

CLAIMS, YESTERDAY AND TODAY

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IUMI - Berlin 1999

1. Faulty design, including the part
2. Cancellation etc. cost clause
3. New for Old
4. Attritional losses
5. Sums insured - v – Value at Risk

1, 2 & 4 dealt with. 3 & 5 remain a problem!



Sum Insured – value at risk?

Ergo Premium

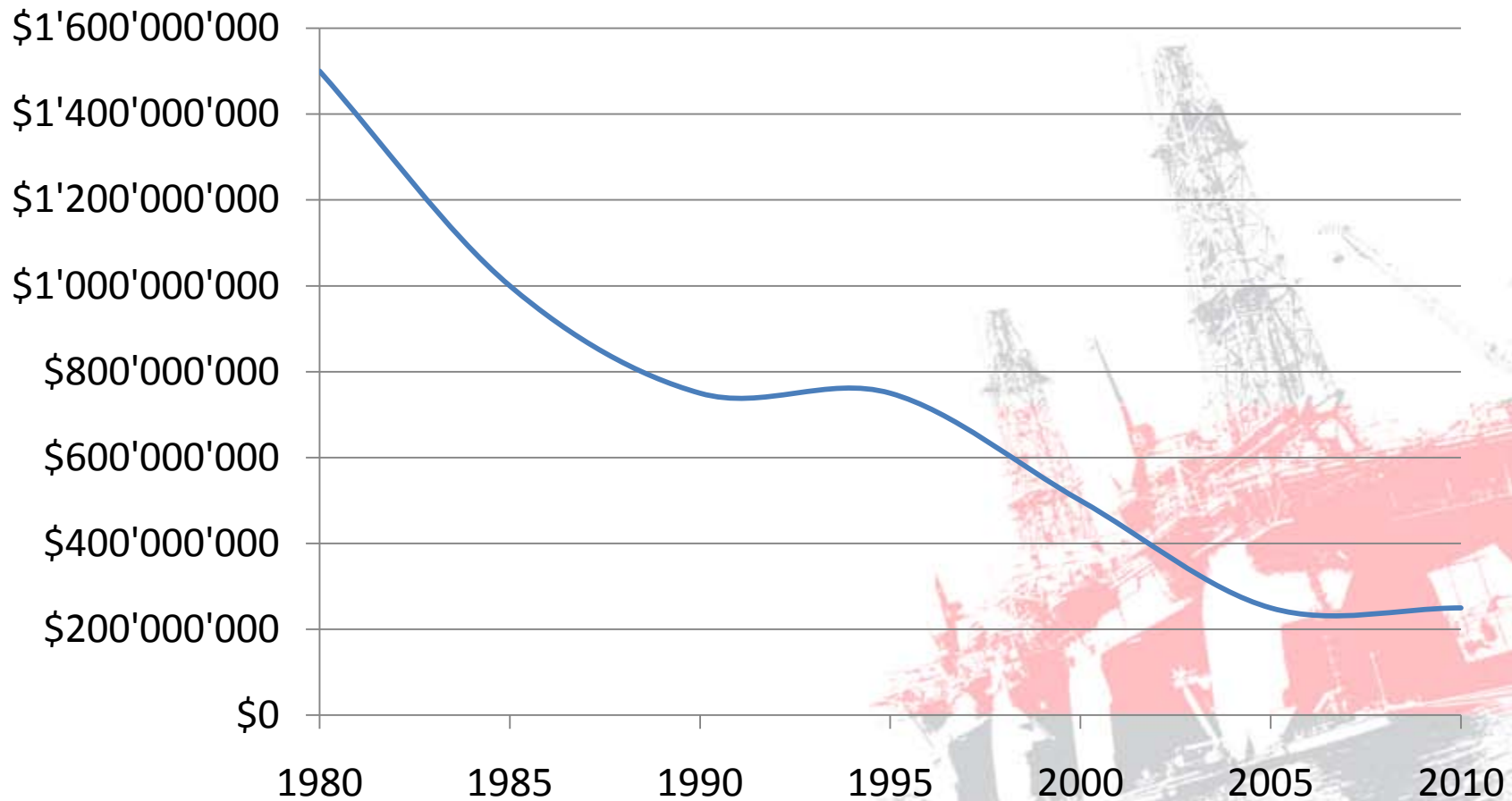
New build:

Sum Insured:

1980	US\$ 1,500,000,000
1985	US\$ 1,000,000,000
1990	US\$ 750,000,000
1995	US\$ 750,000,000
2000	US\$ 500,000,000
2005	US\$ 250,000,000
2010	US\$ 250,000,000

