



Insurance for the construction industry – an overview of core products, coverage and claims

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Who is CertAsig ?

- CertAsig is a niche, non-life insurance company, primarily selling to corporate and SME customers through brokers
- CertAsig provides insurance solutions unavailable elsewhere in the Romanian, Turkish and Bulgarian markets by innovative and profitable underwriting
- CertAsig differentiates itself from competitors by offering brokers fast response time to offer-requests and efficient claims service



CertAsig – some facts and figures

- CertAsig was established in 2003 and since December 2007, CertAsig has been majority-owned by Royalton Capital Investors II, is a private equity fund focused on acquiring and developing service sector companies throughout European countries

Royalton Capital Investors II limited liability partners include:

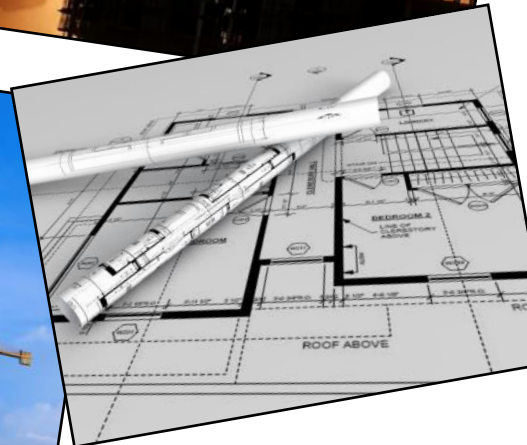
- Alpha Associates
- European Bank for Reconstruction and Development (EBRD)
- European Investment Fund (EIF)

- 6 offices: HQ in Bucharest, 3 regional office in main Romanian cities and 2 international contacts in Istanbul and Sofia
- A growing business – Gross Written Premiums : from EUR 0.7m in 2007 to EUR 12m in 2013
- Construction industry - 5% GWP in 2010 to almost 25% in 2013
- Turnover split (Gross Written Premium): 60% Romanian and Bulgarian corporate clients and 40% Turkish / Black Sea region ship-owners and managers
- 95% of business originates from insurance brokers
- Specialist insurance classes include Professional Indemnity, Bond insurance, Commercial Property, Liability, Event insurance, Personal Accident and General Aviation



Product portfolio developed for construction companies

- Bond Insurance :
 - Bid Bonds
 - Advance Payment Bonds
 - Performance Bonds
 - Maintenance Bonds
- Contractors' All Risks (CAR & EAR)
- Construction Plant Machinery
- Commercial Property Insurance
- Commercial Liability, including General Third Party
- Professional Indemnity
- Cargo & Goods in transit – by land, sea or air
- Personal accident for employees
- Electronic Equipment insurance



What is contractual bond insurance ?

A contractual bond (Surety) is a CONTRACT guaranteeing the performance of a specified obligation.

It is an arrangement by one party to answer to a second party for the debts, default or non-performance of a third party .

Effectively a surety bond is a risk transfer mechanism (that's why it fits into insurance industry so well).

