

# integrated



Bringing clarity to complex insurance claims


*Winter 2016*

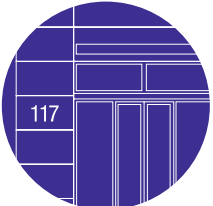
## ONSHORE ENERGY CLAIMS SURVEY AND ANALYSIS

**DO WE NEED CHARTERED  
LOSS ADJUSTERS?**


**MYTH BUSTING DSU CLAIMS**

**FAST TRACKING TIME  
ELEMENT CLAIMS**

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**“WE HAVE BEEN ABLE TO REDUCE THE CLAIMS SETTLEMENT PERIOD TO NINE OR TEN MONTHS WHICH IS SUBSTANTIALLY LOWER THAN THE NORM.” PAGE 12**



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We would like to thank all those that contributed to the Onshore Energy Claims Survey and consequently the article on page 8, including Alistair Brown (AXIS Specialty Europe SE), Philip Green (Allianz Global Corporate & Specialty SE Singapore Branch), Jonathan Haysom (JLT Specialty), Kevin Miller (AIG), Jose Mogartoff (Zurich North America), Jonathan Sargent (Zurich Global Corporate UK), Neil Thomas (Willis Towers Watson) and Steve Willis (ENGIE).

This publication is for the benefit of Insurers, Brokers, Insureds and other stakeholders involved in the services that are provided by Integra Technical Services Limited. It is not legal advice and is intended only to highlight general issues relating to its subject matter but does not necessarily deal with every aspect of the topic. © December 2016  
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# A SIGN OF THINGS TO COME

Welcome to the first edition of **Integrated**, our magazine devoted to the specialty insurance lines marketplace and sharing knowledge, experience and insight to improve claims management. We hope you enjoy reading it and would truly welcome your ideas for stimulating topics and discussion for future editions. We want to address the issues that matter to our stakeholders. From Insurers, Brokers, Consultants and Legal Experts to the ultimate beneficiary of the insurance product, be that the Risk Manager, senior company executives or project debt or equity investors.

At this time of the year it's customary to take a look back at achievements and I won't disappoint. 2016 has been a year of evolution for Integra Technical Services with increased investment in client and stakeholder relationships and a strengthening of our proposition leading to 437 new instructions covering 46 countries.

Much of the hard work takes place behind the scenes but the last quarter has actually seen many of our plans visibly take shape, as you will see in the **Digest** section. The move to our new London headquarters on Houndsditch, key new appointments deepening and broadening our capabilities and international alliances expanding our global reach. We now have 31 adjusters in 13 cities and with our strategic alliance partners' offices, that increases to 17 cities globally.

Building on this strong foundation will be a key theme of 2017, our 19th year in business. Sharing many more insights based on quantitative data, inviting greater numbers of young Insurers and Brokers on site visits and working with our clients and Insureds to provide greater certainty on the financial exposures we report, much earlier in the claims investigation process. A continued strengthening of our client and stakeholder relationships, enhancing our proposition and differentiating our service.

An example of this quantitative data approach can actually be seen on page 8 where we consider the results of a survey which asked opinion about problematic policy clauses in onshore energy. As a leading specialist Loss Adjuster we have a key role to play in helping improve claims management processes and outcomes and this type of article will be a consistent feature in future editions.

On behalf of my colleagues, I thank you for your continued support and I wish you and your families a happy and prosperous 2017.



**Leo Dixon BSc (Hons)**  
Chief Operating Officer  
Integra Technical Services Limited

## WORDS SOMETIMES FAIL US



After nine years of the Power Forum, the committee decided to expand the remit to include construction, petrochemicals and oil and gas to become the newly titled 'Onshore Energy Conference 2016'. Integra Technical Services sponsored the Oil & Gas Workstream at the London event, held on 9th November 2016 and attended by 260 delegates from the London and global insurance markets.

In one of the Oil & Gas Workstream sessions Ewan Cresswell, CEO of Integra Technical Services, and Justin Crick, a Partner at forensic accountants RGL, took the audience through three key topics where they had experienced different stakeholders having varying expectations as to how the policy would respond. The clauses all flowed from the business interruption (BI) section of the policy: the application of time element deductibles and sales

based wordings; how to categorise 'take or pay' contracts; and the different policy responses available when an Insured decides not to reinstate after an insured event.

Ewan told the audience "there is often a gap between the Insured and Insurers' claim settlement expectation with BI claims".

The presentation 'Words Sometimes Fail Us - Addressing The Expectation Gap' used hypothetical claims scenarios to highlight the expectation gap with some recommendations as to how this gap could be reduced by policy amendments. One of the main tools discussed was preloss scenario planning to better anticipate how BI losses could evolve and so be interpreted by different stakeholders.

Ewan advised the audience that "policy wording education and communication are essential to the successful resolution of complex insurance claims. It's why Integra Technical Services frequently provide in house training and consultation for Insurers, Insureds and Brokers".

*If your company holds internal learning sessions and would be interested in receiving Ewan Cresswell and Justin Crick's presentation, then please email [ewan.cresswell@integratechnical.com](mailto:ewan.cresswell@integratechnical.com).*

## NEW LONDON HEADQUARTERS

On 3rd October 2016, Integra Technical Services moved into 117 Houndsditch, London EC3A 7BT. The new London headquarters provides the facilities needed to support their international organisation including a boardroom with video conferencing facilities and a hot desking environment. In addition, there is a roof terrace that will be used in the spring and summer season for client hospitality. **The new office telephone number is +44 (0)203 879 8320.**

**“we are thrilled to have moved into this wonderful new office. It demonstrates our development and sends a clear statement about our ambitions for the future”.**

Ewan Cresswell,  
CEO of Integra Technical Services



**“93% of Insurers, Brokers and Insureds would like to see clearer policy wordings and an improvement in policy intent transparency and understanding”.**

Onshore Energy Claims Survey, Page 8



## ADJUSTER IN THE SPOTLIGHT

# MEET ALISTAIR

*Alistair Lamb is one of Integra Technical Services' specialist onshore and offshore Energy Loss Adjusters and covers the Asia region. He has lived in Singapore for five years, is married to Mhairi and has a nine month old daughter, Alexandra. **Integrated** posed five questions so we could find out more about Alistair:*

**Where were you born?** In a wee coal mining village near Dunfermline, Scotland.

**Have you always been an adjuster?** I have always been interested in how things work and love to take things apart and rebuild them – it can be quite annoying sometimes or so my wife tells me! It's probably what led me to become an engineer. I only became a Loss Adjuster in 2011, after spending some years working for Rolls Royce Energy installing and commissioning gas turbines in different parts of the world and at the Ineos Refinery in Grangemouth.

