



# Claims Workshop

Onshore Energy Conference

November 2018

Lloyd Warwick International



*“Energy Claims Are Simple”*



# Gary Reeve



- Been around forever
- Practiced all sides of the fence
- Currently Head of First Party Claims at Marsh (~~JLT~~)

# Rabindranath Rajkumar



- International Loss Adjuster in previous life
- Currently Energy Claims Specialist at Zurich New York



# Disclaimer

Today we are ably assisted by two bastions of the energy insurance market who will enter into a healthy and academic discussion on points of great interest.

Any points or observations from the panel may not wholly represent the views of their company or organisation.

# Voting

Questions will be posed and after a period of debate the following options will be given:



a. YES

b. NO

c. DO A DEAL

d. UNSURE

The roles of Raj and Gary will interchange throughout the session



Typical questions we face...



# Our Panel



Underwriter



Insured







Underwriter



Insured



# Inspection

- Pipes located adjacent to explosion
- \$5m spent on NDT
- No damage found





Underwriter



Insured



# Should Raj be paid USD 5m?



a. YES

b. NO

c. DO A DEAL

d. I'VE CHOSEN  
THE WRONG  
SESSION



# Our Panel



Underwriter



Insured



Underwriter

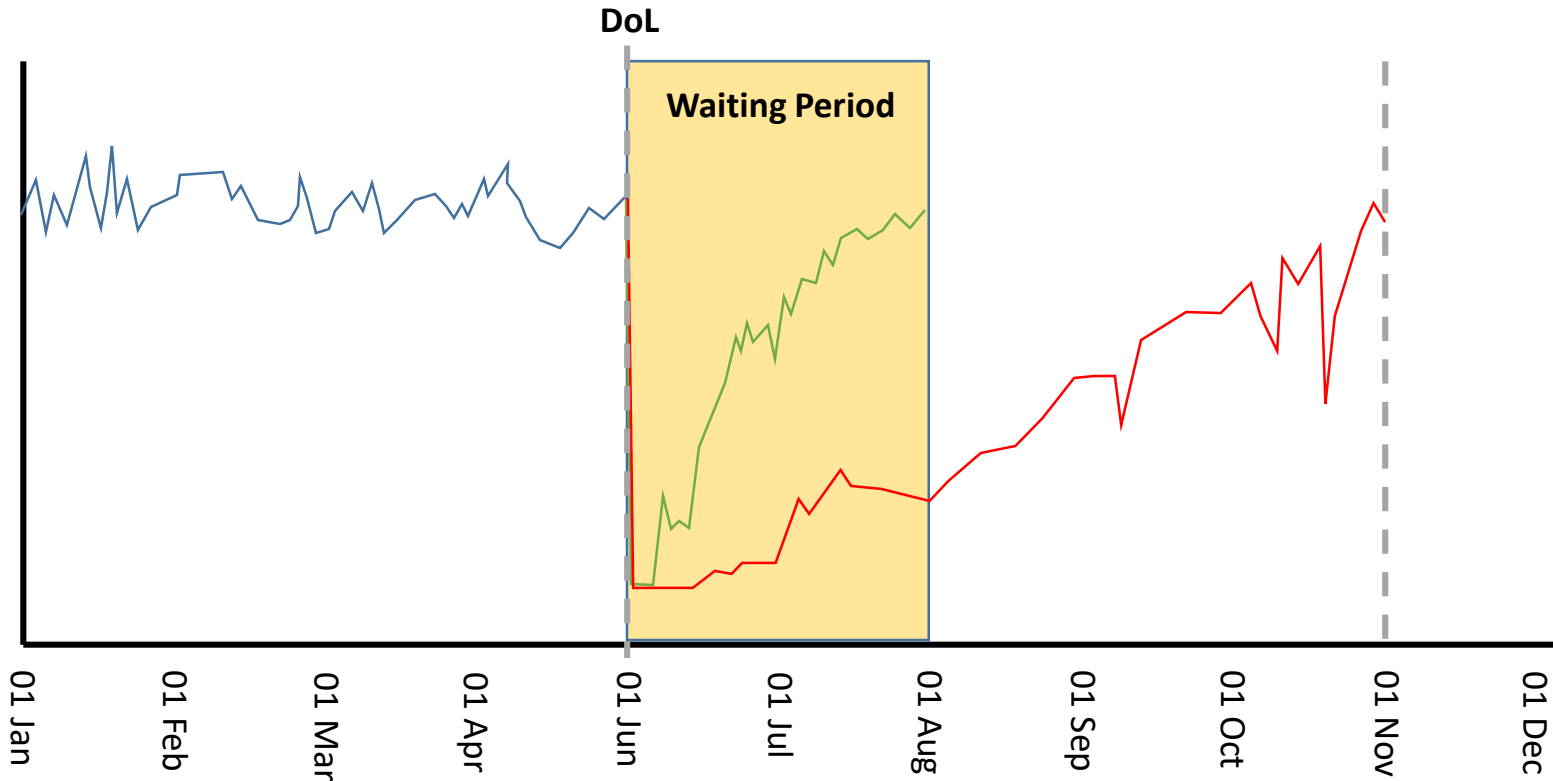


Insured



# Increased costs of working

- ICOW incurred during BI waiting period



**Policy:** Section 2 - Retention: 60 day waiting period; Cover: BI & ICOW



Underwriter



Insured



# Should Gary pay for ICOW during the waiting period?



a. YES

b. NO

c. DO A DEAL

d. I'M STILL IN  
THE WRONG  
SESSION





# Our Panel



Underwriter



Insured







Underwriter



Insured



# Sue & Labour

- Weather forecast predicted: "tropical rainstorm and flooding within 48 hours"
- Insured spends \$1m on preventative measures to protect the facility
- Storms and Floods do not impact the Insured's facility
  - (no Physical Damage)
- Insured claims recovery of costs under "Sue & Labour Clause"

**Policy:** "To prevent or minimise a loss... ..imminent grip of peril"



Underwriter



Insured



# Is the USD 1m recoverable?



a. YES

b. NO

c. DO A DEAL

d. WOULD  
ANYONE NOTICE IF  
I LEFT



# Our Panel



Underwriter



Insured



Underwriter



Insured



# Salvage

- Claim settled at \$10m
- Salvage sold 2 months later for \$12.5m due to interim price increases