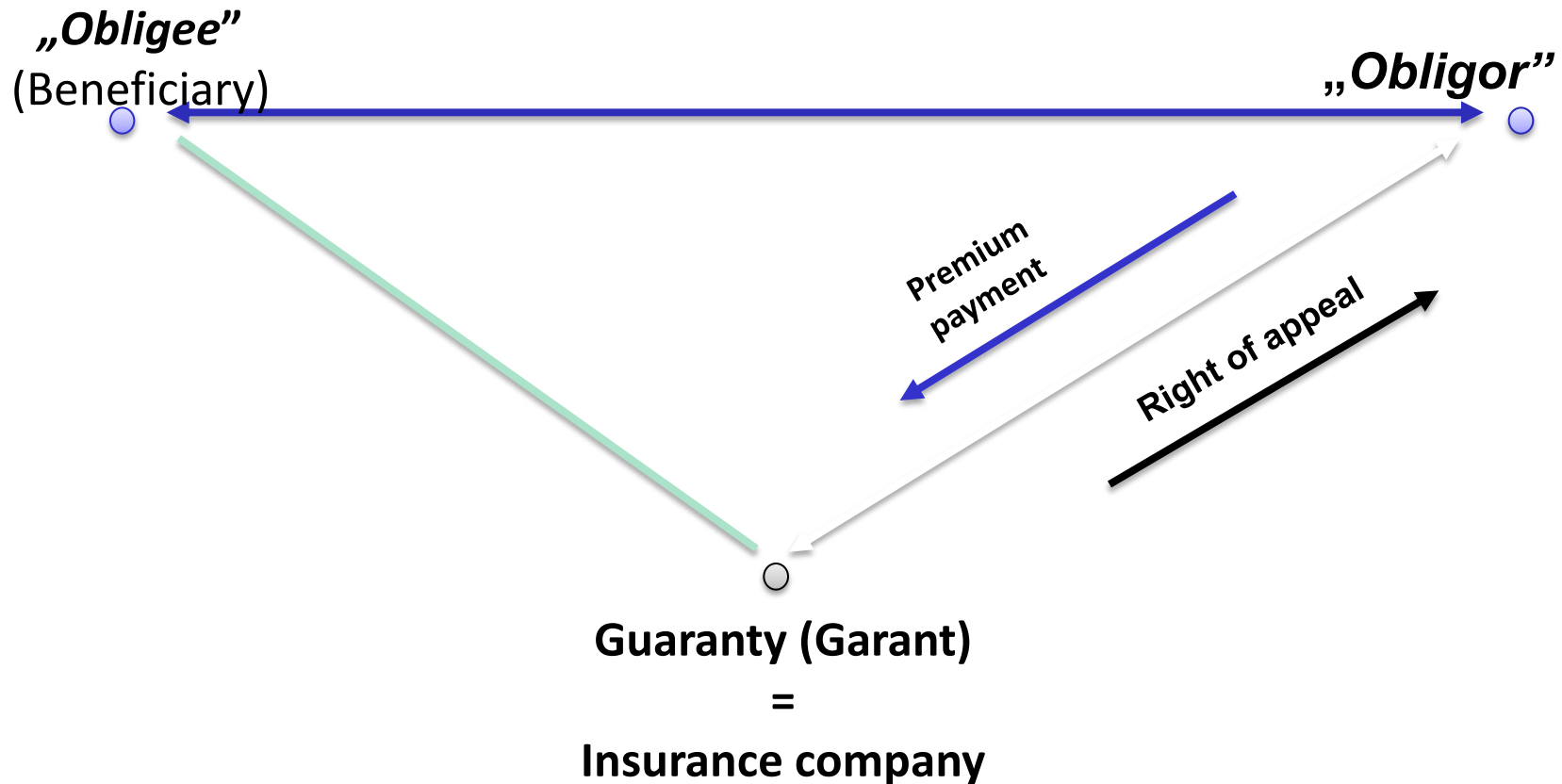
There are 3 Parties to a Bond:

- 1) Surety = Guarantor (this is the company that issues the Bond, i.e. takes the risk)
- 2) Principal = Obligor = Contractor (this is the company that performs the contract, i.e. they are the risk)
- 3) Beneficiary = Obligee = Employer (this the customer who wants something done, project owner)



Relationship between the 3 parties in a bond:

BONDS INSURANCE



Individual Contractual Bonds written by CertAsig

- ***Bid Bond***
 - Insured Period: up to 6 months
- ***Performance Bond***
 - Insured Period: up to 36 months
- ***Maintenance Bond***
 - Insured Period: up to 36 months
- ***Advance payment Bond***
 - Insured Period: up to 36 months
- ***Transport License Bond***
 - Insured Period: up to 12 months

Complementary Insurance Products

- **Contractors' All Risks CAR**
- **Machinery Breakdown**
- **Electronic Equipment Insurance**
- **Construction Plant & Machinery**
- **D & O**
- **Service Providers' Liability**
- **Professional Indemnity**



