MARSH JLT SPECIALTY

QUARTERLY NEWSLETTER | JANUARY 2020

Energy and Power Newsletter

Focus On: Mass Liability Claims Management Readiness in Energy and Power

MARSH

Energy and Power Newsletter

We are pleased to provide our existing, and potential clients with our 1st Energy Insurance Quarterly Newsletter of 2020.

In addition to our regular features, in this edition we have a 'focus on' *Mass Liability Claims Management Readiness in Energy and Power.*

We hope that readers will find this newsletter interesting and informative and would welcome any feedback you may have, which you can email to: John.Cooper@Marsh.com or pass on to any of your usual Marsh JLT Specialty contacts.

If you are reading this in hard copy or have been forwarded it electronically, and would like to be added to our electronic mailing list, or you wish to unsubscribe, please email John.Cooper@Marsh.com.

John Cooper ACII
Global Chief Client Officer
Marsh JLT Specialty | Energy & Power

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General State of the Market Overview

General Backdrop

The two speed market we reported last quarter has changed to a three speed market. Downstream Property had earlier in the year sped ahead of Upstream Property and Casualty, but Casualty has now stepped up a gear.

Downstream continues to lead the hardening, and continues to be a most challenging market as we discuss below. Casualty however is now also becoming increasingly difficult, whilst Upstream remains stubbornly stable, from insurers perspective, but within this report we discuss how this stability looks fragile.

Upstream Energy

The veneer of the Upstream insurance market is healthy. Generally loss ratios are good for insurers. Capacity is at an all-time high, plus has never been so financially sound. There are still many ambitious leaders. The new entrant Convex with their USD 350 million upstream line will also constrain the increases their competitors would like to charge.

If Insureds possessed platform risks in non-cat zones (such as the UK or Brazil) they would have renewals they should have been happy with.

However, despite the foregoing, many risk managers are now facing challenges in sourcing insurance at the friendly terms and conditions that were readily available in the summer.

North American shale operators and contractors have seen dramatics rises and increases in deductibles. Offshore construction rates have nearly tripled from early 2019 as attritional losses have gone up in the sector. The Norwegian sector in particular has seen an uptick in settled losses. Conditions such as stricter 'Schedule B's and Marine Warranty Surveyor work scopes have been more readily imposed by leaders. In the current market, a safer choice of leader is more prudent to complete the program making traditional mainstream leaders (such as Munich Re) fashionable again.

The insurance hubs of Singapore and Dubai are not the competitive markets they once were. An example of this deflation in attitude is the decision to place the Asian carrier ACR into orderly run off after announcing ambitious plans and a strong underwriting team being employed. Loss of confidence in the regions means it is being more closely monitored and managing from their London headquarters.

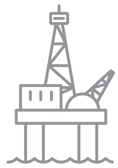
Behind the scenes, first loss reinsurance, which in 2018 was plentiful, has become more difficult to obtain; another sign of underlying problems in market dynamics.

The general trend on clean renewals is now firmer at circa plus 2.5% to 5%.

We are also seeing an increased tendency to look at coverage extensions granted in a soft market and to withdraw these and/or offer to maintain them, but at an Additional Premium, if they now seem over generous. As the market moves towards a hardening phase, albeit slight in percentage terms, we are also seeing it become more difficult to get exposure 'thrown in' for free, that was regularly included in the soft market, such as adding to the schedule of values and agreeing to 'waive' the additional premium calculated.

The general feeling is that the market is only one or two sizable losses, or a series of attrironal losses, away from seeing contraction in capacity which will result in the market stepping up a gear in its hardening, we therefore continue to recommend that clients obtain the longest period they can lock in for.

This market is for turning and Insureds may find 2020 a negative inflection point.



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Downstream Energy

As the third quarter of 2019 concluded, there were clear signs that the market correction was accelerating and this has proven to be relentless throughout the fourth quarter across all regions. Insurer discipline has strengthened and the combination of withdrawals from class and reduced capacity deployment has reversed the supply/demand balance. Due to complexities over reinstatement, some doubt remains over the quantum of loss to the market from the Philadelphia incident. But the recent severity of the loss at Port Neches has unquestionably driven the Downstream market well into negative territory for the third consecutive year. Global aggregated reserved losses are now in excess of USD12.5bn against gross premiums benchmarking at less than 50% of that. Whereas insurers' global books are under considerable pressure, the incidents in the US have particularly fractured that domestic market.

In terms of market direction, there appears to be two definitive insurer camps. The first group are those that are following a stated strategy to stair step increased rates to clients over consecutive renewal periods. The purpose behind this is to manage the cycle, show differentiation and preserve established business relationships. The second group is targeting severe rate increases to take full advantage of prevailing market conditions, commoditise clients and maximise short term returns. This latter group itself is polarised between those with immediate need and those that are looking for immediate opportunity. Whereas the strategies are different, both groups are looking to work towards their individual technical rating adequacy which on the whole currently stands off by between 40% to 60%. The end result for programs currently being marketed are rate increases for Downstream that spread upwards from 25% to multiples of that depending on sector, profile and geographical region. Pricing differentials within individual programs also show material spreads. Midstream business trends under Downstream and has the benefit of bridging both Upstream and Downstream markets.

Program retention levels are generally being offered unamended but with some push back on Business Interruption attachment points where reduction occurred below established norms during the elongated soft market cycle. Downstream earning volatility and accuracy of declared Business Interruption values is a focus, as are asset values, following some clear undervaluation manifesting post losses. In order to contain unforeseen spiking of Business Interruption losses within refining, there is a drive by certain insurers to impose Business Interruption caps to contain volatility. A clause has been issued by the Lloyd's Market Association (LMA) that has had some traction and been imposed by certain insurers on some customers. Nevertheless, the initiative is fractured and the clause is too simplistic, therefore buyers and their agents should be mindful of this before accepting such a clause. The LMA however, is looking at making much needed practical improvements to the clause. It should be noted that Petrochemical will fall within scope although such a clause is not designed to apply to Midstream risks where fixed tariffs and pricing constrain volatility. On a positive note, a more granular and transparent approach to declared Business Interruption numbers should make for a clearer and expedited Business Interruption claim. In terms of asset values there has been talk in certain sections of the market about the desire to impose average clauses. Such a clause will be unacceptable to most buyers who maintain significant retention of risk, are looking to transfer risk on complex assets through structured first loss policies, and maintain robust valuation metrics. The use of average clauses may heighten the prospect of claim dispute. It is expected however that most insurers will use proper differentiation when addressing these levers with customers and their agents.

Physical Damage from a cyber-event remains a subject under discussion. As the push for affirmative coverage positions continues, there have been a raft of new clauses ranging from absolute exclusions, through limitations to exclude deliberate cyber acts, to named peril write backs for resultant damage.

> *Global aggregated reserved losses are now in excess of USD12.5bn against gross premiums benchmarking at less than 50% of that.*

The NMA2914 and NMA2915 remain a preferential coverage for buyers within their All Risks coverage. Paired into this is the subject of Terrorism coverage, in particular with territories that traditionally combine Terrorism with All Risks coverage. With premiums heading sharply upwards and Terrorism allocations traditionally set at percentiles of the All Risks and Business Interruption extension premium, the delta for including Terrorism within the All Risks coverage is under tension. Whereas the preferential default position is to provide a physical damage product that extends to the broadest possible perils, it is clear that stand alone Terrorism coverage is becoming a viable alternative, albeit with restriction on the availability of resultant physical damage from a cyber-event. Such appetite for the Cyber Physical Damage element within the Terrorism market appears relatively static at sub USD500 million.

For buyers, the prospects for 2020 look challenging. Many insurers are targeting 2012 rating levels. Deployed critical capacity levels are down by approximately 20%. As such, rate increases will continue for the foreseeable future, and will be accentuated in refining with a lighter touch in relative terms to Midstream and Petrochemicals. Certain sectors, where rates have been traditionally considered low such as LNG, are likely to see an acceleration, and it should be noted that no sector is without significant loss contribution to the market.

