

# ***ENERGY BUSINESS INTERRUPTION***

## ***A REVIEW***

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***(Between Jobs!)***

# ***ENERGY BUSINESS INTERRUPTION***

## **HISTORY**

- Originally based on old UK fire tariff form
- Premium was always related to property rates
- Indemnity periods traditionally were 12 months only.
- Common London market energy form introduced early 1980's
- Broker's forms introduced mid 1990's

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- Deductibles were traditionally measured in hours rather than days
- Rarely purchased until late 1980's
- Largest BI loss - Phillips, Pasadena, Texas 1989- \$1.5bn partially uninsured
- Next - BASF - Antwerp 1989 - \$1bn - partially uninsured

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- Traditionally losses have been on a scale of PD 20% BI 80%
- Waiting periods increased to 14 days in early 1990's
- Reduced to as low as 5 days late 1990's
- Minimum at present 45, with the norm being 60 days

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## **FUTURE ?**

- Can the insurance market afford to reimburse Insured's BI losses 100%?
- Should perils be limited to simple FLEXA perils along with Cat perils?
- Will S-Energy survive as a competitor?
- Should indemnity periods be limited to just 12 months?

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- Are premiums adequate when most BI losses are three or four times the PD losses (e.g. one recent South African loss had a \$10m PD loss, but the potential of the BI claim could exceed \$100m)
- Limit margins to a fixed \$ limit
- Keep wordings simple