

The background of the page is a photograph of a construction site. A large, dark metal chain runs diagonally across the upper half of the image. To the left, a red crane is visible, partially obscured by the chain. The sky is a pale, overcast blue. In the lower right corner, there is a view of a building's interior or a structure under construction, showing a grid of rebar and some structural elements.

# Marine Insurance

Project Cargo and Delay in  
Start-up Insurance

CHUBB®

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# What is Project Cargo?



We have a long history of tailoring and offering Marine insurance through our predecessor companies:

- Dating back to 1792 with the Insurance Company of North America, a predecessor company, insuring the ship 'America' and the cargo for mercantile firm Conyngham, Nesbitt & Co in Philadelphia
- Chubb & Son, founded in 1882 as a Marine insurance company in New York

In essence, Project Cargo is an amount of cargo agreed by value that is used to construct a specific piece of infrastructure and is shipped over a defined time period. It typically features a number of critical components with extended repair/replacement times.

Critical Items are items of Project Cargo which, if lost or damaged during transit, cannot be repaired, remanufactured, replaced, reshipped, installed, tested and commissioned within sufficient time to arrive at the project site in time to facilitate the Scheduled Commercial Operating Date. In large, complex and high value projects, there are usually a number of Critical Items.

The accurate identification of Critical Items plays an important role in managing the risks associated with the transportation of these items. Critical Items are typically identified based on one or more of the following criteria, taking into account the replacement and lead time considerations for the items:

- They are of high value
- Large, heavy or out-of-gauge
- Require special transportation methods, and/or
- Have other special requirements or special handling

As these Critical Items require detailed and specific attention during transportation, there is a need for careful and detailed planning to ensure the safe and smooth transportation of the Critical Item. Typical stages of transportation usually include transportation of the item from the manufacturers' premises to the load port followed by load, stow and securing of the item on board the vessel, then the discharge of the item at the discharge port and finally delivery of the item to the project site.

There are occasions where the item may be transhipped at either or both load and discharge ports, such as where a Critical Item is discharged onto a barge, which then transports the item to another port closer to the project site. Needless to say, the more handling involved, the higher the risk to the item, which in turn involves more factors to consider during the planning stage.

Some examples include:

- Power plants - generators, turbines, transformers
- Port equipment - quay cranes, rubber-tyred gantry (RTG) cranes
- Petrochemical plant - reactors, process vessels
- Mining - flotation cells, filters



### **Potential Risks and Consequences**

Every type of cargo is subjected to a wide array of potential risks during the course of transportation. For Project Cargo, especially Critical Items, the consequences when a risk materialises have far more impact compared to 'ordinary cargo'.

Some examples include:

- Damage caused by improper securing leading to cargo movement
- Damage sustained to the Critical Item caused by the use of unsuitable lifting equipment
- Damage caused by improper weight support arrangement causing the Critical Item to collapse under its own weight

One of the most obvious impacts in the event of damage to a Critical Item is the potentially high cost of repair or replacement. The repair to, or replacement cost of Critical Items is often very large, potentially running into hundreds of thousands or even millions of dollars. Financial loss is only one of the many obvious consequences in the unfortunate event of a loss. It may also include delays in the project (inability to meet the Scheduled Commercial Operating Date).

## **Benefits of Partnering with Chubb**

### **Experienced Marine underwriters**

Our team of Marine underwriters are highly experienced in creating bespoke solutions for a wide variety of projects and their cargoes. We customise project cargo insurance for a broad spectrum of clients, such as project owners, Engineering, Procurement, and Construction (EPC) entities, as well as main contractors and their sub-contractors, manufacturers and their suppliers.

### **Transportation Risk Management Specialists**

Our underwriters are supported by a team of Transportation Risk Managers around the world, enabling them to provide Transportation Risk Management services on a global basis. Our Transportation Risk Management team comprises qualified Master Mariners, experienced Logistic Professionals, Marine Claims Adjusters and even an Inland Security Specialist.

Very often, project cargoes will be shipped from one region to another or one country to another. Having Transportation Risk Managers familiar with a particular region is crucial in determining the levels of risk from a regional perspective. Leveraging their knowledge and experience of these projects, shipping and transport lines, as well as country conditions, our Transportation Risk Management specialists advise our underwriters and assist them in tailoring suitable coverage for our clients.

As a project progresses, our Transportation Risk Managers will:

- Coordinate surveys on a worldwide basis
- Approve choice of vessels and other transport methods
- Following the study of method statements, make any necessary recommendations to improve the risk profile of the Insured

## **Risk Management Costs**

An important but rarely highlighted aspect of project cargo insurance is risk management fees. The risk management fee represents the cost of the various survey activities carried out on project cargo. This is crucial to Chubb providing capacity for Project Cargo risk.