Underwriter



Insured



# Is Gary entitled to this windfall?



a. YES

b. NO

c. DO A DEAL

d. DOES GARY  
HAVE A DAY JOB



# Our Panel



Underwriter



Insured



Underwriter

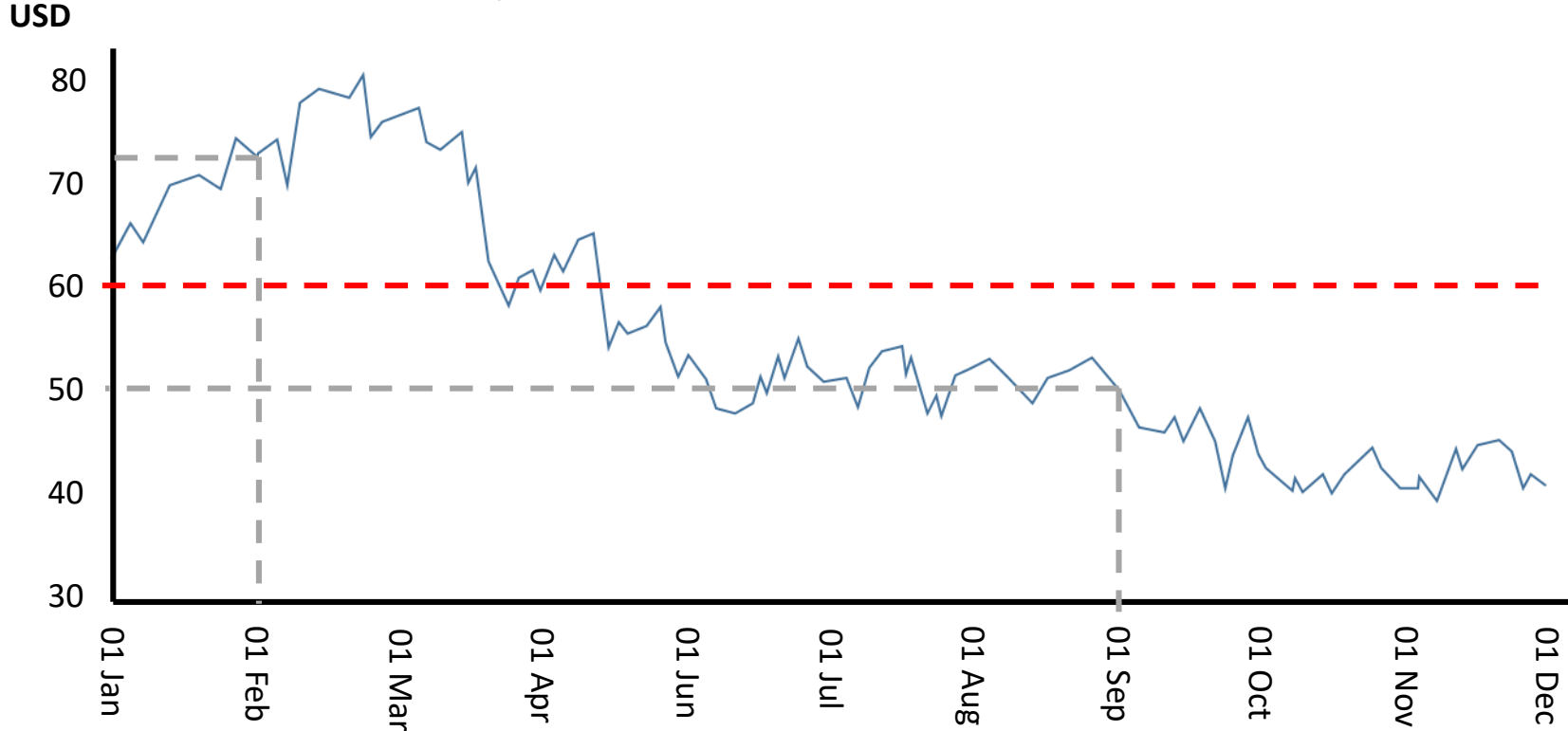


Insured



# Loss of Production Income (LOPI)

- Price insured at USD60 per barrel on 01 February
- Date of Loss: 01 September



**Policy: "Payable as indemnity"**



Underwriter



Insured



# Should Raj receive USD 60 per barrel?



a. YES

b. NO

c. DO A DEAL

d. I WONDER IF  
THERE IS A  
REFUND





## Our Panel



Underwriter



Insured



Underwriter

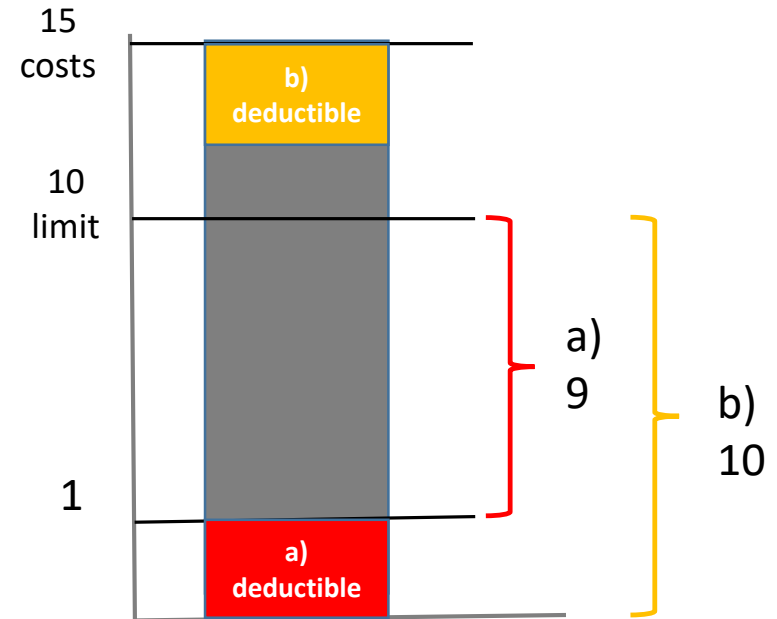


Insured



# Sub limit – Removal of Debris

- Costs: \$15m
- Sub Limit: \$10m
- Deductible: \$1m



**Policy:** No Average clause, deductible wording not an excess



Underwriter



Insured



# How much can Raj recover?



a. USD 15m

b. USD 10m

c. USD 9m

d. LET'S FACE IT  
THERE'S HOPE FOR  
ALL OF US



# Our Panel



Underwriter



Insured



Underwriter



Insured



# Storage Tank

- Collapse of ground works by large oil storage tank
- Overall Claim: \$10m
- Groundworks: \$5m



**Policy:** Excludes “land”



Underwriter



Insured



# Should Raj pay for groundworks?



a. YES

b. NO

c. DO A DEAL

d. SHOULD HAVE  
GONE TO  
ANGELA'S SESSION



# Our Panel



Underwriter



Insured





Underwriter



Insured



# Own workforce

- Utilise own labour for repairs
- Work normal and overtime to reinstate plant
- The Insured claims for the salary costs of the workforce
  - Salary costs \$5m
  - Overtime \$2m
  - Total \$7m







Underwriter



Insured