**What's your favourite sport?** In my youth I was a keen rugby player and amateur boxer, winning a silver medal in the 1998 Scottish Amateur

Boxing Championships. My wife and I are keen skiers although that does not quite fit with living in Singapore! When time allows we now like to scuba dive and when back in Scotland I enjoy fly fishing.

**What's your most treasured object?** It has to be my Aprilia 750. It looks great, sounds amazing and is exciting to ride - when it's not broken!

**Tell us one interesting fact few people know.** When I left school, I was part of the original design team for the iPod and Xbox audio chips. I would have made quite a chunk of money when the company eventually floated but I traded back my shares to the company in exchange for a university education. I could be bitter...



MEET OUR NEW RECRUITS

LOSS ADJUSTING  
TEAM EXPANDS TO

31

ENHANCED CAPABILITIES IN AREAS  
WHERE THERE IS HIGH DEMAND FOR  
SPECIALIST SERVICES

The team at Integra Technical Services has this year expanded to 31 loss adjusters, all of whom operate in the specialty insurance claims arena. The hand-picked new recruits enhance Integra Technical Services' capabilities in both EMEA and Asia Pacific, with expertise in Mining, Power, Energy, Construction, Manufacturing, Retail, Real Estate, Professional Indemnity, Employers' Liability and Public and Products Liability.

Commenting on the appointments Leo Dixon, Chief Operating Officer of Integra Technical Services explained "after consultation with our clients, we have expanded our capabilities in areas where there is a high demand for specialist loss adjusting services. The fact that we have been able to attract such market leading talent is a reflection of our ambition and an environment which values specialists"



1. David Silverstone  
2. Tim Walker  
3. Carmen Olmeda  
4. Gareth Evans  
5. Tom Pasley



IN 2016  
INTEGRA TECHNICAL  
SERVICES ADJUSTED  
LOSSES IN 46  
COUNTRIES

VIEWPOINT

DO WE EVEN NEED  
CHARTERED LOSS  
ADJUSTERS?

A friend once said that if you wanted to build an extension you would not go to an Architect that had never designed an extension before. Good advice you might say, but what else would you look for? Reputation, qualifications, time served, price, proven competence...but what exactly is proven competence?

In the UK, like many other parts of the world, there are different levels of Architect. For example, people often use Architectural Designers for house extensions. They may be capable of performing the task, but they have not had to meet a standard of education and qualification to hold the title 'Chartered Architect'. To become qualified, a Chartered Architect typically has to spend five years at university to gain an undergraduates and master's degree and have at least two years' practical experience.

Some will be satisfied using Architectural Designers, but for others that decision has led to them spending more time and money on the project than would otherwise be necessary. They encounter complexity, for example in planning laws, building regulations or structural issues, and then the difference a qualified Architect makes becomes clear. That proven competence - the technical expertise, experience and the comprehensive knowledge that comes from having attained a robust and widely recognised qualification - is a game changer for the customer.

It's the same with Loss Adjusters; there are different levels of experience and qualification, but the pinnacle is a Chartered Loss Adjuster, which only the most qualified are able to call themselves. Like Chartered Architects, they have gone through a robust qualification process (that often takes a number of years) and have at least five years' practical working experience. Many possess prior industry experience and additional complementary qualifications, such as legal or engineering degrees. They have that 'proven competence' and the professional governance of the Chartered Institute of Loss Adjusters. This can make the difference, especially with more complex claims issues, saving time, money and enhancing reputations.

