

WELCAR 2001



Why, and what's it all about?

**David Sharp, AAA Insurance & Reinsurance Brokers
Ltd**

Lillehammer Claims Conference – February 2008



Late 1990s

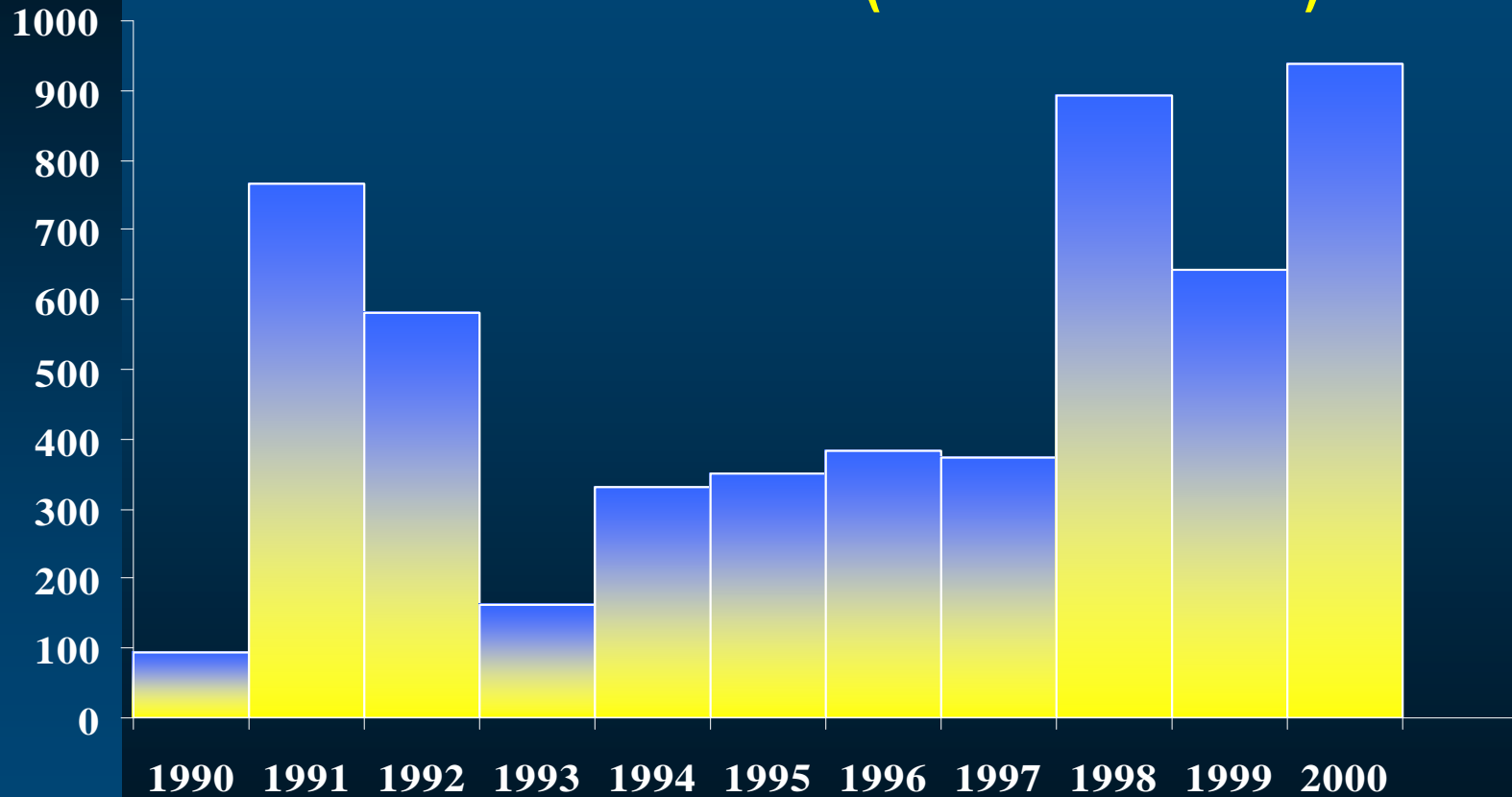
- Lowest point in cycle
- Broadform coverages
- Relatively low deductibles
- No sub-limits
(other than Sue & Labour
and
Removal of Wreck)
- Basic Survey Warranties





Total: USD5,522,773,741 Average: USD10.5m

1990 - 2000 All Claims (excess USD1m)



