

Karachi Insurance Institute

A Claims Management Perspective

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Agenda

- Marsh Overview
- Insurance Contract Flow
- Key Roles in the Claims Process
- Pre & Post Loss Actions
- The Claims Consultancy Process

Marsh Overview

Marsh – What We Do

- NOT a (Re)Insurance Company
 - Our Loyalty is to the Insured
- Services Include:
 - Risk Evaluation/Analysis (e.g. Estimated Max. Loss study)
 - Risk Transfer Advisor
 - Risk Consultant
 - Claims management and collection
- Intermediary within the Insurance Market
 - Understanding & know-how
 - Relations
 - Communication to manage expectations

Marsh Global Energy & Power Hubs



Marsh Global Energy & Power Claims

Scale & Reach...



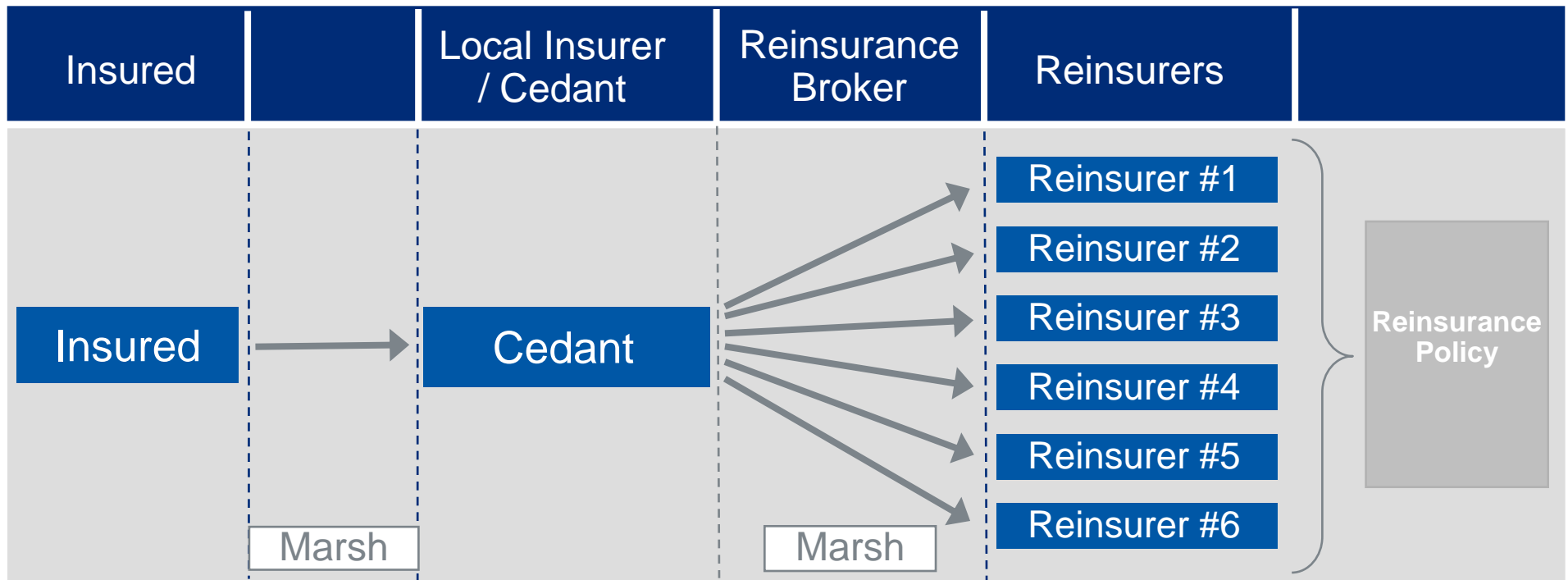
Insurance Contract Flow



How does Reinsurance work?

- **Insured/Assured**
 - The person(s) or entity protected under a contract of insurance
- **Local Insurer / Reinsured / Cedant**
 - The insurance company that undertakes to indemnify for losses
- **Reinsurance/Insurance Broker (Marsh)**
 - A broker is a full-time specialist with professional skills in handling insurance business
- **Reinsurers / Underwriters (Various)**
 - Insurer of an insurer. The insurer who accepts by way of reinsurance the whole or part of risks or exposures assumed by another insurer

How does Reinsurance work?



