Energy Market Claims Advocacy

London

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Nick Coffey

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Introduction

- Why do Assureds use Consultants.
- Working with Stakeholders
- Consultant’s responsibilities to Client
- What are drivers on claim
- What is successful outcome
- Should Insurers fear Claim Consultants
- Are Claim Consultants here to stay

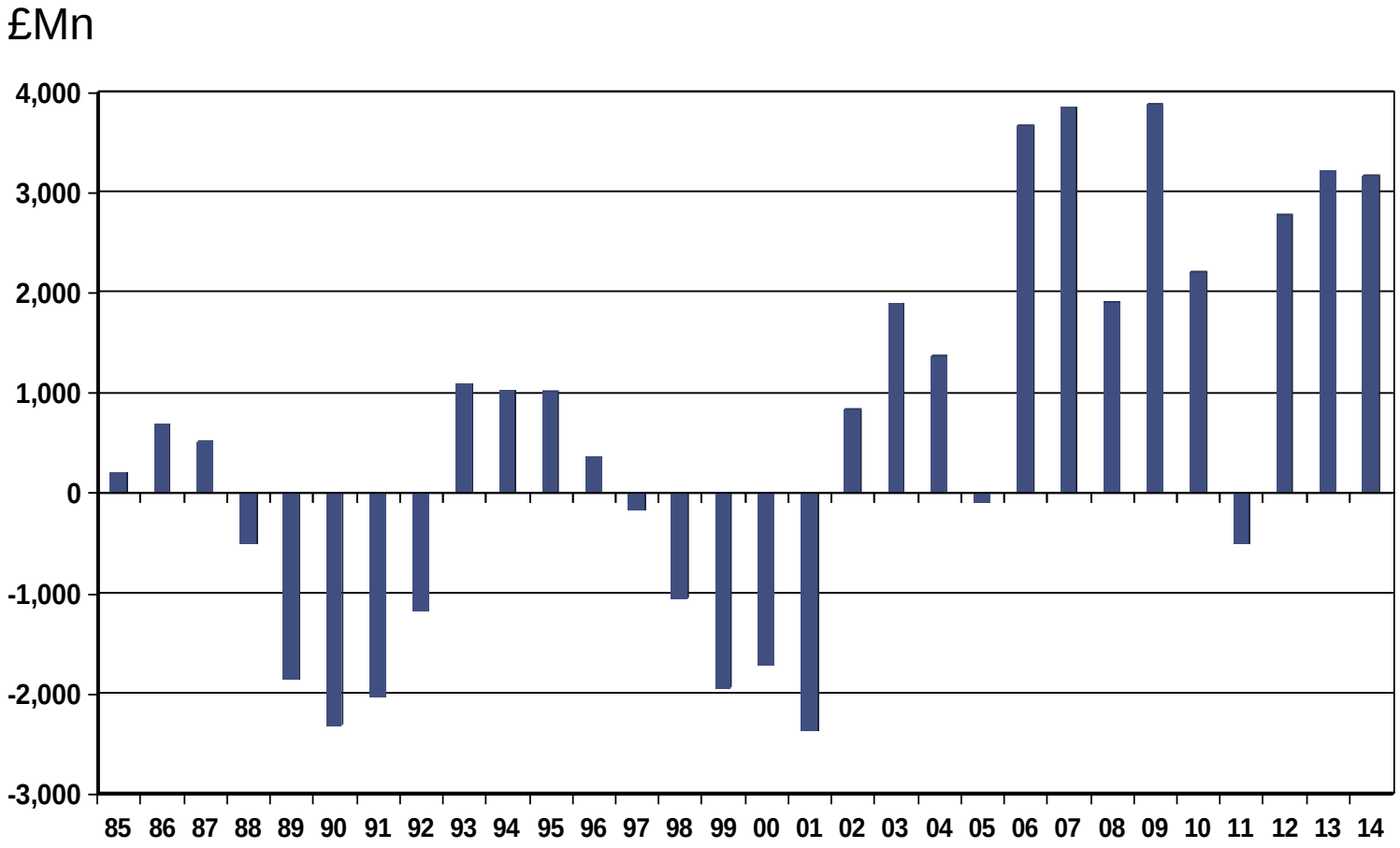
Why do Assured's use consultants.

