



OIL and Hurricanes

Lillehammer Energy Claims

26 February 2009





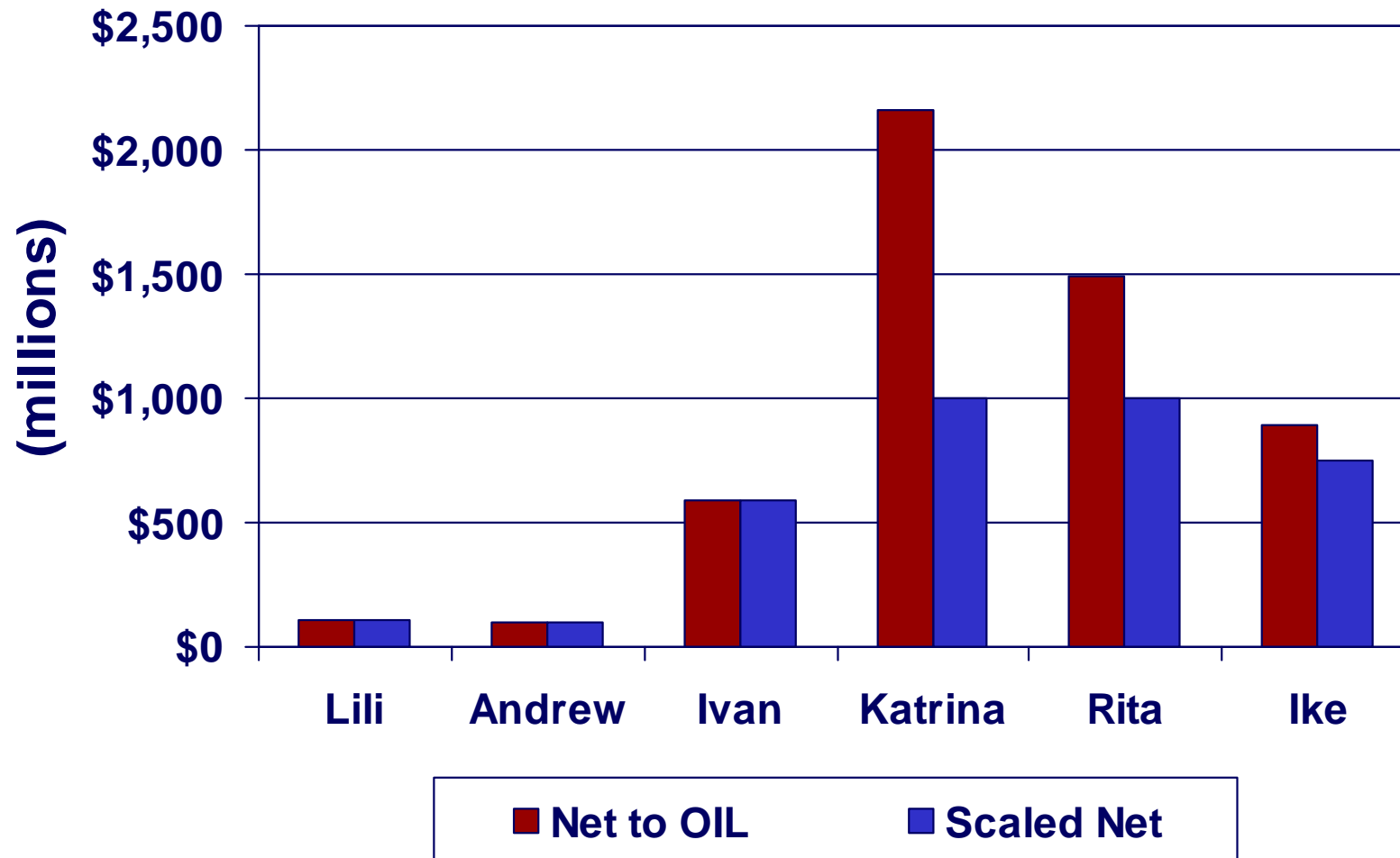
OIL and Hurricanes

It's a simple story...