The Claims Procedure



Key insurance roles in the claims process

(Re) Insurer's role in the claims process

- Accept notification and appoint appropriate expertise
- Be the focal point for the Insured / broker and following market
- Accurate reserving
- Establish validity of the claim (coverage)
- Lead negotiations
- Pay valid claims



Third party experts in the claims process

- **Adjuster (s)**
 - Impartial / present on the facts
 - Selected jointly by Insurers and Insured
 - Key contact and controlling influence in the claims process.
- **Independent Engineers**
 - Civil, mechanical, material failure experts, chemical etc
 - Used for both RCA analysis and quantum evaluation
- **Forensic Accountants**
 - Certify records, looking at trends in production etc.
 - Claims preparation
- **Lawyers**
 - 1st party look at coverage, advise market on case law
 - 3rd party, monitor legal proceedings

Preparation & Prevention Pre-Loss

Claims Procedures

Pre-incident action plan

- Appoint key contacts for claims notification and information gathering
- Understand what the policy covers / conditions that apply
- Insurance awareness training
- Distribute and be familiar with the Claims Manual

Actions in the event of an incident

“

Actions taken during the first hours and days following the occurrence of an incident are extremely important and a well prepared Insured, who executes best practice, will generally be able to optimise (in both speed & quantum) their recovery from the insurance programme.

”

Claim Procedures

Post incident actions

- Take reasonable steps to mitigate the loss. Act as a prudent uninsured
- Prior to dismantling / repair work, take photographs
- Preserve damaged equipment for further inspection
 - protect from the elements
- Notification to third parties holding them responsible
 - protect Insurers rights of recovery against third parties

Claim Procedures

Post incident actions

- Effect temporary / emergency repairs required to resume operations
- Obtain witness statements as soon as possible
- If applicable, restore fire protection to site

Claim Procedures

Post incident actions

- Open a Claim File
 - Duplicate all information handed to other parties
 - Document everything
- All expenses relating to the loss should be carefully recorded to **separate cost-centre(s)**

Claim Procedures

Post incident actions

- Third partly liability claims:
 - **Do not** admit to or assume responsibility / fault (even verbally)
 - Co-operate fully with legal authorities
 - After initial contact, limit communications with any third party claimants
 - Any communication received from a 3rd party should be forwarded without reply to your broker

The Claims Consultancy Process

Are contracting parties expectations aligned from the start?

Customer Focus

People / Business

Loss Control

Communication/Media

Regulatory bodies

Shareholders / Partners

Insurer Focus

Cost

Expert Access

Communication

Reinsurance

Coverage

Are contracting parties expectations aligned from the start?

Customer Focus

People
Loss Control
Communication/Media
Environmental Agencies
Shareholders / Partners

Insurer Focus

Cost
Expert Access
Communication
Reinsurance
Coverage

Preparation & Prevention

Understand the clients business, client training, wording analysis, claims protocol, provide claims data, case studies

