Engineered Risk View

- **Who**
  - Owner
  - Contractor

- **What**
  - DSU/ALOP
  - Soft Costs

- **When**
  - Construction Timeline
  - Waiting Periods
Who - Concerns

■ Owner
  - Projected Profits
  - Ongoing Costs
  - Debt
  - Penalties

■ Contractor
  - Penalties
<table>
<thead>
<tr>
<th>What</th>
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<tbody>
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<td>DSU/ALOP</td>
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<td>Soft Costs</td>
</tr>
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<td>Penalties</td>
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</tbody>
</table>
Annual Gross Profit
- Net Profit plus Standing Charges
- Annual Turnover less Variable Costs
  Variable Costs are not insurable
  Loss of Market is not insured

Extra Expense
- Additional expenditure to avoid or diminish the amount the insurers would have been liable to pay

Less any amount
- Legally or contractually recoverable by the insured
- Any other sum saved during the period of indemnity
Sum Insured: Gross Profit

GROSS SALES

- VARIABLE COSTS
- STANDING CHARGES
- DEBT SERVICE
- NET PROFIT

FIXED COSTS

SUM INSURED
Soft Costs

- Time Related Additional Expenses
  - Interest
  - Insurance Premiums
  - Permit Fees
  - Advertising Fees
  - Taxes
  - Legal Fees
<table>
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<tr>
<td><strong>Owner</strong></td>
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<tr>
<td>- Preconstruction contracted sales</td>
</tr>
<tr>
<td>- Performance issues</td>
</tr>
<tr>
<td><strong>Contractor</strong></td>
</tr>
<tr>
<td>- Liquidated Damages</td>
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</tbody>
</table>
Important Dates & Time periods

- Construction Schedule
- Start Date
- Anticipated Date of Completion
- Waiting Period (Deductible)
- Indemnity Period
- Critical Path
Per Occurrence Time Excess

% PROGRESS

100%

TIME EXCESS

Actual date of completion

DELAY NOT INDEMNIFIED

INDEMNIFIED DELAY

Anticipated date of completion

TIME
Critical Path

- Key Phases
- Key Equipment
  - Prototypes
  - Lag times
  - Multiple Manufacturers
  - Demand

- Partial Operation Possibilities?
  - Single line build
  - Make up capacity
Watchful Eye

- Monitoring
  - Inspections
    - Insurance company
    - Outside engineer
    - Lender’s inspection
  - News
  - Industry Contacts
Other Considerations

- Co Insurance
- Seasonality
- Extensions
Human Risk
“Imaginative Solutions”

“Risk comes from not knowing what you’re doing.”
Warren Buffet