

ENERGY AND OFFSHORE COMMITTEE REPORT

DOMINICK HOARE
Watkins Syndicate, Lloyd's

Committee Members

- **Tim Burrows** **Wellington, Lloyd's, UK (Chairman)**
- **Dominick Hoare** **Watkins, Lloyd's, UK (Vice Chairman)**
- **David Cooper** **Gard Insurance Services, Norway**
- **Yoshihiro Tsuchiya** **Mitsui Sumitomo, Japan**
- **Frank Costa** **A.I.G., USA**
- **Len Messenger** **Zurich, UK (EX Officio)**
- **Phillippe Vivares** **Axa, France**
- **Neil Smith** **Lloyd's Market Association, UK**

Amsterdam 2005 Energy and Offshore Workshop

Lessons to be Learned Post Ivan

- **Aggregate Modelling / Could It Happen Elsewhere?**

**Professor Mark Saunders,
University College London**

- **BI / LOPI Wordings** **Paul Dawson, Beazley, Lloyd's**

- **Coverage and Adjusting** **Bryan Johnson**

B.C. Johnson & Associates, USA

- **Claims Coverage & Management**

Alison Maxwell, Watkins, Lloyd's

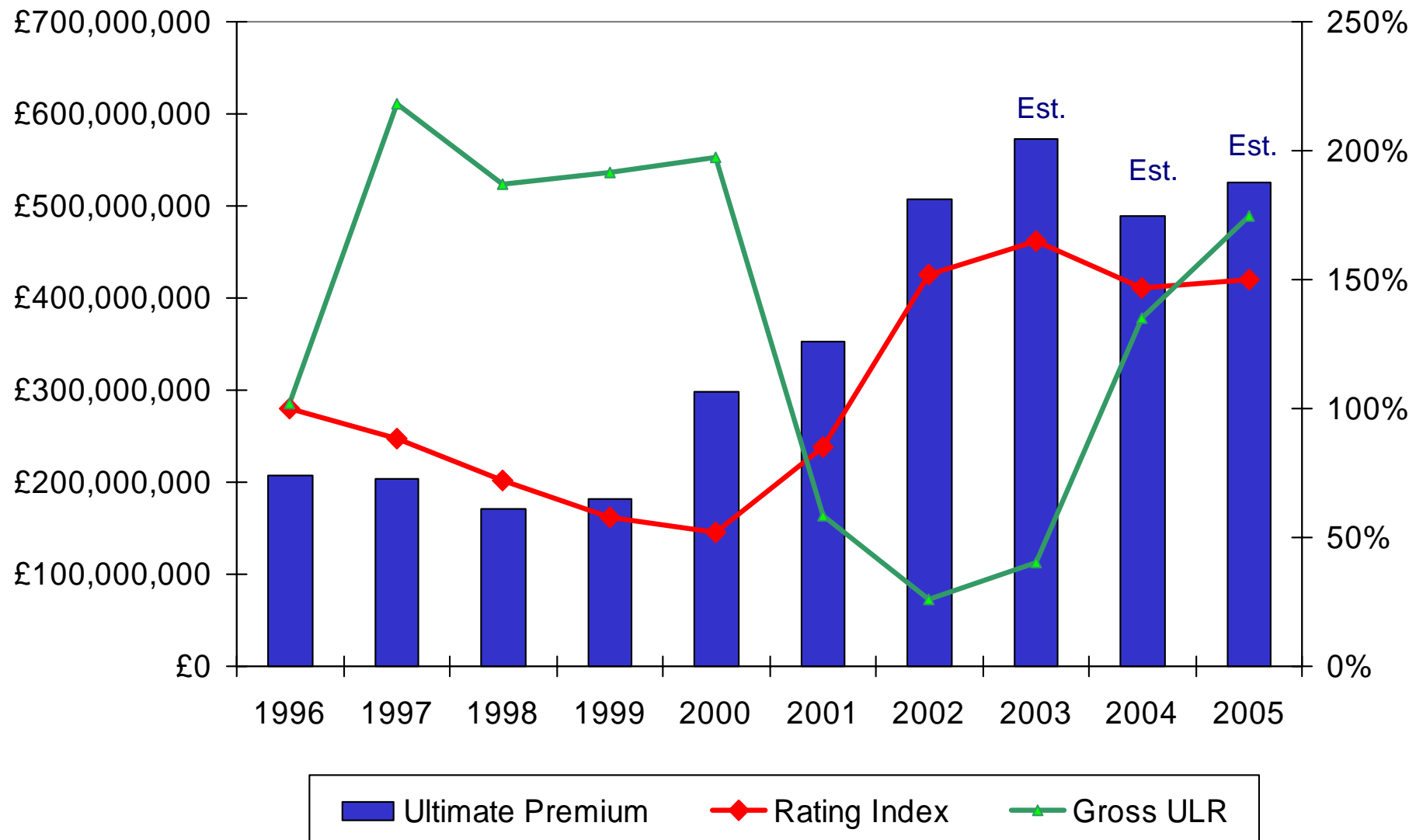
Review of Singapore 2004 Energy and Offshore Committee Workshop

