

IUMI 2010 ZURICH

12 – 15 September

Energy and Offshore Committee

IUMI Conference

Zurich, 14 September 2010

Frank Costa

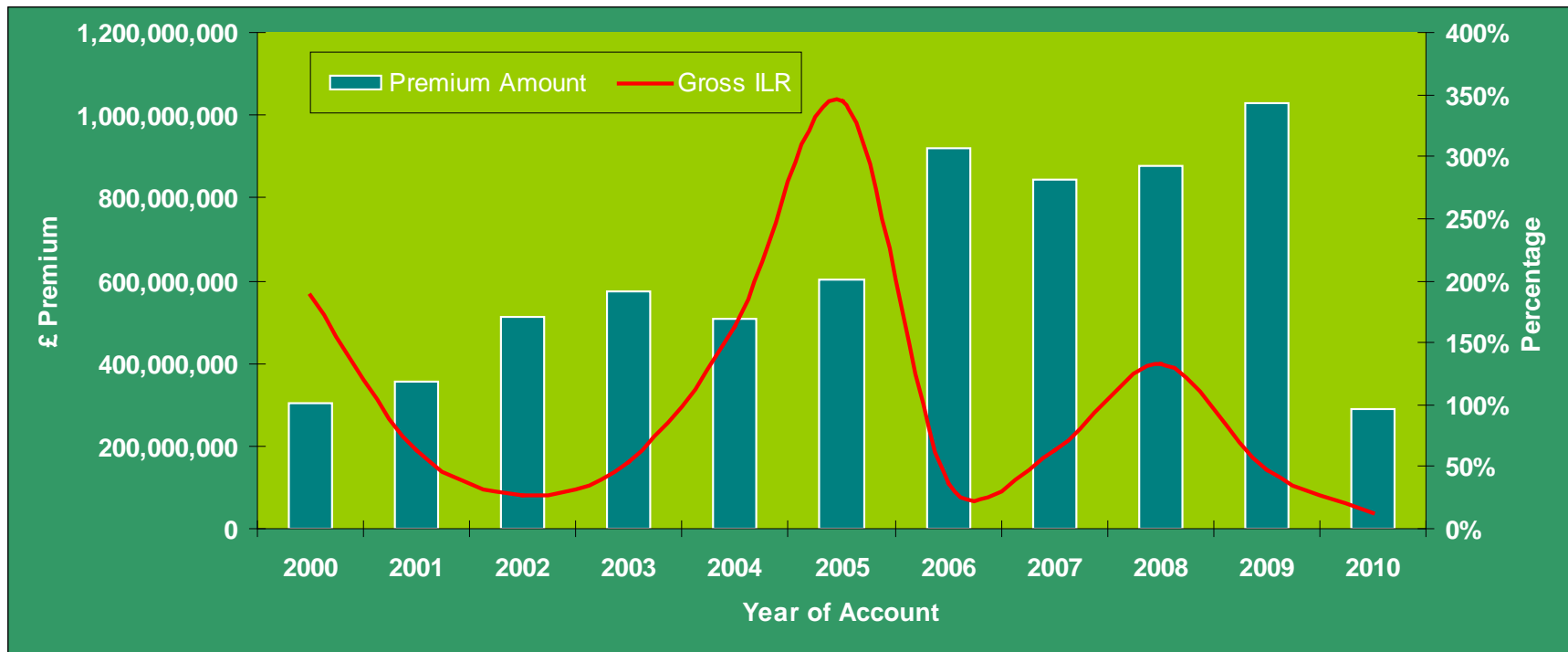
Chairman

- Committee membership
- Lloyd's offshore underwriting statistics
- Market overview
- Market issues
- Workshop introduction

Energy and Offshore Committee Membership

- Frank Costa (Chairman) W.R. Berkley, USA
- Mel Causer Zurich, USA
- Olivier Perraut Scor, France
- Jan Hugo Marthinsen Gard, Norway
- Simon Williams Hiscox, UK
- Tetsuo Isawa MSI, Japan
- Christopher Wildee Chaucer, Singapore
- Mohamed Khalifa Misr, Egypt
- Carlo Franchini (EC Liaison) Ina Assitalia, Italy
- Richard Harries Atrium Syndicate
- Neil Smith (Secretary) LMA, UK

- Offshore Physical Damage/Control of Well
- Underwriting Year Basis
- Net of Acquisition Costs
- Before Reinsurance Costs/Recoveries
- Actual NOT Ultimate Figures
- Representative of Worldwide Market