- Industry Structure:
  - Multiple parties in single asset (Joint Ventures)
  - Highly regulated industry
  - Multi-national, multi jurisdictional companies
  - State involvement in assets
  - Large range of market cap of companies
  - Long term, Capital intensive investments
  - High impact accidents – low volume high value.
  - Accidents can be Company changing events

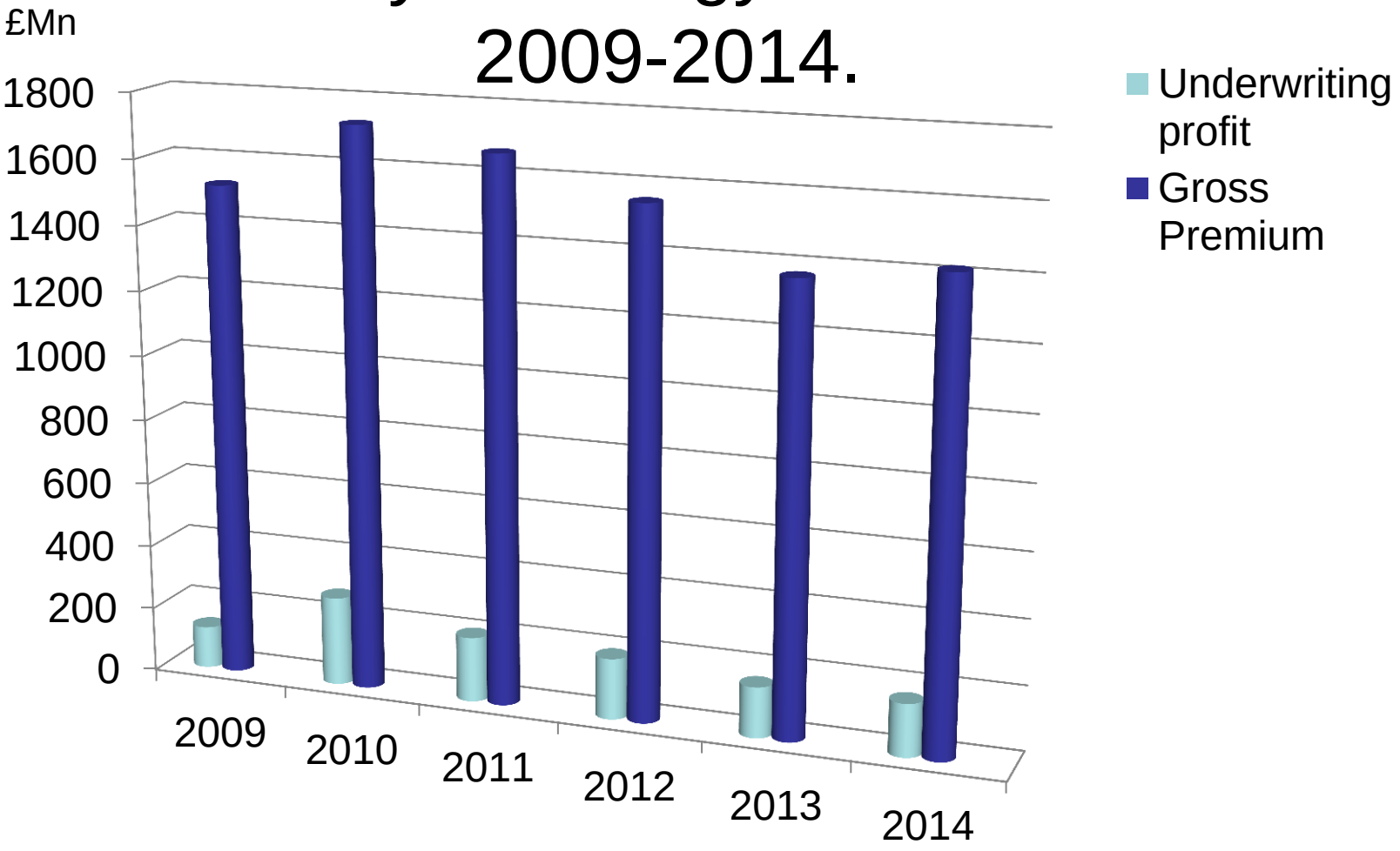
Why do Assured's use consultants.

