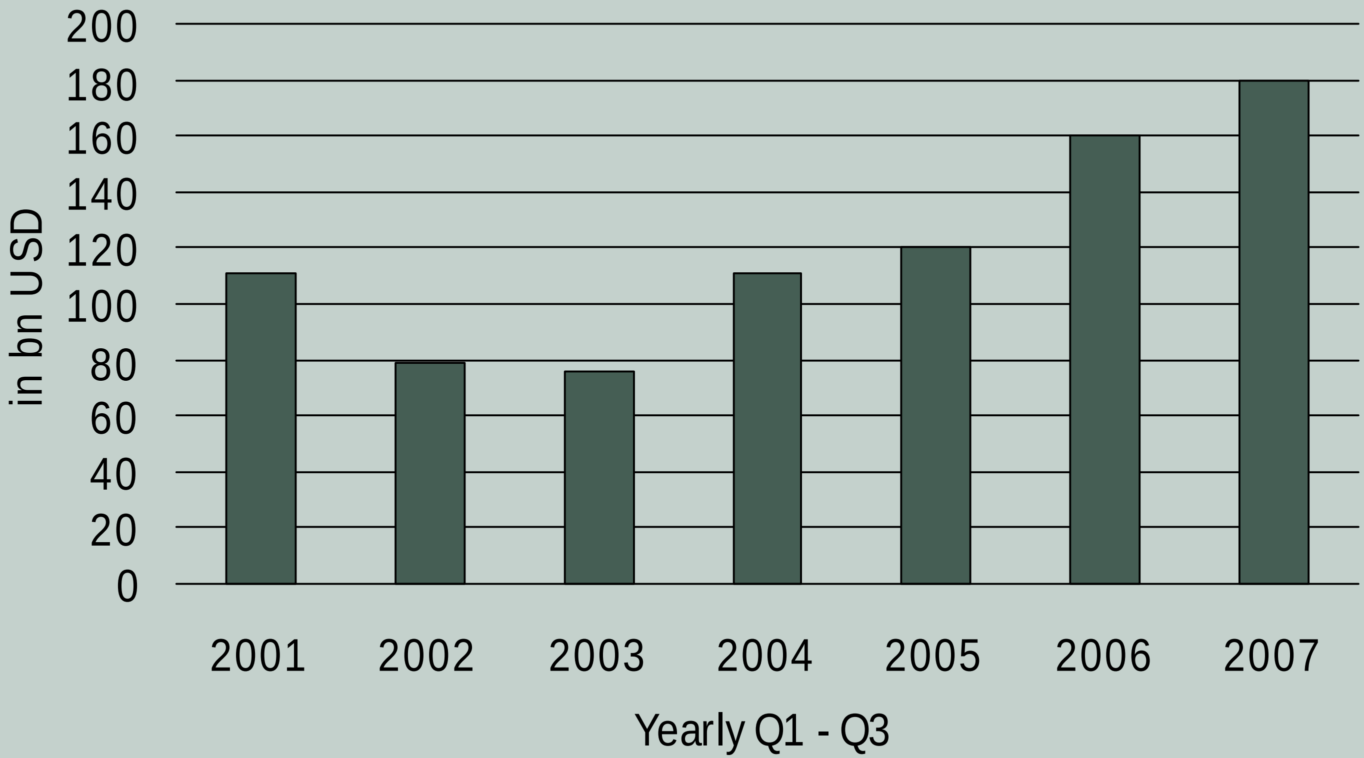
Worldwide Financed Construction Deals

USD180bn Project Finance Q1/Q3 2007

Investment in USD bn