Mobile Offshore Drilling Units

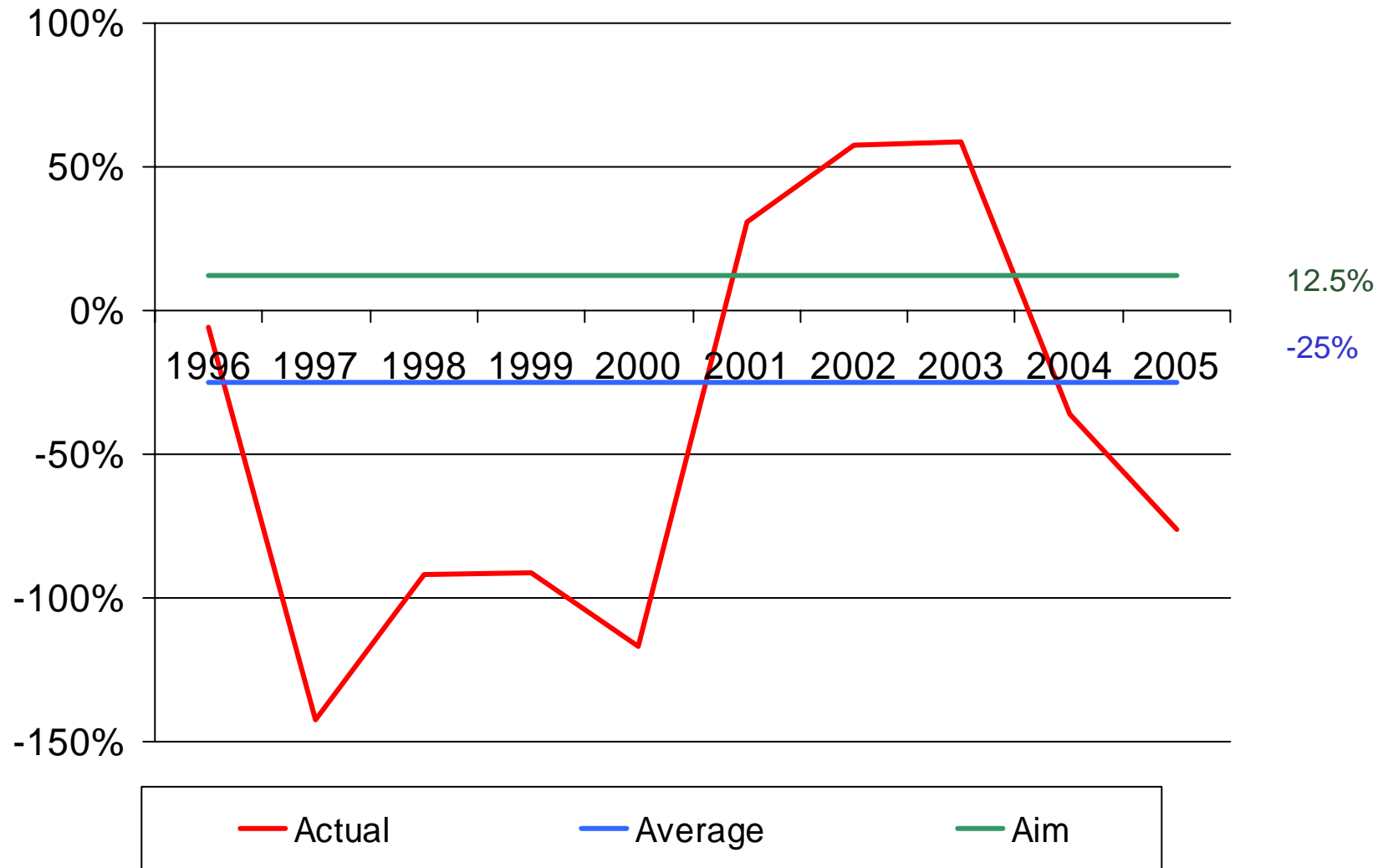
- **Mike O'Reilly from Noble Drilling gave an overview of the Offshore Drilling Contractor Industry**
- **Kevin Jarmen from Matthews Daniel looked at emerging technology, the fleet profile and lessons learnt from Hurricane Lili**
- **Quentin Prebble from Liberty Syndicate outlined the coverage issues in this difficult class of business**