Underlying to the prospective interface between insurers and their customers are restrictions and increased costs in both Treaty and Facultative Reinsurance, and increased cost of Nat Cat commodity. Few established customers would disagree that they have benefited from a sustained period in a buyers' market and that inevitably there would be a market correction. However, there is some bemusement amongst those customers, and their agents, that a great number of insurers continued to pursue top line growth over a prolonged time when it was clear to all practitioners that rating was not sustainable. As highlighted in our previous reports, the critical capacity for Primaries, Quota Share and Nat Cat perils had formed a considerably smaller component within a market awash with available general capacity. The result is that buyers are now facing a fractious and disparate marketplace where they, and their agents, will have to sift through multiple offers in coverage and pricing to determine which insurers provide value and longevity. There will be many intense discussions over the balance between risk retention and transfer, and an expectation that the likes of OIL and captives will be the beneficiaries. Those already incumbent within OIL will review the appropriateness of current structures and attachment points. Those customers locked in by governance structures on coverage requirements or lenders interests stand in most peril. At this time, there does not appear to be immediate relief in terms of new capacity with only one notable mainstream entrant who is currently taking considered time to finalise their Onshore strategy. It should be expected that there will be a move to exercise more insurer control over geographical deployment of capacity, and as such a further element of repatriation may occur. At this time we are not seeing credit rating concerns.

Whereas market conditions are severe fortunately there are a number of insurers who continue to differentiate and not to commoditise clients; it is those insurers working with customers, and their agents, that will form the bedrock to a more sustainable market as the cycle moves upward.

Power

We continue to see an adjustment and tightening across the whole of the London Power market. The recent withdrawal of capacity continues as carriers realign their capacity with more profitable areas of their book. Power has been struggling to make money for a number of years for most carriers as losses invariably outpace premiums.

As we close the fourth quarter the position in the market remains as challenging as it has been for the past six months. The fourth quarter is a very busy time in London with underwriters focusing their energy on 31/12 and 1/1 renewals as well as closing out their years. Good broking helps mitigate overall impact with re-layering and restructuring programmes along with vertical placements (each carrier on their own slip with their own terms).

Straight forward renewals with a clean loss record and no catastrophe (CAT) exposures are taking an minimum of a 12.5% - 15% increase. Accounts that have CAT exposures or losses are taking more, sometimes considerably more including deductible level increases.

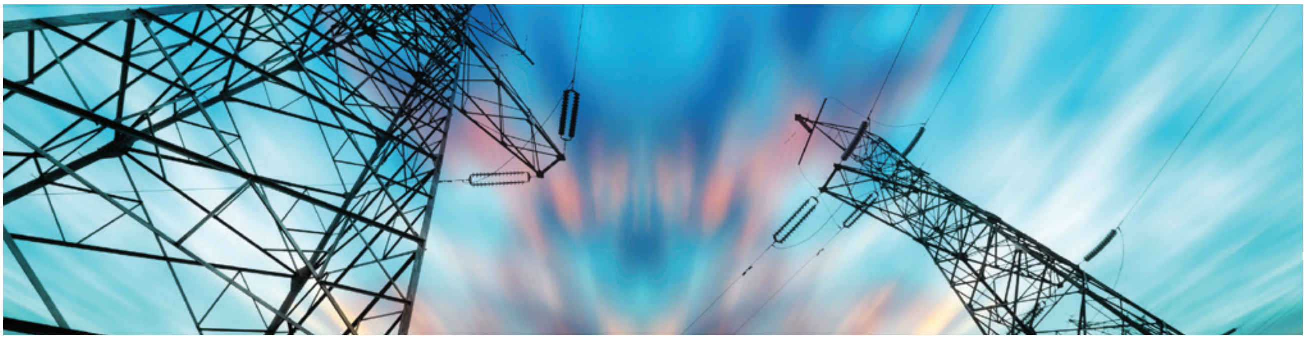
In Lloyd’s the situation is compounded with markets limited to income limits for the underwriting year. Hence fourth quarter renewals were tricky for some as insurers get close to their annual income limits.

Deductibles are holding strong and not increasing, but we do expect some fringe coverage to disappear or be limited such as extended cyber, limited terrorism, and construction within a policy.

The renewables market is gone through a significant period of hardening over the past 6 months and especially solar PV and risks in high CAT zones. CAT cover for solar PV is extremely limited and we advise clients to start the renewal process very early in order to prepare lenders, financers and internal stakeholders for the change in the market.

The market continues to transition and this period is expected to continue through 2020. Capacity remains available but is very important for clients to differentiate themselves from their peer group in order to achieve the best possible terms.

Our recommendation is to enter preliminary discussions with markets as soon as prudent to avoid last minute rushed negotiations. Insurers are taking significantly more time to review schedules and are delaying quoting until very close to inception to ensure they are achieving the best outcome. This can cause a lot of frustration for brokers and clients. Above all be prepared for a change in terms.



Energy Casualty

The shifting sands of the Liability market seem to have positioned it between the downstream property and the upstream portfolio.

While the presence of losses is not immediately apparent in the energy sector, the wider liability market has suffered a series of catastrophic events in the last few years that has resulted in both a contraction of capacity and a determination to leave behind the “as before” mentality and to start charging what are viewed as prices commensurate with the return periods being experienced.

The wildfires in the US and Australia; the hotel sniper event in the US; US auto experience in general industrial sectors; marine yacht losses from the Harvey, Irma and Maria (HIM) hurricanes, and various utility explosions and fires in North America have all had a catastrophic effect on the depressed pool of premium that 5 years of relatively benign loss experience had created.

Many clients, not exposed to the risk factors or classes that have suffered losses in the last few years, may ask why they are being tarred with the same brush as these unfortunate Insureds - why should the offshore space in North Sea exploration and production (E&P) be affected by Australian bush fires or their California equivalent? The answer is that, similarly to the downstream market, but on a much more pronounced basis, the Casualty insurance market is served by a proportionately tiny pool of premium. Events they are supposed to have a likelihood factor (or return period) of 1 in a 1,000 years, and therefore pricing to match, are happening far more frequently.

The other issue with the relative lack of frequency of major Casualty losses to Property ones is the data set upon which actuaries and loss adjusters model these return periods is much smaller than in Property, and so a single event can skew the results significantly, throwing out the received wisdom of the previous years' reserving basis. For example, very few analysts would have predicted an active shooter could affect the hospitality industry to the tune of almost USD1bn as happened in Las Vegas in 2017. With a sample of losses this volatile, modelling becomes increasingly subjective for both insurers and reinsurers, leading to premium volatility and a lack of pricing harmonisation.

Coupled with this increasing frequency experience is the more threatening and immeasurable phenomenon that has been labelled "social inflation" by some reinsurers: awards, especially in the US, are rising exponentially and unpredictably compared to previous experience. Large awards seem here to stay. Even if they are overturned, or reduced on appeal, inflation of legal costs alone is enough to wipe out some layers, or even towers that previously were thought to provide sufficient coverage. This change has most tangibly been experienced in US Auto, where it is no longer the very heavy industrial fleets, like those belonging to fracking companies, which are the red flags - many of the largest reserves are due to simple pick-up truck incidents and, worryingly, those in which the events, or indemnities, might previously been thought to give ironclad defences to the various Insureds who have been surprised to have to claim for them.

In short, the whole landscape of Casualty losses has changed, as ever precipitated by the US legal system and the allowances it has created for plaintiffs.

While many sectors of Casualty are not yet hard, they are all now certainly transitioning, and doing so at an alarming rate. The speed with which markets have been emboldened to turn negative rating protocols into rises has taken most by surprise.