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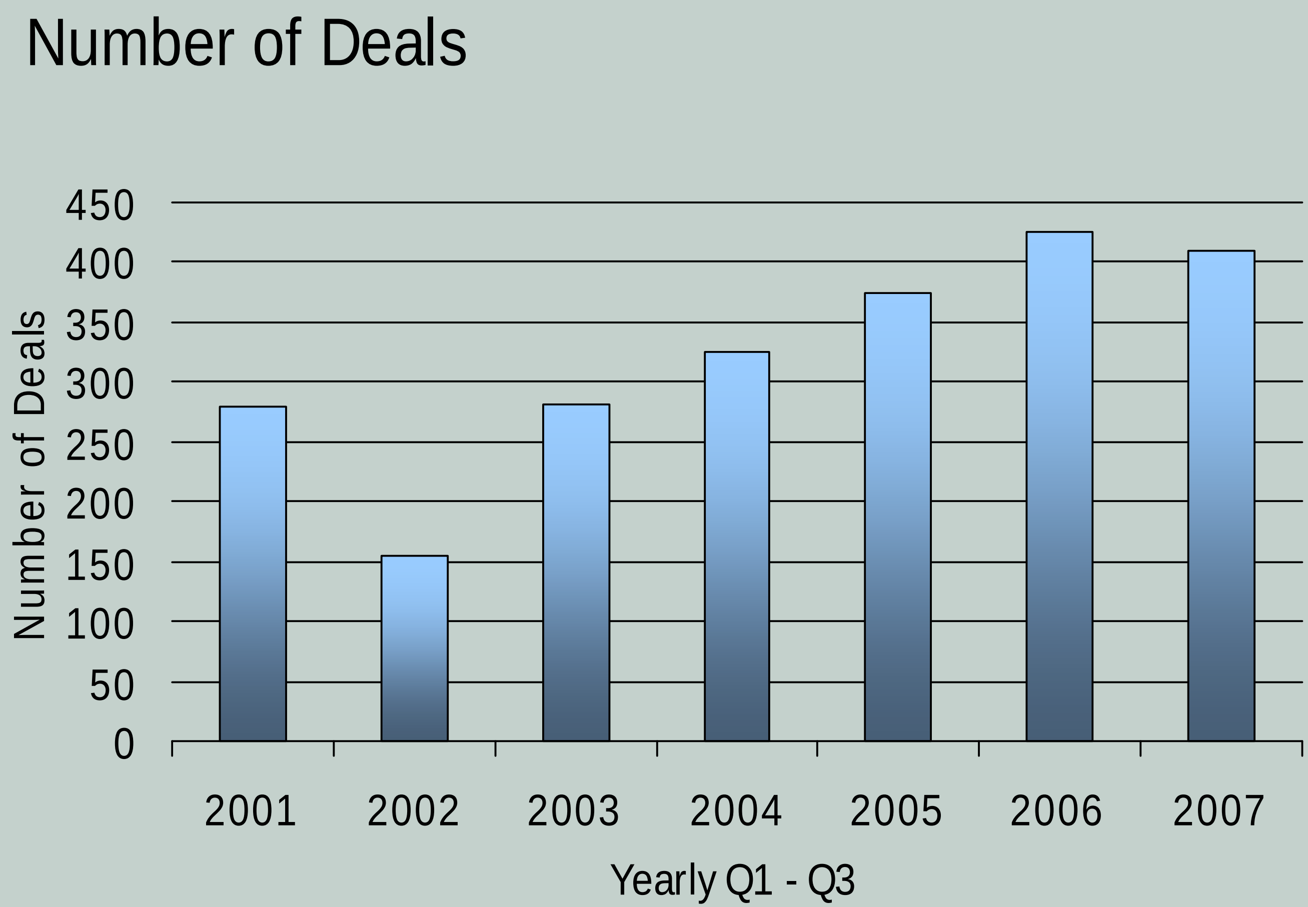
Worldwide Financed Construction Deals