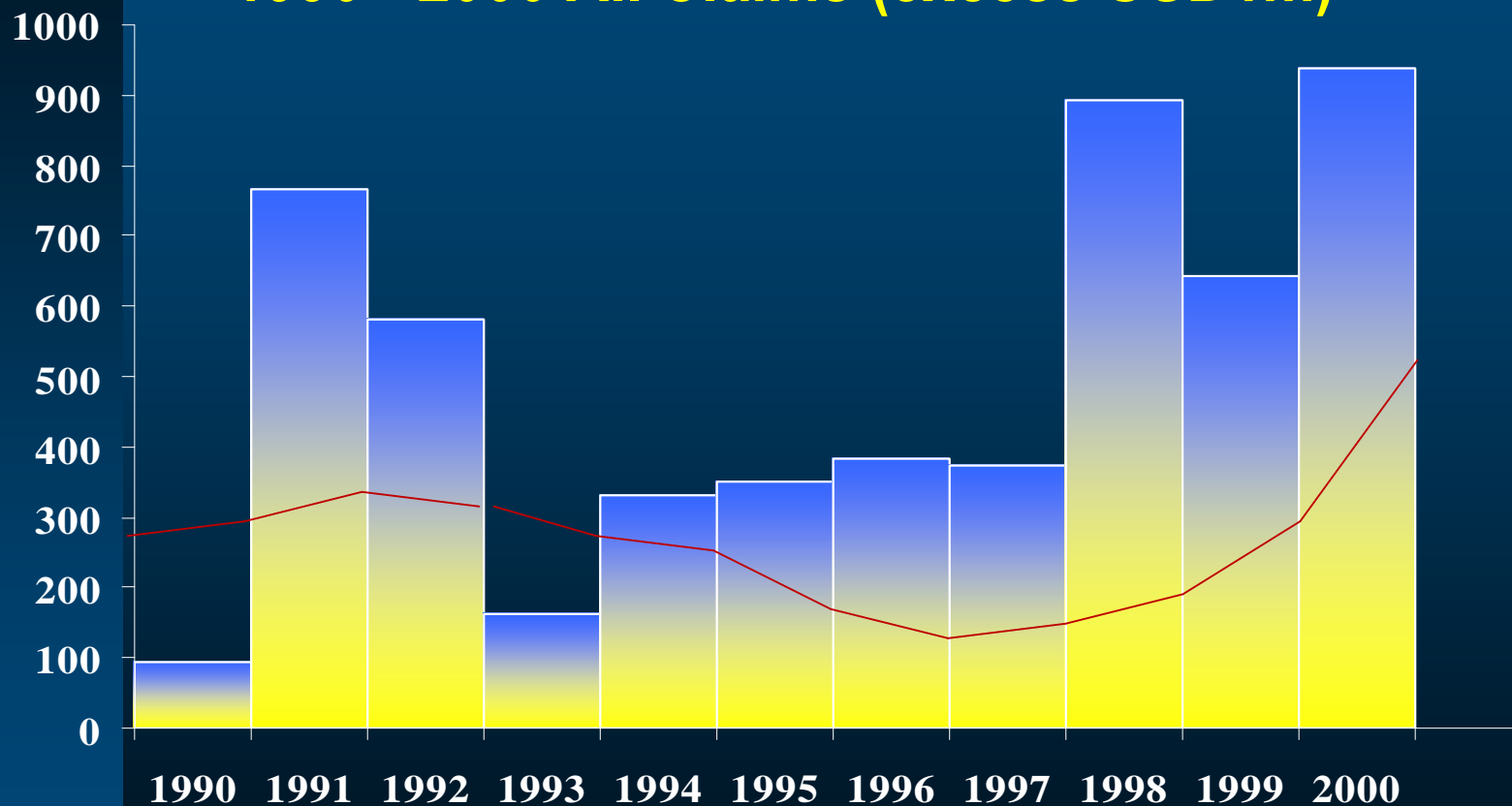
Number of Incidents per year

21 33 33 29 30 39 54 64 88 77 57



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Prior to WELCAR

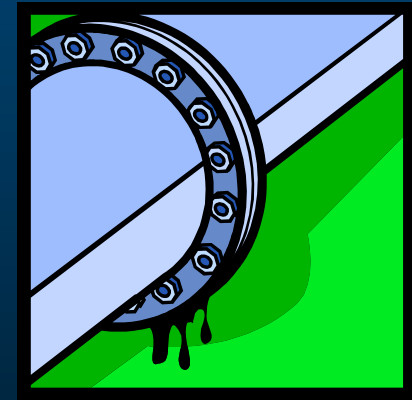
- Amended Faulty Design Clause
 - excluding parts unfit for purpose
- Faulty weld exclusion
- SCOR Form
 - QA/QC
 - Faulty part exclusion
 - Schedule B limits
- Zurich Form
- 2020 Form





The Major Concerns

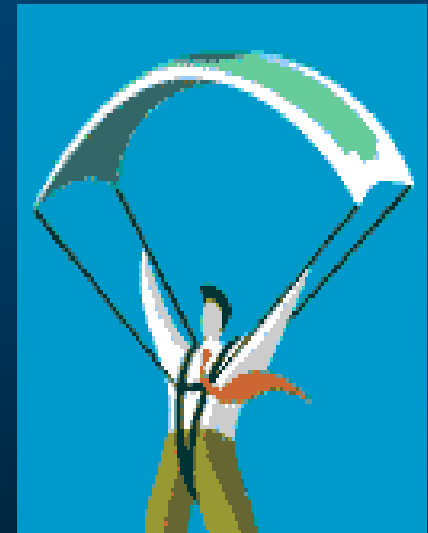
- Consistent poor performance from certain suppliers / manufacturers
- Accumulated loss from one common cause
- Pace of technology
- Extent of extended benefits in the form
- Lack of any sub-limits
- Price and deductibles





Introduction of WELCAR – April 2001

- Then Wellington Syndicate initiative
- Continuing price and deductible increases
- Additional coverages subject to negotiation and analysis of exposures





What's Retained

- Covers all parties involved
- Continuous coverage from initial procurement to commissioning / start up
- All Risks coverage
- Physical damage as a consequence of faulty design, materials and workmanship
- Additional limits for Wreck Removal and Sue and Labour
- Legal and contractual liability



What's New

- **Condition precedent for Other Assureds**
- **Schedule A and B Sub-Limits**
- **Warranty Clause Exemplar**
- **Material alterations clause**



What's now excluded

- **Faulty Part**
- **Drilling (physical damage to contract works)**
- **Costs not declared in ECV**
- **Existing property**
- **No cover given for Cancellation Costs**



Third Party Coverage – Section 2

- Basic wording
- Watercraft exclusion
- No Protection and Indemnity
- No excess Removal of Wreck
- Inadequate cover for pollution clean-up



Marine Warranty Survey

- Pre qualified Surveyors
- Generic work scope
- Check list
- More attendance and Certification