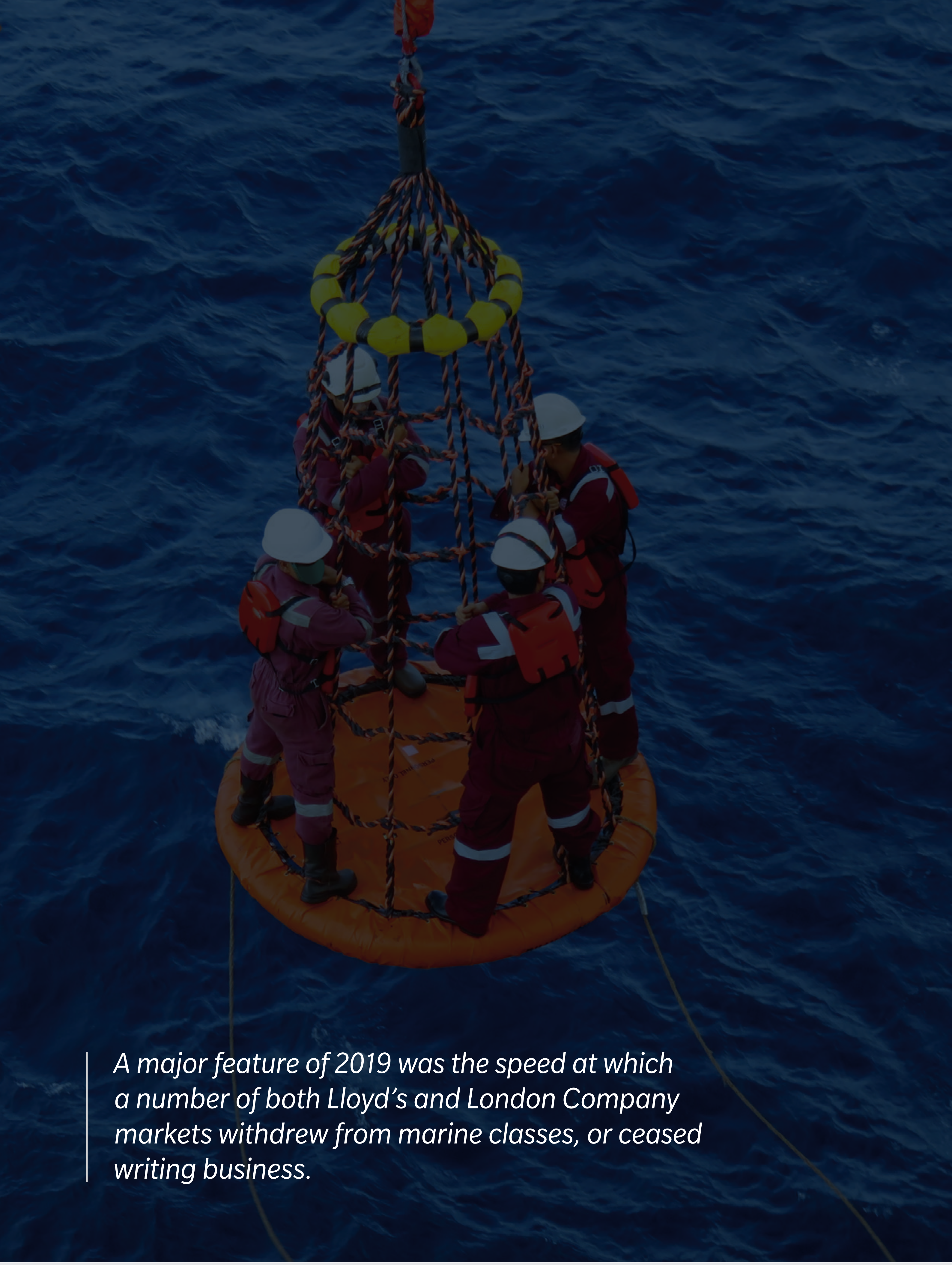
The most affected sectors are:

- US and Australian wildfire, which are now almost year round risks.
- Onshore Pipelines, especially in North America but globally too.
- US Auto, especially in the Service and Drilling contractor sector.
- Utility business - power and liquids transmission and distribution.

What looks to be a list of disparate risk sectors and classes being affected, combines to be a tremendous cacophony of markets clamouring for more money; less limit being offered; tighter conditions under which the risk is written. There is now a tangible fear amongst underwriters that they could be fired for a bad quarter, or maybe half year of underwriting, and therefore erring on the side of caution with renewal pricing is the new normal.

The effect? Increased stress for Insureds and a precarious situation whereby risk transfer budgets are ill-equipped to deal with the market's requirements.

There is also a phenomena that many International accounts being re-underwritten from scratch due to perceived inadequate premium levels now being scrutinised at the highest level within companies.



A major feature of 2019 was the speed at which a number of both Lloyd's and London Company markets withdrew from marine classes, or ceased writing business.

There are lists of “worst offenders” where rating is below USD1,000 per million.

And finally, rate increases are on top of exposure driven increases. While subjective in their size, insurers are no longer willing to gloss over more drilling or throughput as part of the cycle and will charge for this in addition to the management mandated rate rises.

Bermuda Casualty market

The Bermuda market continues to withdraw capacity from standard market priced accounts (currently paying an average of around 20% increase), often as much as 50% reduction in capacity, but some markets are willing to offer their remaining expiring capacity at significantly higher pricing. Many Insureds are resisting this to avoid inverted pricing (higher rate per million of capacity in higher layers than in lower layers) but some wanting or needing (due to covenants or the like), to continue to buy as much capacity as they can, cannot avoid being held to ransom by the market.

Marine Exposures

As we approached the end of the year, it became clear that the Marine Hull and Liability markets were in a state of change.

A major feature of 2019 was the speed at which a number of both Lloyd’s and London Company markets withdrew from marine classes, or ceased writing business. This retraction of marine capacity had a profound effect on not only rating levels, but also appetite of those carriers left within the marine market. This feature has also rippled into the overseas markets with the demise of the Asian markets of particular note, as well as the withdrawal of Allianz in the US and Singapore.

The result of the above has been a sharpening of risk selection, with each carrier scrutinizing renewal terms as if they were the market leader, and a real sense of careful selection of which risks they are prepared to give out their capacity. We have also seen a retraction in those carriers willing to write policies over 12 months.

With the marine Lloyd’s syndicates currently undergoing their business planning for 2020, we will be keeping a watchful eye on whether there will be a repeat of the process seen towards the end of 2018, which resulted in a number of plans being rejected by Lloyd’s.

The Marine Liability market has enjoyed a more stable period than their Hull and Cargo peers, that being said, we are now starting to see a slight retraction in capacity on this side, which will inevitably bring with it the rise in rates and careful risk selection. Insurers are not afraid of removing capacity from accounts they have written for some time while some have also started implementing minimum premium levels for their shares.

The key themes of the year have been a retraction of capacity, rate increases, job losses, and a keen approach to risk selection. It will be interesting to see if these themes continue to take a firm hold of the Marine market in the New Year, or whether the pendulum will swing back to a softer market for both clients and industry professionals alike.

Recent Quotes

The following quotes are taken from speeches public, statements or articles by prominent market figures about the insurance market and whilst we have tried not to take their words out of context, the excerpt may not be the entire speech or article.

Nick Jay, Guy Carpenter Deputy Head of Global Marine and Energy

"Nobody [in the upstream market] can quite believe how good their numbers have been in the last five years. I have found the last period really interesting because everybody in the industry has got it wrong. There's very little margin in some of those premiums so it's not going to take much to cause problems. We need more money coming in front end. We have to remember that we had a very benign period up to 2017 in terms of US wind."

At Energy Insurance London conference on Friday 11 October 2019

James McDonald, Talbot outgoing Global Head of Marine and Energy

"A big [upstream] loss could be fatal for some carriers. The global premium base has shrunk so much that one large loss could write off all of the premium."

At Energy Insurance London conference on Friday 11 October 2019

Alan Schnitzer, Travelers Chairman and CEO

"US Litigation is becoming more aggressive. At the heart of the issue is the higher and more aggressive level of attorney involvement on claims. The bigger issue for all of us is that the broken system imposes a tax across society."

