

Protecting Projects with Delay in Start Up Insurance

Delay in Start Up (DSU) insurance coverage is designed to protect project owners, sponsors, and lenders from the financial impacts of project delays caused by insured physical damage. DSU coverage ensures that construction projects can withstand unexpected setbacks, safeguarding anticipated profits and essential cash flows.

WHAT IS DELAY IN START UP INSURANCE?

DSU insurance, which is sometimes called “delayed opening” or “standing charges” insurance, functions like the construction sector’s version of business interruption insurance. It compensates for lost income, fixed expenses (such as salaries and debt service), and

other incremental costs that arise when a project’s completion is delayed by events like fire, water damage, or other physical losses covered under a builders’ risk or Course of Construction (COC) policy. Coverage typically kicks in only for delays linked directly to insured physical damage, not for delays from uninsurable causes such as labour disputes or supply chain issues.

COVERAGE SPECIFICS

A DSU policy covers several components:

- Lost net profit that the project would have earned, such as rental income or sales revenue.
- Fixed expenses and increased costs, including extended interest payments, property taxes, extra staffing and management costs, and additional fees for professional services.
- Debt service and principal payments that continue accruing during the delay.

Indemnity periods, often ranging from 12 to 36 months, should reflect the real time needed to restore a project after a major incident.

HOW DELAY IN START UP WORKS WITH A COURSE OF A CONSTRUCTION POLICY

DSU coverage is typically an extension or endorsement added to a Course of Construction (COC) policy. A COC, often referred to as builders’ risk, protects the construction project against physical damage or loss from events such as fire, theft, or weather. If an insured physical damage incident occurs and delays project completion, DSU coverage responds. DSU cannot be triggered by events unless physical damage covered by the builders’ risk policy occurs; delays caused by uncovered events, such as late delivery of materials or strikes, are not covered.

STRATEGIC CONSIDERATIONS

When a general contractor places a project’s insurance, the owner must be listed as a Named Insured, not an

Additional Named Insured, under the DSU Endorsement. This distinction is critical because only Named Insureds are eligible for indemnification under the policy, and in the event of a delay-related loss, the financial risk lies with the owner and lender. A recent U.S. case highlighted this risk: the owner was denied coverage because they were incorrectly added as an Additional Named Insured.

It's important to review DSU coverage terms carefully, as policies may differ on covered damages, waiting periods (deductibles), and loss limits. Without DSU coverage, project principals could face substantial financial shortfalls, reduce investor confidence, and impair future operations. Consulting with insurance experts ensures policies are tailored to actual exposure and substantiates all projected costs for claims.

CONCLUSION

DSU insurance is an important component of a comprehensive project risk management program. By compensating for lost profits, fixed expenses, and debt obligations, DSU coverage helps ensure that stakeholders can maintain financial stability and operational continuity despite unforeseen setbacks. Careful policy review and expert consultation are essential to tailor coverage to the specific risks and timelines of each project.



If you have questions specific to your business, or would like additional information, please reach out to your Navacord Advisor.

™@Local Touch. National Strength. Navacord and Navacord logo are Trademarks of Navacord. The information contained herein is general in nature and general insurance description only. The information is not intended to be insurance advice; nor does it amend, modify or supplement any insurance policy. Consult your actual policy or your broker for details regarding terms, conditions, coverage, exclusions, products, services and programs which may be available to you.

**LET US HELP YOU
MANAGE YOUR RISK**

Navacord Insurance
Services Alberta Inc.

lloydsadd.com
AB.info@navacord.com

Local Touch. National Strength.™