# Should Raj pay Gary USD 5m for salary costs?



a. YES

b. NO

c. DO A DEAL

d. JOE REALLY  
DOES WITTER  
ON



Underwriter



Insured



# Own workforce

- Utilise own labour for repairs
- Work normal and overtime to reinstate plant
- The Insured claims for the salary costs of the workforce
  - Salary costs \$5m
  - Overtime \$2m
  - Total \$7m





Underwriter



Insured



# Should Gary be paid USD 2m for overtime?



a. YES

b. NO

c. DO A DEAL

d. I HOPE THE  
OTHER SESSIONS  
AREN'T LIKE THIS



# Our Panel



Underwriter



Insured

RCA





Underwriter



Insured



# Root Cause Analysis (RCA)

- Major fire and explosion
- Insured undertake 3-month RCA
- Request for POA after 1 month
  - USD 10m
- RCA not yet completed





Underwriter



Insured



# Can Raj have his USD 10m?



a. YES

b. NO

c. DO A DEAL

d. IS RAJ  
SERIOUS





Underwriter



Insured



# RCA Cont...

- Comprehensive reporting on:
  - Causation
  - Origin
  - System review
  - Recommendations
- Cost of RCA: USD 3.5m
- Copy of report requested by Underwriters







Underwriter



Insured



# Should Gary pay USD 3.5m?



a. YES

b. NO

c. DO A DEAL

d. MATT DESERVES  
BETTER THAN THIS



# Our Panel



Underwriter



Insured



Underwriter



Insured



# Reasonable cost of repair

- Just prior to contract completion ... Insured damage to critical equipment
- Item sent to Europe for repair
- Airfreight \$5m more than original Sea Freight
- No expediting clause
- No DSU



**Policy:** “Reasonable costs of repair”



Underwriter



Insured



# Is airfreight recoverable?



a. YES

b. NO

c. DO A DEAL

d. IS IT TIME FOR  
A COFFEE  
BREAK?