During his firm's third quarter earnings call

Rob Berkley, WR Berkley CEO

"The market-wide escalation of casualty losses as a result of social inflation has some similarities to the medical malpractice crisis that hit the global insurance market in the early 2000s. A recent relatively sudden spike and uptick in severity of claims brings to mind that crunch that spurred many carriers to exit the casualty market. Ultimately what eventually came into focus for society was that when you have these types of awards coming out of the legal system, it is society that pays the price one way or another."

During his firm's third quarter earnings call

Jon Hancock, Lloyd's Performance Management Director

"The wave of casualty losses the market has witnessed originating from the US is a cause of anxiety with litigation-related losses increasing in both frequency and severity. The view of claims, accountability and responsibility seems to have become blurred in certain states. It's a worry, and yes, we are concerned over the trend. Like most classes of business, casualty has seen continued rate reduction in recent years, and just as importantly it has seen cover expansion too. However, the casualty class is beginning to move away from the suboptimal pricing levels that had prevailed in recent years. Pricing is starting to get back towards better levels."

Speaking at Baden-Baden Reinsurance Conference in October

Bronek Masojada, Hiscox CEO

"Pricing in the reinsurance market must shift to account for the increase in large catastrophe losses. This has got nothing to do with capacity, it is to do with the balance between premium and claims. Everyone says there is lots of capital around, which is correct, but I don't believe that the owners of that capital are so stupid that they will not look at the history and say 'Sorry, the ratio of premium to claims is wrong irrespective of how much capital there is'. At some point there has to be a reckoning or capital will flow away. People just keep saying it's a 1-in-100 year event. We have now had three years of large material catastrophes and you begin to wonder whether the 1-in-100 is actually 1-in-100."

Talking to the Insurance Insider 4 November 2019

Paul Rivett, Fairfax Financial's President

"Social inflation, low interest rates and the outflux of capacity at Lloyd's have factors have shaken up the core and left a generation of underwriters focused on getting price. A hard market seems like it's on its way. The social inflation, phenomenon has helped create upwards rate momentum and is part of this firming in pricing – capacity is coming out of lower limits."

During his firm's third quarter earnings call

Stephen Catlin, Convex CEO

"The insurance industry could be sitting on top of a USD 100bn – USD 200bn reserving deficiency in casualty lines. Recent warnings from primary and reinsurance carriers on inadequate pricing and deteriorating prior-year losses are only the beginning of the pain. Surging loss costs in the US casualty market in particular have been a theme of the third-quarter results season, with issues spread across commercial auto, general liability, medical malpractice and D&O creating mounting fear within the market. Casualty pricing has halved in the past decade while, at the same time, an increasingly litigious environment is creating more risk in the system. The USD 100bn- USD 200bn gap is bigger than the largest nat-cat, times two, and could be reversed with a few years' worth of remedial action, requiring fundamental change. It is possible that that auditors could force carriers to up their reserves immediately in a 'big bang' across the industry, which could prove to be fatal for some carriers. The impact will be more muted if auditors allow a 'dripping tap' approach whereby carriers could address the deficiency over say a 10-year period."

Speaking at the Insurance Insider London market Conference in November

The quotes referenced above are included herein to provide readers with a broad overview and insight into what is currently being said in the marketplace, however the inclusion of such does not mean Marsh JLT Specialty, Marsh, or Marsh & McLennan Company endorse or agree with any of the foregoing.

Market Moves / People in the News

- **John Hopper** and **Vicky Hopgood** have left AmTrust Syndicate following its acquisition by Canopius
- **Henry Gillingham** has left Talbot to take up the role as head of Political Violence/Sabotage &Terrorism at StarStone
- **Peter Gower** has left Hiscox to join Convex as a marine liability underwriter
- **Paul O'Neill** Chief Underwriting Officer and Head of Energy, Marine, Aviation and Entertainment lines of business at Allianz has left the firm
- **Pene Reuben**, the former Allied World marine liability underwriter has re-joined the London market as part of AIG's marine liability team
- **Peter Welton** has been promoted to UK Head of Energy at Axa XL, succeeding **Luis Prato**, who was promoted to Chief Underwriting Officer for Axa XL UK in September. He is currently Senior Class Underwriter for Downstream Energy and Power
- **Kayley Stewart** has been hired by Fidelis as a senior terrorism underwriter from Liberty Specialty Markets
- **Tom Burrows** has left the Marsh JLT Energy & Power team to take up an Upstream underwriting role at Convex
- **Craig Curtiss** has joined Chaucer as class underwriter for political violence, from IGI
- **Callum Bennett** has joined Chaucer as deputy class underwriter for political violence, from Axis
- **Crispin Hodges** has joined Canopius from Beazley as head of trade political risk, a newly created unit that comprises the political risk book formerly managed by AmTrust at Lloyd's
- **Michael J. Warwicker** is to join Chubb Bermuda as Senior Vice President, Head of Excess Liability, subject to regulatory approval. He previously held executive casualty underwriting leadership positions in the Bermuda Market at Endurance, Ironshore, and AIG
- **Jodi Davenport** has joined the Onshore Energy and Power team at StarStone
- **Ed Noonan**, StarStone chairman has stepped down and is leaving the firm
- **Chris Charlton** has been promoted to Chief Underwriting Officer of non-life, at Barents Re from his current role of UK Managing Director and Head of Energy
- **Nicola Wood** has resigned from Apollo's casualty team to join Canopius
- **Laurence Burrows** has resigned from Apollo's casualty team to join to Convex
- **Olivier Decombes** has left Barbican, following their acquisition by Arch
- **Ed Binstead** resigned from Axa XL to go to Singapore to work for HDI with Mark Mackay
- **Mr P K Mohan**, who has been working as Deputy CEO and Head of Energy and Construction in RMS LLC has been promoted as the Chief Executive Officer and Head Global Energy Practice in Risk Management Services LLC (RMS) in Oman
- **Melanie Markwick-Day** is joining Chubb's upstream energy team from Neon

What’s New?

New Products and Market Developments

The International Group of P&I Clubs average increase in GI (General Increases) for February 20, 2020 renewals’ Advance Calls (premiums) for those imposing increases or targeted increases (before adjustment for individual loss records, changes to risk profile, or for changes in reinsurance costs) is 5.75%

A common theme amongst those imposing increases was the citing of increased cost and frequency of high value P&I claims across the market.

The individual club changes are:

American	To be determined on a member by member basis
Britannia	To be determined on a member by member basis
Gard	Zero
Japan	7.5%
London Steamship Owners	7.5%
North	7.5%
Shipowners	5%
Skuld	To be determined on a member by member basis (but have indicated rates will be firmer)
Standard	7.5%
Steamship Mutual	7.5%
Swedish	5%
UK	7.5% target but to be determined on a member by member basis
West of England	2.5%

Source: Individual club bulletins

A review of the P&I market has been issued by Marsh JLT Specialty’s Marine & Cargo practice which analyses the Intentional Group of Protection and Indemnity Clubs and its individual club members. For a copy please contact Mark Cracknell (Mark.Cracknell@marsh.com).

The CIMA code (covering 15 countries in Francophone Africa) has changed their rules from January 1, 2020 to impose a compulsory legal cession for all reinsurances of CIMA country insurers to CICA Re. Prior to this date it was 15% but only applicable to reinsurance treaties. Going forward, the reinsurance treaty cession is reduced to 10% but an additional 5% is applied to all facultative reinsurances as well. CICA Re is based in Togo and has a financial strength rating from AM Best of B (Fair).

CL 380 (the standard cyber-attack exclusion used in the Upstream market) is now being replaced by JR2019-013 issued by the Joint Rig Committee, which mirrors CL 380 but says that cover is not prejudiced by non-malicious cyber events, which is designed to comply with Lloyd’s non-silent cyber mandate applying to both malicious and non-malicious cyber events.

Briefly

Lloyd's have issued a report that explores a hypothetical cyber-attack on major ports across Asia Pacific, estimating that losses of up to USD 110 billion would occur in an extreme scenario in which a computer virus infects 15 ports. 'Shen attack' depicts a plausible scenario in which an attack is launched via a computer virus carried by ships, which then scrambles the cargo database records at major ports and leads to severe disruption.