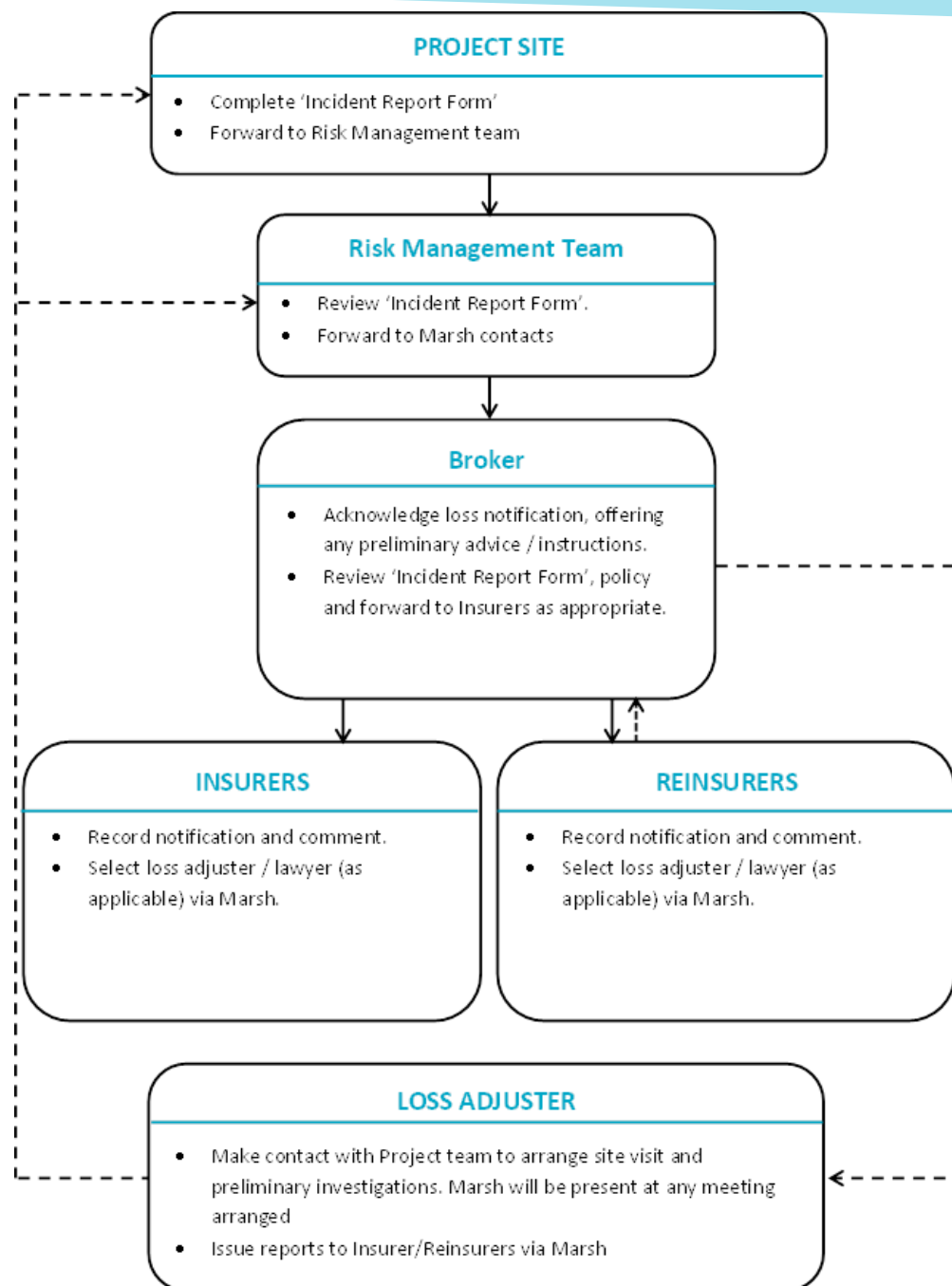
Notification and Acknowledgement

Important to start on the right foot - set the tone for the way the claim will proceed

- Attention to the notification clause:

“Claims likely to exceed the individual deductibles specified in the schedule shall be notified as soon as practicable but within 30 days after the occurrence to the insurers...”

- Insurers denying liability if position is prejudiced
- If in doubt, notify the loss
- Late:
 - Claim did not become apparent
 - Client not aware of coverage
 - Waiting to see if deductible breached



Preparation & Prevention

Understand the clients business, client training, wording analysis, claims protocol, provide claims data, case studies

Notification and Acknowledgement

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Coverage

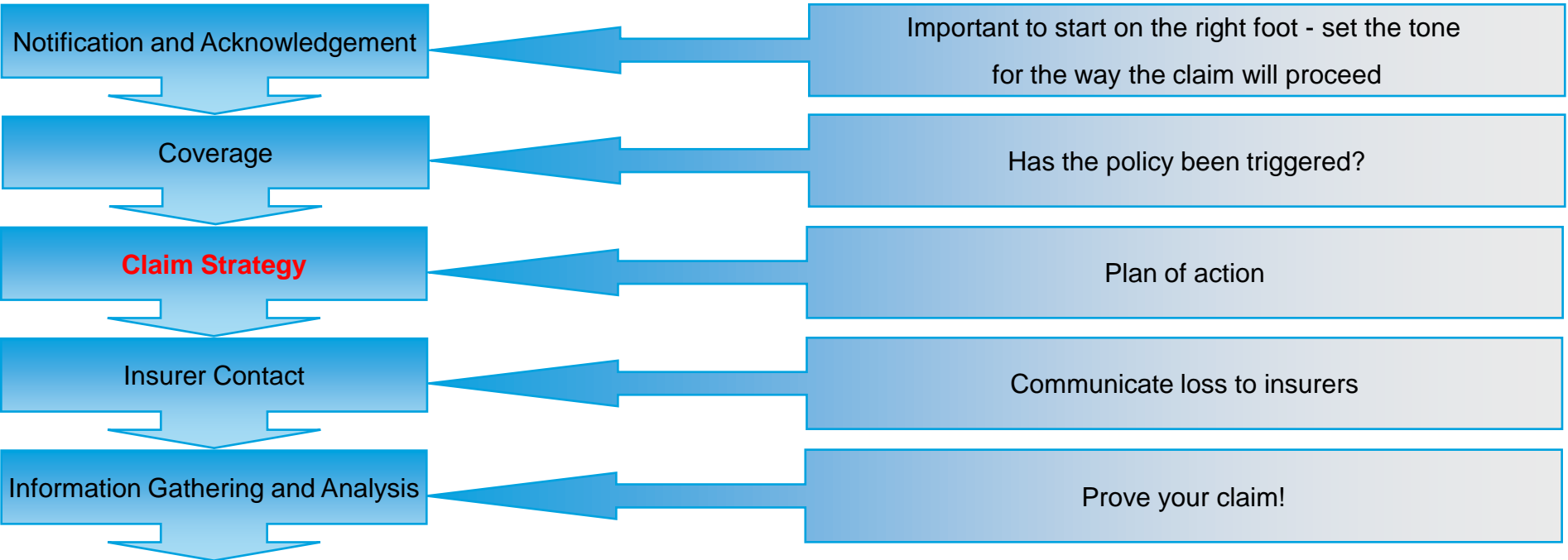
Has the policy been triggered?