- Insurance Structure
  - Multiple complex policies.
  - Multiple (re)insurers, captive insurers.
  - Local insurance requirements, defined ceding and reinsurance.
  - Few "standard" wordings.
  - Coverage is bespoke to individual company needs.
  - Global insurance market.
    - London
    - Europe
    - Bermuda
    - USA
    - Middle East
    - Singapore

Lloyds of London Results 1985-2007



Lloyds Energy Results 2009-2014.



Why do Assureds use consultants.

- Losses can be complex:
  - Property Damage
  - Third Party Liabilities
  - Business Interruption/LOPI
  - Pollution
  - Control of Well
  - Redrill of Well

  - Regulatory restrictions (public enquiries, improvement notices).
  - High media and political involvement
- Reparation can take years. Claim is a long term commitment.

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Why do Assureds use consultants.

- 3 Phases to a claim
  - Chaotic Phase
  - Document Churning Phase
  - Settlement Phase

- Plan strategy through all phases
  - Understand and meet short term information needs.
  - Set up processes for long term document/data collation.
  - Identify areas of conflict and find routes to resolution.
  - Clear communication and target setting for all parties.

Working with all Stakeholders

Who are Stakeholders

- Assured
- Employees
- Joint Venture Partners
- Contractors
- Shareholders and Lenders
- State Energy Company
- State Regulator
- Lawyers
- Brokers
- Activists (environmental campaigners)
- Tax authorities
- Media
- Insurers
- Reinsurers
- Loss Adjusters
- External Experts (technical, forensic accountants)
- Insurers lawyers

Not Exhaustive List……

Working with all Stakeholders

- Consider the needs of individual stakeholders.
- Do they impact the insurance claim management?
- What is their role and desired outcome?
- How best to engage with them.
- Effective and timely communication.

- Clear strategy to communicate and implement.
- Assured must maintain control over claim.

Consultant's responsibilities to Client

- Functioning claim team in place
  - Multidisciplinary – technical, accounting, legal etc…
  - Dedicated core team.
- Clear strategy to settlement, with "way-points" to assess progress.
- Ensure that full value is achieved from insurance policies:
  - Acceptance of liability by insurers
  - Payments for cash-flow management
  - Settlement within terms of policy coverage
  - Maintenance of commercial relationships
- Not to be broker…..

Consultant's responsibilities to Client

- Management Reporting
  - Business unit
  - Corporate centre
  - Joint Venture partners management
  - Third parties (auditors, tax authorities, regulators).
- Managing expectations
  - Ultimate outcome of claim (Quantum)
  - Issues to be resolved.
  - Timing and route.

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What are drivers on claim

- Assured:
  - Cash flow
  - Maximise recovery
  - Shortest time possible with least interference by insurers
- Insurers
  - Proper investigations on claim
  - Audit of technical facts
  - Adjustment of costs
  - Reporting to following markets, reinsurers, management
  - Payments once satisfied
- Make two ends meet…..

What is successful outcome

- Acceptance of liability by insurers.
- Payments for cash-flow management.
- Settlement within terms of policy coverage.
- Maintenance of commercial relationships
- Parties got relevant information they needed, in timely fashion.
- Areas of dispute were identified, managed and resolved.
- Our involvement added to the settlement process, rather than hindered.
- Full value is achieved from insurance policies

Should Insurers fear Claim Consultants

- Facilitate the claim process
- Bring experience and expertise from managing multiple catastrophic claims.
- Manage large data requirements, collation and analysis
- Structured claim presentation in accordance with policy conditions
- Form part of a client’s claim team as independent advisor
- Work closely with adjuster and third party experts.
- Frank and open discussions on difficult issues.
- Reputation is built on bringing claims to a satisfactory conclusion

Are Consultants here to stay

- Growing advocacy market:
  - Brokers
  - Accountants / business consultants
  - Independent consulting companies
  - Individuals
- Provisions for consultancy in broader range of policies
  - Business Interruption / Loss of Production
  - Property Damage

- I hope so……

Questions?