Engineering Insurance

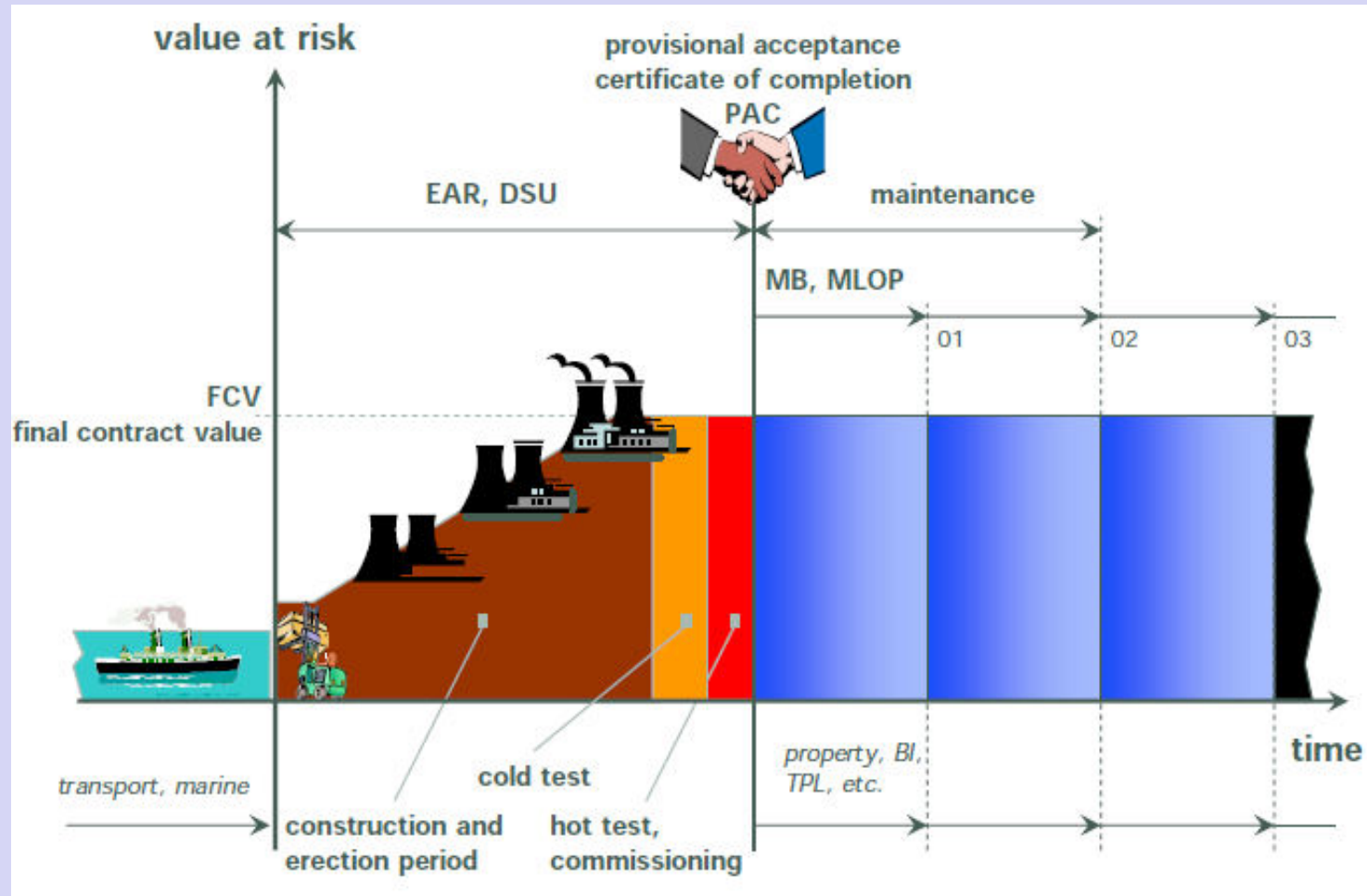
Type of Engineering insurance products :

- **CAR** **Contractor's All Risk**
- **EAR** **Erection All Risk**
- **MBK** **Machinery Breakdown**
- **EEL** **Electronic Equipment**
- **BI** **Business Interruption (complementary coverage)**

A CAR / EAR policy is valid during the construction phase from the beginning (when the materials are unloaded on site) and is terminated when the Taking Over Certificate is issued or the policy ends whichever is earlier and could be extended during the maintenance period.