All policy terms and conditions remain constant

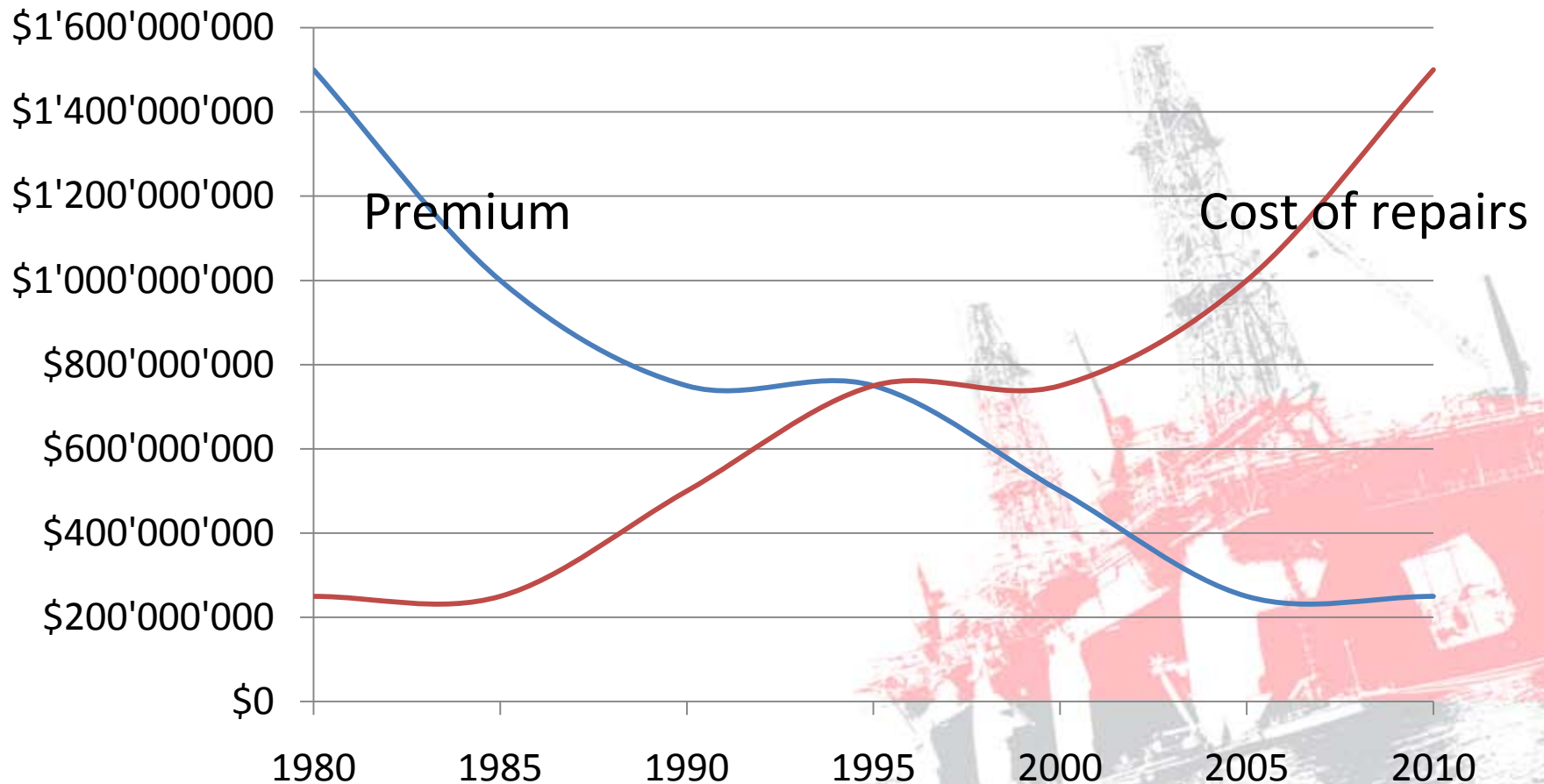
Sum Insured – value at risk?



Cost of repairs - unitised

1985	1.0
1990	1.5
1995	2.5
2000	4.0
2005	3.5
2010	4.0

Cost of repairs - v - Sum insured / Premium



Results

- Value at risk decreases (premium income decreases)
- Cost of repairs increases
- A small loss becomes a constructive total loss
- New for Old remains constant

