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COSTA NAVARINO 2019

47TH ASECAP STUDY & INFORMATION DAYS

***Infrastructure Insurance:
The Road to Financially Sustainable Risk Management***

*Costa Navarino, Messinia, Greece
29-31 May 2019*

www.asecapdays.com

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CEO





Leading Independent Broker in Construction Insurance

Motorway Projects:

- **Attiki Odos** (Construction & Operation)
- **Moreas Motorway** (Construction & Operation)
- **Aegean Motorway** (Operation)
- **Demir Kapija – Smokvica** (Construction)
- **E-75 & E-80** (Construction)
- **Sebes – Turda Motorway** (Construction)



A long series of big claims

Recent natural and man-made catastrophes:
165 billion USD – Insured 85 billion USD

- Ituango Dam collapse - 1.8 billion USD - May 2018
- Eberhard Windstorm - 1.7 billion USD - March 2019
- Hurricane Michael - 11 billion USD
- California wildfires

- *Insurers refuse to write new business in 2019*
- *Premium increase*



Liability exposures

- Stricter regulations
- Advanced legal system → Greater awareness
- GDPR – Meticulous personal data handling
- Employer's Liability – Courts in favor of workers
- Errors and Omissions for Contractors and Operators
- Environmental risks





Decisions for protection

- The cost of Insurance Vs. the cost of Underinsurance → Demand for extensive risk management
- Adapt to new legislation → Cost for internal changes
- The most protected Insureds will pay less for insurance → Loss mitigation mechanism

Additional possible exposures

- Data theft → Cyber Insurance
- Toll stations open in spite of State warnings for adverse weather conditions → Professional Indemnity Insurance
- Additional construction Works – Defective design → Professional Indemnity Insurance
- Fire, use of chemicals, inadequate drainage system → Pollution Liability Insurance



Insurance as a financial solution

- Risk transfer: A solution to minimize losses
- Financially “predict” the unexpected and prepare for such incidents
- Allocate otherwise large costs more efficiently through accounting periods
- Improve financial results

➤ **Cost minimization**

➤ **Effective long-term financial allocation**

Indicative figures:

Motorway Construction – Period : 5-6 years – Value: 1 billion EUR

- Contractors All Risks policy (C.A.R) – Net Premium: 3,500,000 EUR
- Third Party Liability – Net Premium: 300,000 EUR

➤ *Possible Losses (based on international experience and data): Collapses – Earthquakes – Floods etc. : 5% of project value ≈ 50 million EUR*

Motorway Operation - Annually Renewable Insurance – Value: 1 billion EUR

- Property All Risks policy (P.A.R) – Net Premium: 1,100,000 EUR – including Business interruption cover
- Third Party Liability – Net Premium: 120,000 EUR
- Additional Policies: Professional Indemnity, Terrorism, Cyber Risks, Environmental Liability, Employer's Liability: 400,000 EUR per annum.

➤ *Possible Losses from Natural catastrophes – Massive Third Party Exposure → Multimillion claims*



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Insurance is expensive before a claim, but very cheap once it occurs

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Thank you!
Nikolaos Gavrilis



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