

DRAFT 16/12/04

Standard Required Insurance Schedule Pro Forma

Explanatory Note

This Explanatory Note should be read in conjunction with the insurance chapter (Chapter 24) in SoPC3 and SoPCNI.

1. The Required Insurance Schedule in the Project Agreement sets out the Authority's insurance requirements for the Project. Such insurance should be placed with reputable insurers of good standing.
2. The Standard Required Insurance Schedule Pro Forma (SRISPF) broadly reflects the insurance provisions included in the Insurance Schedule for the majority of PFI projects.
3. Derogations from the Pro Forma should be kept to a minimum.
4. Since this is a generic document, a limited level of adjustment may be appropriate. This should be determined by the Authority in conjunction with its insurance advisor, to ensure that the provisions in the Insurance Schedule are tailored to the requirements of each PFI project.

Project specific modifications could, for example, include:-

- a. Insertion of an appropriate sum insured for the Third Party Liability policies;
 - b. A change to the period of insurance in the event that service commencement is phased, eg a multi-site facility;
 - c. Endorsement adjustment should just one Authority be involved (as the Endorsements in the SISPF have been drafted on the basis that more than one Authority is participating);
 - d. Addition or deletion of Project Specific Risk Extensions (see relevant footnotes).
 - e. Insertion of deductibles
5. In addition to the project specific amendments, the drafting may to some extent need to be amended to reflect availability of insurance, including the main terms and conditions in the prevailing insurance market. In particular, the detailed Endorsement wordings in Part 3 are suggested wordings only which may need to be amended should market circumstances change.
 6. Maximum deductibles should primarily be set at a level which reflects the maximum level of exposure which an Authority is reasonably able to bear. The main determinant should not be what is available in the market. For many projects it is anticipated that the maximum deductible could be significantly higher than that which is available in the prevailing market.
 7. The uninsurability provisions set forth in clause 24.8 of SoPC3 and clause 24.9 of SoPCNI state that uninsurability protection is intended to apply to particular risks, rather than the availability of cover upon particular terms, or

with particular levels of deductibles. This distinction is reflected in the SRISPF by separating the extension of cover for risks which could give rise to a loss (“Risk Extension”) from the other extensions and conditions which whilst providing the insureds additional protection further to a loss, do not represent risks per se (“Other Principal Extensions & Conditions”). Uninsurability protection will apply to the Risk Extensions, but not to the Other Principal Extensions & Conditions and not to the Maximum Deductibles.

8. The Other Principal Extensions and Conditions for the non Third Party Liability insurances should be procured to the extent that the cover is commercially available in the prevailing insurance market, thereby reflecting the fact that this is preferred cover only. In the event that any of the Risk Extensions and Conditions are not available on a commercially viable basis the Unitary Charge will need to be adjusted as appropriate to reflect the reduced level of insurance being purchased.
9. Authorities should give careful consideration before including Professional Indemnity insurance as a Required Insurance. When placed on a project specific basis this tends to be very expensive and provide only limited additional comfort. Furthermore, it will not be possible for the Authority to be named as an additional insured. The Authority may instead wish to seek confirmation from the preferred bidder that the relevant contractors/consultants effect annual Professional Indemnity insurance cover.