410 Project Deals Q1/Q3 2007



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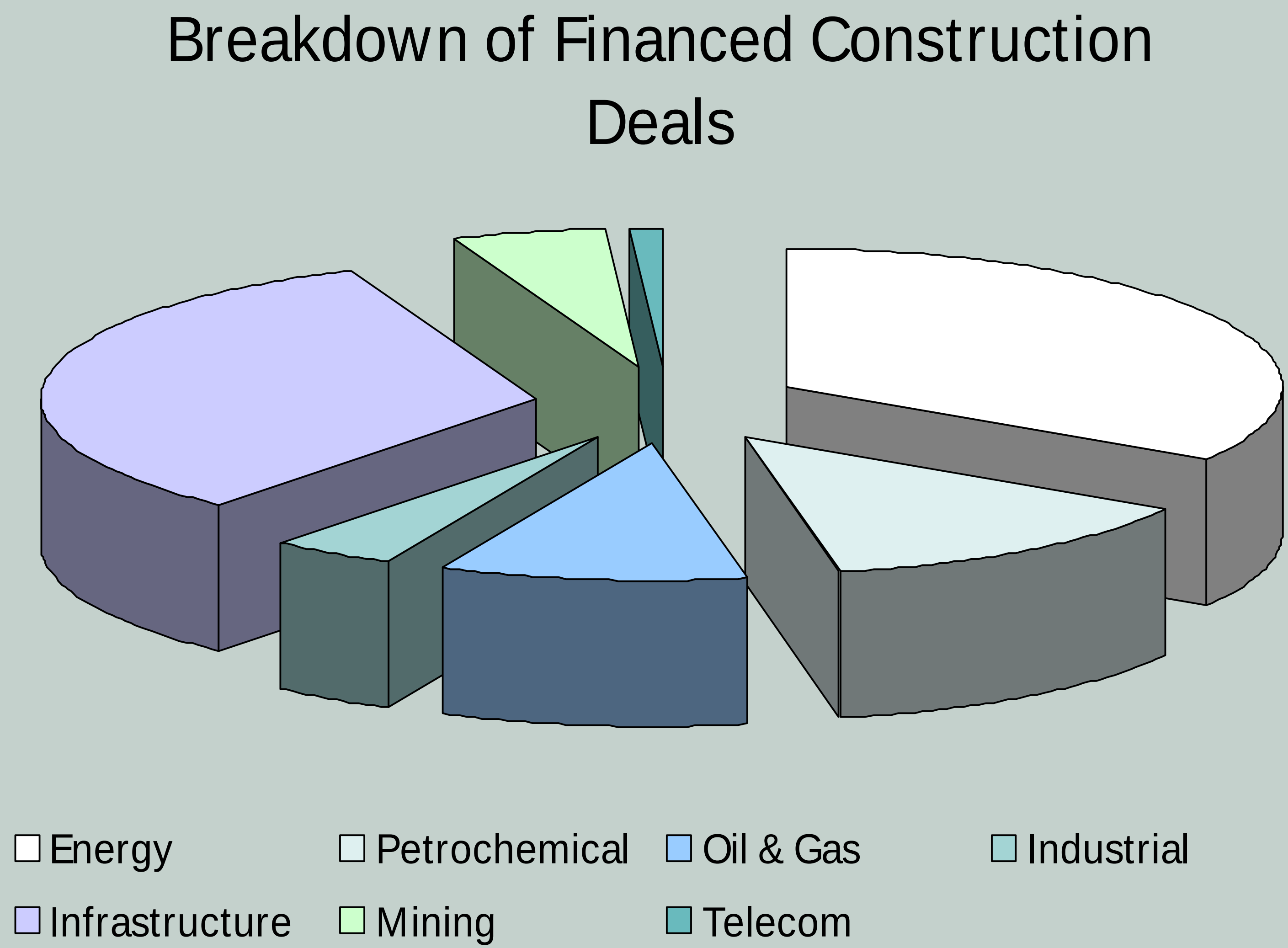
Financed Construction Deals

USD180bn Project Finance Q1/Q3 2007



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Project Cargo

What is covered?
Physical Loss or Damage cover under the Material section of the Cargo Cover and not explicit excluded in the DSU Cover

Which Clause do we use?
London E.C. Bruce Endorsement under the Cargo Cover or equivalents in the local markets

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- Project cargo insurance is coverage for equipment destined for infrastructure projects and Industrial facilities. Policy coverage includes physical loss & damage and may include consequential loss, such as delay in start-up (DSU) and additional cost of working

- Significant limits are required: typically up to US$300m, with placements up to US$1.2bn possible in the marine market. Global project cargo income is estimated at USD165m (2007)

