

Guidance note – application of the Nordic Construction All Risks conditions for Mobile Offshore Units

6 October 2015

Version 2016 of the Nordic Plan

Nordic insurers (Cefor) and representatives of the Nordic ship owners drafted construction risks insurance conditions for Mobile Offshore Units (MOUs) in 2014. The new clauses are now incorporated in Version 2016 of the Nordic Marine Insurance Plan.

This completes the purpose for Chapter 18 to comprise the relevant clauses for all types of insurance for MOUs. The general part of the Nordic Plan, Part One, is the “background law” unless specifically amended in Chapter 18 (Clause 18-1).

Application

Cover under Chapter 18 of the Nordic Plan is available to owners and operators of various types of offshore specialist vessels and MOUs that are used for the exploration, development and production of natural resources offshore, or in support of such activities.

The construction risks clauses (Chapter 18, Section 6) are drawn up primarily with the interests of the vessel/MOU **owner** in mind in connection with building, conversion, or major upgrade of an MOU, with the typical example being conversion of a tanker to an FPSO where there will be a variety of contracts with a yard and a number of other contractors and/or suppliers of different parts for the whole project. Such projects may be tailor-made for a specific oil and gas field where the MOU owner has entered into a contract with the field operator and its license holders for the provision of and/or operation of the FPSO. The FPSO owner is often responsible for the offshore installation, hook-up and commissioning works at the offshore field location and need to ensure that the insurance includes cover in respect of each of these operations.

The rules in chapter 18 allows for a seamless transfer between the hull insurance and the construction risk insurance, before and after “the project”, with no gaps.

As the scope of application of Section 6 may vary considerably from case to case, it is of utmost importance to specify in the insurance contract exactly the scope of application of the insurance.

The rules are not drafted for insuring construction/development of oil and gas infield infrastructure and export pipeline systems on behalf of the field owners/licence holders.

Chapter 19 (Builders' risks) of the Plan will be the most appropriate alternative for a shipbuilding **yard**, as this Chapter is drawn up for insurance of projects where the yard is taking out the insurance to protect its interests during the building period and prior to delivery of the completed vessel to the buyer/ultimate owner.