

Advance Loss of Profits / Delay in Start Up



“Delay in Start Up (“DSU”) or Advance Loss of Profit (“ALOP”) insurance cover is an absolute necessity for large and/or complex construction or engineering projects, particularly those financed with structured debt.

This insurance was designed to provide cover for the economic losses sustained by a project owner and the financing consortium as a result of insured delays in construction that results in a delay in the commencement of commercial operation. Accidents in construction may lead to slippage in the construction program, pushing back the start date of commercial operations, resulting in financial loss as expected revenues fail to materialise whilst expenses continue.

These types of losses are unique by virtue of the fact that there is no historical trading data which is available to ascertain how successfully or otherwise operations are.

Typically MDD will quantify the cost associated with the inability to cover fixed costs, net profit or debt servicing, due to the delay in its ability to generate revenue.

MDD works closely with delay experts and other experts to ascertain the applicable delay between the scheduled commencement of operations and the revised commencement of operations due to the covered incident, and the resulting financial loss. We will:

- Identify the key data that will enable our experts to accurately quantify the loss
- Apply various techniques to validate the accuracy/reasonableness of business forecasts/budgets
- Review detailed planning documentation and loan agreements to model fixed / financing costs associated with a project
- Work closely with other experts in identifying applicable delay period
- Provide interested parties with an independent report which accurately articulates any differences in quantified losses

- Prepare reconciliation analysis to assist parties in identifying major points of difference if they arise.
- Provide expert evidence as required.

When you require assistance with Delay in Start Up or Advance Loss of Profit claims, hire MDD.