Coverage:

- 1st Stage to manage expectations
- Sub limits – ROW, Schedule B values
- Exclusions

Preparation & Prevention

Understand the clients business, client training, wording analysis, claims protocol, provide claims data, case studies



Claim Procedures



- Assureds responsibility to prove their loss
 - FACS
- Insurers experts investigate
 - Damage
 - Root Cause
 - Costs
- Engage with Insurers
- Establish coverage early
- Pursue interim payments
 - What does this show clients?
- Communication with all parties
 - Talk about the issues
 - Never all black and white
 - Client dynamics, points of contact, experience

Claim Procedures



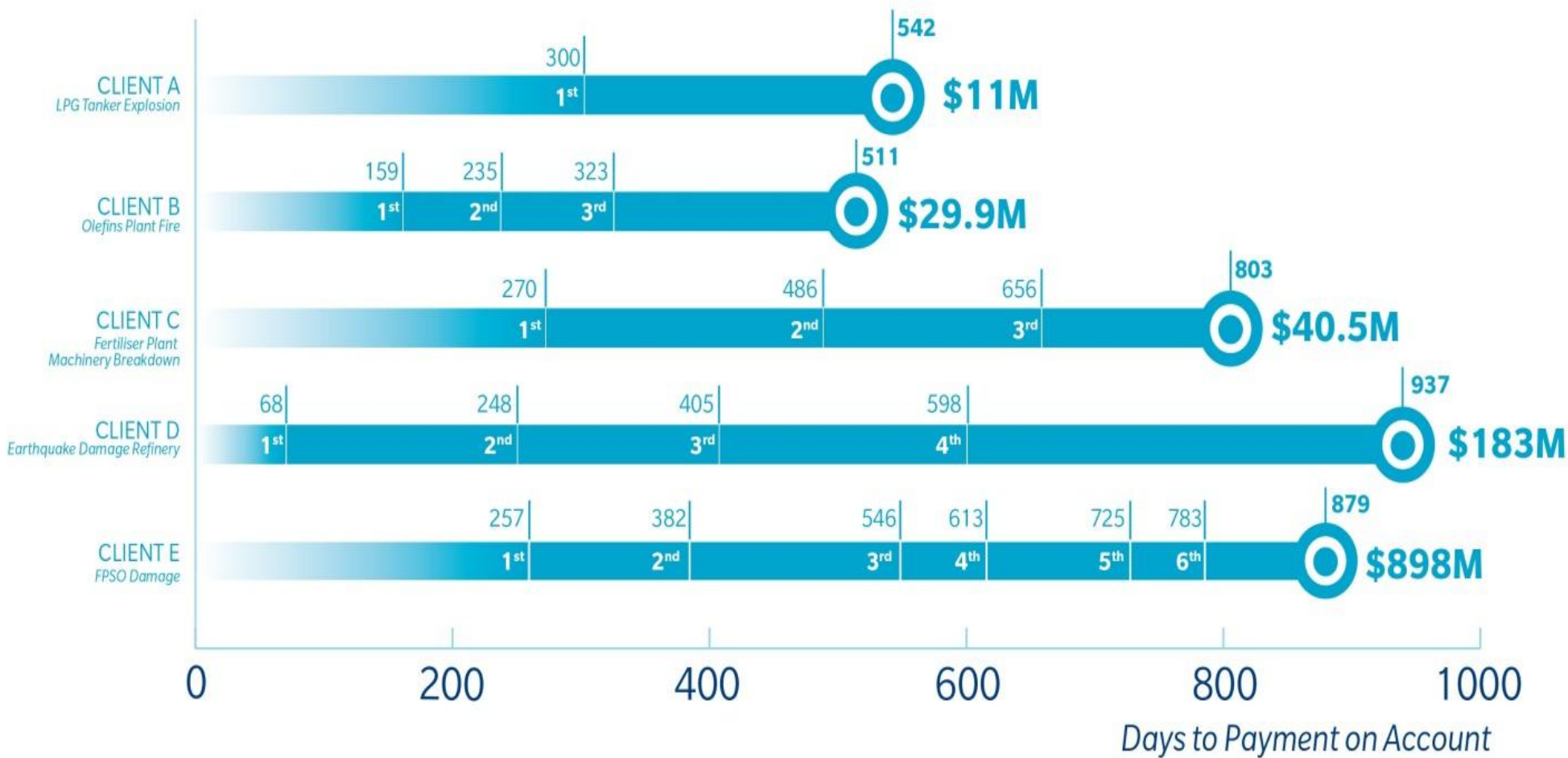
- For more complex claims / areas of grey in the policy
- Single point of contact with authority
- Mediation
- Satisfactory Settlement