Many risks can occur during project phases



Project Policies: CAR & EAR

CAR:

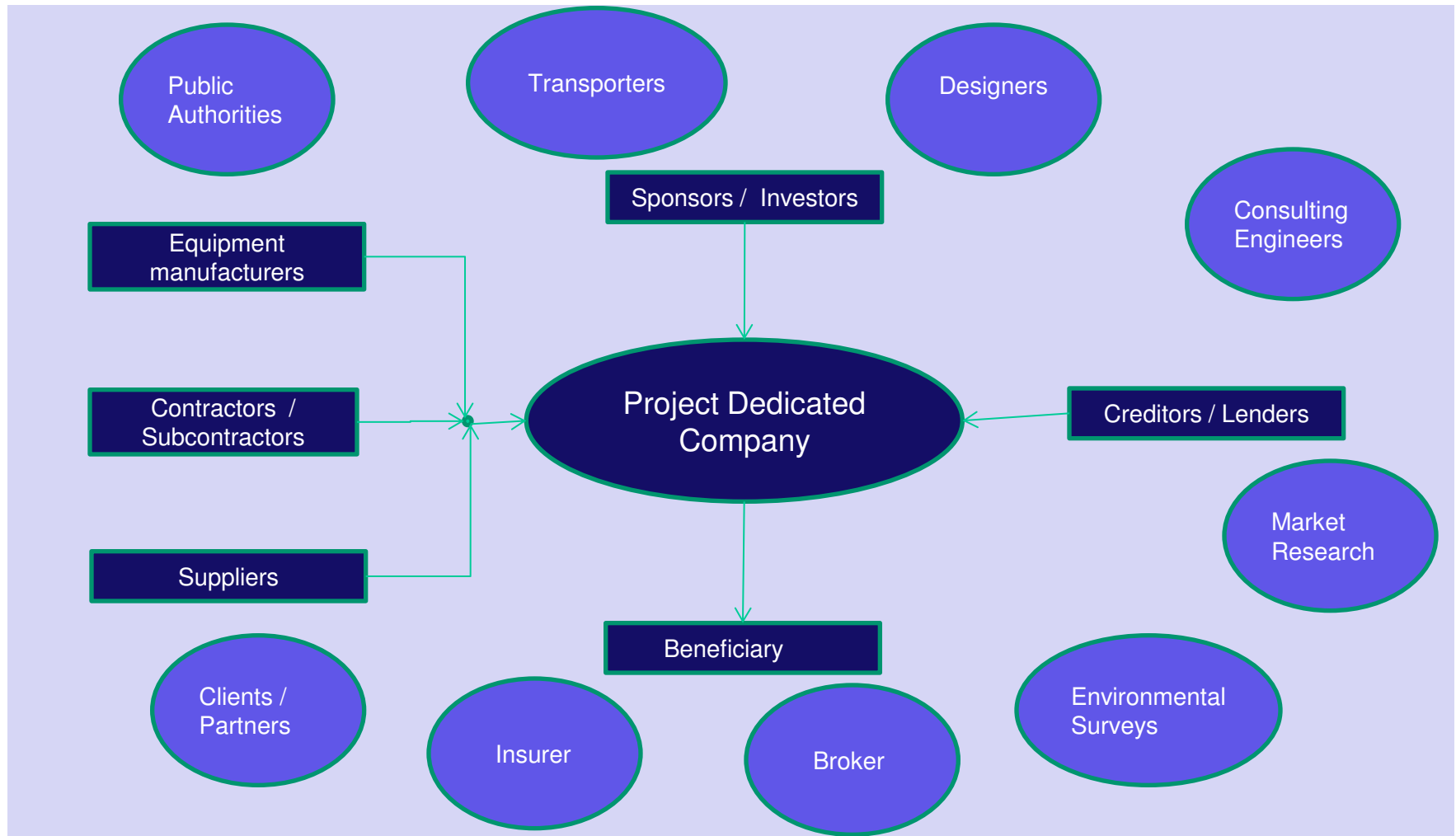
- ✓ Civils works – residential, schools, hospitals
- ✓ Industrial works – hall type
- ✓ Roads
- ✓ Underground infrastructure
- ✓ Pipelines
- ✓ Tunnels
- ✓ Dams