The report shows how an attack of this scale would cause substantial economic damage to a wide range of business sectors globally due to the interconnectivity of the maritime supply chain. The scenario estimates that:

- Transportation, aviation and aerospace sectors would be the most affected (USD28.2 billion of economic losses in total), followed by manufacturing (USD23.6 billion) and retail (USD18.5 billion).
- Productivity losses affect each country that has bilateral trade with the attacked ports. Asia would be the worst affected region, set to lose up to USD27 billion in indirect economic losses, followed by USD623 million in Europe and USD266 million in North America.

Despite the high costs to business and international trade, the report shows the global economy is underprepared for such an attack with 92% of the total economic costs uninsured, leaving an insurance gap of USD101 billion.

The report is the second publication from the Cyber Risk Management (CyRiM) project, the Singapore-based public-private initiative that assesses cyber risks, of which Lloyd's is one of the founding members.

The report can be downloaded from www.lloyds.com/news-and-risk-insight/risk-reports/library/technology/shen-attack-cyber-risk-in-asia-pacific-ports

Lloyd's have published a new study that highlights how failure of critical infrastructure on one side of the world can cause catastrophic supply chain losses on the other. The report presents a five-step quantitative risk modelling framework to evaluate (contingent) business interruption risks and bridge the data and knowledge gaps in assessing supply chain risk.

Global trade has been facilitated by the integration of national economies into a global economic system characterised by increasingly complex supply chains. However, as supply chains become more complex, insuring interconnected business interruption risks has grown more challenging – compounded by a scarcity of claims data and the lack of systematic methods to quantify supply chain risk. The report can be downloaded from https://www.lloyds.com/news-and-risk-insight/risk-reports/library/understanding-risk/hidden-vulnerabilities

Security Rating Changes

The following rating changes affecting Insurers writing Energy business have occurred in the past 3 months:

Insurers Name	Previous Rating	Upgrade/Downgrade	New Rating	Effective Date
MAPFRE	S&P 'A'	Upgrade	S&P A+	19 November 2019
Asia Capital Re	Am Best A-	Downgrade	Am Best B++	9 December 2019
Convex	not rated	New	S&P A-	11 December 2019
Fidelis subsidiaries	not rated	New	S&P A-	19 December 2019

NOTE

The above rating moves are not necessarily all rating changes that have occurred in the past 3 months affecting Insurers that write Energy business and do not include changes in individual Lloyd's syndicate's rating (as Lloyd's as a whole continues to be rated as an overall entity).

Legal Roundup

UK Court sides with insurers over fraudulent piracy claim

The owners of the 'Brillante Virtuoso' claimed that, in an attack by Somali pirates, the vessel had been hit by RPGs and caught fire in July 2011. Later investigations established that an "improvised explosive incendiary device" (IEID) had been detonated in the purifier room, within the vessel's engine room.

More recently, it was suggested that renegade members of the Yemeni navy or coastguard masqueraded as pirates, and speculated that they might be able to ransom the vessel or trade it with Somali pirates.

The legal dispute which followed owners', and their mortgagee bank's, claim against war risks underwriters started in 2012. In October 2019, the Admiralty Judge handed down a judgment that established that underwriters' initial scepticism about the claim, and their later allegation of fraud against owners, were entirely vindicated.

The judge found that the vessel's beneficial owner, was the "instigator of the conspiracy" to destroy the vessel in order to commit insurance fraud. The judge was not "left in any doubt as to that conclusion".

The vessel was insured for USD77 million. An earlier judgment of the Commercial Court had found the vessel to be a Constructive Total Loss (CTL) with owners entitled to an additional USD8 million in expenses .

The judge said underwriters established "a powerful and... compelling case, based upon the series of events". The bank's account of events, in their totality and when "tested in the light of the probabilities and the evidence as a whole" amounted to "an account which I 'simply cannot swallow'."

Following the Supreme Court decision in the B Atlantic [2018], "persons acting maliciously" requires an element of "spite, ill will or the like". The judge found that the vessel was not lost or damaged because the armed men desired to harm the vessel or the owner. The vessel was lost or damaged because the armed men desired to make money from their actions. The bank therefore failed to establish loss by an insured peril.

Australian decision takes opposite view to the English court on whether depreciation amounts to a saving in Business Interruption calculation

An Australian state Court of Appeal decision has expressly rejected the reasoning of the English High Court in a previous case, finding that depreciation is not to be deducted as a 'saving' when quantifying loss of Gross Profit under a business interruption policy.

A warehouse owned by the policyholder collapsed during a severe storm, causing damage to plant and equipment. The policyholder claimed indemnity for losses arising from the collapse under its property damage and business interruption insurance policy. Under the policy, the policyholder was covered for loss of "Gross Profit" as a result of business interruption consequential upon loss of, or damage to, insured property. The policy provided for the assessment of loss of Gross Profit on the following basis:

"The insurance under this chapter is limited to loss of Gross Profit due to (a) Reduction in Turnover and (b) Increase in Costs of Working, and the amount payable as indemnity under this Policy shall be:

(a) in respect of the reduction in Turnover: the sum produced by applying the Rate of Gross Profit to the amount by which the Turnover during the Indemnity Period shall in consequence of the Damage fall short of the Standard Turnover <u>less any sum saved</u> during the Indemnity Period <u>in consequence of the Damage in respect of such of the charges and expenses of the Business payable out of Gross Profit</u>". (emphasis added)

The parties agreed that, in the 12 month period after the damage to the warehouse had occurred, the policyholder would have, but did not, make provisions for depreciation of plant and equipment destroyed in the collapse.

One of the issues in the case was whether a reduction on non-cash costs such as depreciation following insured damage amounts to a 'saving' to the policyholder which is to be deducted from insured Gross Profit when calculating business interruption losses.

At first instance, the trial judge followed a previous decision in the English High Court (in relation to a policy which had terms indistinguishable from those under consideration in this case), finding that the depreciation expense, which was no longer recorded in the policyholder's financial records because the assets in question were destroyed, was an 'expense...payable out of Gross Profit' which had been 'saved' for the purpose of quantifying the indemnity under the policy. This meant that the depreciation expense was to be offset against any indemnity.

The NSW Court of Appeal defined depreciation as: "the systematic allocation of a tangible asset's cost (less its anticipated scrap value) as a series of expenses over its expected useful life...Each depreciation expense appears in the income statement as an expense deducted from gross profit for the purpose of calculating net profit...but the process of depreciation has no direct impact on cash flows".

The NSW Court of Appeal concluded that the use of the word "payable" in the phrase "payable out of Gross Profit" as opposed to the word "deducted" suggested the exclusion of charges and expenses that are not liable to be paid away, such as depreciation.

The different conclusions reached by the English High Court (as followed by the trial judge) and the NSW Court of Appeal largely turned on a difference of opinion as to the weight to be placed on the indemnity principle of insurance in the face of the language of the policy contract.

The English High Court had found that the policyholder would "recover an indemnity for more than its actual loss in respect of business interruption" if depreciation was not deducted from Gross Profit and concluded that such an outcome should not be reached "unless no other conclusion is possible". The result somewhat stretched the language in the policy. In effect, the English High Court determined that the indemnity principle coloured the meaning of the language of the provisions for the assessment of loss.

In contrast, the NSW Court of Appeal placed greater weight on the importance of upholding the bargain that was struck between the contracting parties, as expressed by the words of the insurance contract. It concluded that the formula for the assessment of insured loss of Gross Profit qualified the application of the indemnity principle insofar as it might be said to depart from perfect indemnification.

English Law decision on WELCAR form

In what is understood to be the first English law decision on a policy underwritten on the WELCAR form, a UK Court has found in favour of reinsurers in a dispute over the original contract's period and the interaction of the Maintenance cover.

The project insured was a floating production project in the Gulf of Mexico that suffered a loss during installation and hooking up of the unit to its mooring systems.

As is often the case with offshore construction projects, construction delays led to three extensions of the project period by the original insurers prior to transferring to operational insurances.