Hurricane Damage History





Hurricane Damage History

	Platforms Destroyed	Platforms Damaged	Pipelines Damaged
Ivan 15 Sept 2004 <i>(MMS – 2 Feb 2005)</i>	7	24	“numerous”
Katrina 29 Aug 2005 <i>(MMS – 19 Jan 2006)</i>	46	20	100
Rita 24 Sept 2005 <i>(MMS – 19 Jan 2006)</i>	69	32	83
Gustav 1 Sept 2008 <i>(MMS – 11 Sept 2008)</i>	1	5	-
Ike 13 Sept 2008 <i>(MMS – 27 Nov 2008)</i>	60 <i>(23 manned)</i>	31 extensive 93 moderate	8

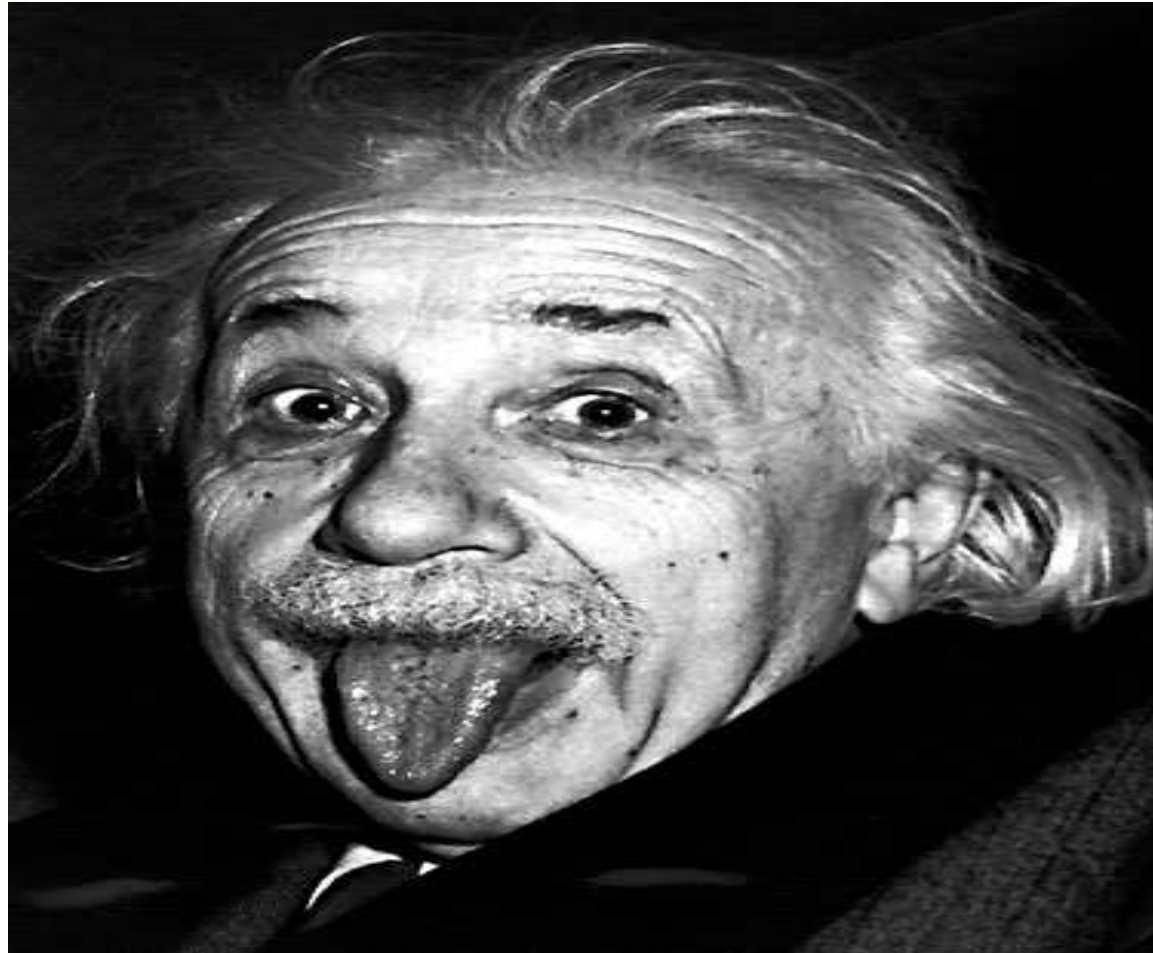




Impact

- Unprecedented increase in number of claims
- Spike in losses
- Premium calls







Adjusters

To all the Adjusters that worked
with OIL during these trying
times...





From the OIL Companies

Thanks!!!!






Responses

- Aggregation limit reduced
