



Pollution Liability – Just an Insurance Issue?

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Pollution Liability

- Liability depends on jurisdiction.
- Strict Liability.
- Legal Liability for
 - Clean up Cost (unlimited).
 - Third Party Physical Damage (unlimited).
 - Punitive Damages (personal and corporate).
- Reputational Damage.
- Commercial Market Capacity currently USD 1 – 1.5B (estimate).



Standard Insurance Coverage



- Standard OEE Cover (as per EED 8/86 Section C)

Underwriters, subject to the Combined Single Limit of Liability, terms and conditions of this Policy, agree to indemnify the Assured against:

- a. all sums which the Assured shall by law or under the terms of any oil and/or gas and/or thermal energy lease and/or licence be liable to pay for the cost of remedial measures and/or as damages for bodily injury (fatal or non-fatal) and/or loss of, damage to or loss of use of property caused directly by seepage, pollution or contamination arising from wells insured herein;*
- b. the cost of or of any attempt at removing, nullifying or cleaning up seeping, polluting or contaminating substances emanating from wells insured herein, including the cost of containing and/or diverting the substances and/or preventing the substances reaching the shore;*
- c. costs and expenses incurred in the defense of any claim or claims resulting from actual or alleged seepage, pollution or contamination arising from wells insured herein, including Defense Costs and costs and expenses of litigation awarded to any claimant against the Assured, provided however that the inclusion of the above costs and expenses shall in no way extend the Combined Single Limit of Liability of Underwriters over all Sections of this Policy;*

provided always that such seepage, pollution or contamination results from both (1) an accident or occurrence taking place during the period of this insurance (including any continuation thereof provided for by Clause 16 of the General Conditions) and of which notice has been given in accordance with Clause 10 of the General Conditions hereto and (2) an occurrence giving rise to a claim which would be recoverable under Section A of this Policy if the Assured's retention applicable to Section A were nil.

- Limited to Policy Limit across all 3 sections (CSL).
- Oil Spill Financial Responsibility (e.g. OPOL/OPA).

Other Insurance Options

- LSW 244 (Excess Liability Claims Made Policy)
 - No Coverage for Platform Wells.
 - Exclusion can be deleted.
- OIL
 - Triggered by Physical Damage Loss.
 - Includes Punitive Damages.
 - Limited to USD 300M.
- P&I
 - Responds to all forms of Legal Liability.
- WELCAR Section 2
 - General Exclusion of Seepage, Pollution and Contamination.



The Future Role of Insurance



- Facts
 - Limited Market Capacity.
 - BP will pay USD 60B plus for Macondo.
 - OPA capped at USD 150M / OPOL capped at USD 250M.
 - US Senate discusses USD 10B OSFR limit.
- Questions
 - Is the Offshore Industry sufficiently regulated now?
 - Does the Offshore Industry need more Insurance Capacity?
- Options
 - More Commercial Insurance Capacity.
 - Compulsory Product (run by the government).
 - Mutual Insurance Solution.

Takk for oppmerksomheten!

Danke fuer Ihre Aufmerksamkeit!

Thank you for your attention!

Question to the Audience



What role should insurance play in post Macondo pollution liability?

- A) None.
- B) Less.
- C) Same.
- D) More.