

ADVANCE LOSS OF PROFITS INSURANCE

ALOP insurance is offered in conjunction with material damage insurance namely Contractor's All Risks or Erection All Risks (CAR/EAR) insurance for specific projects. However, ALOP policy covers the interest of the Principal and not of the contractors. Considering, any interruption which delays the commencement of operations could result in considerable financial loss due to postponement of production and sales. The loss may also lead to loss of markets if competitors engaged in the same business are able to introduce their products in the market first. Advance loss of profits insurance covers projects against such losses due to insured perils.

An insured under ALOP policy is always the Principal. Hence, the policy is also known as "Principal's Advance Loss of Profits". Advance loss of profits (ALOP) is sometimes referred to as Delay in Start-up (DSU) insurance.

The period of insurance under an ALOP policy will commence and cease along with the corresponding construction/testing period under CAR/EAR policy covering material damage and terminates with the commencement of operations. The sum insured is based on the gross profit anticipated for the business and the indemnity period.

Indemnity period should be selected carefully by the Insured. It commences on the day the handing over of the project would have taken place had the accident not occurred and ends on the day that commercial operation starts; but latest at the end of the maximum period of Indemnity stated in the policy.

The indemnity period should be long enough to enable the Insured to commence production during that period and to achieve the situation he would have achieved had the loss not occurred.

OPTIONAL EXTENSIONS

- › Natural perils.
- › Supplier's extension.
- › Customer extension.

MAJOR EXCLUSIONS

The insurer is not held liable for delays due to:

- › Loss of or damage to adjacent property, construction machines and equipment.
- › Non-availability of funds for prompt execution of repairs.
- › Loss of or damage to operating media or feedstock.
- › Shortage, destruction, deterioration or damage of any materials necessary for the insured business.
- › Alterations, additions, improvements, rectification of defects or faults or elimination of any deficiencies performed after an event.
- › Liquidated damages or fines imposed for breach of contract or for late or non-completion of orders or any penalties accepted by the principal.
- › All other exclusions as per the underlying CAR/EAR material damage insurance.