- Atlantic Named Windstorm Sector
- Claims capabilities strengthened
- Closer working relationship with adjusters
- Expediting Hurricane Katrina and Rita claims





Aggregation Scaling Factor Condition I(5) – Underwriter's Liability

- Cumulative liability of the Underwriter shall never exceed the declared aggregation limit
- Aggregation limit to be prorated amongst Assureds:

Aggregation limit x $\frac{\text{Single S/H's Unrestricted Recovery}}{\text{All S/Hs' Unrestricted Recoveries}}$

- Costs submitted for payment are scaled according to the current scaling factor





Aggregation Limits-changes

- \$1 Billion to
- \$500 Million to
- \$750 Million currently





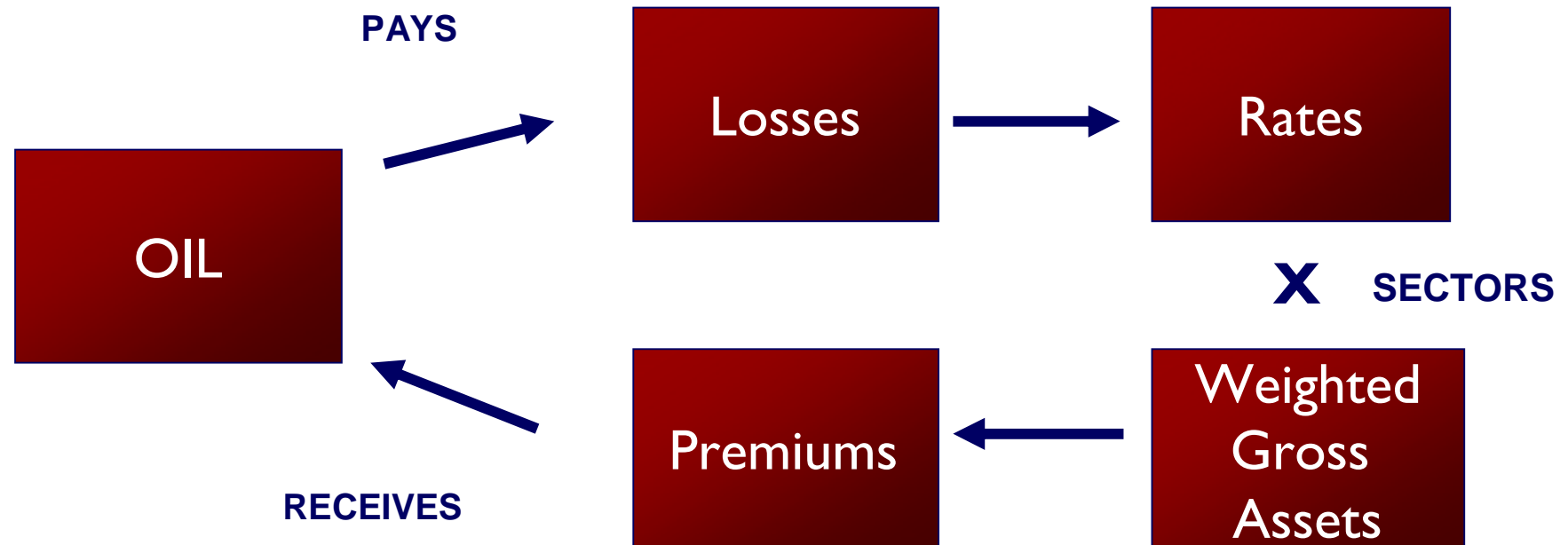
Responses

Atlantic Named Windstorm Sector (ANWS)