Claim Procedures

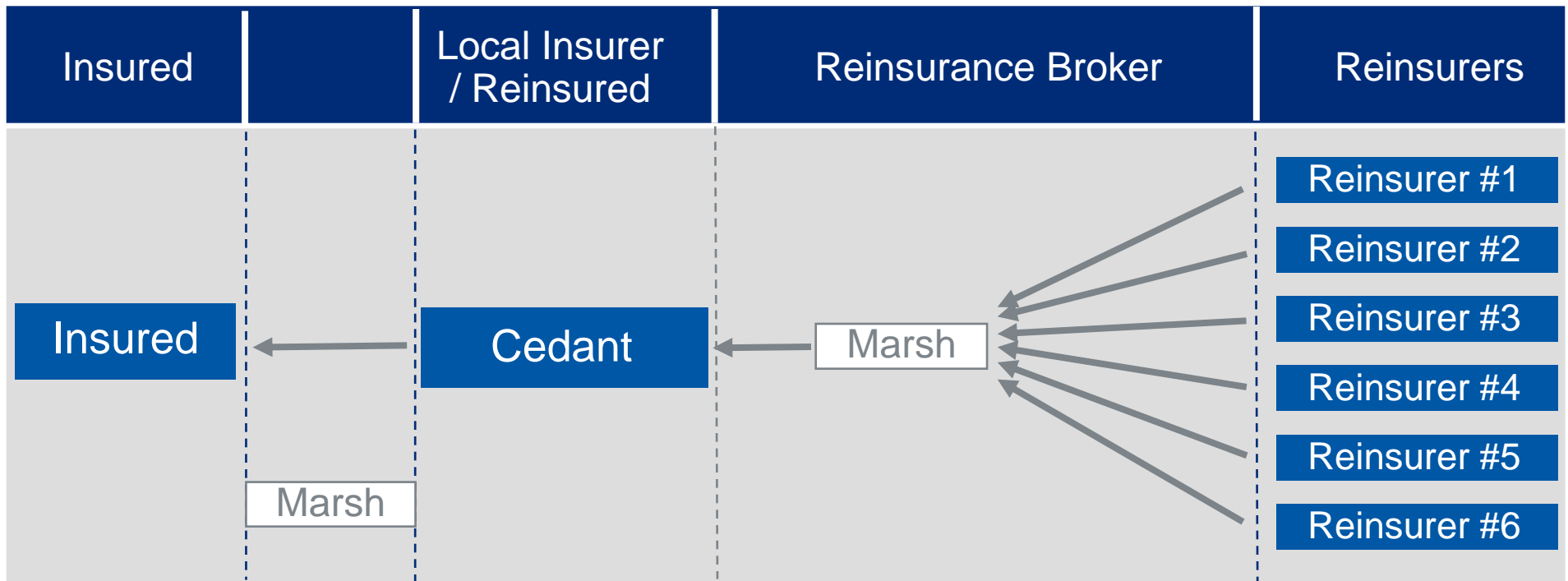


- If claim is successful then collection of funds from insurers will commence
- Signed proof of loss required?
 - Part of the negotiation stage
- Collection procedure and time frame established
- 30 days
- Communicate