Upon payment of the risk management fee, Chubb will appoint experienced surveyors.

Surveyors will conduct an end-to-end analysis of the Critical Item to be transported and depending on the nature and characteristic of the Critical Item, will attend at selected or each step of the transportation process to ensure that the Critical Item is being transported with due care and skill.

The importance of a proper risk management analysis cannot be overstated and is crucial to estimate the risk management fee as accurately as possible, to ensure that all necessary steps are taken to secure and transport the Critical Item as safely as possible. An accurate risk management analysis is crucial in order to ensure that adequate funds are available for the intended surveys.

Customarily, risk management fees are estimated at an early stage, usually during the submission stage of the risk. However, frequently at this stage, Transportation Risk Managers are unable to provide a reasonably accurate fee estimate due to the quality of information that is available.

Information such as the number of critical items, their details in terms of size, value, weight, method of shipment, point of origin and final destination are among the information that would determine risk management fees. Very often, these are unavailable, incomplete and/or inaccurate.

An underestimated risk management fee can compromise the effectiveness and objectives of risk management (due to the lack of an adequate risk management fee budget). This can be detrimental to all parties involved, especially to clients, as it may lead to damage being sustained to the Critical Item by reason of inadequate protection being taken over the Critical Item during transportation, leading to one or more of the incidents as stated in the previous “Potential Risks and Consequences” section of this document.

At Chubb, our Marine Underwriters and Transportation Risk Managers work closely together to ensure all efforts are made to guide our clients in ensuring that the risk management fee is estimated based on accurate and detailed information, which ultimately benefits our clients.

### **Risk Management Rules of Engagement**

Chubb’s Transport Risk Management involvement is subject to incorporation of a Fee Guarantee Agreement. This Fee Guarantee Agreement is in addition to the policy premium.

# Product Overview



The purpose of this product overview is to provide intermediaries with the components of cover that Chubb offers.

## **Project Cargo and Delay in Start-up (DSU) Insurance Coverage**

Specific coverage is provided for loss or damage to cargo in the ordinary course of transit, especially for Critical Items as well as Delay in Start-up for loss of income and profit resulting from late or non-arrival of Critical Items due to covered loss or damage.

A project cargo Critical Item is clearly defined and a Survey Warranty Clause forms part of the coverage. The Survey Warranty Clause warrants that a named surveyor approved by Chubb attends and approves all stages of transportation of all named Critical Items.

The Chubb coverage also offers wide coverage for contingences such as unexpected accumulation and debris removal as well as provisions to protect loss of gross profit or fixed costs/debt service.

As global needs for energy, transport and industrial infrastructure continue to rise, so do opportunities for interested parties to utilise natural resources. If you're in the business of supplying or transporting heavy-lift machinery to meet those needs, or investing in clean power in developed countries, this insurance product should be considered.

Project cargo insurance provides protection for a set of shipments over a set period of time for projects that include:

- Power plants including gas, coal and nuclear
- Green energy including solar, wind, hydro and bio mass
- Petrochemical, paper and pulp, ferrous and non-ferrous plants
- Bridges and buildings

Today's supply chain for a modern infrastructure project can involve numerous manufacturers from several countries, differing contractors and a complicated array of supply routes involving any combination of land, sea, river, rail, road or air transportation.

A structured project cargo insurance programme provides clients with the protection to meet the needs of the parties concerned, including:

- Owners and principals
- Managing contractors and main contractors
- Contractors and subcontractors
- Manufacturers and/or suppliers
- Banks and/or financial institutions





## About Chubb in Hong Kong SAR

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Chubb is the world's largest publicly traded property and casualty insurer. With both general and life insurance operations, Chubb has been present in Hong Kong SAR for more than 90 years via acquisitions by its predecessor companies. Its general insurance operation in Hong Kong SAR (Chubb Insurance Hong Kong Limited) is a niche and specialist general insurer. The company's product offerings include property, casualty, marine, financial lines and consumer lines designed for large corporates, midsized commercial & small business enterprises as well as retail customers. Over the years, it has established strong client relationships by offering responsive service, developing innovative products and providing market leadership built on financial strength.

More information can be found at [www.chubb.com/hk](http://www.chubb.com/hk).

## Contact Us

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Chubb Insurance Hong Kong Limited  
39/F, One Taikoo Place,  
979 King's Road,  
Quarry Bay, Hong Kong  
O +852 3191 6800  
[www.chubb.com/hk](http://www.chubb.com/hk)

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