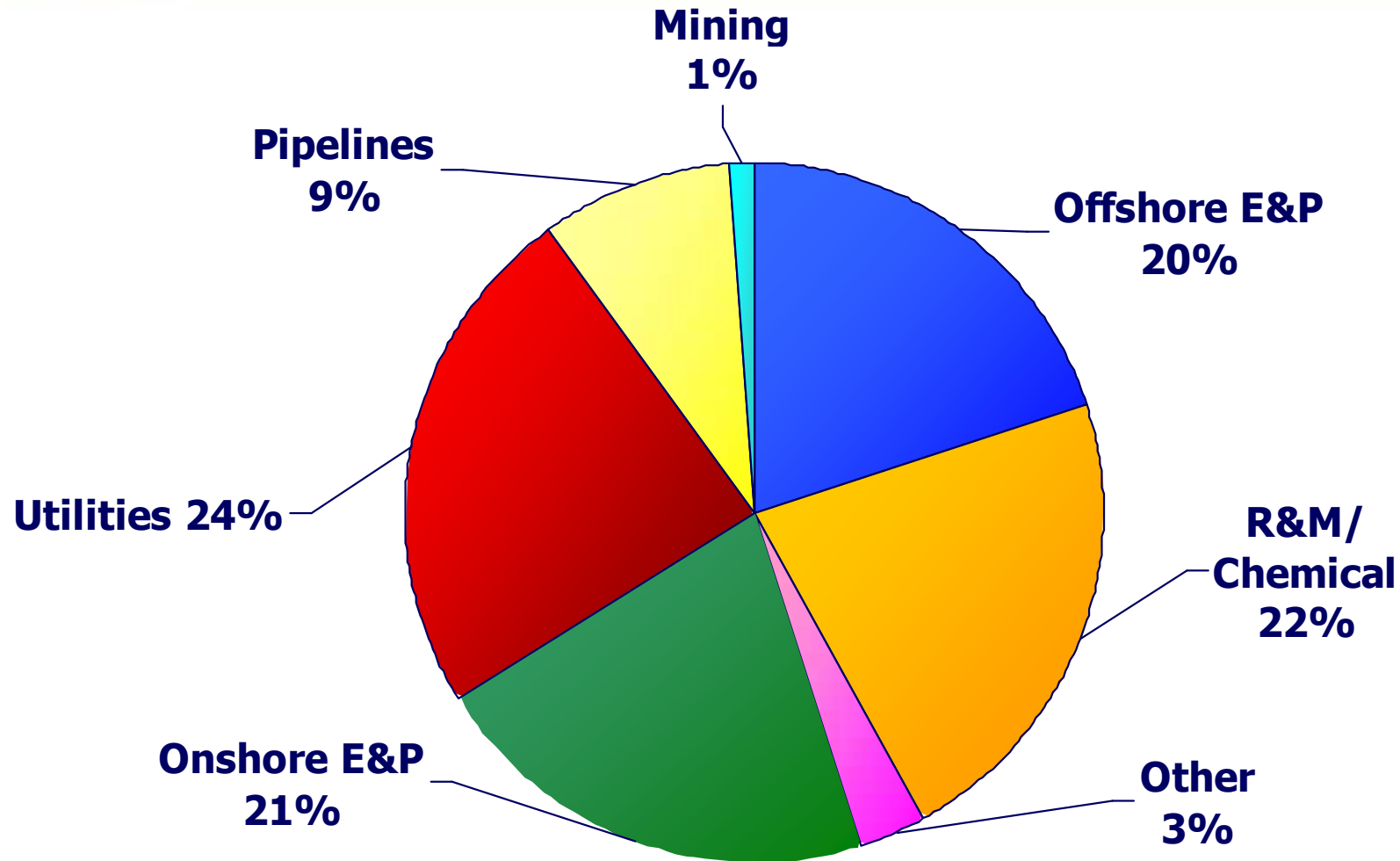




Principles of the OIL Rating & Premium Plan

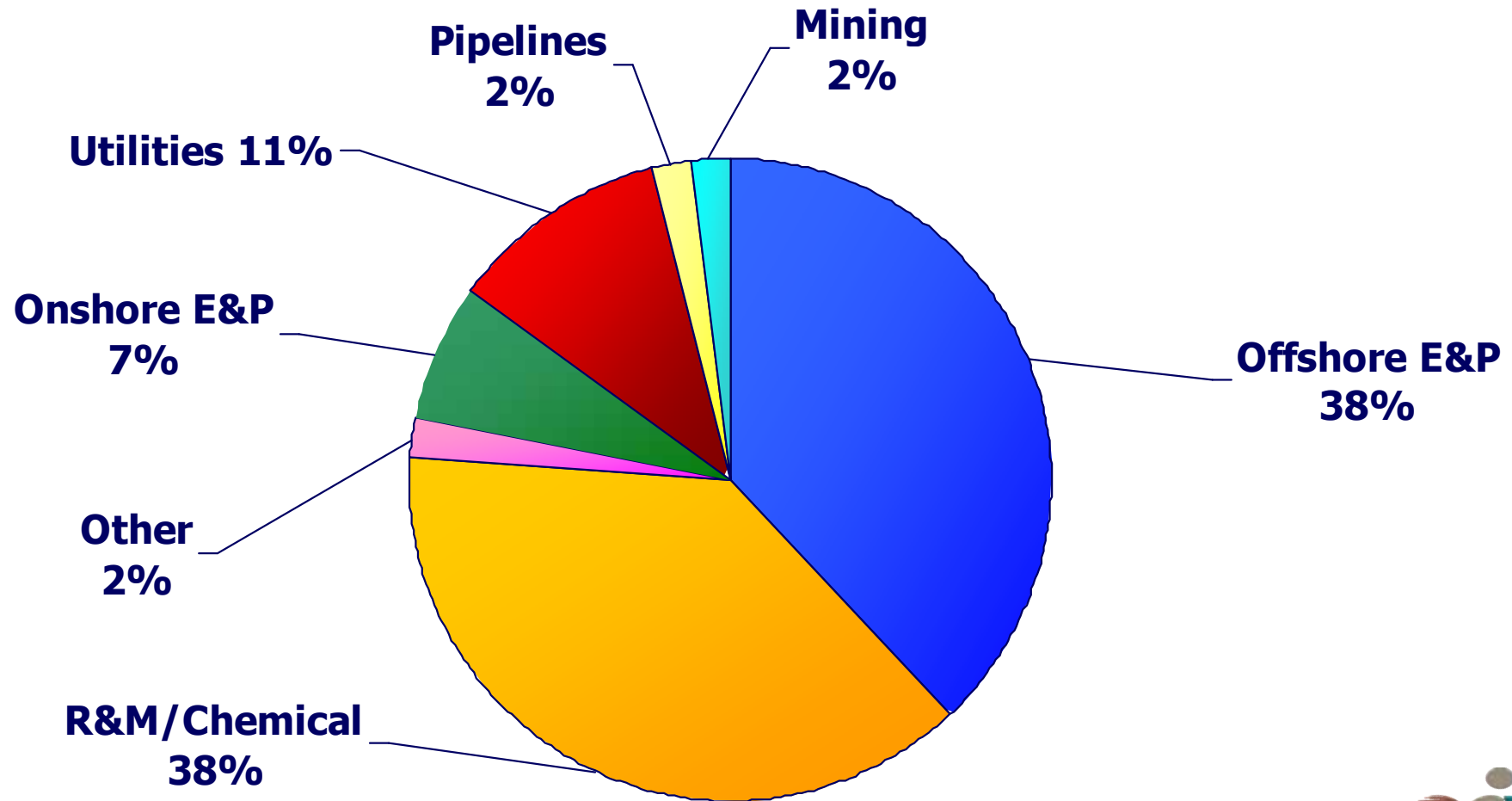


Unmodified Gross Assets by Business Sector



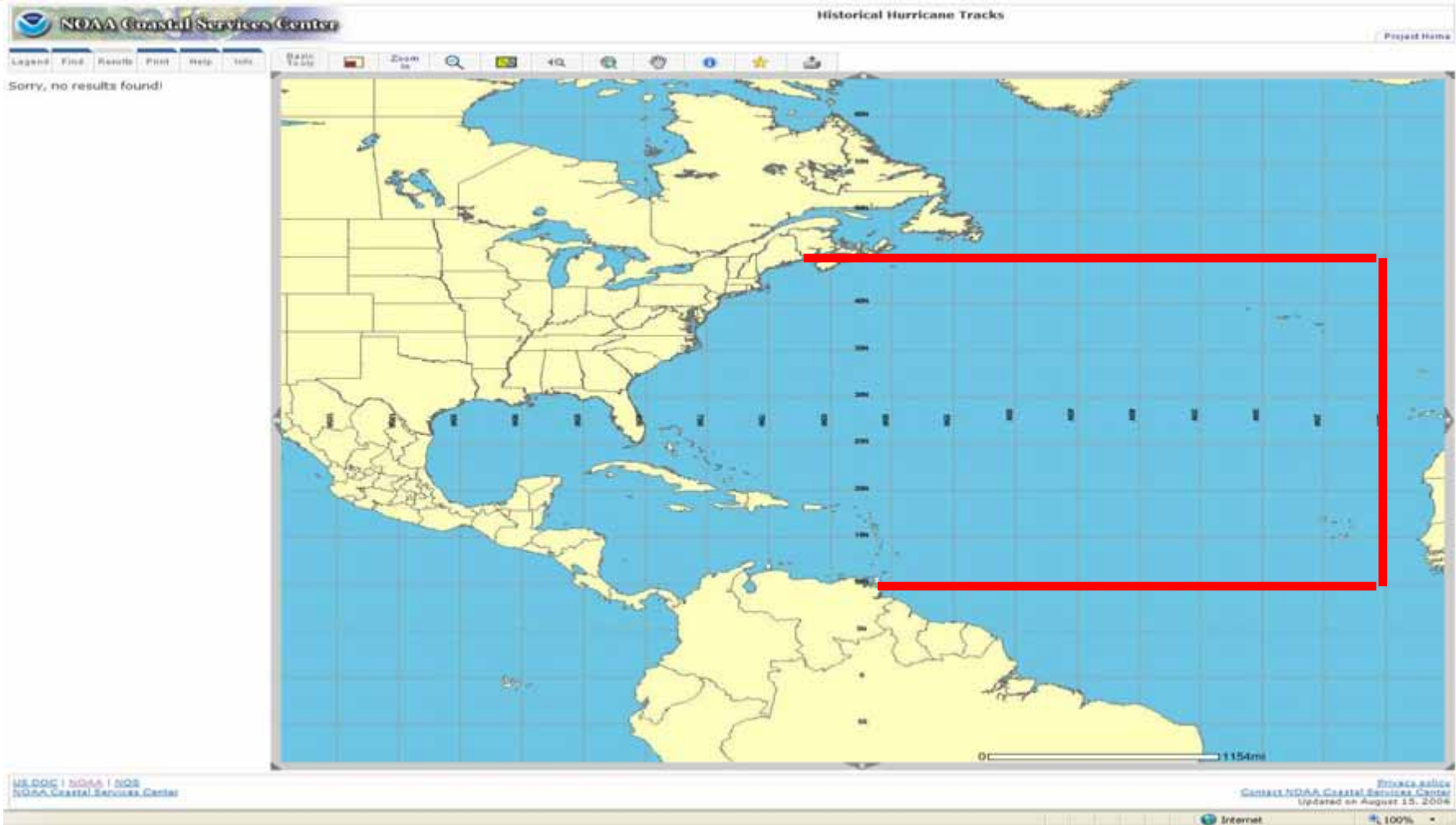


Weighted Gross Assets by Business Sector





ANWS Sectors





Atlantic Named Windstorm Coverage (ANWS)

- All members receive ANWS coverage and all ANWS losses are subject to the same Aggregation Event Limit (\$750M) for a single event.
- ANWS profile for members that have declared ANWS assets is based on the elected limit/deductible for the ANWS sectors.
- ANWS profile for members that have NOT declared ANWS assets is \$250M xs \$750M with the right to buy down the deductible.