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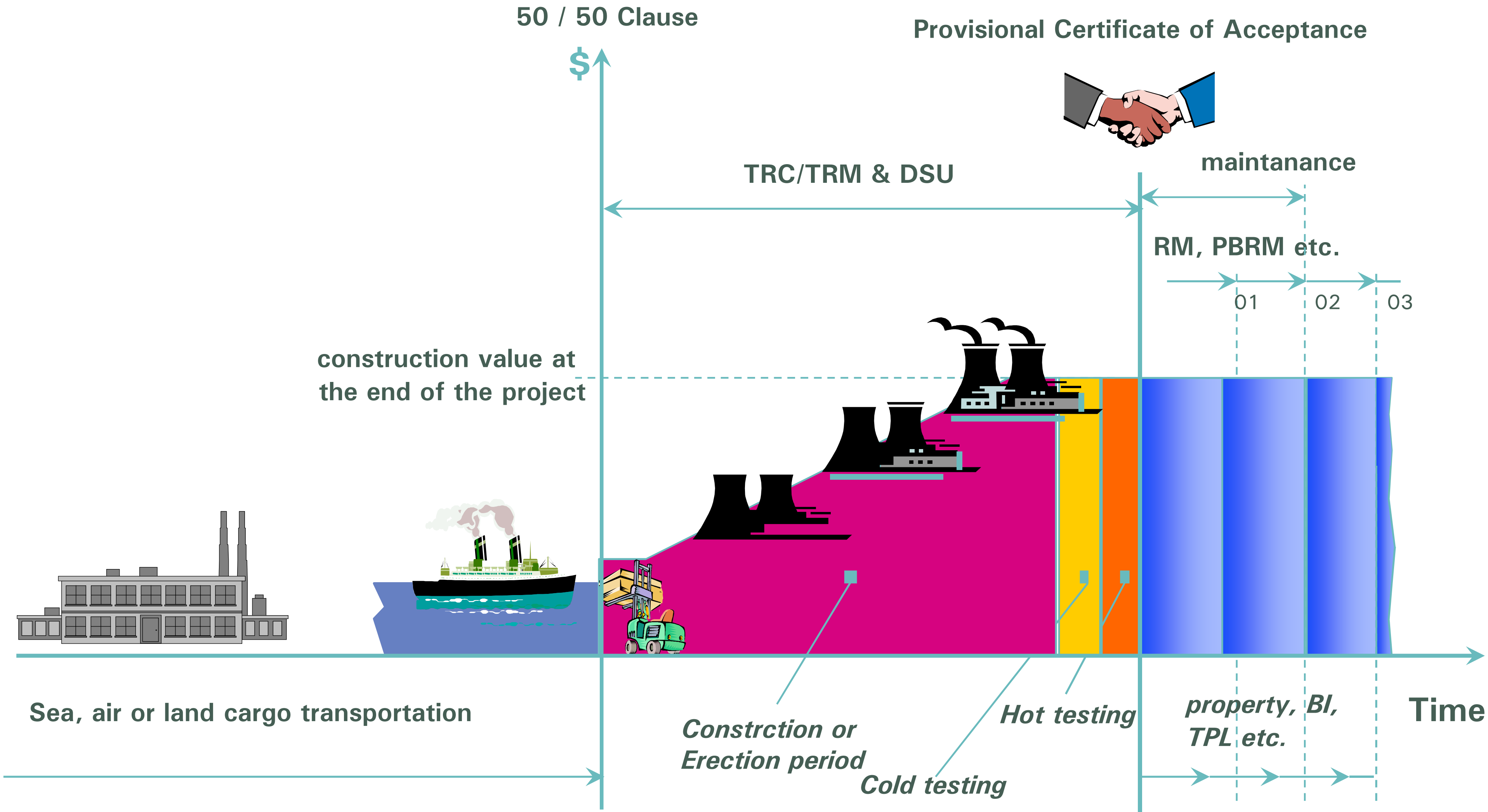
Project Cargo

- Insurance coverage is typically driven by banks, and the project's construction placement followed by other coverages, including cargo.

- Increased traditional reinsurance participation in emerging markets – with particular focus on Middle East, Latin American and Asia