Settlement Payment Schedules



How a Claim is Collected and Paid



Claim Procedures



- Claim does not always end at settlement; insurers may decide to subrogate to recover funds from third parties responsible for loss.
- Process can take many years
- Marsh will stay involved and protect client interests
- Insurers right
 - We always encourage clients to protect / not prejudice those rights
 - We partner you in this respect

Preparation & Prevention

Understand the clients business, client training, wording analysis, claims protocol, provide claims data, case studies

Notification and Acknowledgement

Important to start on the right foot - set the tone for the way the claim will proceed

Coverage

Has the policy been triggered?

Claim Strategy

Plan of action

Insurer Contact

Communicate loss to insurers

Information Gathering and Analysis

Prove your claim!

Negotiation

What is the desired outcome?

Settlement

Collection of funds

Subrogation Management

Are the clients rights being protected?

Post Loss Analysis

Lessons learnt, feedback to placing team, training opportunity for colleagues



Key Exclusion Buy-Backs

- Machinery Breakdown
- Business Interruption
- Terrorism
- Cyber

Wordings

Wordings

- Contract Certainty
- Standard market Energy Wordings:
 - **EED 8/86** – COW, Re-drill and S&P
 - **Welcar 2001** – Offshore Construction
 - **London Standard Platform Form** – Platform Installations
 - **JR2005** – LOPI, ICOW
 - **LSW244** – Casualty/Liability Insurance
- Package & specific alterations

The importance of every detail within a policy wording

Version 1:

- “There shall be no liability under this insurance in respect of loss, damage or expense caused by normal wear and tear, corrosion, rusting, error in design.”

Version 2:

- “There shall be no liability under this insurance in respect of loss, damage or expense caused by normal; wear and tear, corrosion, rusting, error in design.”
- Answer: ‘abnormal’ corrosion etc. in version 2 may fall outside the scope of the exclusion.

Scenario #1

Policy Cover: All Risks of Direct PD inc. Machinery Breakdown

Incident

- Natural gas processing plant, Egypt
- Forced shut down on 13th March 2014 when a gas heat exchanger developed a leak
- Heat exchanger was replaced with a spare and returned to operation on 30th March 2014, a forced outage of 17 days.

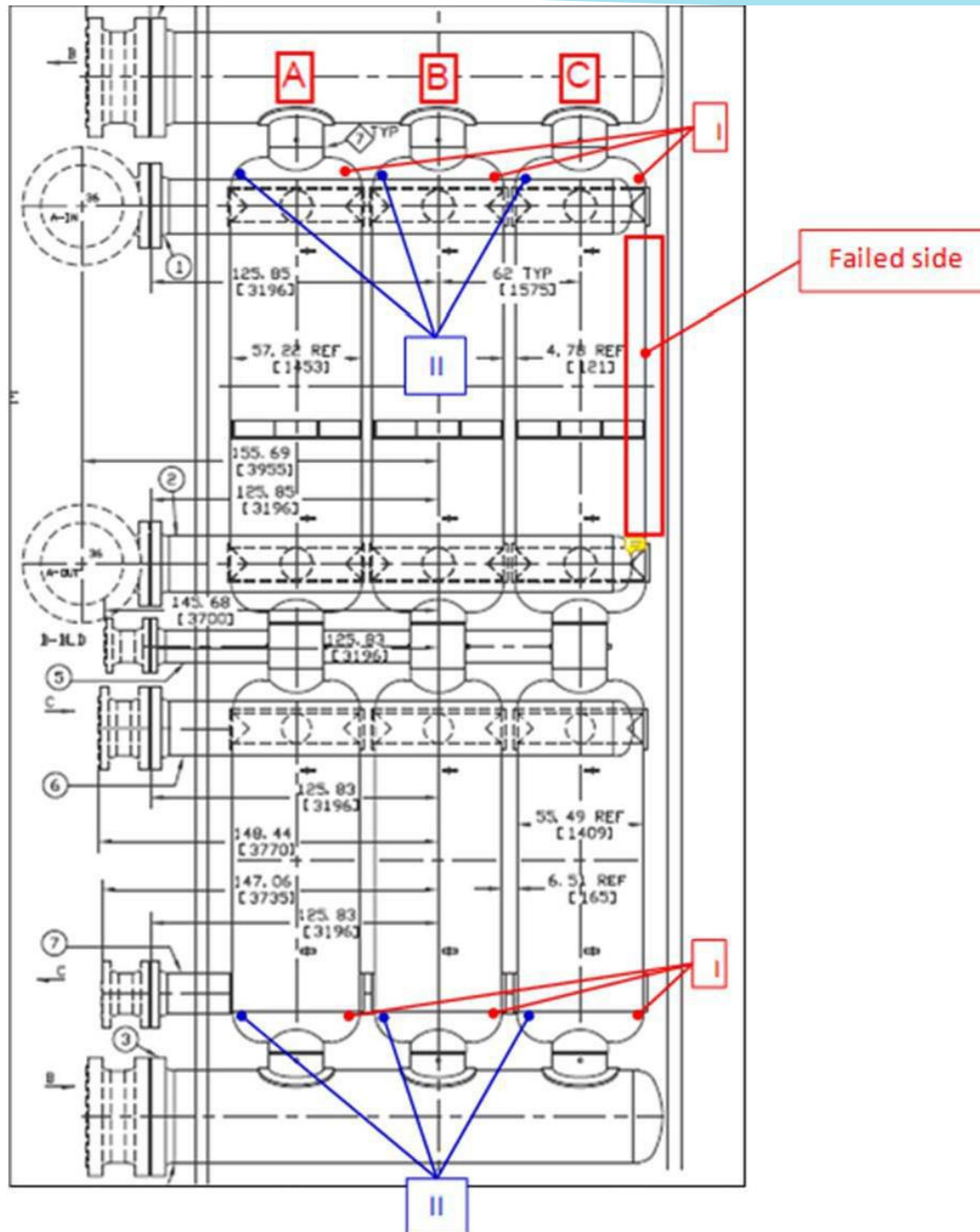
The process requires the feed gas to pass through heat exchangers (referred to locally as cold boxes) which are housed in one structure.