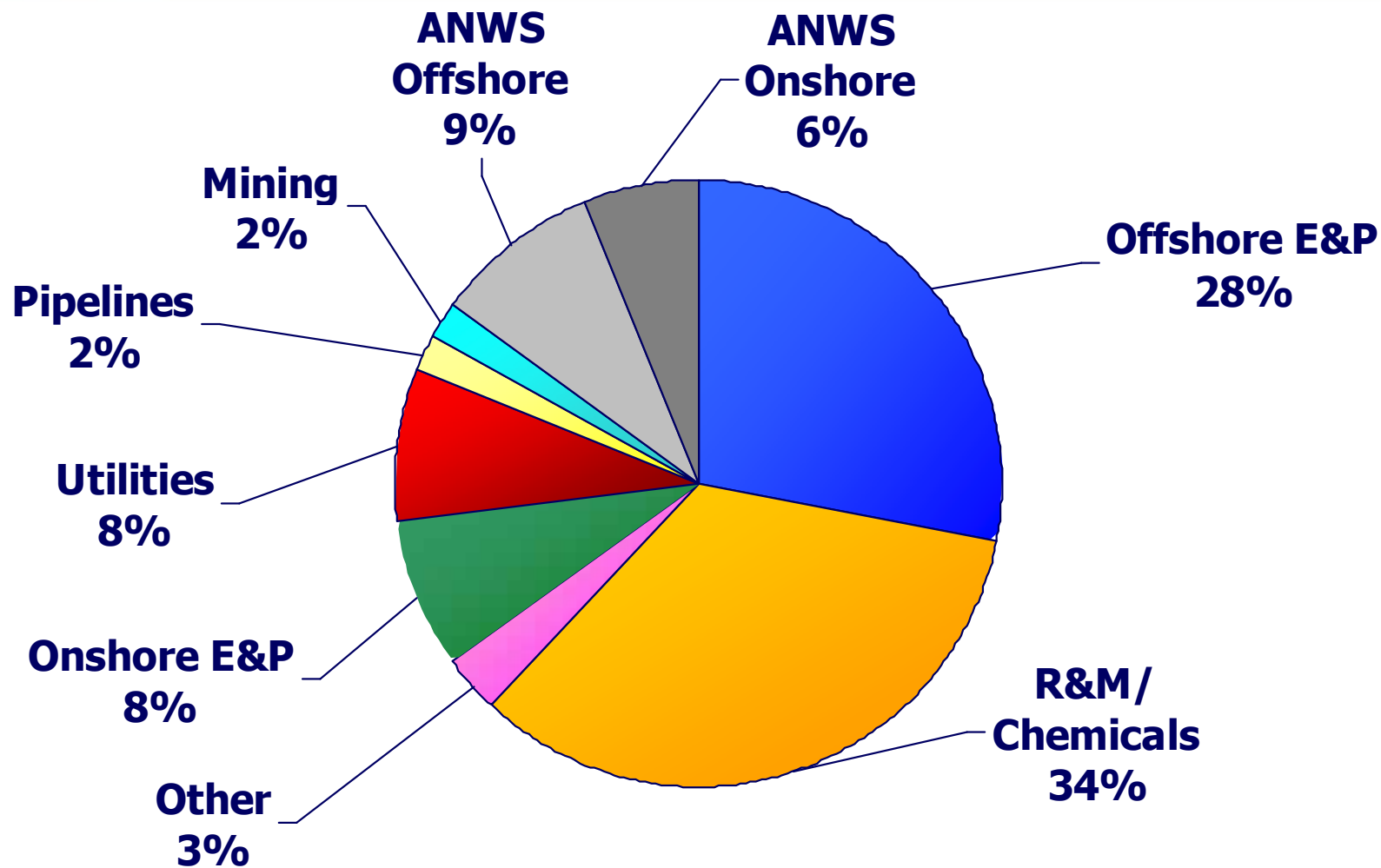


Atlantic Named Windstorm Coverage (ANWS)

- If there is an ANWS occurrence for assets outside the ANWS geographic area, coverage based on the elected limit/deductible for the ANWS sectors.
- Members may report assets outside the ANWS geographic area as ‘Deemed ANWS assets’ The limit/deductible for the ANWS sectors shall apply to the Deemed ANWS assets.
- Non-ANWS perils (e.g. fire) will be subject to the limit/deductible applicable to the non-ANWS sectors.



Weighted Gross Assets ANWS Sectors





Claims Capabilities

- Increased staff
- Decreased caseloads
- Improved practices and procedures
- Better IT capabilities





Closer Relationships with adjusters

- Better adjuster instructions
- Two-way communication regarding OIL's expectations
- Improved communications with adjusters
 - Bridging the Atlantic Ocean (“Go to Meeting”)
- Adjuster audits





Expediting Claim Resolution

- ACV settlements
- Unrepaired damage settlements (Hurricanes Rita and Katrina only)





Sue and Labor and Hurricane “Shut-in” Claims

Would claims for the cost of “Shutting-in” or “making safe” a facility be covered under the Sue and Labor provisions of the policy whether or not the facility sustained damage during the hurricane?





Sue and Labor

- OIL policy provides for Sue and Labor coverage
- NY Law applies to interpret the OIL policy





Condition B

