

The role of the loss adjuster in gas and petrochemical claims

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Adam illustrates how the early involvement of a loss adjuster can make a positive contribution to the loss recovery process, and that adjusters' services can be of assistance to all parties affected by a loss.

Property and construction risks of all shapes and sizes may now proliferate throughout the Middle East, but gas and petrochemical projects in the region nevertheless remain of significant importance to the Insurance and Reinsurance markets in terms of both CAR/EAR and operational risks.

Appropriate insurance coverage is of course essential to any gas or petrochemical project in view of the capital intensive nature of the business. Of equal importance is the response of insurers and their representatives when losses occur. Input and guidance from an experienced loss adjuster at such times is invaluable to affected organisations.



As in other classes of business the loss adjuster's principal role is to address, through investigation, the following key issues:

1. Is the claim covered under the policy?
2. Investigate damage causation and form a view on policy coverage.
3. If the policy coverage is engaged, how much is the fair and correct payment?
4. Is another party responsible for the costs incurred by the Insured and the Insurers?

In addition, an experienced adjuster will be equipped to assist the Insured in managing the incident response not only to claim settlement but also on to risk improvement.

Certain characteristics and considerations arise frequently in the handling of oil and petrochemical claims, such as:

- complex indemnity and contractual elements;
- bureaucratic management structures;
- poor communication from the ground upwards;
- major infrastructure and logistical dependency, e.g. ports, tankers etc;
- potential extent of damage;
- environmental issues;
- wide-ranging nature of insurance policies in place;
- number of contracting parties involved;
- lengthy machinery and component "lead times";
- long-term supplier / supply contractual responsibilities.

Who is involved?

In the gas and petrochemical sector an insurance claim will often involve, in addition to the appointed loss adjuster, the following parties:

- The location or project manager and his staff, including the Safety Officer, Production staff, Maintenance and Project teams, Accounts and Logistics personnel.
- The Insured's contractors / sub-contractors.
- For upstream joint ventures, the Operator's Insurance Department.
- Brokers and representatives from lead insurers.

Post-incident meetings can be attended by more than 30 interested parties. In such circumstances "order out of chaos"¹ is achieved by identifying priorities and allocating responsibilities. Often these meetings take place in circumstances

¹ The title of E.F. Cato Carter's "History of the loss adjusting profession, part 1. Evolution and early development." (1984) ISBN 0 906782 18 X.

where the project or operating team is under considerable stress. Nonetheless the adjuster may act as the catalyst for “what happens next”, facilitating the first steps towards recovery. In the early post-incident stages it is vital that this process be well managed.

The experienced adjuster will bring to bear knowledge to assist the Insured, and is also well positioned to identify common causes of failure. For example, in a recent claim concerning a compressor failure, similarities were noted with an otherwise unrelated claim. These similarities were indicative of common design and manufacturing issues and, by involving the relevant component manufacturer in causation investigations at an early stage, significant savings in time and resources were achieved.

The interests of Insured and Insurer are often closely aligned in gas and petrochemical claims, it is in both parties’ interests to work together. The adjuster is well-placed to promote a co-operative approach.

The adjuster will assist in other areas of claim response, for instance:

1. When appointing technical experts to investigate causation an adjuster is well-placed to frame the scope of investigations, ensuring relevance and cost-effectiveness.
2. Gas and petrochemical organisations are, by their very nature, complex entities often operating on a multi-national basis. In our experience, communication and knowledge sharing can be fragmented at divisional level. However, the adjuster may identify common risk management issues when acting in relation to different projects within the same organisation.
3. Communicating and resolving issues between:
 - a. property interests, such as the multiple partners that may have an interest in the enterprise or project; and
 - b. insurers, reinsurers and captives.

These issues can be addressed by the loss adjuster, who has a professional obligation to remain impartial, facilitating a constructive approach.

4. The adjuster is positioned to address the broad spectrum of claims that arise under the variety of market wordings, including: material damage, business interruption, advance loss of profits, construction “all risks” and liability wordings.
5. Addressing various, often conflicting interests that can arise in gas and petrochemical claims, for example where there are different wordings, layers of insurance and reinsurance, or deductible levels in force.
6. Influencing a project team to direct enquiries to identify what is relevant from an insurance perspective and to focus energies on critical path items. This saves money for everyone!

This list is not intended to be exhaustive but rather to highlight some of the challenges that gas and petrochemical organisations face when they experience a loss, and the positive contribution that an experienced loss adjuster can make to the incident recovery process.