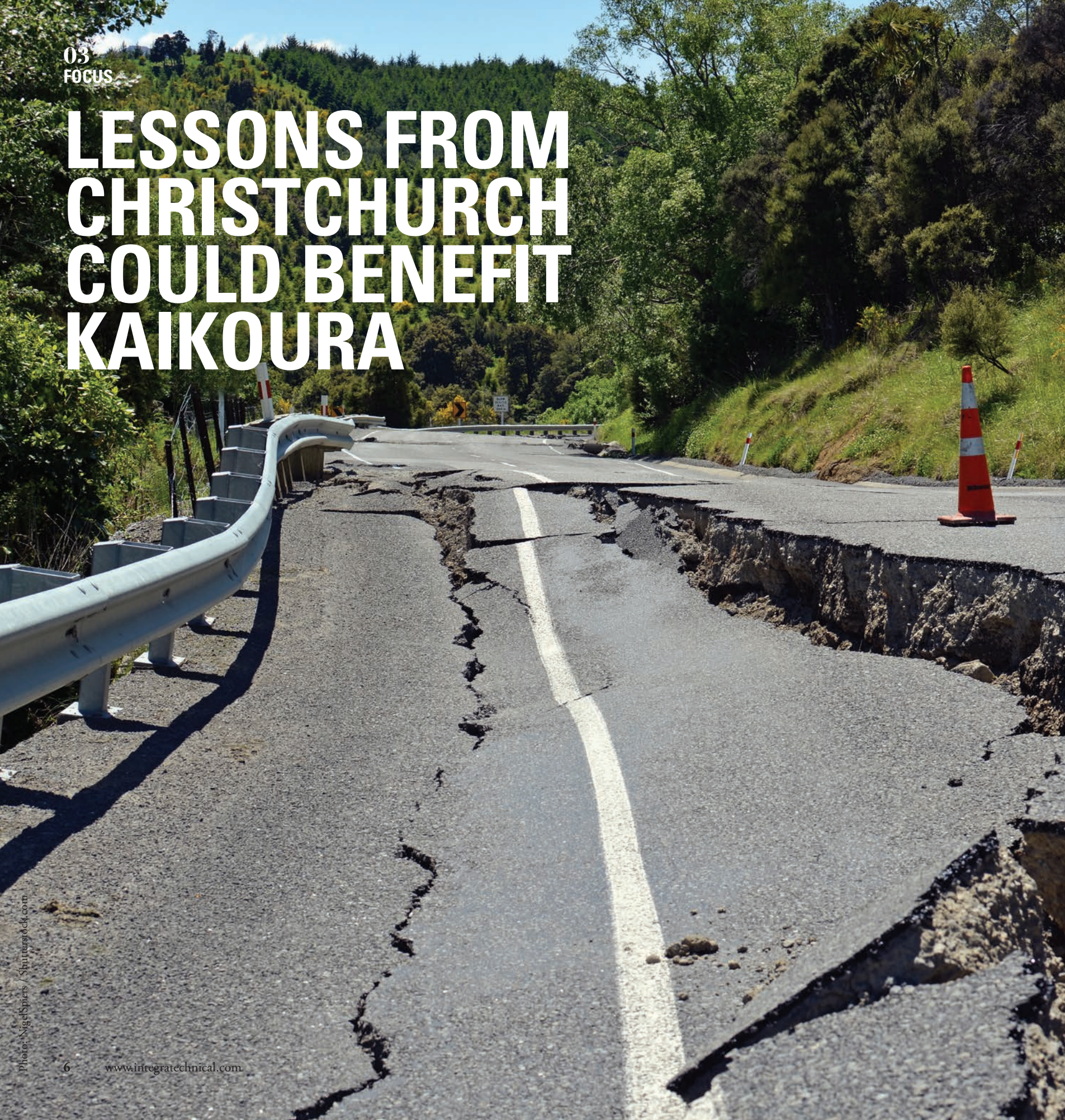
So instead of questioning the need for Chartered Loss Adjusters, should we be doing more to encourage their use? Perhaps Insurers and Brokers that want to enhance their image and provide a higher level of client service should more often turn to Chartered Loss Adjusters, especially for those losses that could prove more complex and require that 'proven competence'.



*Adam Humphrey is a Member of Council of the Chartered Institute of Loss Adjusters and Chairman of its Construction, Energy and Engineering Special Interest Group. He joined Integra Technical Services in 2013 and has over 15 years experience of managing technical insurance claims in the construction, marine, energy and engineering sectors throughout most regions of the world.*

*Integra Technical Services have one of the highest ratios of Chartered Loss Adjusters among firms of their type, with more than one third of their team being Chartered Loss Adjusters. As a commitment to the future, Integra Technical Services evolution through 2015/2016 has seen five adjusters under the age of 40 recruited.*

# LESSONS FROM CHRISTCHURCH COULD BENEFIT KAIKOURA



On 14th November 2016 a magnitude 7.8 earthquake struck New Zealand. As has become the norm numerous aftershocks followed, some as large as 6.3 and are now numbering into the thousands. Recent reports from the Reserve Bank of New Zealand, the national insurance regulator, suggest total insured losses of NZD5 billion. Will the lessons of 2010/11 help speed the recovery?

Whilst the loss estimate falls some way short of the NZD40 billion arising from the 2010 and 2011 earthquakes, damage has still been extensive. As Thomas Pasley, Executive Adjuster at Integra Technical Services New Zealand explained “two weeks after the first quake, the town of Kaikoura still remained isolated by road and rail and the disruptive impact for both people and freight is significant and will spark many Contingent Business Interruption (CBI) claims”.

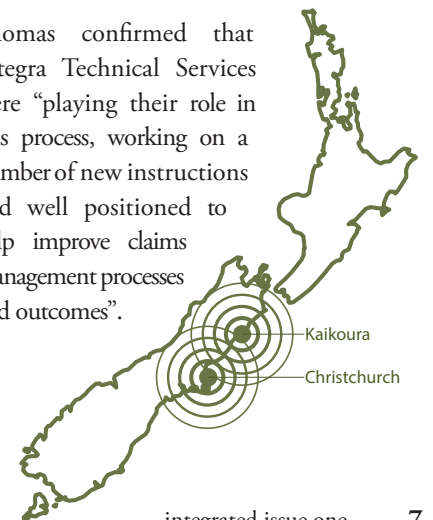
Structural damage to modern buildings that were expected to perform well in a seismic event of this type has sparked a government enquiry. Thomas pointed out that “if damage was due to poor design or construction then parties will be looking to those responsible, sparking a number of general liability and professional negligence claims involving numerous parties”.

Accepting that New Zealand were prone to earthquakes, in February 2016 a report published by the Reserve Bank of New Zealand considered the successes and complications of the rebuild following the 2010 and 2011 earthquakes in order to improve future resilience to such events.

One of the key findings was the need to reduce uncertainty, as five years on the rebuild was still some way from completion. A number of insurance-related legal issues had been clarified but the process of resolving disputes was a factor delaying the settlement of insurance claims and hindering the pace of recovery.

Thomas believes one of the key questions facing the government and insurance industry is “whether the lessons learned from the earthquakes of 2010 and 2011 will lead to a faster rebuild which is key to economic recovery and growth, as it reduces uncertainty and encourages businesses to invest and employ”

Thomas confirmed that Integra Technical Services were “playing their role in this process, working on a number of new instructions and well positioned to help improve claims management processes and outcomes”.



# MEETING STAKEHOLDER EXPECTATIONS IN ONSHORE ENERGY

## What needs to change to deliver claims service consistency?

Onshore energy insurance claims can be complicated, depending on the asset damaged at a facility, the complexity of the production process and the damaged asset's criticality to the production process. The majority of claims are settled without dispute, but there is a trend developing with large and complex claims that can leave the Insured with long periods of silence regarding affirmation of policy liability from their Insurers and simultaneously Insurers left feeling frustrated, in effect with their 'hands tied', as a result of the Insured not providing information material to the claim investigation.

