

# MODELLING BUSINESS INTERRUPTION CLAIMS

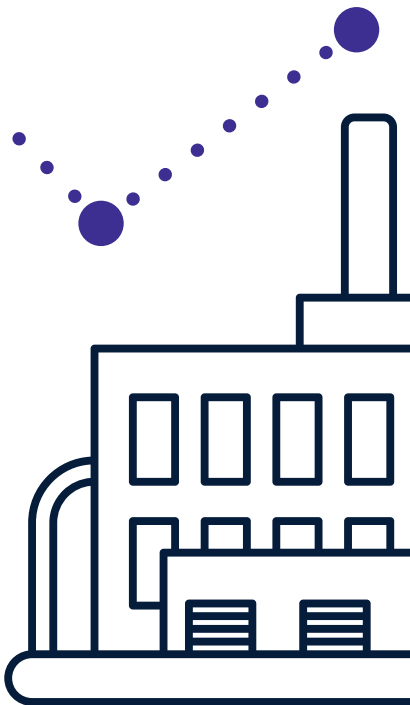
Integra Technical Services has pioneered the concept of 'real time' measurement of Business Interruption insurance claims in sectors such as Petrochemical and Oil and Gas Refining. Taking the subjectivity out of the process has been shown to reduce friction, increase certainty and improve claims satisfaction.

Sectors where the use of linear programming or LP modelling is prevalent (see page 18) are potential candidates for this revolutionary service that has already been proven to increase Insured and Insurer satisfaction and provide a better overall claims management outcome.

Ewan Cresswell, CEO of Integra Technical Services explains "the service uses an existing client resource (their own LP model) to create a 'virtual business' during the outage period, enabling the Insured to demonstrate exactly what would have happened if the loss has not occurred. This facilitates earlier accuracy and so more frequent

interim payments, ensuring that the Insured maintains cash flow and stability during the period of the outage."

Whilst a 'virtual business model' can take up to 12 weeks to construct it is possible, with the Insured's cooperation, to achieve this within the typical Waiting Period. The diagram on page 15 details how the service works, but key to its success is building a deep level of trust between the Insured, their Broker and the Insurer. Only through this trust will the parties invest the time and resources needed, to deliver an improved outcome.



DAY 1	DAY 30-90	EVERY 30 DAYS <small>(or as determined by the Insured)</small>	CRITICAL SUCCESS FACTORS	ADVANTAGES
<p>Understand the extent of damage and how much of the Insured's production capacity has been affected.</p>	<p>Create the 'virtual business model' to reflect the operating characteristics of the facility, with all relevant constraints and variable costs pre-agreed.</p> <p>This involves understanding and validating the LP model being used by the Insured and how this works in practice during a period that is similar to that expected during the current outage.</p>	<p>The Insured's operating personnel connect with their marketing team and state how they would have optimised the facility (feedstock choice and operational characteristics).</p> <p>The 'virtual business model' is run with the selection to calculate the Business Interruption loss, during the period, based on real time pricing.</p> <p>Interim payments made based on the actual loss sustained.</p>	<p>Coverage has to be clear and accepted in the early stages.</p> <p>(Re)Insurers and Insured willing to invest the time and resources to create the model.</p> <p>Significant period of indemnity and outage (usually 100%) for minimum of 9+ months.</p> <p>Access to publicly available feedstock and finished product prices.</p>	<p>Reduces loss measurement disagreements – agreed monthly based on actual prices.</p> <p>Accelerated claims settlement process.</p> <p>Improved Business Interruption measurement accuracy.</p> <p>Facilitates interim payments – helps Insured's cashflow and provides more accurate reserving.</p>