The Project Cargo Time Schedule



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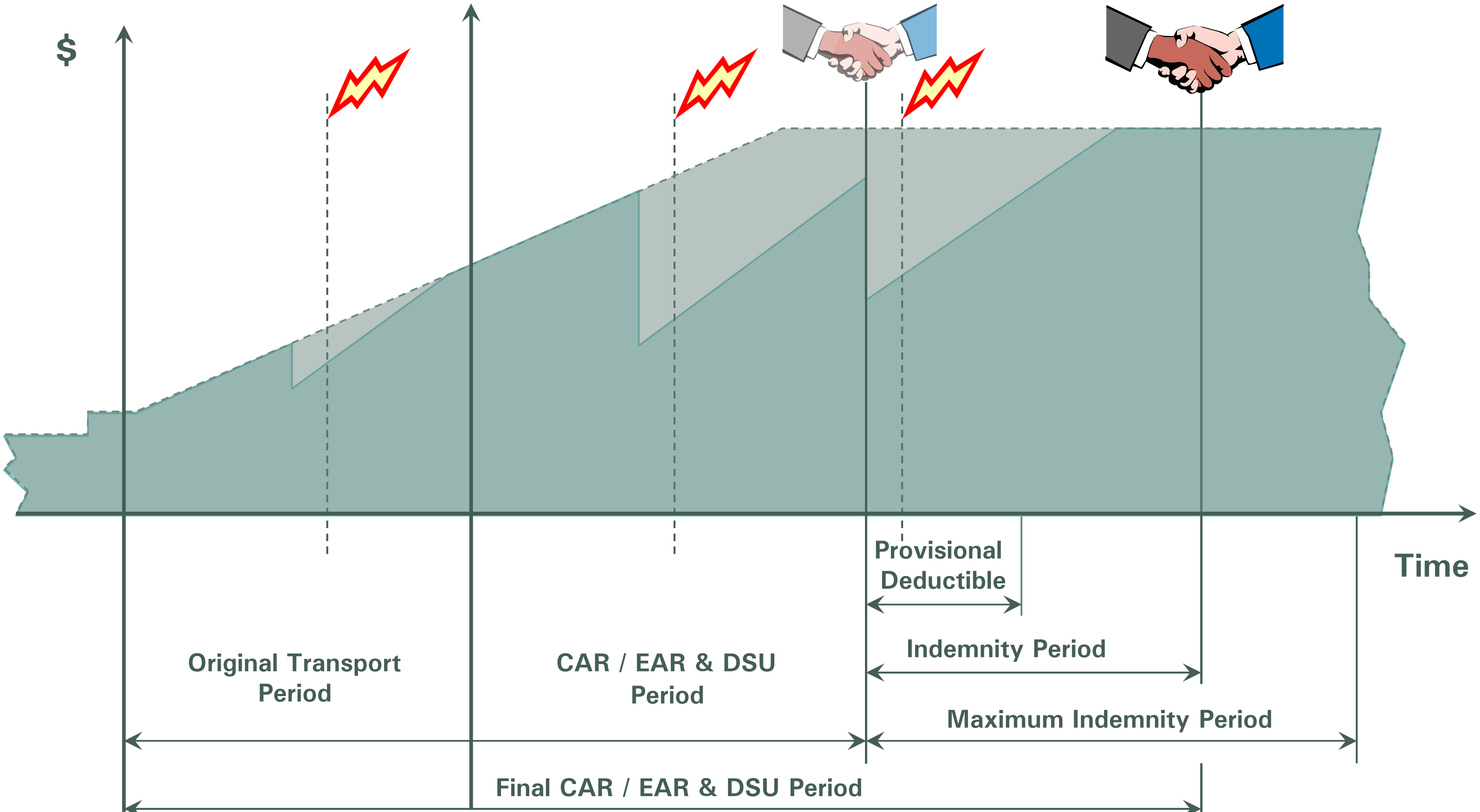
The Project Cargo Indemnity Period