The insurance market has proven time and again its ability to handle and settle the most complex property damage and business interruption losses. Most, if not all, industry professionals can reel off numerous examples of service that has delighted Insureds, helping them recover from debilitating events. With the ultimate ambition to consistently deliver this service experience, Integra Technical Services questioned Insurers, Brokers and Insureds to find out what needs to happen to make this possible.

Leo Dixon, Chief Operating Officer, Integra Technical Services explains "we asked questions in four areas: the policy clauses that most frequently cause difficult conversations

and polarise opinion; how to reduce conflict; and what the insurance market should 'start' and 'stop' doing to improve the claims service experienced by Insureds. The questions provoked excellent responses and material for several articles which we will address, but the burning issue is how we provide a claims service experience that Insureds can rely upon and which provides Insurers and Brokers with competitive differentiation."

For the purposes of our survey, the definition of Onshore Energy included the Oil and Gas, Power Generation and Mining sectors. Whilst the type and severity of losses can vary, respondents identified eight clauses that stood out (see

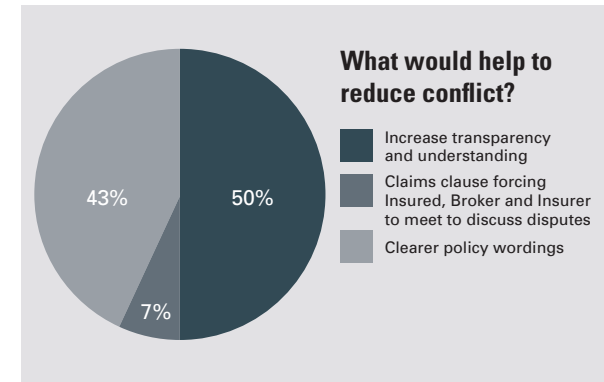
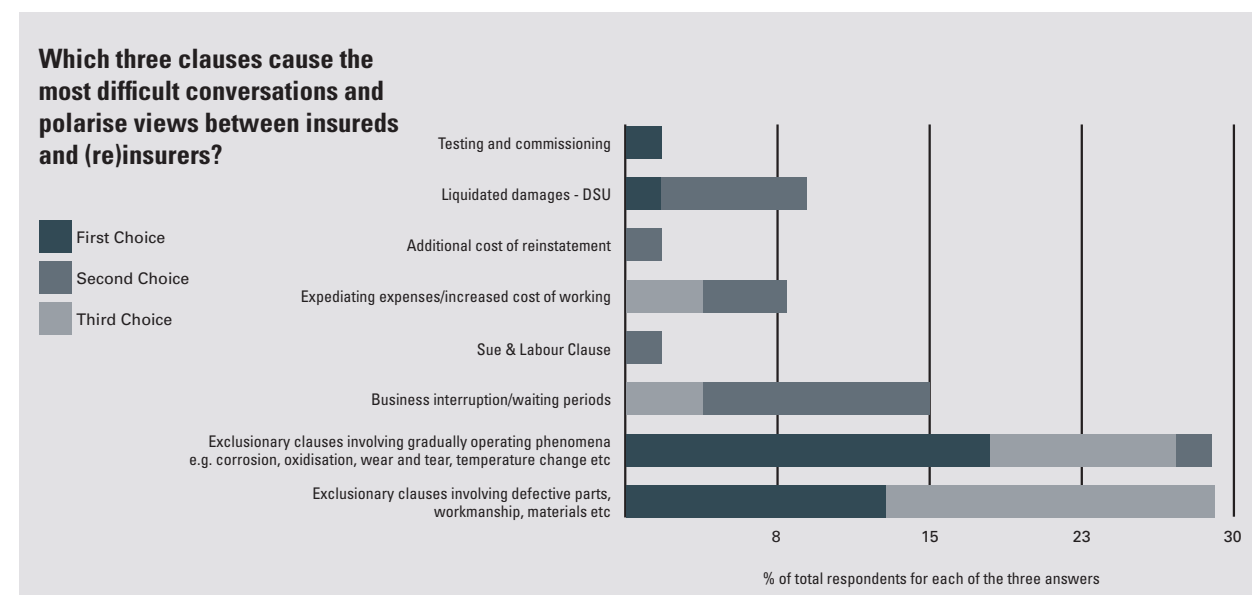


chart). Kevin Miller, Major Loss Claims Adjuster at AIG felt that "a high number of losses in this sector have turned on the clauses that came top in the survey."

Jonathan Haysom, Senior Partner at JLT Specialty agreed but believes that disagreements between Insureds and Insurers are becoming more commonplace. "Perhaps there is a dynamic that correlates with the market conditions and the way it encourages practices that get more competitive deals, but which can exaggerate the problem".

### MARKET CONDITIONS

Without question the continued prevalence of the soft insurance market and abundance of underwriting capacity has put pressure on underwriting margins. In the Energy sector this has been compounded by lower oil prices which has led to reductions in insurance values and premiums.

These conditions can enable opportunistic behaviour with positive and negative implications for the Insured's claims service experience. The increased use of 'Offslips', new entrants that are perhaps less experienced in the sector and policy wording enhancements.

Leo explains "we have seen 'Offslip' insurers that underwrite a small part of a risk but are CAPs in their own right,

slowing down the decision making process of other Leading Insurers. Some even go as far as appointing their own experts for their 'Offslip' resulting in multiple Adjuster (and sometimes multiple Lawyer) appointments."

According to Jonathan "we are seeing Insurers entering new markets to help them grow and to replace lost premium income. Competition is helpful to securing more cost effective cover, but it does not come without risk as some markets don't necessarily have the track record or history of handling complex onshore energy claims."

Prescriptive policy wordings would help to breed common understanding and interpretations and it's easy to see why this might make sense to the uneducated observer. But this would stifle competition and choke the market innovation that clients increasingly demand to meet their evolving risk management requirements.

### BEING CLEAR ABOUT POLICY INTENT

Brokers and Insurers diligently draft and agree new wordings but these can sometimes introduce 'grey areas'.

Leo explains "uncertainty can come from additional words being inserted into phenomena clauses without clearly defining what they mean, for example, 'abnormal corrosion', 'accelerated corrosion' or 'unusual corrosion'. We've also seen business interruption policies where it is not crystal clear whether the waiting periods apply to the production loss or sales loss. The production loss is immediate whereas the sales loss can be 30 or more days after the event has occurred. Immediately this creates a measurement issue with different parties having their preference as to which loss they'd like it to be."

