

BUILDERS' RISKS INSURANCE (Refit and Conversion)

Builders' Risk Insurance, mainly covers risks of a new built vessel that may occur during the course of construction process, including launching and trial periods, until final delivery to the Owners. Conversion and refit works are also covered under Builders' Risk Insurance.



Refit works: Refit works involves removing old or obsolete equipments and installing new ones. Scrubber installations to comply with new emission standards should also be considered under refit work. However, local insurance companies generally consider these types of installations under planned maintenance or ship repairers liability insurance and do not require Builders Risk Cover. Nowadays refit term is only used for renovation of yachts.

Conversion works: is used for material changes to alter the operation of the vessel. Giving length or changing type of vessel is considered under Conversion. Such as changing a RoRo vessel to a livestock carrier, giving length to a passenger or container vessel to increase capacity, etc.

Both Refit and Conversion works require high degree of engineering and planning, and increased risks for insurers.

In order to insure such a high risk, insurers consider several factors. The experience of the yard that the work will take place is a major factor for consideration. Due to increased risk of fire for such operations, the proximity of the fire station and the fire extinguishing equipments of the yard is considered. In order to evaluate above mentioned risks, insurers appoint surveyors that has experience in yards. The main Survey form is used for such Surveys is called JH 143 Shipyard Risk Assessment form.

In a new built project, the risk is limited for insurers during the initial phase of the project and gradually increases, this leads to premium accumulation for insurers. In Conversion and Refit works, the operation is done on an already built vessel where there is significant risk in the very beginning of the project that is equal to vessel value. This limits the ability of insurers to collect a reserve premium. The period of a refit/conversion is usually far shorter than a new built. In consideration of all of the above factors, the insurers request higher premiums than originally requested from a similar new built project.



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Halil graduated from Darussafaka High School in 1995 and Maritime Academy of Istanbul Technical University in 1999. He started his marine career at Zodiac Shipping, London. He completed his MBA degree in Risk Management and Insurance at Georgia State University in USA. Before joining Türk P&I as Assistant Manager, he worked as hull and cargo underwriter for Zurich insurance company and later spent 9 years at Omni Broker House as insurance and reinsurance broker. He presented seminars in Risk Management and Marine Insurance, including Exproshipping and his articles are published in local and international media.



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Other factors that are taken into consideration for insurers are earthquake risks for the location of the yard, the launching systems to the water and sea trials.

Market conditions and competition eventually affect the commercial decision process of insurers, however no compromise should be made on technical evaluation of the risk. With high degree of technical evaluation, both the insurer and the yard will benefit in the long run and any material damage and more importantly any risks to the lives can be minimized.