

SHIPMENT OF OIL,
NO WAY WITHOUT INSURANCE

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- **OIL OPERATION AND DEMAND ON INSURANCE.**
- **THE PRICE OF OIL AND THE FACTORS IMPACTING IT.**

OIL PRODUCTION AND CONSUMPTION

- **PRODUCTION IS AT A RECORD LEVEL OF THE MAXIMUM POTENTIAL.**
- **SHORTFALL OF OIL REFINING CAPACITY.**
- **POLITICAL TENSION IN OIL PRODUCING REGIONS.**
- **LACK OF INTERESTS OF THE OIL MAJORS IN INVESTING IN NEW OIL FIELDS.**

■ HOW A BARREL OF OIL IS USED?

Each barrel of oil holds 159 liters of which:

Gasoline	73.4
Diesel fuel and heating oil	36.7
Jet Fuel	16.3
Coke	7.6
Industry heavy fuel oils	7.2
Liquefied refinery gases	7.2

Still gas (refinery fuel)	6.8
Asphalt and road oil	5.3
Petrochemical feedstock	4.2
Lubricants	1.9
Kerosene	0.7
Other	1.5

OIL PRODUCTION & CONSUMPTION

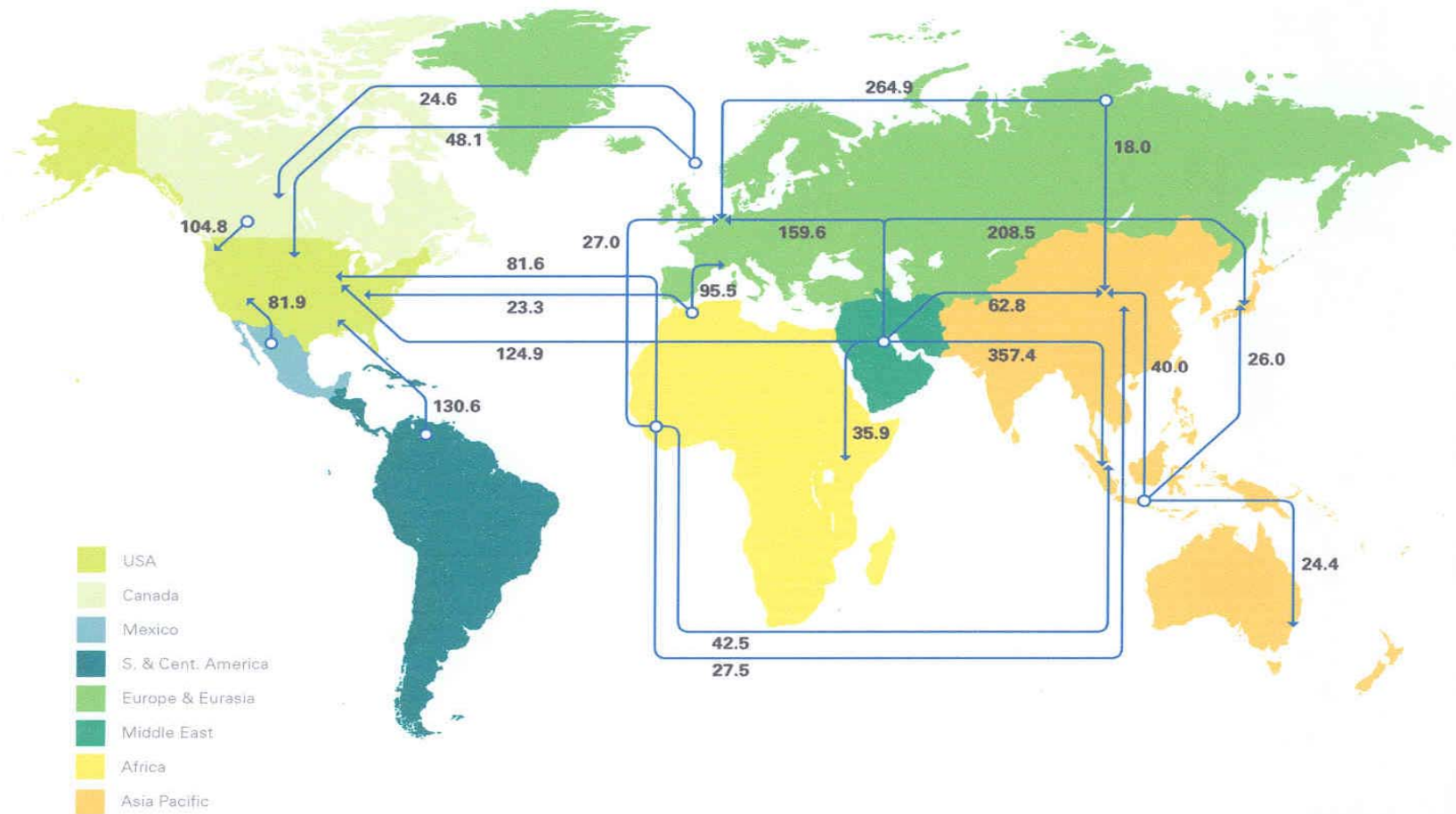
REGION	PRODUCTION		CONSUMPTION	
	1994	2004	1994	2004
North America	13807	14150	21232	24619
South & Central America	5347	6764	3976	4739
Europe and Eurasia	13657	17583	19752	20017
Middle East	20118	24571	4044	5289
Africa	7004	9264	2130	2647
Asia Pacific	7184	7928	17083	23446
World Total	67117	80260	68217	80757

