



CLAIMS CHALLENGES IN LARGE INFRASTRUCTURE PROJECTS





Major Infrastructure Projectshappening today

- **Power (Carbon, Nuclear and Renewables).**
- **Transportation (Underground / elevated Metro Rails, Airports, Roads / Expressways / Freight Corroders, Bridges, Tunnels, Ports, Etc).**
- **Utilities (Electricity, Gas, Water & Irrigation, Etc)**
- **Energy (Oil, Gas – including refining, transportation and storage).**
- **Social infrastructure (Hospitals, Schools and Residential accommodation)**



Challenges in the claims...

1. Material Damage Claims
2. ALOP Claims
3. Third Party Claims



Material Damage Claims

➤ *Incorrect / incomplete description of the risk*

- Construction of Barrage/ Dam. No reference to coffer Dams.
- No reference to temporary works/ roads
- Coffe dam construction without taking the rainfall / water flow data of past years



Material Damage Claims

➤ *Tendency to claim the loss due to uninsured peril*

- Construction policies are All Risk Cover but not All Loss Policies
- Loss due to normal rains / Exposure to the atmosphere/ Inventory losses presented as burglary claims.
- Geological Surprises



Material Damage Claims

➤ Breach of Methodology described in the policy

- Breach of section warranty in roads,
- Not following respective engg. code of practice,
- Testing protocol being compromised
- Repair or Replacement Option



Material Damage Claims

➤ Quantum Disputes

- Inflated Claims – Flash Floods, loss of aggregates, cement, sand and other material
- Project Valuation and Forensic Audit
- Reconstruction Cost and BOQs
- Geological Surprises.



Material Damage Claims

➤ Established / New client/contractors

- It is easier for the insurers to explain the policy terms and conditions to an established Contractor.
- If same job is by any new client/contractor (beginner), it becomes difficult for both the parties to understand each other and it always leads to disputes.
- Prototype Machinery.

Material Damage Claims



➤ Add on Covers

- Debris Removal,
- Cession of Risk,
- Continuity Cover
- Plant Preservation

Advance loss of profit –



- Lenders driven. Most of us have limited understanding
- Wrong belief that this cover will indemnify for the financial loss due to all types of delays in the course of project execution
- Expectation of Immediate Relief. The client needs to establish the projected Profits.



Advance loss of profit –

- Importance of Project Monitoring.
- Lack of Expertise
- Loss Adjusters
- Outages Approach in Loss Estimates.
- Multiple CODs



Advance loss of profit –

- Design Defect V/S Change/ improvement in Design
- After the loss insured's suppliers/Manufacturer suggest for change in the design.
- For the client these things look logical. They don't see any reasons for the insurers/assessor to dispute for delay in the project restoration
- Whereas assessor makes segregation of delays under two heads INSURED & UNINSURED delays



Advance loss of profit –

- Manufacturing Defect(Latent Defect)
- resulting into loss at the time of testing of Machineries and ultimately delaying the project where Manufacturer may or may not take the responsibility.
- Project Reinstatement and Claim Indemnification.
- Expediting Expenses.

Advance loss of profit –



- Insured Delays V/S Uninsured Delays
- Biggest dispute area and unless professional handling the claim are well versed with the subject
- Role of ALOP monitoring agency also becomes very crucial under such circumstance. Unless this triangle is perfect , claim can not be assessed correctly.
- Bar Charts / Detailed Scheduling. Deviations may result in turning down of the claim
- ALOP Cover Extension in a Claim Situation

Third Party Claims

- Property Damage
- Local Pressures
- Political Interference.
- Apt Handling

Conclusions



- These are few challenges and list is very long and exhaustive.
- It is a important to create a balance between all parties involved viz. Client, Assessor and claims team of insurer.
- Education is the key to avoid / minimize such disputes and it should be endeavor of all stake holders to spread the awareness on project insurance polices being marketed to intended as well real customers .



Thank You