

Arabian Heights - PI at the Peak

Euclid's global tour continues, this time onto the Arabian Gulf, with our Construction PI lens back on. These continue to be troubling and uncertain geopolitical times, both globally and within the Middle East. However, what remains certain is the abundance of wealth and immense growth plans for large parts of this region, with Saudi Arabia and the United Arab Emirates leading the way, despite falling oil prices.



JAMES STERLING
CLAIMS COUNSEL
EUCLID FINANCIAL &
PROFESSIONAL RISKS



LYNDON RICHARDS
PARTNER
BEALE & CO

Mega Construction

For Saudi Arabia, the main structural status symbol remains the Kingdom Centre skyscraper that has been glistening in the Riyadh skyline for over two decades. In the UAE, we have Dubai's Burj Khalifa, the world's current tallest building at 828 meters. Unsurprisingly, various future monoliths are planned: Saudi construction plans centre around Vision 2030, the 2034 Football World Cup and development of Diriyah and Qiddiya. Not to be outdone, the UAE has its own sustainable city expansions pending, plus a 70-storey luxury resort at Wynn Al Marjan Island (to include the country's first ever licensed casino) and a new Disneyland in Abu Dhabi.

Opulent Opportunities

Lead developers are often majority owned by Royal Family members, with private and overseas entities also jostling for investment returns. This has been accompanied by widescale regulatory overhaul, such as a new UAE Corporate Governance Code and Saudi Arabia's 2023 construction regulations, as these key Gulf territories seek to diversify away from volatile oil revenues and maximise lucrative property expansion.

PI Needed

This presents opportunities for insurers also, both locally and abroad. Middle Eastern construction risks tend to be specialist and complex, for example:

- Iconic and innovative architecture requiring specialist D&C skills and tight build programmes.
- Geotechnical engineering, extending to desert soil and other extreme climate conditions.
- Tricky coastal projects, such as island developments and ports.

This risk portfolio aligns well with the London Market's underwriting appetite, accompanied by an increasing local awareness of PI insurance cover: the higher the project values, the greater the scope of cover required, demand for which cannot always be met locally.

Risk & Reward

London Market Underwriters, including Euclid personnel, have long been active in the Middle East, with some key observations below:

- Projects have a tendency to run for significantly longer than expected and/or end up well over-budget. This is driven by aggressive procurement, complex designs, shifting scopes and compressed timelines.
- Whilst we would expect this to inflate PI claims activity, the historic client tendency has been to focus on any responsive Construction All Risk type cover, allied with negotiating an early commercial resolution (e.g. contractors

agreeing to implement fixes in exchange for future project work). Beale & Co note: *"Claims are still notified but are often resolved through this pragmatic and cost effective process"*.

- Where claims are filed, the contractual matrix, sometimes extending to an array of overseas contractors, will ideally allow for early and swift dispute resolution (especially where projects are ongoing and delayed): e.g. via one of the more internationally respected regimes, such as the Dubai International Finance Centre.
- Be alive to current geopolitical and macro-economic hazards, against the backdrop that different jurisdictions will have different sanctions in place (e.g. note the proliferation of Russian investment in the Middle-East).
- And, of course, be attentive to the specific territory and its regulation when underwriting fire safety exposed risks, especially given there is so much high-rise commercial and residential infrastructure.

Euclid's Perspective

Chris Savvas & Joe St John: [Team - Euclid Financial & Professional Risks](#) have several decades combined experience of placing and underwriting PI risks, including working in Dubai on the broking and underwriting side. Therefore, Euclid has seen first-hand the good and bad of Construction PI in the region, from the vantage point of Dubai, one of the Arabian Gulf's premier business districts. We look forward to partnering with you on your future PI risks and scaling Arabia's Heights together!