It's not difficult to see why half of those surveyed would like to see more transparency and agreement with the interpretation of the policy. Pre-loss workshops and claims

scenario stress testing to establish how the policy would respond, delivering tangible clarity to the wording and proving invaluable when a loss occurs.

Whilst many Insurers and Brokers run workshops with a number of their clients, the investment of time and resource required by all the parties (Insurers, Brokers, Insured and often the appointed Loss Adjuster) is possibly the single reason why they are not as widespread as they should be.

We have noticed that if the Insured's Risk Manager has experienced a complex loss during their career or seen how these can help with theirs and their Insurer's understanding of the wording, then they are more likely to invest the time that is needed to make a successful pre-loss workshop. High profile events can also trigger Risk Managers into action, probably as a result of their board of directors raising questions amid a realisation of the importance of quickly confirming to investors and other stakeholders that their insurance will respond in the event they suffer a similar type of major loss.

Kevin agreed "Insureds want confirmation as early as possible that their claim is insured and we strive to meet that requirement. We introduced the AIG Claims Payment Commitment to assist our Insureds with financial obligations they face following a claim and an additional benefit is that this encourages quicker coverage decisions. One of the things AIG has pioneered is claims workshops that look at pre-loss scenarios and promote discussion about policy intent."

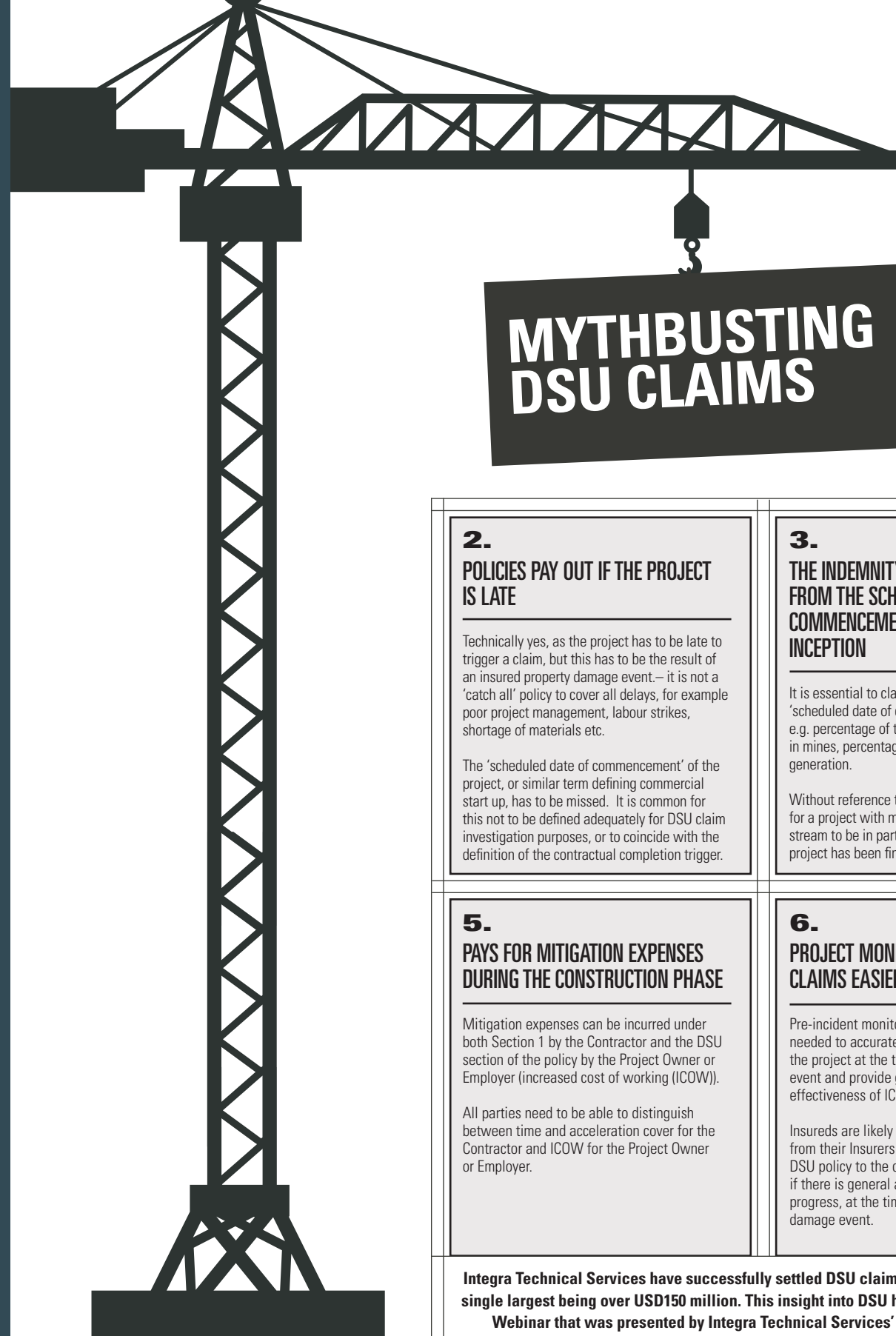
Steve Willis, Property Loss Control Insurance at ENGIE, mooted "whether policy renewal objectives should include the achievement of claims certainty for key production sites". Perhaps this suggests that Chief Financial Officers or boards of directors of client companies actually hold the key to making the next step change in improvement. Setting objectives which encourage Risk Managers, Brokers and Insurers to run more regular pre-loss workshops and policy intent discussions, which in turn help manage stakeholder claims expectations and ultimately create more of those claims service experiences that delight the insured.

**PROJECT MANAGING THE CLAIMS PROCESS**

One of the more interesting improvement suggestions was to "run individual major loss claims as if they were projects in their own right with critical timelines, commitments and objectives.

This is not unique and there are odd examples in the market but perhaps it should be examined in more depth to understand the practicalities. This is particularly relevant to sectors such as onshore energy where clients are familiar with project management principles.