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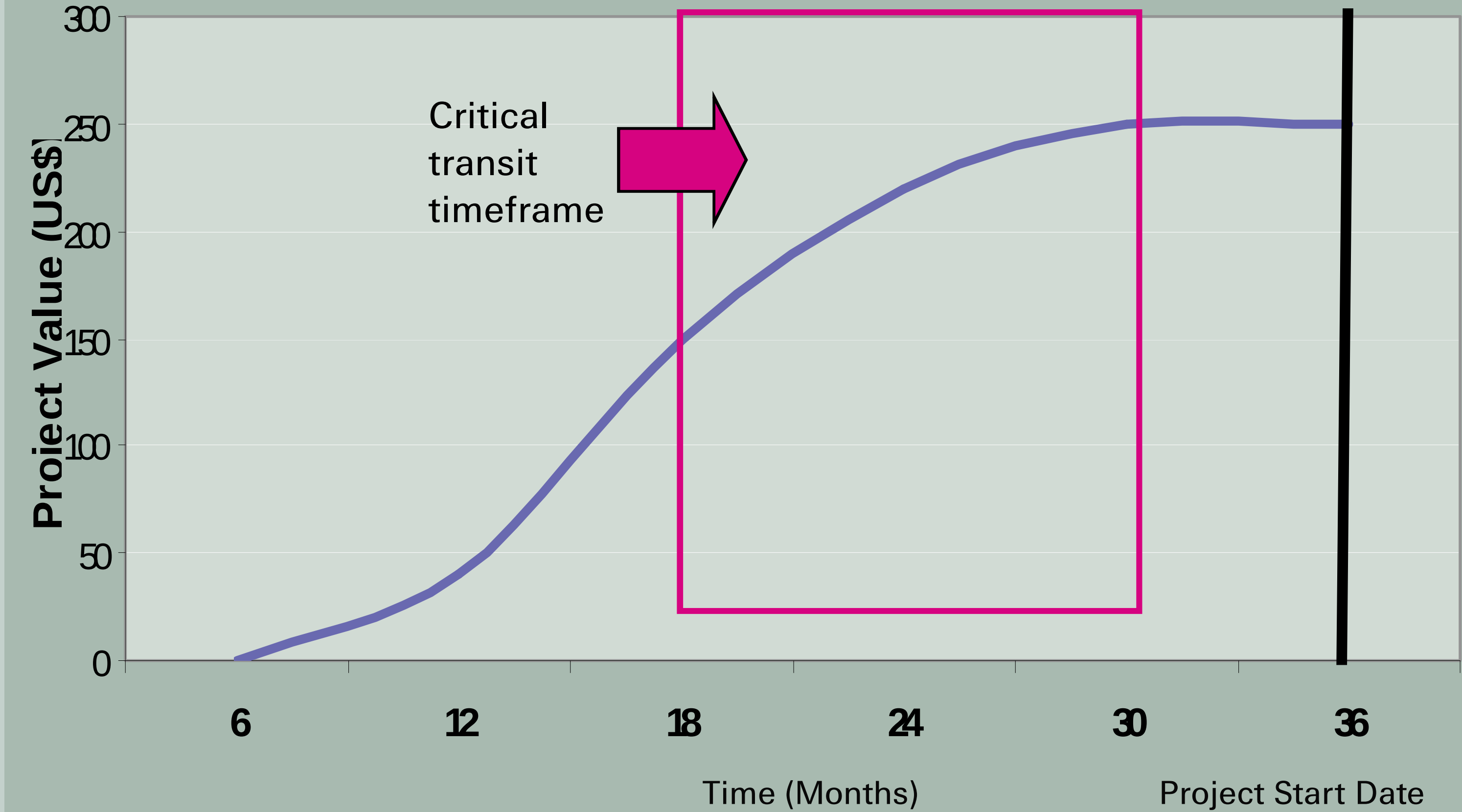
The Project Cargo Indemnity Period