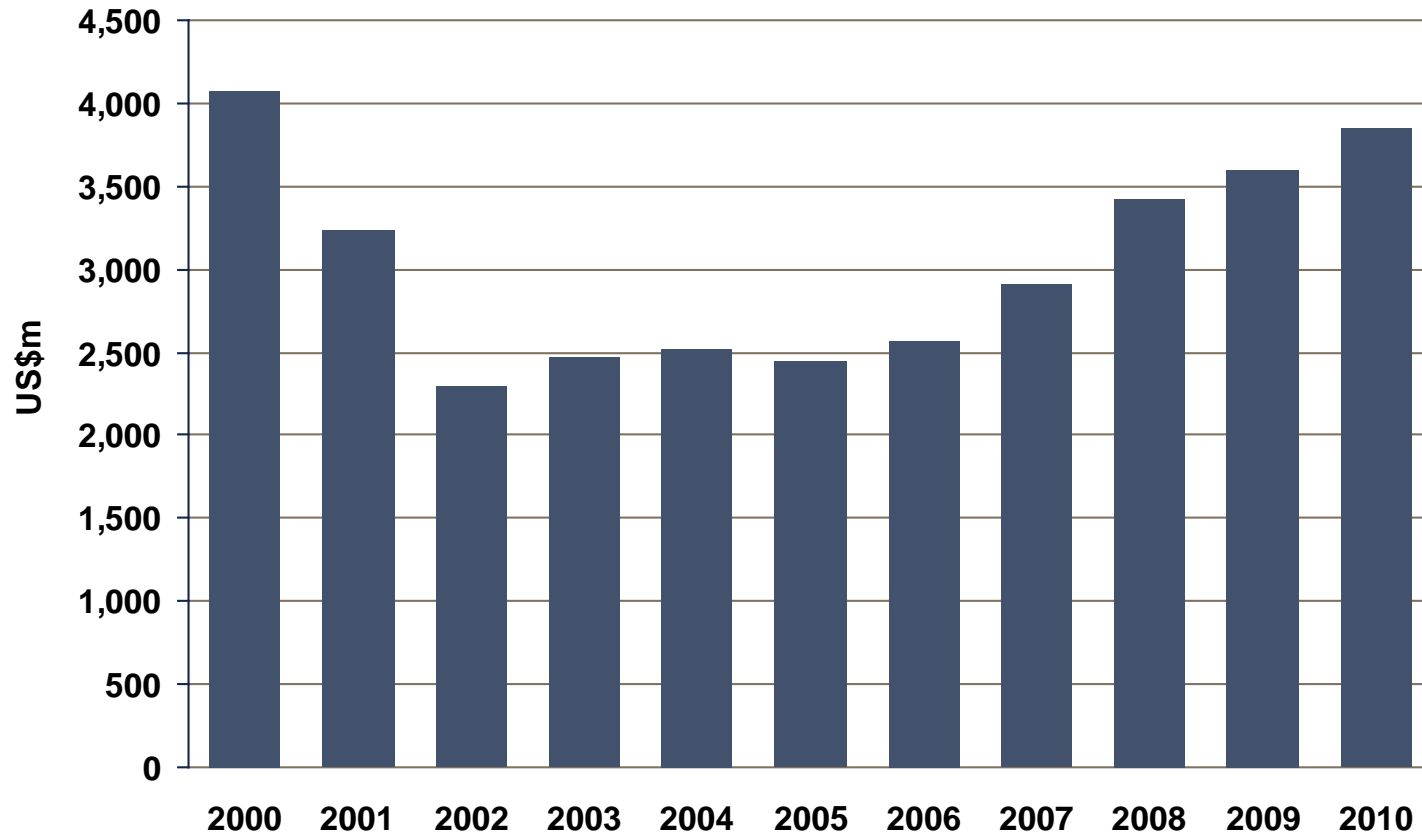


Source: Lloyd's

Underwriting Result

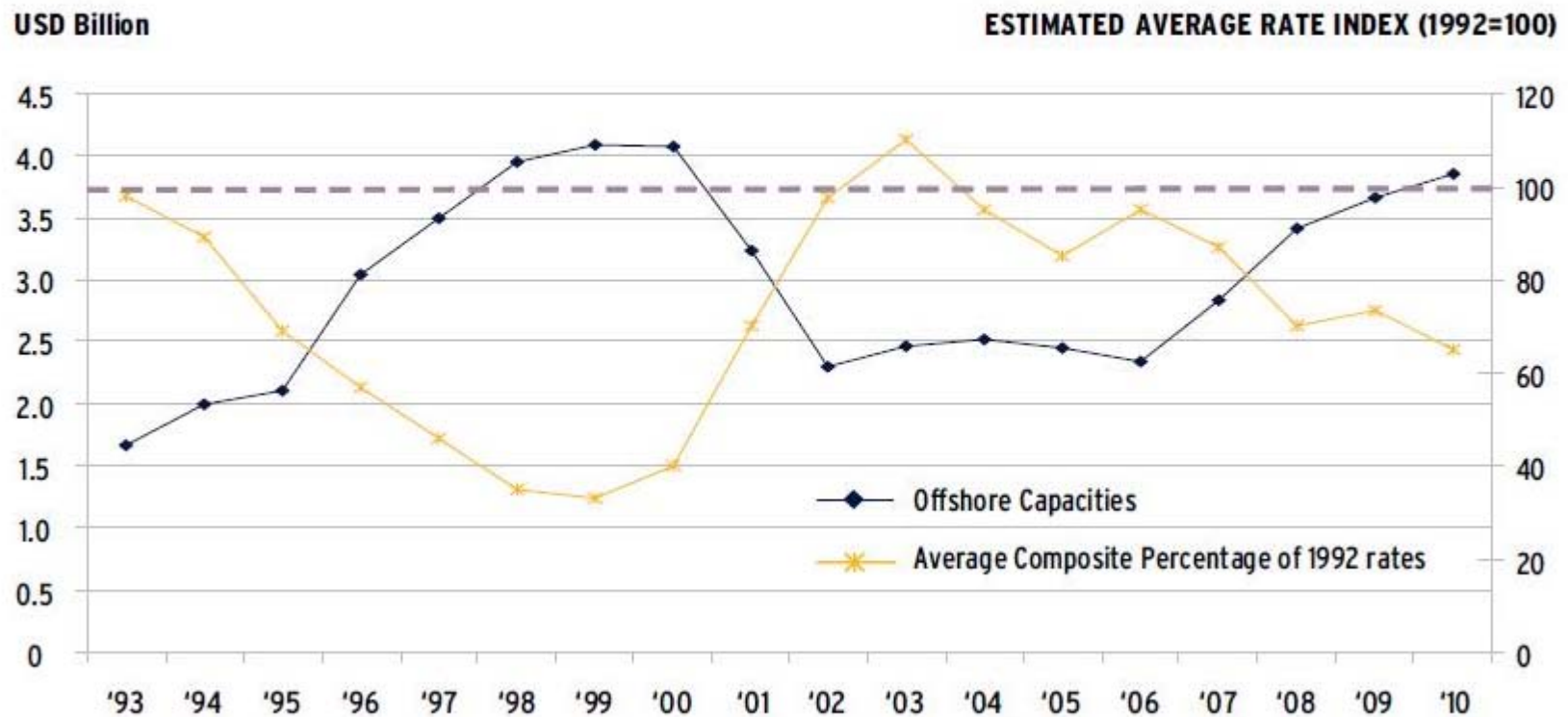
- **Positive:**
 - Increasing Premium base
- **Negative:**
 - Attritional Losses trending Higher
 - Large losses eroding results
 - Five year Loss ratio 125%, excluding Deepwater Horizon

Upstream Operating Underwriting Capacities 2000-2010 Excluding Gulf of Mexico Windstorm



Source: Willis

**ENERGY INSURER CAPACITIES AND AVERAGE RATING LEVELS, 1993-2010
(EXCLUDING GULF OF MEXICO WINDSTORM)**



Source: Willis

Hurricane Season

- No activity, as of now
- Somewhat more wind insurance purchased
- Pricing stable
- How will the industry make up the wind deficit?

“Deepwater Horizon” Was it a market changing event?

- Underwriting impact
- U.S. deepwater drilling moratorium
- Stark example of “The New Frontier”

Oil Pollution Act of 1990 (OPA 90)

Liability of responsible parties for oil spills in U.S. Waters

Current Law

- Financial responsibility required for responsible parties:
 - Offshore facilities \$150 MM for all removal and clean up costs
 - Economic damages capped at \$75 MM
 - Direct action against guarantors

Proposed Law

- Offshore facilities \$300 MM + (?)
- Economic damages \$500 MM - \$1BN (?)

OPA Changes

- “Guarantor Capacity” ?
- OPA coverage in offshore insurance contracts
- Alternatives to the commercial market

The Challenge of New Frontiers

- Deepwater Drilling and Well Control Andrew Rees, Matthews Daniel
- Claims, Yesterday and Today Dudley Chapman, Lloyd Warwick

Panel Discussion

- Roles and Responsibilities in the Oil Patch - Are there any?

Andrew Rees
Terry Robinson
Dudley Chapman
J.H. Marthinsen

Take-aways:

- Deepwater technology has introduced significant new risk exposures.
- Developments in the Offshore industry have expanded our premium base
- The current underwriting result is unacceptable