Whilst this would not solve policy interpretation or coverage issues, it would bring transparency to the process and ensure that the consequences of failure to deliver on agreed action points was visible to the stakeholders.



**MYTHBUSTING DSU CLAIMS**

**1. INSURERS RARELY PAY DSU CLAIMS**

Claims are paid as Integra Technical Services and Insurers can testify. However, and for different reasons, the settlement does not always meet the Insured's expectations, for example:

1. Insured vs uninsured delay;
2. Problems ascertaining the critical path;
3. Deductible period (time or monetary) and there maybe multiple deductibles if further periods of cover have been purchased;
4. Defects clauses and concurrency of critical path for the repair of defects or improvement to the original design;
5. Indemnity payments not due until the indemnity period starts, even if the delay happens early in the life of the project.

**2. POLICIES PAY OUT IF THE PROJECT IS LATE**

Technically yes, as the project has to be late to trigger a claim, but this has to be the result of an insured property damage event.— it is not a 'catch all' policy to cover all delays, for example poor project management, labour strikes, shortage of materials etc.

The 'scheduled date of commencement' of the project, or similar term defining commercial start up, has to be missed. It is common for this not to be defined adequately for DSU claim investigation purposes, or to coincide with the definition of the contractual completion trigger.

**3. THE INDEMNITY PERIOD STARTS FROM THE SCHEDULED DATE OF COMMENCEMENT INCLUDED AT INCEPTION**

It is essential to clarify what determines the 'scheduled date of commencement' e.g. percentage of throughput of materials in mines, percentage of efficiency of power generation.

Without reference to production it is possible for a project with more than one revenue stream to be in partial production before the project has been finally completed.

**4. INSURERS CAN OFFSET LIQUIDATED DAMAGES (LDs) AGAINST THE DSU CLAIM**

LD claims are rarely straightforward and usually contested. If the Project Owner is receiving LDs under the contract, then there would be a degree of double insurance or cover in place.

As a consequence, we see LDs often forming part of a negotiated settlement, depending upon the DSU policy language (Debt Service or Gross Profit) and the contractual terms.

**5. PAYS FOR MITIGATION EXPENSES DURING THE CONSTRUCTION PHASE**

Mitigation expenses can be incurred under both Section 1 by the Contractor and the DSU section of the policy by the Project Owner or Employer (increased cost of working (ICOW)).

All parties need to be able to distinguish between time and acceleration cover for the Contractor and ICOW for the Project Owner or Employer.

**6. PROJECT MONITORING MAKES CLAIMS EASIER**

Pre-incident monitoring can reduce the time needed to accurately determine the status of the project at the time of a physical damage event and provide greater certainty about the effectiveness of ICOW expenditure.

Insureds are likely to get earlier feedback from their Insurers on the application of the DSU policy to the delay they have experienced if there is general agreement as to the progress, at the time of an insured physical damage event.

**7. COVERS ALL THE LOSSES THAT OCCUR DURING THE INDEMNITY PERIOD**

DSU policies cover losses which are correctly indemnifiable. If there are number of indemnifiable losses in the project period and the project is not completed until after the 'scheduled date of commencement', then the DSU claim is the cumulative effect of all of the adjusted indemnifiable losses on the project.

As such there can be only one DSU claim per project, unless further cover is purchased to provide additional periods of indemnity.

**Integra Technical Services have successfully settled DSU claims with a combined settlement value in excess of USD500 million, with the single largest being over USD150 million. This insight into DSU has been taken from a Zurich Global Corporate UK Construction Insurance Webinar that was presented by Integra Technical Services' Adam Humphrey and Zurich Global Corporate UK's Jonathan Sargent.**

FAST TRACK

# THE IMPORTANCE OF SPEED IN TIME ELEMENT CLAIMS

**In sectors such as Oil and Gas, Construction, Mining and Power Generation, physical damage can often lead to substantial business interruption expense, both to mitigate the loss and to compensate for loss of revenue or profit. Integra Technical Services have developed a 'Fast Track Service' that continues to deliver proven results in providing earlier and fairer claims outcomes for the Insurer and the Insured.**

Even the smallest physical damage loss can cause substantial business interruption expense in some sectors. Speed of response and taking action to mitigate the loss can reduce the duration of the interruption and provide a better outcome for the Insured by getting back to business sooner.

According to Leo Dixon, Chief Operating Officer of Integra Technical Services, "physical damage and business interruption claims contain a risk of medium or longer term financial exposure to both the Insured and their Insurers. Factors influencing the volatility in financial exposure can include the extent of loss mitigation potential, rectification options, duration of the rectification period, terms of engagement with contractors and suppliers, availability of key components, margin spread and exchange rate fluctuations."

Integra Technical Services have used their experience of managing time element claims across sectors such as Construction and Engineering, Mining, Upstream and Offshore Energy, Power and Petro-chemicals to develop their distinctive 'Fast Track Service'.

Leo explains "we wanted to bring more certainty and ultimately speed to the process. We could see that this would bring benefit to all parties".

Early implementation of loss management plans on multi-million dollar claims around the world have demonstrated that, on average, Integra Technical Services have been able to reduce the claims settlement period to nine or ten months which is substantially lower than the norm.

The loss management plans go a long way to building a high level of trust between the stakeholders and if the stakeholders have the requisite levels of authority, then decisions can be made quickly at each critical stage in the process.

**To find out more about the Integra Technical Services 'Fast Track Service' and to obtain references from stakeholders involved in claims that have been resolved using this approach please email [leo.dixon@integratechnical.com](mailto:leo.dixon@integratechnical.com) or [ewan.cresswell@integratechnical.com](mailto:ewan.cresswell@integratechnical.com)**

**The 'Fast Track Service' differentiation includes:**

- Process, construction and mechanical engineering Loss Adjusters building an early rapport with the Insured's operations team. This facilitates accurate damage scoping and robust dialogue regarding loss mitigation and analysis of the reinstatement options during the initial stages of the process;
- Fast determination of the loss causation, enabling leading Insurers to pronounce on policy liability in a more expedient manner.
- Agreeing a 'loss management plan' that the key stakeholders Insurers, Brokers and Insureds understand and can commit to;
- Walking all stakeholders and consultants through the potential 'pressure points' in the process to identify possible solutions and ultimately gauge their appetites for fast tracking the claim.