Illustration of a hypothetical USD 250 Mio construcion project



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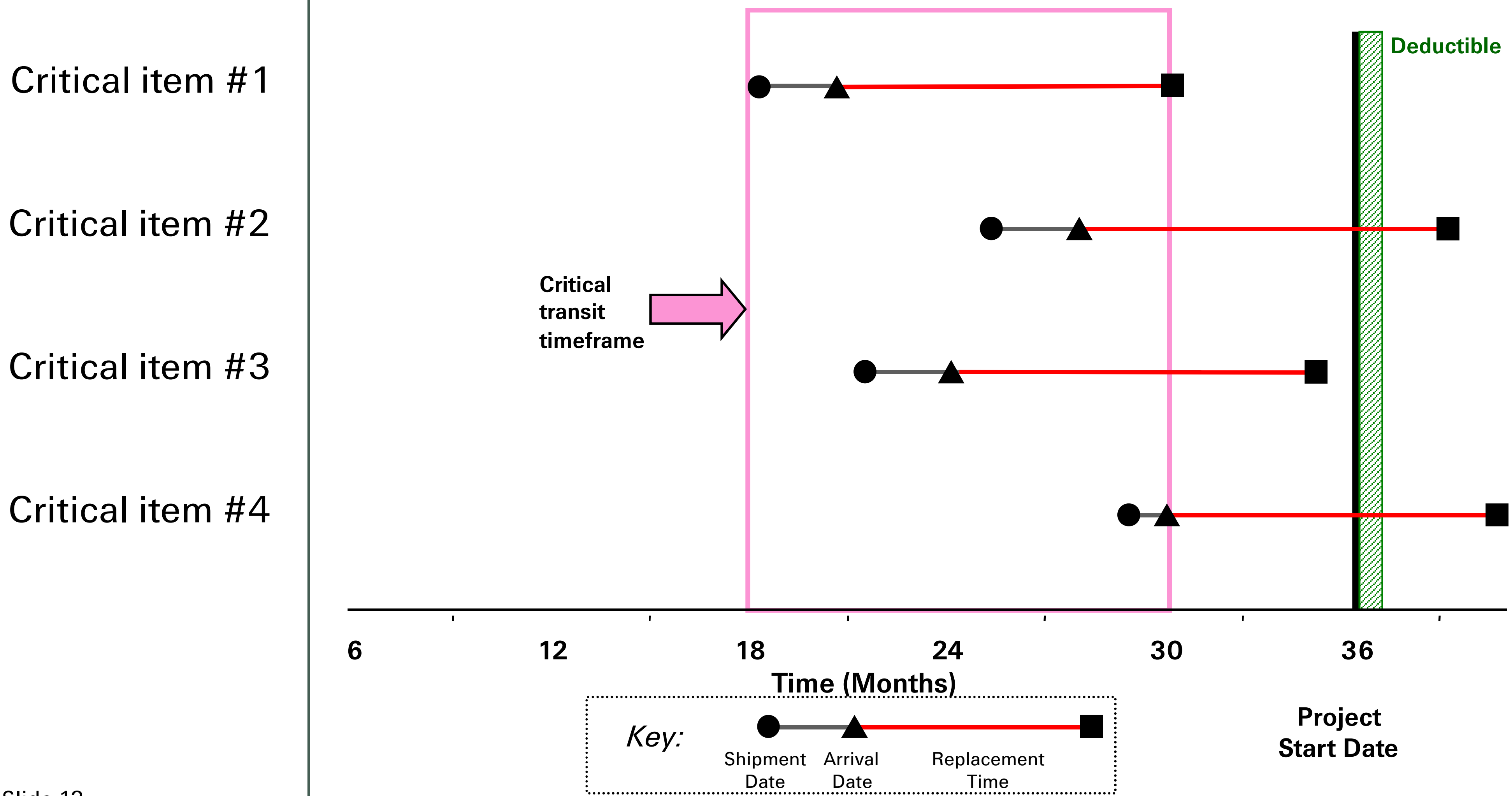
The Project Cargo Indemnity Period



Important Considerations

It is essential that underwriters also insure the physical loss or damage insurance (cargo policy) in conjunction with the consequential loss policy, as control by the underwriters is vital. Preferably they will be written as two sections of the same policy with the loss of profit claim triggered by a loss under the material damage cargo section. Thus any condition or warranty imposed by Underwriters on the cargo policy will similarly affect the advance loss of profit coverage.

Important Considerations

Otherwise the consequential loss underwriters would have no control over the damaged cargo and would be unable to influence the course of action.

The assured would have to submit any claims separately to two sets of insurers who may not adopt identical positions. With the same underwriters the claim will be dealt with by one Claim Department in conjunction with the Underwriter who assessed and wrote the risk in the first instance. Therefore an overall view would be adopted minimizing the loss to both insurers.

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Important Considerations

It also ought to be remembered that the value of any one item or part of one item has little bearing on its significance to loss of profit Underwriters. An All Risks Underwriter receives premium based on the value and the claim is paid relative to that value.

For the consequential loss Underwriter, loss or damage to quite low value items which are vital to a contract might result in an entire plant being inoperable if repairs or replacement parts are not quickly available.

What is the Reinsurer´s Role on DSU?

- Capacity
- Knowledge Transfer
- Diversifying: Worldwide view and allocation of the Risk
- Surveys / Claims Handling Support
- Capacity
- Capacity
- Capacity

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DSU Reinsurance Types

The market differentiates between two reinsurance methodologies:

TYPE 1:

Quasi-direct reinsurance (fronted), written out of London and Singapore. Singapore is a growing market that is becoming dominant in Asia, leaving little room for London other than for the largest or most complex projects

TYPE 2

Traditional reinsurance (supporting experienced cedants)

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Market size by Region

USDm	Capacity for global deals any one risk	Capacity stand-alone
Global Total	1,232	-
London	872	872
Singapore	60	310
North America	150	225
Europe	100	200
Other	50	100

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Worldwide Market Size

Leading carriers in market on stand-alone basis