An original insurer had purchased a facultative excess of loss reinsurance on the project which was intended to be 'back to back' with the original policy (the court noted the original policy was subject to Texas law and the reinsurance was subject to English law – although this does not appear to be a factor in the case) however, for whatever reason, these extensions to period were not made to the reinsurance policy.

The original insurer first claimed that despite the reinsurance not being specifically extended, it was intended to be 'back to back' so it should have been deemed to have been automatically extended. However, they dropped this argument and chose to pursue a claim on the basis that the original policy (and hence the reinsurance) had a 12 month Maintenance cover after completion of the project, and the loss in question occurred during this period of the reinsurance.

The original insurer argued that the language of the Maintenance cover was clear – the Maintenance Period commenced immediately thereafter the policy expired.

The reinsurer argued that the parties, at inception, intended that cover provided during the Maintenance Period would apply to the completed project, after an acceptance certificate had been issued on completion of the floating platform. The essential nature of that cover did not change simply because the original insurer omitted to ask for the project period in the reinsurance contract to be extended.

The Court decided that the Maintenance period had not started under the original policy when the loss had occurred, and therefore there could be no cover under the Maintenance period under the reinsurance policy. The loss occurred under the Construction phase of the original policy and the reinsurance covered had expired (had not been extended) at the time of the loss.

Demystifying Common Clauses

In this regular feature we take a look at common clauses found in Energy Insurance that are often not well understood and try to look at what their intentions are, and what they cover or exclude.

In this article we look at Extra Expense coverage.

Insurance policies often contain reference to 'Extra Expense' coverage, but what does that actually mean?

Extra Expense coverage is designed to cover a business for the extra costs and expenses of conducting business while normal business operations are disrupted by a covered loss.

Sometimes Extra Expense is referred to as Increased Costs of Working but in this article we will simply refer to as Extra Expense.

Extra Expense is not Business Interruption Insurance (which covers the loss of revenue following a physical damage event) but is often provided within Business Interruption coverage sections.

The types of costs and expenses covered usually have to be considered reasonable and necessary, such as the cost of setting up a temporary office while a damaged office is being repaired.

If an Insured purchases Business Interruption they are usually obligated to take reasonable steps to try to avert or minimize such loss, and such costs or expenses, incurred to reduce the loss are usually covered as part of the business interruption loss.

However, any reimbursement of these costs under a Business Interruption policy will usually be subject to an economic test limitation.

For example if 95 cents are spent to continue to earn a dollar, that will be covered, but if 105 cents are spent to continue to earn a dollar, only a dollar would usually be covered under Extra Expense cover within a Business Interruption policy.

It is however possible to purchase Extra Expense cover within a property damage policy when no Business Interruption is purchased, which will usually be subject to an agreed sublimit.

Whether provided as part of a Business Interruption cover, or covered in a property damage section of a policy, it is possible to cover 'Additional Extra Expenses' which are expenses incurred that do not pass the above referenced economic test. These may be specifically described as 'Additional Extra Expenses' or the Extra Expense clause may simply have no economic test provision. Such expenses will be incurred by the Insured to ensure that they can continue provide its products or services to customers, even if the additional costs exceed any business interruption loss (whether insured or self-insured).

Examples of Extra Expense cover for Energy Insureds can include:

- The shipping in of mobile power generators in the event of damage to on site power generation.
- Trucking product by road in the event of a loss of pipeline access.
- Chartering of shuttle tankers to move crude to temporary Floating Storage Unit (FSU) in the event of FPSO damage.

The above is provided as a general overview of some of the coverage often provided by the aforementioned clauses. This is not intended to be an extensive and exhaustive analysis of the insurance coverage provided by such clauses. The comments above are the opinion of the Marsh JLT Specialty only and should not be relied on as a definitive or legal interpretation. We would encourage you to read the terms and conditions of your particular policy and seek professional advice if in any doubt.

CONTACT US

If readers have particular clauses they would like us to consider including in this newsletter in the future, or have any comments on the above please contact John.Cooper@Marsh.com

Oil Insurance Limited Update

The Bermuda based Energy Mutual, Oil Insurance Limited (OIL) continues to attract attention and enquiries from prospective new members as commercial markets, especially the downstream sector, continue to harden and experience withdrawals of capacity.

In the past two years OIL has added seven new members taking their membership from 50 to 57 (or a 14% increase).

During this same period OIL have had almost 30 face-to-face new prospect meetings, and issued over 60 premium indications to prospective members.

This interest in OIL is partly driven by the fact that OIL offers a stable, large block of capacity that is not reduced or withdrawn over different market cycles.

OIL's members enjoy up USD400 million of Physical Damage, Control of Well / Redrilling costs and Pollution 'at cost'.

OIL's premiums do not track traditional market cycles and are driven exclusively by their member's losses. An advantage OIL has over commercial markets is a low cost base (OIL's costs are typical sub 5%, whilst is it generally accepted that the commercial market's expenses run at as much as 30% to 40%) and no built in profit margin, since OIL's premium overtime simply equals their losses plus expenses.

OIL offers flexibility on how their capacity is used in a program. For many members who use it as a corner stone capacity, it saves them substantial costs compared to the commercial market, that becomes even more noticeable in a harder commercial market environment.

Whilst OIL is an extremely valuable risk transfer tool for many Energy companies, its unique coverage needs careful dovetailing with the commercial market

Marsh JLT Specialty represents over 40% of OIL's membership in the commercial market arranging OIL 'wraps', making us by far the largest and most experienced 'OIL wrap' broker.

For further details on OIL, please ask your usual Marsh JLT Specialty Client Executive for our guide to OIL, or visit www.OIL.bm

ABOUT OIL

Oil Insurance Limited (OIL) is a mutual insurance company that insures over USD 3 trillion dollars of global assets for its 50+ members who are engaged in energy operations. The Company provides its members with up to USD 400 million of per occurrence limits which serves as "cornerstone capacity" for their global insurance programs. OIL has a S&P Global Rating long-term financial strength rating of 'A' with a stable outlook, and is rated "A2" by Moody's.

Marsh JLT Specialty Training Courses

Marsh JLT Specialty runs three Chartered Insurance Institute (CII) accredited Energy Training Courses each year in London.

These consist of a foundation level Energy Insurance Diploma Course, an intermediate level Energy Insurance Risk and Management Course, and an advanced level Energy Risk Management Course.

High level details of the upcoming courses are as follows:

FOUNDATION LEVEL	INTERMEDIATE LEVEL	ADVANCED LEVEL
Location London, England	**Location** London, England	**Location** London, England
Dates: February 10-14, 2020 and July 6-10 2020	**Dates:** May 11-15, 2020 and October 5-9, 2020	**Dates:** September 7-11 2020
Fee £1,500 plus VAT per delegate*	**Fee** £2,400 plus VAT per delegate*	**Fee** £2,400 plus VAT per delegate*

For a more detailed overview please request our Energy Insurances Course 2020 Programme from Sarah Verzola (Sarah.Verzola@Marsh.com)

***Travel, accommodation and allied expenses to be borne by the delegate.**

Marsh JLT Specialty Energy Industry Conference 2020

Marsh JLT Specialty will be hosting the 8th biennial Energy Industry Conference (EIC) in Dubai from March 3-5, 2020. Since inception in 2007, the EIC (formerly known as the National Oil Companies Conference) has established itself as the premier risk and insurance event for the industry.

Today, the energy and power industries continue to face complex and evolving risks from both internal and external sources. Climate change, geopolitical uncertainty, the fight for talent and the paradigm shift towards renewable energy all provide opportunities for business positioned to understand and exploit the changing environment.

In 2020 industry experts will again host plenary sessions, workshops and masterclasses focused on trends and emerging risk issues for the energy and power industry so that delegates can Stay Ahead of the Curve. We will consider issues such as the grand transition from hydrocarbons to renewable sources of energy, modeling natural catastrophes in the context of climate change and the capturing opportunities through creative joint venture partnerships.