Review of Lloyd's Statistics

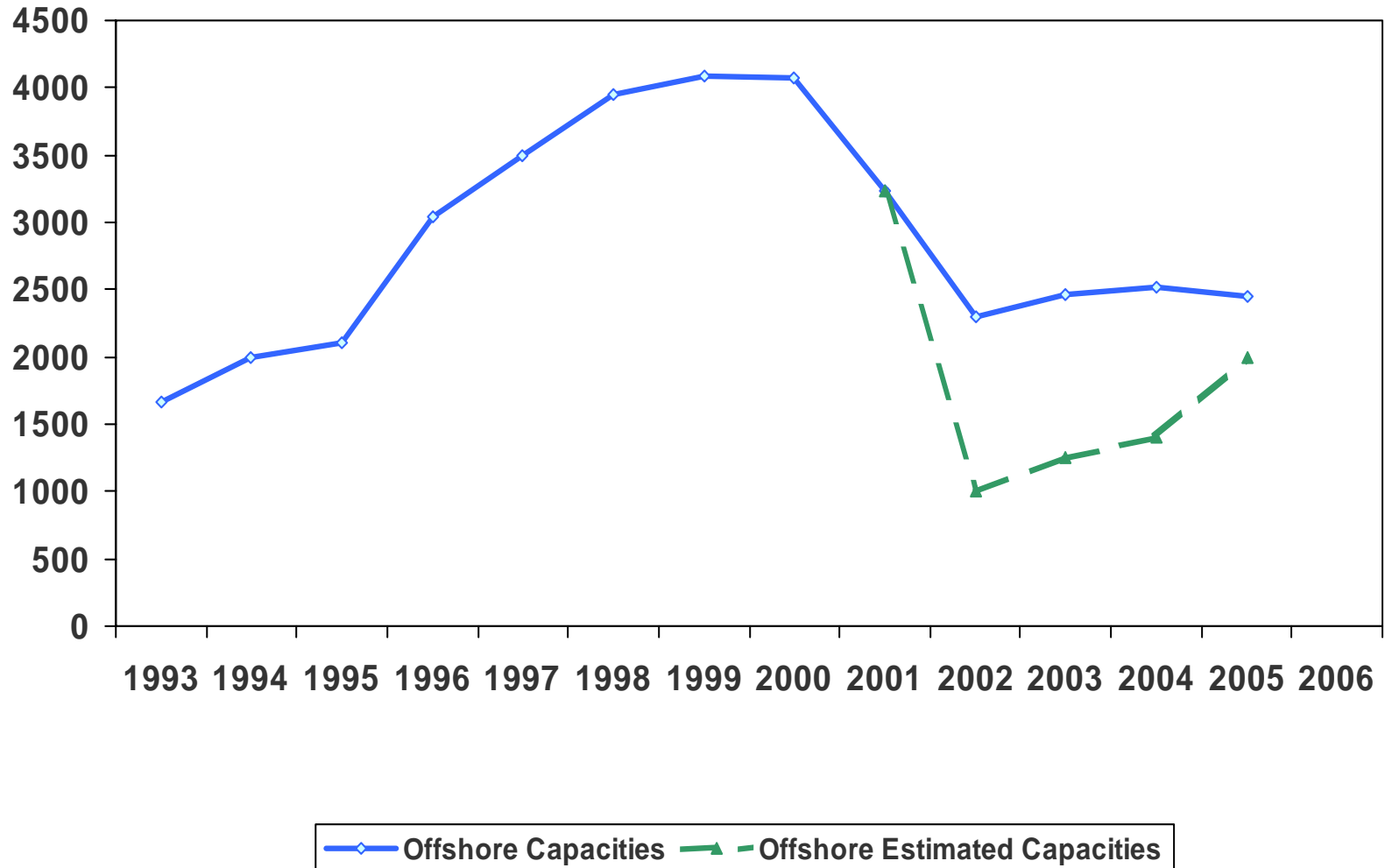
Profitability of Energy Business



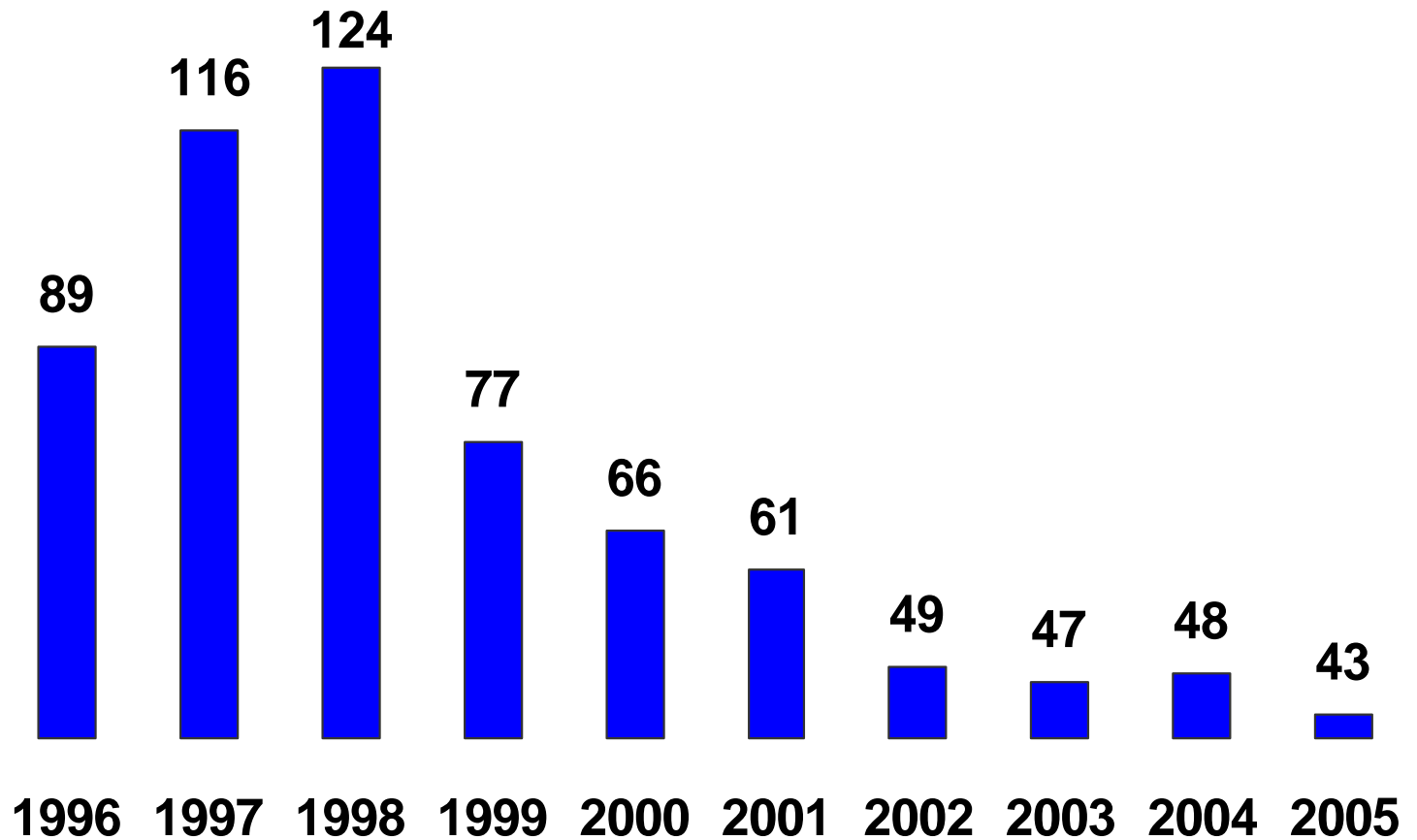
Return on Capital



Estimated Offshore Capacity



Number of Offshore Energy Insurers Worldwide



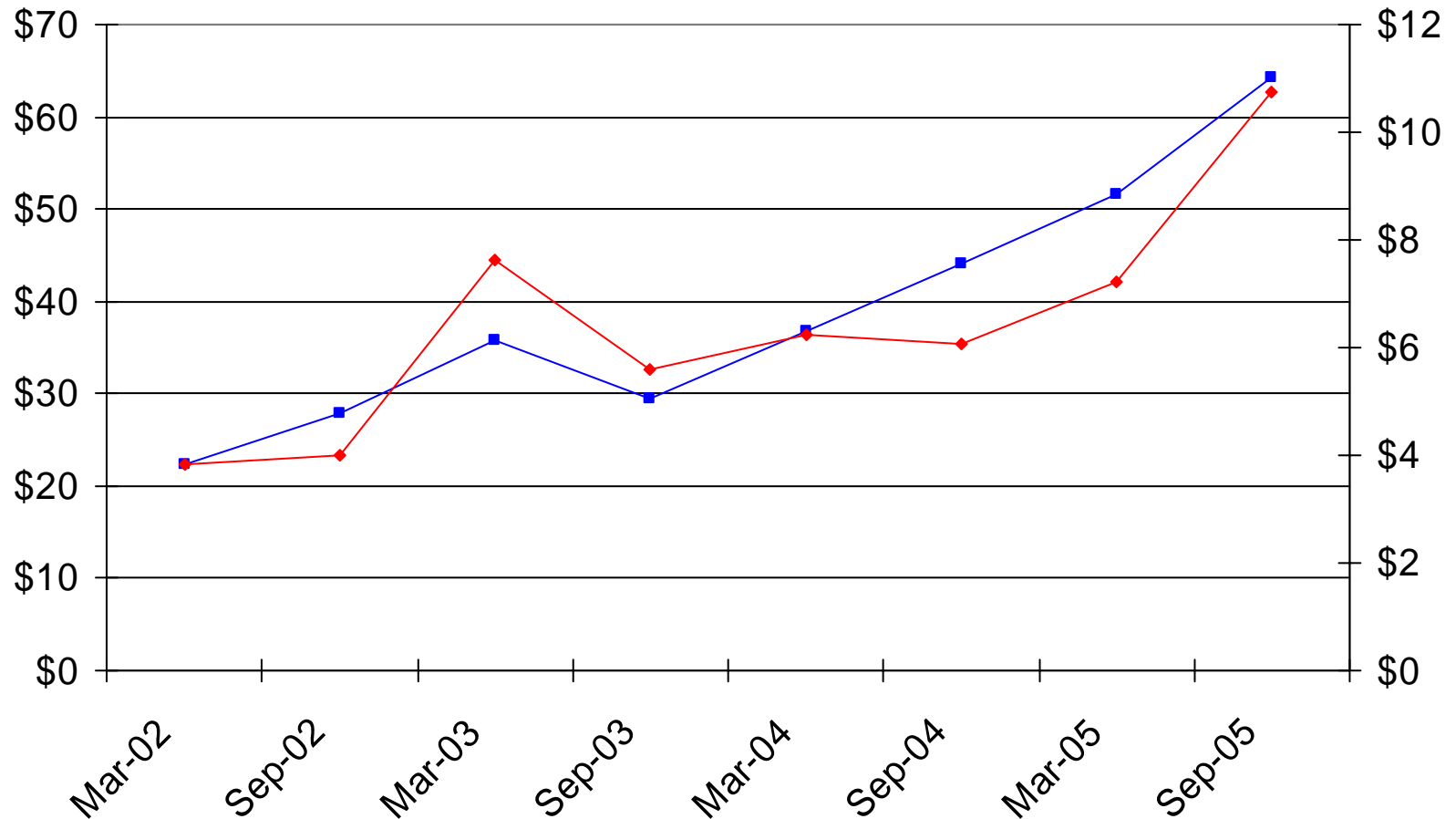
Industry Issues

- **High rig utilisation / Contractor day rates**
- **Commodity prices at historic high**
 - **Crude Oil (West Texas Intermediate) \$64.25/bbl**
 - **Natural Gas (Henry Hub) \$10.74/MMBtu**
- **Developing technologies**
 - **Ultra Deepwater**
- **Geopolitics**

Commodity Prices

WTI Crude Oil
\$/bbl

**Henry Hub Natural
Gas \$/mmbtu**



Hurricane Katrina

- **Major dislocation of the offshore sector**

As at 16/09/05 status of oil and gas production in the Gulf of Mexico:

37% of gas production remains shut in

56% of oil production remains shut in

- **58 platforms/rigs damaged with 37 completely lost**
- **Severe disruption of onshore terminals**

Hurricane Katrina / Conclusion

- **Offshore energy insured loss estimates for Katrina range from \$3bn to \$5.5bn**
- **Ivan insured loss of \$2.7bn in 2004**
- **Gulf of Mexico 5 year incurred loss ratio for windstorm estimated to be between 200% to 300%**
- **Possible significant withdrawal of capacity**
- **Industry changing event**
- **Fundamental re-appraisal of the global business model**