

YARD CONSTRUCTION WORDINGS

OCTOBER 2002/JANUARY 2004

PREMIUM: USD125 M

MAJOR LOSSES: USD740 M

***“MADE UP OF A JUMBLE OF ILL
ASSORTED DOCUMENTS EXPRESSED
IN THAT DISTINCTIVE STYLE WHICH
INSURANCE COMPANIES HAVE MADE
THEIR OWN”.***

- **PART 1 – STANDARD COVER**
- **SECTION A – CONSTRUCTION**
- **SECTION B – LIABILITY**
- **SECTION C – WAR**
- **SECTION D – STRIKES, TERRORISTS, POLITICAL MOTIVE AND MALICIOUS ACTS.**
- **PART 2 – GENERAL EXCLUSIONS**
- **PART 3 – CLAIMS**
- **PART 4 – GENERAL PROVISIONS AND DEFINITIONS**
- **PART 5 – OPTIONAL BUYBACKS**

***“AND/OR PURCHASERS AND/OR CO- AND
SUB-CONTRACTORS AND/OR SUPPLIERS
AND/OR ASSOCIATED AND/OR SUBSIDIARY
AND/OR AFFILIATED COMPANIES AND/OR
WHOMSOEVER MIGHT BE CONCERNED
WITH OR WITHOUT ORDER FOR THEIR
RESPECTIVE RIGHTS AND INTERESTS”.***

“AN INSURER COULD NOT EXERCISE RIGHTS OF SUBROGATION AGAINST A CO-ASSURED UNDER AN INSURANCE ON PROPERTY IN WHICH THE CO-ASSURED HAD THE BENEFIT OF COVER WHICH PROTECTED HIM AGAINST THE VERY LOSS OR DAMAGE TO THE INSURED PROPERTY WHICH FORMED THE BASIS OF THE CLAIM WHICH UNDERWRITERS SOUGHT TO PURSUE BY WAY OF SUBROGATION”.

- **THE ASSURED WILL COMPRISE THE BUYER OF THE VESSEL OR THE BUILDER OR BOTH.**
- **NEITHER BUYER NOR BUILDER HAS ANY GREATER RIGHTS UNDER THE INSURANCE THAN THE OTHER.**
- **THERE IS AN AUTOMATIC PROVISION FOR ADDITIONAL ASSUREDS PROVIDED THEY HAVE A WRITTEN CONTRACT WITH THE INSURED AND SO LONG AS THE CONTRACT PROVIDES THAT THE OTHER ASSURED SHALL HAVE THE BENEFIT OF COVER.**

“THE EXERCISE OF DUE DILIGENCE IN THE SELECTION AND EMPLOYMENT OF CONTRACTORS, SUB-CONTRACTORS AND OTHERS IN CONNECTION WITH THE SUBJECT MATTER INSURED...”

“12.1 IN ASCERTAINING WHETHER THE SUBJECT MATTER INSURED IS A CONSTRUCTIVE TOTAL LOSS, THE INSURED VALUE SHALL BE TAKEN AS THE REPAIRED VALUE...”

12.2. NO CLAIM FOR CONSTRUCTIVE TOTAL LOSS BASED UPON THE COST OF RECOVERY AND/OR REPAIRS SHALL BE RECOVERABLE HEREUNDER UNLESS SUCH COSTS WOULD EXCEED THE INSURED VALUE.....”

“11.1 THE MEASURE OF INDEMNITY IN RESPECT OF CLAIMS FOR UNREPAIRED DAMAGE SHALL BE THE REASONABLE DEPRECIATION IN THE MARKET VALUE OF THE VESSEL AT THE TIME THIS INSURANCE TERMINATES ARISING FROM SUCH UNREPAIRED DAMAGE, BUT NOT EXCEEDING THE REASONABLE COST OF REPAIRS.”