“In case of loss or damage or imminent loss or damage hereunder, it shall be lawful and necessary for the Assured...to sue, labor and travel for, in and about the defense, safeguard and recovery of the insured property...”





Sue and Labor elements

1. Undertaken to prevent a *covered loss*
2. *Actual or imminent* loss or damage
3. Measures aimed at the preservation of or mitigation of damage to covered property
(Third party liability will not trigger Sue and Labor)
4. Primarily for the benefit of the *Insurer*





Sue and Labor

...Carefully consider the elements of Sue and Labor when submitting claims for Sue and Labor





Notice as a condition precedent

- OIL policy construed under NY law.
- NY recognizes a late notice defense
- In NY, “Late is late”
- Depends upon the facts and circumstances of each case
- Insurer need not show prejudice
- However...





OIL Policy Notice Provision

Notice must be given of a loss “likely to involve this policy”

Subjective v. Objective standard?





Recent NY Legislation

- Effects policies issued **in New York** after 19 January 2009
- Establishes a “prejudice” standard for which insurers bear the burden of proof
- Claims submitted more than two years post loss are presumed late
- Claims submitted after verdict are irrebuttably presumed to be too late
- Does not apply to “Claims Made” type policies





Recent NY legislation

Should not apply to Bermuda policies, but we'll see how the courts rule





Thank you!

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