This year's list of presenters includes high profile names such as **H.E. Sheikh Nahyan bin Mubarak Al Nahyan** (Minister of Tolerance, United Arab Emirates), **Martin Young** (Director of Insights, World Energy Council), **Ahsan Zafar Syed** (CEO, Engro Energy), **Ummar Abbasi** (Risk and Insurance Manager, ADNOC), **Bader Al Shumaimri** (Manager Corporate Risk Management, Kuwait Petroleum Company), **Tito Sanjurjo** (Managing Director, Head of Thermal Power and Utilities, InterEnergy), **Brian Merkley** (Global Director, Corporate Risk Management, Huntsman Corporation), **Rogelio Coura** (Financial Director, Braskem), **Sam Harrison** (Managing Director, QBE Insurance).

Save the date to join the world's leading NOCs, trading partners and other energy industry stakeholders and ensure you are ahead of the curve.

For more information go to MarshEIC.com or contact Judy.Neich@marsh.com

Atlantic Named Windstorm Forecasts

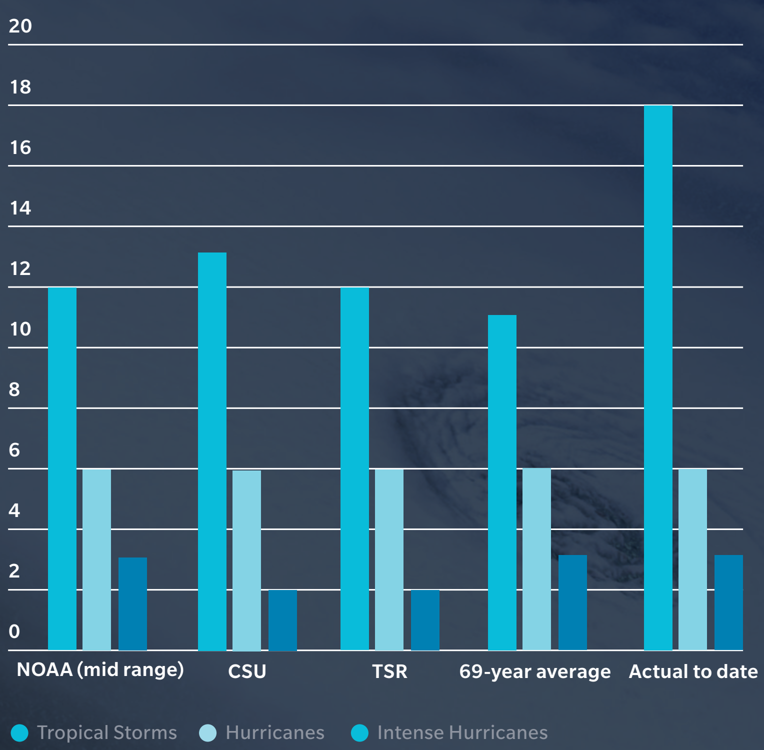
The Offshore Energy insurance market has extended its run of missing a named windstorm of any strength causing damage to offshore installations in the Gulf of Mexico to 11 years. This reinforces our previous comments that, whilst forecasters' models can often (to some degree) point to the expected level of activity for a coming year, it gives no meaningful indication to insurers or insureds, of the likely route such storms will take.

Likewise, with insurers pricing models. These can give an expected outcome for the coming year based on the long term average, but they do not stop a decade plus of zero losses as compared to the model. Thankfully for insureds, pricing tends to a certain degree to be driven more by loss experience than modelled expectancy.

The Hurricane Activity in the Atlantic Basin for 2019 is shown below, plotted against the pre-season predictions from various forecasters and against the 69 year average.

The 2019 Atlantic hurricane season tied with 1969 as the fourth-most active hurricane season on record in terms of named storms, with 18 named storms (although many of which were weak and short-lived) especially towards the end of the season. 7 out of the 18 Atlantic named storms in 2019 lasted 24 hours or less as a named storm – the most on record. The prior record was 6 named storms lasting 24 hours or less set in 2005. This was the ninth Atlantic hurricane season on record (since 1851) with 18 or more Atlantic named storms.

FIGURE 1 2019 Atlantic Hurricane Season Activity/Forecasts



Focus on:
When Tomorrow is too Late: Mass Liability Claims Management Readiness in Energy and Power

When exploratory drilling rig Deepwater Horizon suffered a catastrophic blowout in 2010, the whole world looked on in helpless horror. From both an ecological and an economic standpoint, the impact was profound and protracted: the companies involved will forever be associated with the disaster in public memory, which ultimately cost over $65 billion.

"In the nuclear industry mass liability events are rare. However, as a responsible nuclear power plant operator, we consider it critical to have a robust mass claims management capability in place which can be tested and exercised as part of pre-event preparedness activities to be ready to respond should the worst come to pass."

A.P. Jobse, EPZ CFO and Nuclear Claims Committee Chair

Mass liability events live on in our collective memory. They can strike any industry, energy and power included, and in any geography, as illustrated in figure 1.

FIGURE 1

Select mass liability claims and large-scale events in the energy and power sectors

Oil & Gas - Upstream

Macondo (2010) – 400,000 claims made, 50 community claim centres set up, and over $60B total cost.

Piper Alpha (1988) –167 killed by rig explosion.

Oil & Gas - Other

Port Neches (2019) – 50,000 evacuated following chemical explosion and fire.

Buncefield (2005) – Oil storage explosion evacuated 2,000 and closed 200+ schools.

Nuclear

Fukushima (2011) – 3 million claims and 150,000 people evacuated.

Chernobyl (1986) – Over 100,000 evacuated from a 30 km exclusion zone.

Renewables

Ituango (2018) – 600 homeless and 25,000 evacuated by flooding downstream of dam.

Oroville (2017) – 180,000 evacuated following dam spillway damage.

Transmission

California wildfires (2018) – 19,000 structures destroyed due to faulty transmission line.

NE US blackout (2003) – 55 million people lost power for 2-14 days during +30O C heat.

As the above demonstrates, mass liability claims events can occur regardless of whether a company has robust safety and preventative processes. A board's decisions today relating to the needs of wronged third parties can help to either salvage or bury its company's reputation tomorrow.

Preparing now protects the public, the shareholders, and the company

From our work with insureds across the energy and power sectors, we have found inconsistent approaches to mass liability claims events. While boards take comfort in reducing the likelihood of a disaster occurring or from purchasing insurance and other financial protections, too often they invest little in confronting and testing how to cope effectively when the worst actually does happen.

Those insureds that have made some investment in crisis management rarely go as far as addressing the significant, and sudden, mass operational claims management burdens resulting from these events, typically assuming that their insurer will manage the process. The truth is that insurers are rarely prepared to cope with a surge of tens of thousands of claims and emergency payments (and hidden fraud), which can overload their processes and capacity. For insureds as well, ramping-up an operations centre and recruiting large numbers of claims handlers at short notice can be difficult without proactive planning, testing, and exercising, especially for the claims leadership team, which often takes the form of a Claims Management Committee (CMC). The CMC leads the response and ensures that claims are considered as part of the wider crisis management exercise programme and response.

Where financial protection is provided by a captive or through government support, or insurance is not triggered (e.g., due to a wording exclusion as was the case for Fukushima), claims management responsibility may then revert to the insured. Companies should ensure that they have full knowledge and control over the claims solution in place (e.g., by chairing the CMC), and where appropriate, establish a resilient back-up plan to cater for nuances and unknowns (e.g., exclusions, unexpected heads of claims) which again, can be developed through exercising.

Ultimately, if the board and senior executives lose control of an evolving situation, the risk of further losses to the insured (and its shareholders) can become material. Indeed, impact on wronged third parties now forms a huge part of the evolving media narrative around a mass liability claims event, and government intervention is more commonplace. At a time when public scrutiny of energy and power companies has never been higher, meeting claims obligations effectively is more vital than ever.

Know your go-to operating model for mass liability claims events

Learning lessons from some of the biggest mass liability claims events in recent history, Marsh Risk Consulting has co-developed a Mass Claims Target Operating Model (TOM) blueprint, which can be customised to any company in the energy and power sectors, enabling them to get on the front foot meeting liabilities during a disaster.