**Recent 'Fast Track Service' success:**

- Around USD250 million of interim payments processed and paid in 10 months in relation to a power facility physical damage and delay in start up exposure.
- Agreement to a net settlement of circa EUR40 million two days following a refinery re-start.
- A petrochemical risk business interruption claim in the order of USD625 million gross concluded in nine months
- Mining loss in excess of USD200 million settled in 11 months



5.1  
POWER

**ALISTAIR LAMB**

Senior Adjuster  
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Many emerging countries have strategies to increase power output due to burgeoning demand, which has led to growth in the construction of power plants and liquefied natural gas (LNG) import facilities, particularly in Asia, Africa, the Middle East and Latin America. One outcome of this growth that relates to the insurance industry is an increase in claims from construction activity and operational failures. Allied to this is the increasing involvement of external financiers and investors which has seen a rise in the amount of Delay In Start Up (DSU) Insurance purchased and brought additional claims management demands.

Operators continually want to improve output and efficiency and this has fuelled investment in new technologies. Lesser proven technologies often bring additional risk and, if anything, have increased rather than stemmed the flow and size of claims. We're finding that new technologies often have less tolerance for failure, cost more to manufacture and repair and involve greater complexities in the manufacturing process. This can mean the repair period is longer for new technologies, adds pressure to business continuity plans and increases the size of DSU and business interruption (BI) losses.

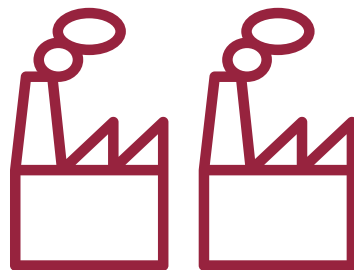
Long Term Service Agreements (LTSA) with original equipment manufacturers (OEMs) have become commonplace to improve maintenance and repair efforts, however, in some instances this has resulted in restrictive covenants which negatively impact the post-incident repair process. Not only is it important for the

Insured to have a sound understanding of the terms and conditions of the LTSA, but Insurers also need to be fully conversant with it. For example, if the contract states the OEM is the only party entitled to open up an asset after an event or effect repairs, and they are not immediately available, the OEM may only incur limited liquidated damages, whilst for Insurers the BI clock could be ticking.

Machinery damage claims involving boilers, gas and steam turbines, generators or transformers generally arise from human error, design failure or lack of maintenance. Human error may result from poor procedures, work practices or training. We have encountered some claims recently where gas turbine blade failure resulted from poor maintenance. Despite concerted efforts focusing on the importance of maintenance, this is still the primary area of concern. As is typical, it has proven quicker to procure a new unit rather than effecting repairs, leading to the common argument of 'betterment' versus an increased BI loss.

**KEY TIP:** Keep a close eye on attritional losses as they can often be an indicator of risk management trends and can help reduce the potential for larger claims.

Invest time in complex pre-loss workshops involving all the stakeholders (i.e. Insurer, Broker and Insured) so that everyone has an understanding of the claims process, including how best to implement loss mitigation measures. This is particularly helpful where the insured has entered into an LTSA. As well as the direct benefits, this can help foster relationships and trust.



5.2  
MINING

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Due the size of their operations, and the level of risk retained, when an insurance claim does arise in the mining community it is usually large. This in itself should not prevent the timely and efficient settlement, indeed it is an opportunity for Insurers, Loss Adjusters and other consultants to showcase their abilities to settle major claims.

This does require them to overcome five key challenges:

1. The interaction and agreement on an adjustment strategy when a Captive Insurer and their Reinsurers are involved.
2. How increased stock piles are valued where mining activities continue.
3. Where there is a claim relating to a process failure, it is not unusual for the Insured to undertake opportune maintenance on the plant up and down stream of the failure. Any monetary benefit gained during the indemnity period will need to be agreed.
4. All mines work to a mine plan that in broad terms sets out the sequencing of activities such as stripping, drill and blast and excavation. Following an event, a mine will typically re-sequence its plan to maximise the available resources, so the quantification of any potential benefit needs to be identified.
5. And finally, perhaps the most significant issue, pricing which was emphasised in the 2008

Australian floods. Mine impairment can reduce the availability of certain commodities placing upward pressure on pricing. If the Insured operates other mines there is a potential for them to derive a gain. Even for operators with only one mine, an increase in commodity pricing can lead to a potential difference of opinion on what values should be adopted in the business interruption loss calculation.

**KEY TIP:** Naturally mining claims can and do present many complexities. The key is to identify the issue(s) early and seek agreement on the methodology to quantify the benefit(s). To help, the mining industry has worked with Insurers, Brokers and Loss Adjusters to develop the MIG Mining Protocol (see [www.mininginsurancegroup.com](http://www.mininginsurancegroup.com)). Integra Technical Services is a founding and current Board Member of MIG. Feedback from various stakeholders who have experienced claims adjusted adhering to the principles of protocol has been positive. While not being prescriptive it does reinforce the principles of openness and transparency.

5.3  
**RENEWABLE ENERGY**

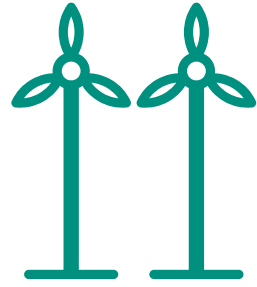
**ADAM HUMPHREY**

Chartered Loss Adjuster  
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Offshore construction losses continue to form a large part of our workload, but in this maturing market we are now seeing more operational claims. Many can be described as machinery breakdown, with the operation and maintenance (O&M) contractor usually being the original turbine supplier.

Often claims involve an assessment of the manufacturers' warranties in conjunction with



5.4

**OIL, GAS AND PETROCHEMICALS (HYDROCARBONS)**



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that of the policy provisions; this can necessitate causal investigations to protect the parties' interests in terms of the policy as well as contractual and legal recoveries. As the assets age, and wind turbines operate beyond their warranty periods, we anticipate Insurers will be facing greater exposures for physical damage repair costs. Currently the principal operational exposure relates to business interruption.