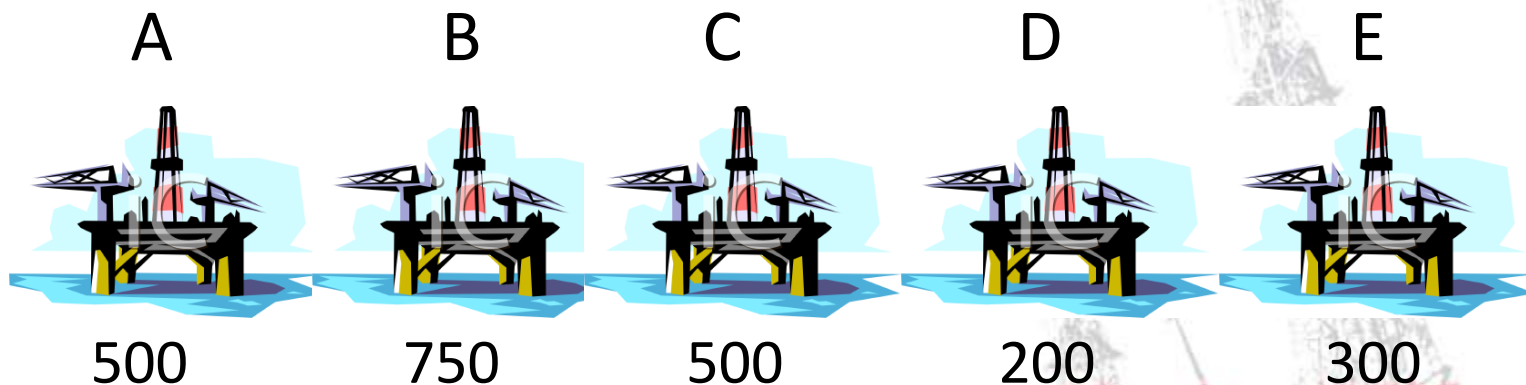
BUT

- Removal of debris remains constant
- Liabilities remain constant



Group Sums Insured: –

North Sea Diamond field – each new build US\$ 1,000,000,000

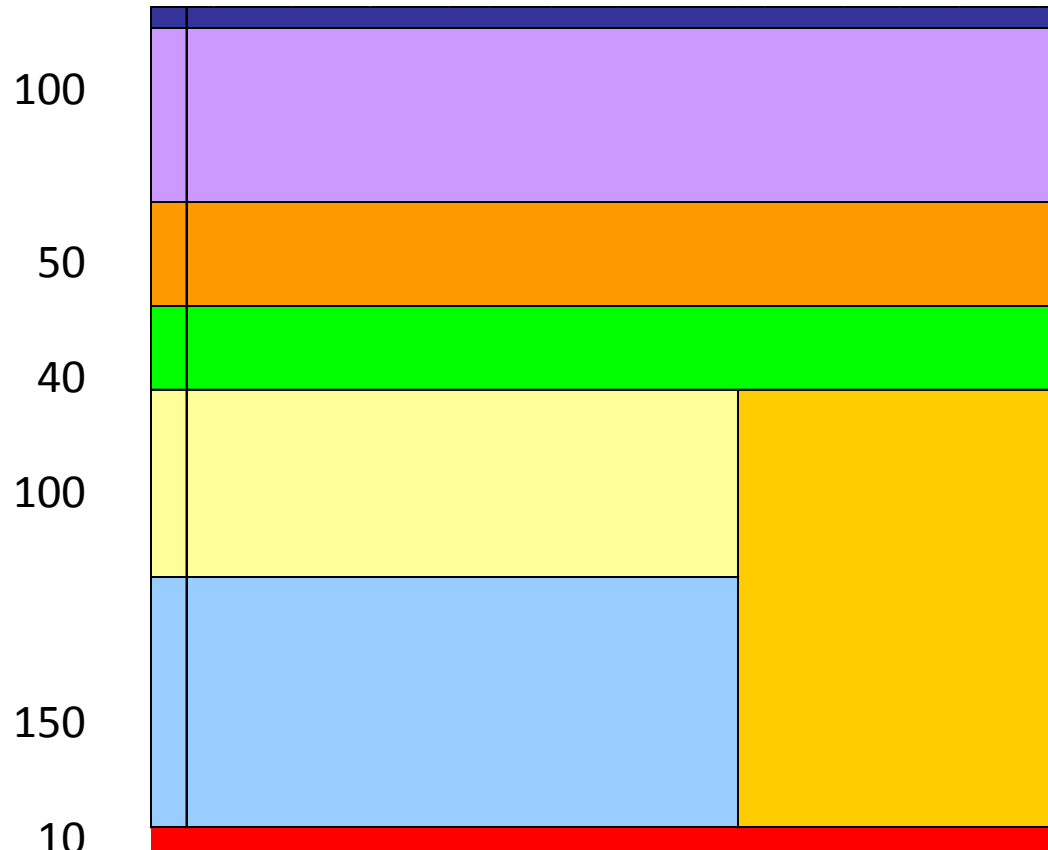


Group sum insured US\$ 2,250,000,000

Value at risk US\$ 5,000,000,000

B is destroyed. Cost to reinstate US\$1,500,000,000

Stacking - Tower Policies



Limits annual and in the aggregate

Stacking - Tower Policies

Sum insured

100

50

40

100

150

10

Units premium

8

10

15

20

25

Limits annual and in the aggregate

The Problems

- Uninsured - v - drop down
- Layer buy-out for discount
- Apportionment of costs and adjusters fees
 - Shared equally
 - Shared in proportion to exposure
 - Paid in full until exhausted



Pipelines – What is damage?

- Laid in the wrong place
- Full of wax or otherwise blocked
- Left lunch box and tools inside
- Euler creep
- Loss of overburden
- Corrosion



Law and Jurisdiction

- Canadian Law
- Welsh Law



Subrogation

- The good
- The bad
- and the ugly!



Unrepaired damage?

- End of field life
- When upgrade is required
- When short of cash
- When no longer required
- When still serviceable



In Search of Profit

1. Pipe laying - welding
2. Pipe manufacture
3. Safety
4. Subcontract – outsourcing
5. Self-regulation



Continuing Areas of Concern

1. Safety
2. Pipe laying - welding
3. Pipe manufacture
4. Subcontract - outsourcing - Self-regulation
5. New for Old
6. Full value declaration
7. Removal of debris – v – control of well
8. Definitions eg. Damage