THE MOVEMENT OF OIL

- **DAILY MOVEMENTS EXCEED 40mn b/d (2009.5 MILLION TONNES ANNUALLY).**
- **TRADING PATTERN SHOWS SEVEN MAIN ROUTES. THOSE WITH MAJOR OIL FLOWS ARE:**
 - ❖ **SUEZ CANAL. 3.8mn b/d**
 - ❖ **BAB EL MANDAB. 3.3mn b/d**
 - ❖ **BOSPORUS STRAITS. 3mn b/d**
 - ❖ **HORMUZ STRAITS. 15.5mn b/d**
 - ❖ **STRAIT OF MALACA. 11mn b/d**

Major trade movements

Trade flows worldwide (million tonnes)



- **MOVEMENT OF OIL ON SEA GOING TANKERS AND PIPELINES.**
- **PIPELINES ARE GAINING IMPORTANCE AS A MODE OF OIL TRANSPORT.**
 - ❖ **OPEC COUNTRIES HAVE 37,224 km OF OPERATIONAL PIPELINES.**
 - ❖ **THERE ARE 84,000 km OF PIPELINES PLANNED OR UNDERWAY AROUND THE WORLD.**

WHAT ARE THE DEMANDS ON INSURANCE

- OIL EXPLORATION, PRODUCTION, REFINING AND DISTRIBUTION.
- TRANSPORTATION OF OIL.
 - ❖ FROM THE WELL.
 - ❖ FROM REFINERIES TO THE CONSUMERS.

SHIPPING OIL ON TANKERS

- **INSTITUTE BULK OIL CLAUSES .**
- **THE TREND IS TOWARDS LARGER AND NEWER TANKERS.**
- **A 300,000 TONNES OF CRUDE OIL ON A TANKER IS US \$153mn OF FINANCIAL EXPOSURE (at \$70 per barrel).**
- **THE IMPACT OF THE HIGH FINANCIAL EXPOSURES ON:**
 - ❖ **THE CARGO INTERESTS.**
 - ❖ **THE TANKER OWNERS / OPERATORS.**

THE INSURANCE MARKET IS CAPABLE OF MEETING THE INCREASE IN DEMANDS FOR INSURANCE RESULTING FROM:

- **THE INCREASE OF THE PRICE OF OIL.**
- **LOWER DEDUCTIBLE RUN BY THE INSURERS, AND LESS RETENTION BY INSURERS.**

THE INCREASE IN VALUE AT RISK NECESSITATES THAT INSURERS:

- **MONITOR THEIR ACCUMULATED LIABILITY AT ANY ONE TIME TO MAKE SURE THAT THEY HAVE PROPER PROTECTION IN PLACE.**
- **PROTECT THE HIGH VALUE SHIPMENT FROM FRAUD.**

MOVING OIL THROUGH PIPELINES

- **LONDON STANDARD PIPELINE FORM.**
- **OIL IN PIPELINE IS INSURED, SUBJECT TO A LOSS LIMIT.**

- **SHIPPING OIL ON TANKERS AS AGAINST PUMPING IT THROUGH PIPELINES.**
- **IN BOTH INSTANCES OIL IS MOVED FROM ONE PLACE TO ANOTHER.**
- **HOWEVER IN A TANKER OIL IS STATIONARY WHILE IT MOVES. IN A PIPELINE OIL MOVES WHILE IT IS STATIONARY.**
- **PREMIUM IS CHARGED ON ALL OIL SHIPPED ON TANKERS, WHILE IN PIPELINES PREMIUM IS CHARGED ON AN ANNUAL LOSS LIMIT. HOWEVER, IN BOTH CASES ALL LOSSES ARE PAID.**

“SHIPMENT OF OIL, NO WAY WITHOUT INSURANCE”

- **IS CORRECT, BUT**
- **TILTED IN FAVOUR OF THE INSURED.**