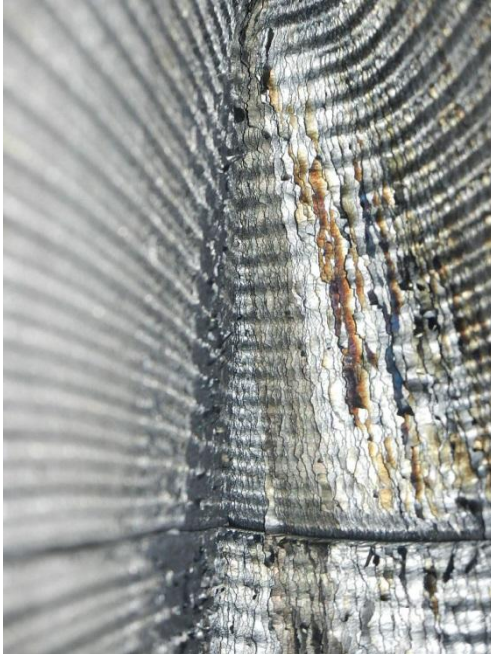
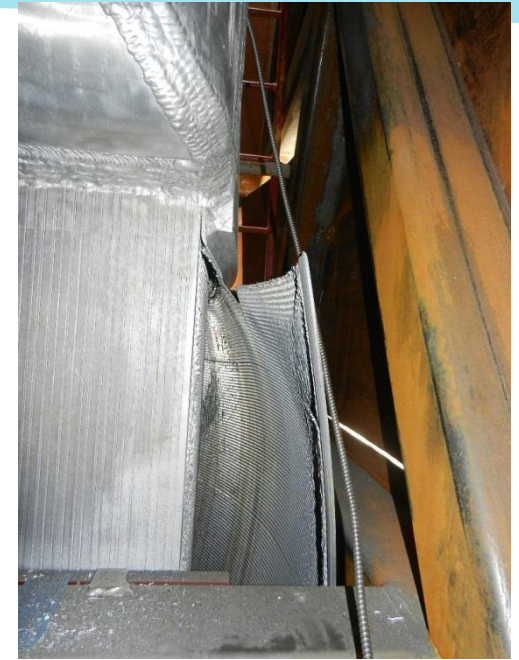
Scenario #1



Scenario #1



Scenario #1



MARSH



11 February 2016



Scenario #1

Cause

RCA conducted with OEM and independent consultant. The possible causes investigated were:

- **Design Fault** - design complies with ALPEMA standard
- **Operational Issues:**
 - Design pressures were not exceeded
 - Operated within temperature limits
 - No feed flow fluctuation
- **Operating Regime:**
 - Start-up and Shut-down procedures reviewed and no issues noted
- **Manufacturer Defect:**
 - No Brazing flaws were found
 - No problem with materials used
- **Stress Corrosion:**
 - No problem in terms of Hg liquid metal embrittlement
 - Some mineral particles were found on fractured surfaces. It is conceivable that these may have come from upstream of the exchangers and over a period of time could have resulted in the **erosion mechanism; causing the failure**

Scenario #2

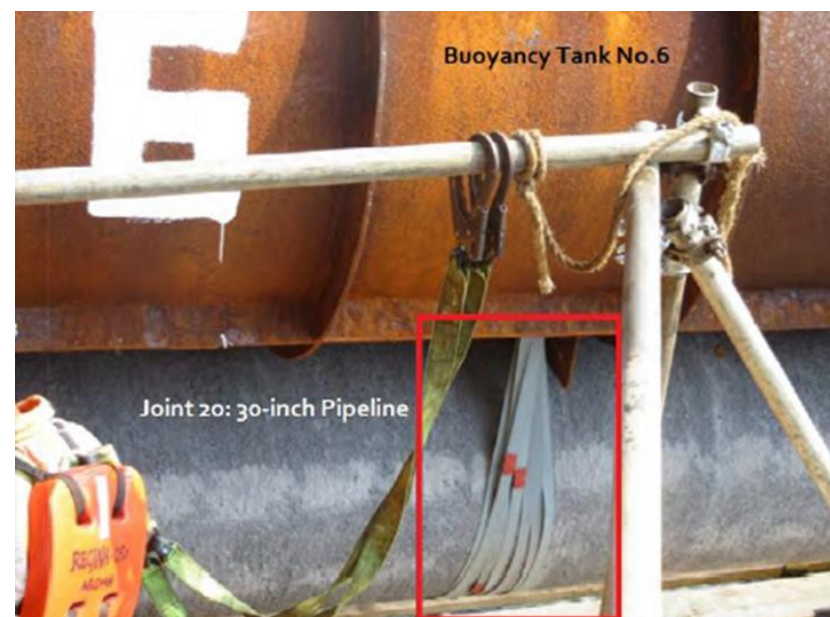
Policy Cover: Offshore CAR All Risks

Incident

- 2013 Pipelay Campaign Project, comprising the replacement of three existing pipelines.
- Laying of a 30-inch Oil Pipeline commenced on 21 January 2014.
- At the time of incident the contractor had completed 19 pipeline joints from the Platform.
- Buoyancy tanks are used to aid the installation process.

Whilst laying joint 20, Buoyancy Tank No.3 became dislodged and eventually detached from the pipeline.

Over the course of the following hour Buoyancy Tanks Nos.1, 2 and 4 also became detached.



Scenario #2

Whilst backing up the pipeline in order to re-install the buoyancy tanks, a buckle was discovered at Joint No.5.

Unable to recover the pipeline, a decision was made to cut and perform an emergency abandonment.

During the abandonment process, minor damage was sustained to three existing subsea pipelines.



Cause

- Buckle was due to overstress created by failure to maintain the required tension in the pipeline
- Failure of the Buoyancy Tank straps was due to the excessive load concentration points, which weakened the straps beyond the breaking load.

Scenario #2

Cause

- Deviation from approved installation procedures
- Improper procedure for securing Buoyancy Tanks
- Lack of proper supervision and control
- Inadequate development of procedures – pipeline abandonment & recovery

Scenario #2

Costs

Wreck Recovery

Insured – Engineering Consultancy	\$568,007
EPC – Engineering, Pipeline Recovery, Project Management	<u>\$10,721,568</u>
	\$11,289,575

Standby Charges

EPC – Waiting on Weather	\$8,109,941
EPC – Waiting on Permit	<u>\$2,110,159</u>
	\$10,220,100

Repairs

Insured – Materials & repairs	<u>\$531,822</u>
	<u>\$22,041,497</u>

Scenario #2

Adjusted Claim

<i>Cost</i>	<i>Insured</i>	<i>EPC</i>	<i>Total</i>
Wreck Removal	\$568,007	\$8,256,913	\$8,824,920
Standby Charges (Marine Spread)	\$0	\$2,500,000	\$2,500,000
Repairs – Reinstallation up to joint 19	\$531,822	\$0	\$531,822
Total	\$1,099,829	\$10,756,913	\$11,856,742
Deductible	\$0	\$1,500,000	
Net Claim	\$1,099,829	\$9,256,913	\$10,356,742

