

# Insured Values – Adequate?

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## Insured Values – Adequate?

- Example
- Unit insured for \$60m (but Replacement Cost \$100m) + Increased Value \$15m
- Suffers damage totalling \$60m
- Insured recovers \$75m + triggers sub-limits (potentially 25% of value iro ROW and Salvage respectively).

## Insured Values – Adequate?

- Consequences:
- CTL
- Sub-limits, e.g Increased Value, Removal of Wreck, etc
- Excess Liabilities
- P.A.

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- Construction Risks
- Operators Extra Expense

## Insured Values – Adequate?

- Inequalities in the transaction:
- Insurance based on asset value. Basis of remuneration on ‘New for Old’ - Replacement Cost basis
- Impact on rating

# Insured Values – Adequate?

- Solutions - Construction Specific:
- Schedule B sub-limits
- Mob & Demob costs
- Day rates

# Insured Values – Adequate?

- Solutions – Package Policies
- Co-Insurance clause
- Example
- Unit insured for \$60m (but Replacement Cost \$100m) suffers \$60m of damage.
- Assd recovers  $\$60m / \$100m \times \$60m = \$36m$
- No triggers of additional coverage

## Insured Values – Adequate?

- P.A. - Change basis of indemnity – ‘Like for Like’
- Pre-Agreed policy sub-limits
- Pre-risk valuation surveys
- Insured buys coverage based on Replacement Cost Values

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- Any Questions?