EAR:

- ✓ Power Plants
- ✓ Petrochemical Plants and Other Industrial Plants



Insured Parties within the CAR / EAR policy



CAR / EAR policy includes 1 to 3 Sections

■ Section 1 : Material Damage

Included:

- ✓ **Site preparation Costs**
- ✓ **Engineering Costs**
- ✓ **Works**
- ✓ **Supplies**

Excluded:

- ✓ **Land Acquisition**
- ✓ **Training Costs**
- ✓ **Spare**
- ✓ **Parts, Financial Costs**

■ Section 2 : Third Party Liability

Included:

- ✓ **Accidental loss of or damage to property belonging to third parties (including consequential financial loss)**
- ✓ **Accidental bodily injury / illness to third parties**

Excluded:

- ✓ **Pure Financial Loss**

■ Section 3 : ALOP (Advance Loss of Profits) or DSU (Delay in Start-up)

Claims paid by CertAsig

- CAR – Project: Watercourse Improvement / Planning work (Siret River) / Year: 2010
- Paid: EUR 380,000



Claims paid by CertAsig

Property damage - Total loss of 2 large loading cranes during a severe storm in Constanta / April 2012

Paid: EUR 2.950.000 – the largest Property claim paid by an insurance company in Romania in 2012



Claims paid by CertAsig

- Performance Bond - Non-performance of repair work to Targoviste sewage system / April 2013
- Paid: EUR 705.000

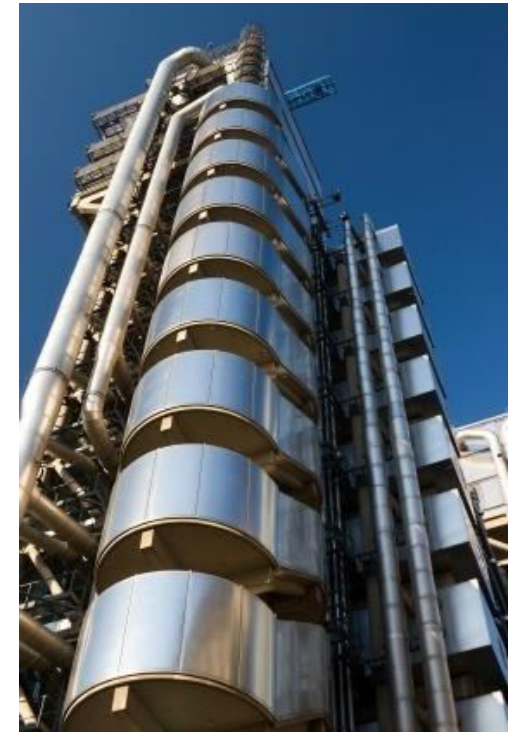


Reinsurance underpins our business

- CertAsig's policies are secured by a first-class panel of reinsurers, including:
 - **Lloyd's Syndicates**
 - **SCOR**
 - **Hannover Re**
 - **Polish Re**
 - **Partner Re**
 - **Swiss Re**
 - **Sirius**
 - **Other reinsurers rated A- or better**

- Our reinsurers offer us not only solid, financial security but also expert assistance with technical underwriting issues which are paramount to our specialist range of products.

- The strength of our reinsurance programmes gives our clients and brokers piece of mind that claims will be paid promptly and fairly.



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Thank you!