Underwriter



Insured



# Our Panel



Underwriter



Insured



Underwriter



Insured



# Values

- The unit has been completely destroyed
- The unit is listed in a separate schedule at \$100m
- The cost of reinstatement is \$120m



**Policy:** Overall limit of \$1,000,000,000



Underwriter



Insured



# Can Gary get his full reinstatement value of USD 120m?



a. YES

b. NO

c. DO A DEAL

d. BAD CHOICE  
OF SESSION





# Our Panel



Underwriter



Insured



Underwriter



Insured



# Onshore Pipe blockage

- Pressure drop too high across underground line
- On investigation, line found to be blocked with hydrates
- There is no methanol injection on the line
- “Repairs” will cost \$10m



**Policy:** All Risks of sudden and accidental direct physical loss or damage to insured property



Underwriter



Insured



# Should Raj receive USD 10m?



a. YES

b. NO

c. DO A DEAL

d. NEXT YEAR IT  
WILL BE  
BALIHAMMER



# Our Panel



Underwriter



Insured



Underwriter



Insured



# CAR Premium

- Major incident requires two year re-build
- Brokers arrange CAR project policy for the repair program for USD 3m



Underwriter



Insured



# Can Raj recover policy premium as a reasonable expense?



a. YES

b. NO

c. DO A DEAL

d. I WASN'T LISTENING



# Our Panel



Underwriter



Insured





Underwriter

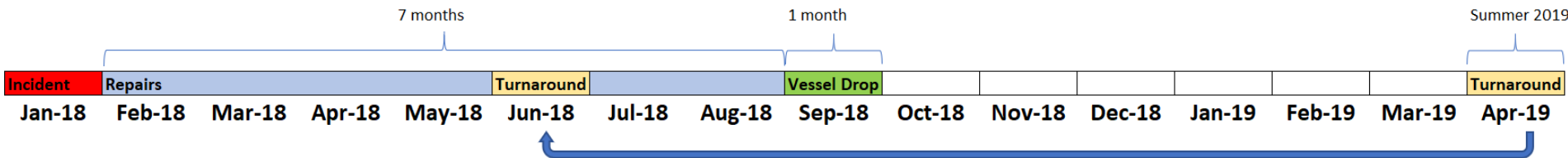


Insured



# Turnaround Brought Forward

- Incident occurs: 01 Jan 2018
- Repairs completed within 12month maximum indemnity period
- Turnaround scheduled for April 2019 brought forward
- Work carried out in parallel and did not extend shutdown
- Insured saved USD 30M by virtue of having no shutdown in 2019





Underwriter



Insured



# Can Raj take credit for the Turnaround?



a. YES

b. NO

c. DO A DEAL

d. I GIVE UP



Underwriter

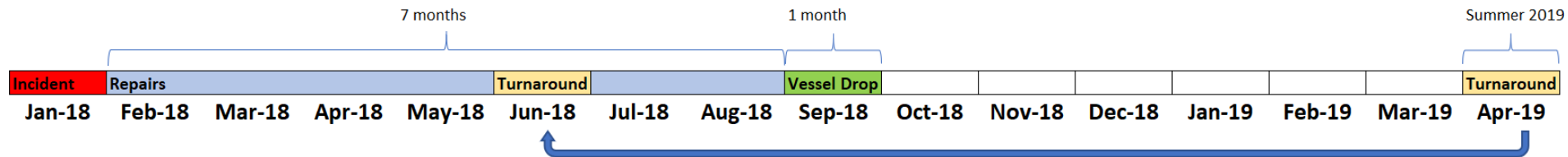


Insured



# Turnaround Brought Forward

- Incident occurs: 01 Jan 2018
- Repairs completed within 12month maximum indemnity period
- Turnaround scheduled for April 2019 brought forward
- Work carried out in parallel and did not extend shutdown
- Insured saved USD 30M by virtue of having no shutdown in 2019
- Shut down extended due to vessel being dropped during repairs





Underwriter



Insured



# Should Raj pay for the additional BI due to the dropped vessel?



a. YES

b. NO

c. DO A DEAL

d. I CAN'T BELIEVE  
I'M STILL IN THE  
WRONG SESSION