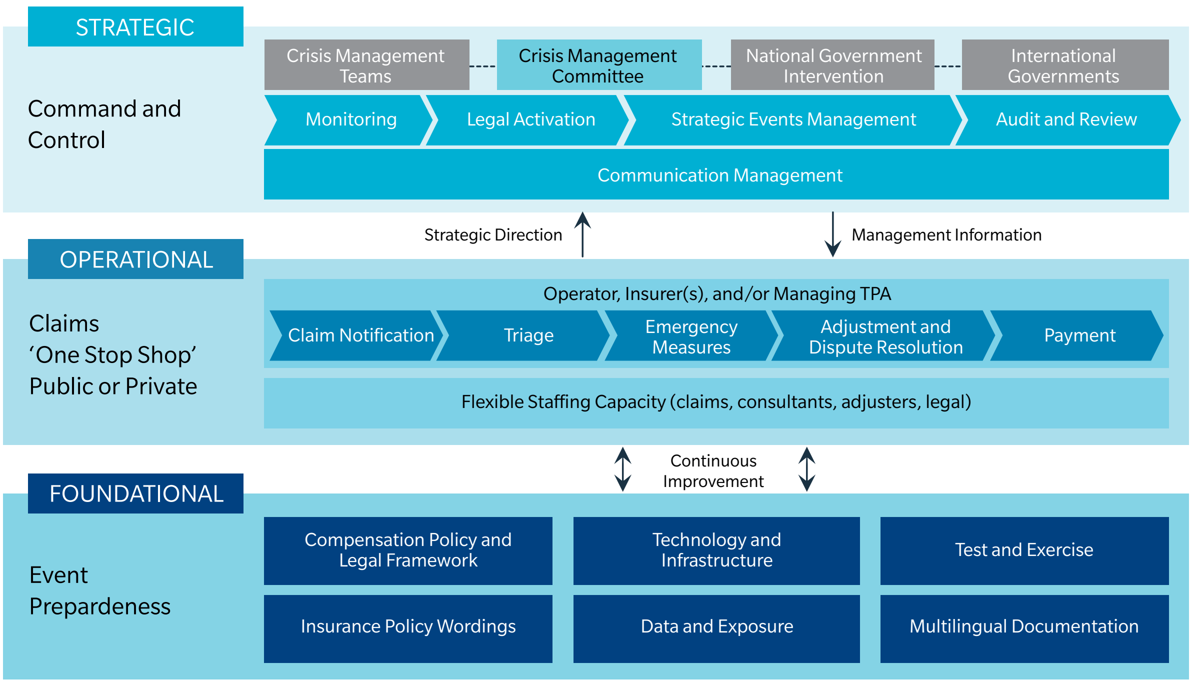
The Mass Claims TOM differs in ambition from business-as-usual (BAU) operating models: it has to be rapidly scalable, well-tested, and involve multiple stakeholders working together effectively across a variety of fast-moving and stressful scenarios. While the Mass Claims TOM leverages BAU processes, it's too important to simply improvise in the moment: for instance, in a nuclear claims incident, what are the 30 most common types of claim (e.g., loss of livestock, stress, economic loss) and how is each impacted by any evacuation requirements?

The Mass Claims TOM consists of three familiar layers, as seen in figure 2.

- **Strategic** – including the over-arching governance for the situation, linkages with government and other regulatory bodies, and communications.
- **Operational** – including modelling claims staffing requirements and stock processes from triaging to payment that are robust and efficient.
- **Foundational** – including data gathering, analysis, and compensation frameworks worldwidecompensation frameworks worldwide.

FIGURE 2

Mass Claims Target Operating Model Blueprint



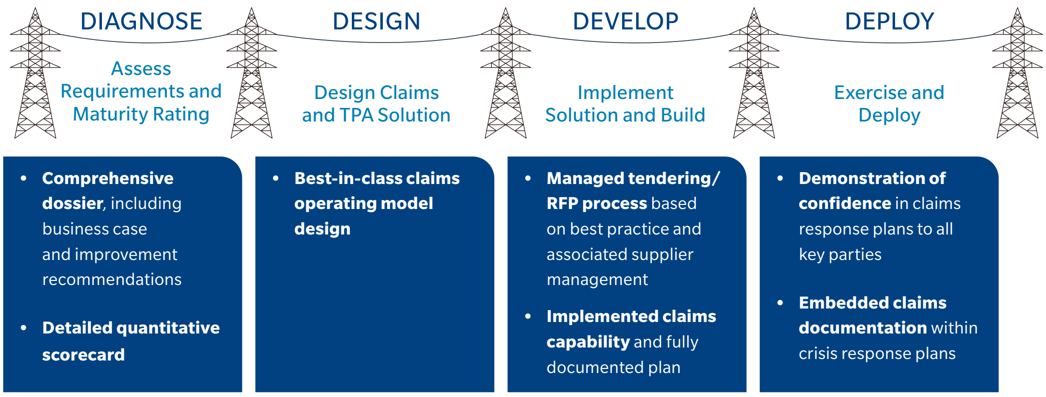
Many boards will recognise some of the above and may have invested in a few of these elements. However, few have considered mass claims events holistically, as key elements often fall between traditional crisis and financial risk management roles. Even fewer boards have pressure-tested their organizations' plans through wider crisis preparedness exercises to see where points of failure lie, whether internal ones or in the complex choreography of response with other important stakeholders such as governments, insurers, or external call centres — and across borders, as disasters do not respect jurisdictional boundaries.

That's why it's important for energy and power insureds to work with specialists through the entire process, from diagnosing their claims needs and objectives to designing and developing their customised operating model.

Finally, fitness of the model needs to be demonstrated throughout via robust testing and exercises, helping to build internal and external (e.g., regulator) confidence in the insured's readiness should the worst happen (see figure 3). The lattermost relies heavily on bespoke deterministic modelling to find plausible "what-if" and worst-case scenarios against which to test the Mass Claims TOM robustly.

FIGURE 3

Developing and Testing a Mass Claims Target Operating Model



Where do I start?

Not all energy and power insureds start from the same place. It's important to understand where the gaps are in your existing plans before (re)developing a Mass Claims TOM (see above). The development process can be daunting, but by investing in it, you are helping to ensure your company's reputational and financial resilience in the face of disaster. Without a tested plan in place, at the darkest hour your company's improvisation skills and survival will be on the line.

Marsh JLT Specialty has developed an online free self-assessment tool, the Maturity Rating, which can help you quickly identify which gaps most need to be closed in your mass liability claims event plan.

For further details about the self-assessment and the Mass Claims TOM, please contact either of the authors:

Dr. Bev Adams (Beverley.Adams@marsh.com), Consulting Director and Head of Catastrophe Planning and Visual Intelligence, Client Advisory Services or **Rob Powell** (Rob.Powell@Marsh.com), Chief Claims Officer International, Marsh JLT Specialty.

INTRODUCING MARSH JLT SPECIALTY

We are specialists who are committed to delivering consulting, placement, account management and claims solutions to clients who require specialist advice and support. We consider problems from every angle and challenge the status quo with entrepreneurial ideas and solutions.

With unparalleled breadth, our Marsh JLT Specialty global team is united by a determination to bring the most experienced and relevant specialist resources to our clients, regardless of where in the world they are located. This approach means our local specialists work seamlessly with global experts, together creating and delivering tailor-made risk and insurance solutions which address each client's unique challenges.

Our service offering is enhanced with insight-driven advice supported by tailored data, analytic and consultancy capabilities to support clients in making important decisions about their complex risks.

Exceptional service combined with transparency, integrity, and accessibility underpins our partnerships with clients.

For further information, please contact:

JOHN COOPER ACII
Global Chief Client Officer,
Marsh JLT Specialty | Energy & Power
+44 (0)20 7466 6510
John.Cooper@Marsh.com

Marsh JLT Specialty
The St Botolph Building
138 Houndsditch
London EC3A 7AW
www.marsh.com

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