“.... THIS INSURANCE IS AGAINST ALL RISKS OF LOSS OF OR DAMAGE TO THE SUBJECT-MATTER INSURED CAUSED AND DISCOVERED DURING THE PERIOD OF THIS INSURANCE INCLUDING THE COST OF REPAIRING REPLACING OR RENEWING ANY DEFECTIVE PART CONDEMNED SOLELY IN CONSEQUENCE OF THE DISCOVERY THEREIN DURING THE PERIOD OF THIS INSURANCE OF A LATENT DEFECT. IN NO CASE SHALL THIS INSURANCE COVER THE COST OF RENEWING FAULTY WELDS.”

“THIS INSURANCE IS AGAINST ALL AND EVERY RISK OF WHATSOEVER NATURE THAT MAY ARISE TO THE HURT, DETRIMENT, DAMAGE TO OR DESTRUCTION OF THE VESSEL HEREBY INSURED OR ANY PART OR PARTS THEREOF, INCLUDING LATENT DEFECT.”

“MISCONDUCT”, “MALICE”, “ANY ACCIDENT OR CAUSE WHATSOEVER, OR THE EXISTENCE OF ANY DEFECT (WHETHER LATENT OR OTHERWISE) IN THE VESSEL HEREBY INSURED OR ANY PART OR PARTS THEREOF”, “ALL EXPENSES TO MAKE GOOD DEFECTIVE WORKMANSHIP” AND “THE COST OF DISMANTLING AND RE-ASSEMBLING SOUND PARTS WHICH HAVE BEEN WRONGLY ASSEMBLED DUE TO A RISK COVERED BY THIS POLICY”

***“THIS INSURANCE ALSO SPECIALLY TO
COVER REPAIRS..... HOWEVER
CAUSED....”***

“2. PERILS

2.1.SUBJECT ALWAYS TO CLAUSE 3 (SECTION A EXCLUSIONS), THE INSURANCE UNDER SECTION A IS AGAINST ALL RISKS OF PHYSICAL LOSS OF OR PHYSICAL DAMAGE TO THE SUBJECT MATTER INSURED CAUSED AND DISCOVERED DURING THE PERIOD OF THE INSURANCE.

2.2.FOR THE AVOIDANCE OF DOUBT THE SUBJECT MATTER INSURED SHALL NOT BE REGARDED AS PHYSICALLY LOST OR PHYSICALLY DAMAGED SOLELY BY VIRTUE OF THE EXISTENCE THEREIN OF ANY DEFECT IN DESIGN, PLAN OR SPECIFICATION, DEFECT IN WORKMANSHIP, DEFECT IN MATERIAL OR LATENT DEFECT”.

“3. SECTION A EXCLUSIONS

IN NO CASE SHALL THE INSURANCE UNDER SECTION A COVER THE COST OF REPLACING, REPAIRING OR RECTIFYING ANY:

3.1 DEFECT IN DESIGN, PLAN OR SPECIFICATION;

3.2. DEFECT IN WORKMANSHIP;

3.3 DEFECT IN MATERIALS;

3.4 LATENT DEFECT

HOWEVER, THESE EXCLUSIONS SHALL NOT EXTEND TO THE COST OF REPAIRING PHYSICAL LOSS OR PHYSICAL DAMAGE CAUSED BY SUCH DEFECT AND DISCOVERED DURING THE PERIOD OF THE INSURANCE, TO THE EXTENT THE COST OF REPAIRING SUCH PHYSICAL LOSS OR PHYSICAL DAMAGE EXCEEDS THE COST THAT WOULD HAVE BEEN INCURRED TO REPLACE, REPAIR OR RECTIFY THE SAID DEFECT HAD IT BEEN DISCOVERED IMMEDIATELY PRIOR TO THE OCCURRENCE OF THE PHYSICAL LOSS OR PHYSICAL DAMAGE CAUSED THEREBY”.

- **ALL RISKS**
- **PHYSICAL LOSS OR DAMAGE**
- **CONSEQUENTIAL**
- **OPTIONAL BUY BACKS**
- **DUE DILIGENCE**

- **NOTIFICATION**
- **INDEMNITY**
- **TRIALS**

- **WHAT IS DAMAGE ?**
- **WHAT IS REASONABLE COST OF REPAIRS ?**
- **CONVERSION ISSUES?**