Solar and onshore wind sector claims most often involve machinery breakdown, and therefore also entail similar discussions regarding the possible scope of manufacturers' warranties.

Over the past 12 months we have managed interesting tidal and wave sector losses which often seem to involve smaller companies attempting to prove the concept of their technology and achieve project milestones to attract further tranches of investment.

Across the renewables sector more generally, we are seeing the increased involvement and influence of external financiers and investors. This has led to a greater take up of Delay in Start Up insurance as well as the emergence of new types of cover guaranteeing production levels (and therefore the owner's ability to service debt repayments) and non-damage triggers for business interruption.

**KEY TIP:** Many renewable energy projects have complex stakeholder structures with different financiers and investors. In this context the Loss Adjuster should be aware of the precise details of the insurance cover early in the claims process. Understanding the stakeholder expectations and taking steps to gain their confidence and trust helps to gather information and documentation and so speed up the settlement process.

2015 and 2016 witnessed several significant refinery and petrochemical losses, but the actual number of major operational claims was relatively low.

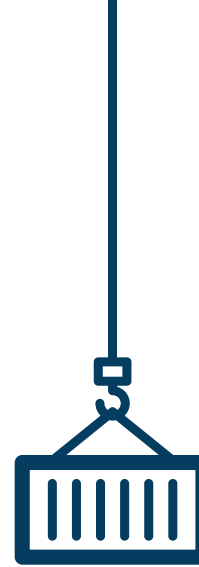
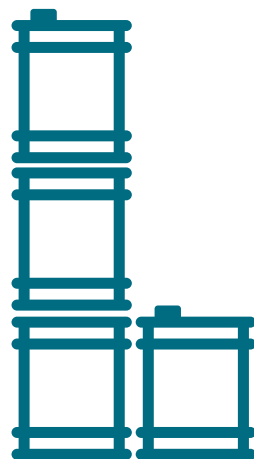
More recently, we have seen increased incidence of small process related losses arising from valves passing (leaking internally), heat exchangers cracking, transformers and motors short circuiting, and gas turbines breaking down. However, these incidents by themselves have not caused major business interruption (BI) losses.

The increasing number of these small recurring incidents combined with technical and physical problems, human error, and maintenance failures undoubtedly increases the likelihood of a more serious refinery or petrochemical loss. The root cause of these incidents can be difficult to isolate and determine, as it is usually a combination of several interrelated process failures occurring consecutively or simultaneously.

Integra Technical Services' recent experience has been that the cause of the largest refinery and petrochemical facility losses have been vapour cloud explosions commonly emanating from aged plants.

**KEY TIP:** A refinery's linear programme or LP model can assist in determining the possible BI loss mitigation measures and assigning cost benefit values, as long as the LP model's limitations are understood.

Whilst LP modelling can take time and does not always



give a perfect result, it is usually the best method to assess the likely outcomes from a mitigation strategy, as well as modelling the effects of crude oil and product price fluctuations during the course of a facility rebuild.

In a real life example, following an explosion, a refinery was faced with either reducing crude oil throughput or finding another way to process black oils into higher value white oils. Their LP model was used to determine whether the increased cost of purchasing a more expensive lighter crude oil and enhanced reformate catalyst would improve the volume of the more valuable white oil yields whilst maintaining crude oil throughput. Ultimately, this substantially mitigated the refinery's insured and uninsured BI losses, and avoided the spectre of second guessing the outcome.



5.5

**PROJECT CARGO**

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The outlook for project cargo in many parts of Asia Pacific is positive, with mineral prices now improving and demand for new build projects expected to increase. This is likely to be complemented by a range of infrastructure projects in Asia Pacific and the US, including road, rail and power station developments.

This is in contrast with Australasia where a combination of the past downturn in key mineral commodity prices (for example iron ore, coal) and a reduction in construction and infrastructure has resulted a significant decline in the number of new build mineral extraction projects since the boom period of 2009 – 2015. As a result, much of the equipment imported into Australasia is now in the process of being redeployed to Africa, India, East Asia and the US.

This project cargo upswing invites different types of risk but the principles remain the same. When transporting high value and often critical machinery and equipment, risk management procedures must be communicated so that all parties understand their responsibilities and risks. This should include warranty surveys addressing the entire supply chain for each project cargo item and detailed handling and transportation plans, which may need to take account of the care of the equipment. For example, we have seen incidents of equipment suffering sea corrosion and recent damage to a gas compressor during discharge from a vessel due to incorrect weight markings.

We understand that pre-loss measures can often be a 'nice to have' feature particularly with complex Engineering Procurement & Construction [EPC] contracts where multiple parties need to be involved, including the lead EPC contractor and several specialist suppliers and service provider subcontractors.

**KEY TIP:** Given these complexities, we would suggest that the major opportunity to mitigate project cargo damage claims is to involve the Loss Adjuster prior to project commencement or before project cargo movements.

An experienced Loss Adjuster can often add value by identifying additional risk points in the project cargo supply chain – which may include operational, logistics and commercial issues. This might include recommendations for improved presentation for safe shipping and transportation, clear identification of contract of carriage responsibilities and arranging warranty surveys at each point in the project cargo supply chain.

Early involvement of the Loss Adjuster will, also, help build knowledge and the relationships that can be so helpful in ensuring an efficient and effective loss adjusting service in the event of a claim.

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COUNTRIES HANDLED  
CLAIMS (2016)

**46**

**9**

COUNTRIES

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**5** ARGENTINA / BRAZIL / CANADA /  
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## CREATING THE RIGHT TEAM FOR YOUR ASSIGNMENT

INTEGRA HAVE **31 LOSS ADJUSTERS**

OF THAT NUMBER

**10** ARE CHARTERED LOSS ADJUSTERS : **11** ARE ENGINEERS : **6** HAVE LAW DEGREES

**FIVE** ARE ARBITRATORS / MEDIATORS  & **4** ARE SURVEYORS

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