



# Insuring business interruption cost effectively

Whitepaper excerpt from Marsh's Energy Practice.

## Thoughts on changing UK continental shelf (UKCS) business interruption risk, insurance coverage and premiums, and insurance management.

The UKCS oil and gas volumes are in decline, yet still supply a production level equating to one billion barrel of oil equivalent, a volume which fulfilled all UK oil requirements and 75 percent of gas demand in 2008<sup>1</sup>. Whilst we are all working within a maturing industry, we must not lose sight of the fact that its' contribution to the UK "balance sheet" is as strong today as it was in the heydays of the 1980's<sup>2</sup>. Today soaring oil revenues driven by a high oil price means that in real terms earnings far out-strip those of the past<sup>3</sup>.

However, the oil price has probably not found a plateau and may never do so with the increased demands from China and India, together with a product which is known to be depleting. What we can say is that the oil price is never going to be stable and is very prone to short term change associated with concerns over the adequacy of crude production and stock levels.

Rig utilisation is a good indicator of production under capacity in this industry and utilisation at 100 percent not only pushes costs up, but slows development times. Where an asset is damaged the cost of repair/rebuild not only increases, the time duration of a business interruption probably increases.

As such, investment to prolong the life of assets has significantly increased, particularly in respect of subsea development and tie backs to existing facilities. Therefore, the levels of utilisation of existing own and third party facilities have decreased from the original production scenarios, which in turn may offer redundancy or risk mitigation possibilities in the event of damage.

With any commercial business, one of the key drivers is profitability and for insurers that is to seek an insurance premium that reflects the profitability of the book of business, considers the spread of risk and is able to sustain losses over a period of time. We believe the only sound way to purchase insurance is to understand the risk. That knowledge of the risk should ideally be reflected in the risks policy wording and premium rating to make it cost effective for our clients.

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**To obtain a full copy of this paper, and discuss new ways to look at the risks you face, register for Marsh's cost effective business interruption seminar, to be held on Thursday 16 October 2008, London.**

**[Read more about the seminar overleaf.](#)** ▶



## Cost effective business interruption seminar

At Marsh, we have significant experience in tailoring business interruption (B.I.) coverage to achieve innovative cost-effective solutions for our clients. We invite you to attend our Energy Practice's seminar, "*Cost-effective business interruption*", on Thursday 16 October 2008, to find new ways of looking at this risk.

By attending our "*Cost-effective business interruption*" event you will be able to discuss new ways to look at the risks you face, measure them, and transfer them, with one of the insurance market's foremost B.I. specialists, Stephen Thurtle. Together with other Marsh specialists, Stephen will present topics such as\*: the changing face of B.I risks; what is risk size?; risk transfer economics; claims management; and placement/market challenges.

You will also have the opportunity to hear an underwriter's perspective from Mr Sam Harrison of QBE Underwriting Ltd., describing the pressures underwriters face when writing this class across a broad spectrum of clients.

For more information please contact:

[energypractice@marsh.com](mailto:energypractice@marsh.com)

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### Venue:

Marsh Ltd  
Thames Room  
Tower Place East  
London  
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### Agenda\*:

- 1630 | **Tea and Coffee**
- 1700 | **Introduction**
- 1710 | **Stephen Thurtle, B.I. specialist**
- 1730 | **Market overview**
- 1740 | **Claims management**
- 1755 | **Underwriter's perspective**
- 1810 | **Q&A**
- 1830 | **Networking drinks**

\*subject to change