



LOSS

CAN ENGINEERING INSURERS HELP REDUCE LOSS?

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Can Engineering Insurers help reduce loss?



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1. Is it possible to reduce an indemnifiable loss?
 2. Is it possible to align the interests of all contracting parties after a loss?
 3. Are there opportunities for loss mitigation post loss?
 4. What challenges can one encounter?
 5. Are there pre loss measures available to assist any post loss mitigation?
 6. What contractual / legal obligations does one have to consider?

How to define Loss Mitigation for the purpose of this paper?



Pre and Post loss measures which help to reduce the actually sustained loss (PD and BI) suffered by the Insured and with an impact for Insurers

Not:

- pure coverage analysis (e.g. application of limits, exclusions)
- Subrogation



Loss Mitigation Measures



- Formal requirements

- Practical possibilities/solutions
- Pre and post loss measures

- Willingness to engage
- Alignment of contradictory interests

Prepare for the worst and hope the best!



■ Know your risk

- Pre loss measures can help to be prepared when the loss occurs
- Risk inspections, monitoring, localization of spare parts
- Knowing the key contacts

■ Ensure efficient claims handling process

- Steer and coordinate the process
- Involve the most skilled experts
- Ensure timeliness
- Clear reporting lines / Information flow

Formal requirements



1. Policy stipulations

- Several clauses are relevant in terms of loss mitigation

2. Claims procedure

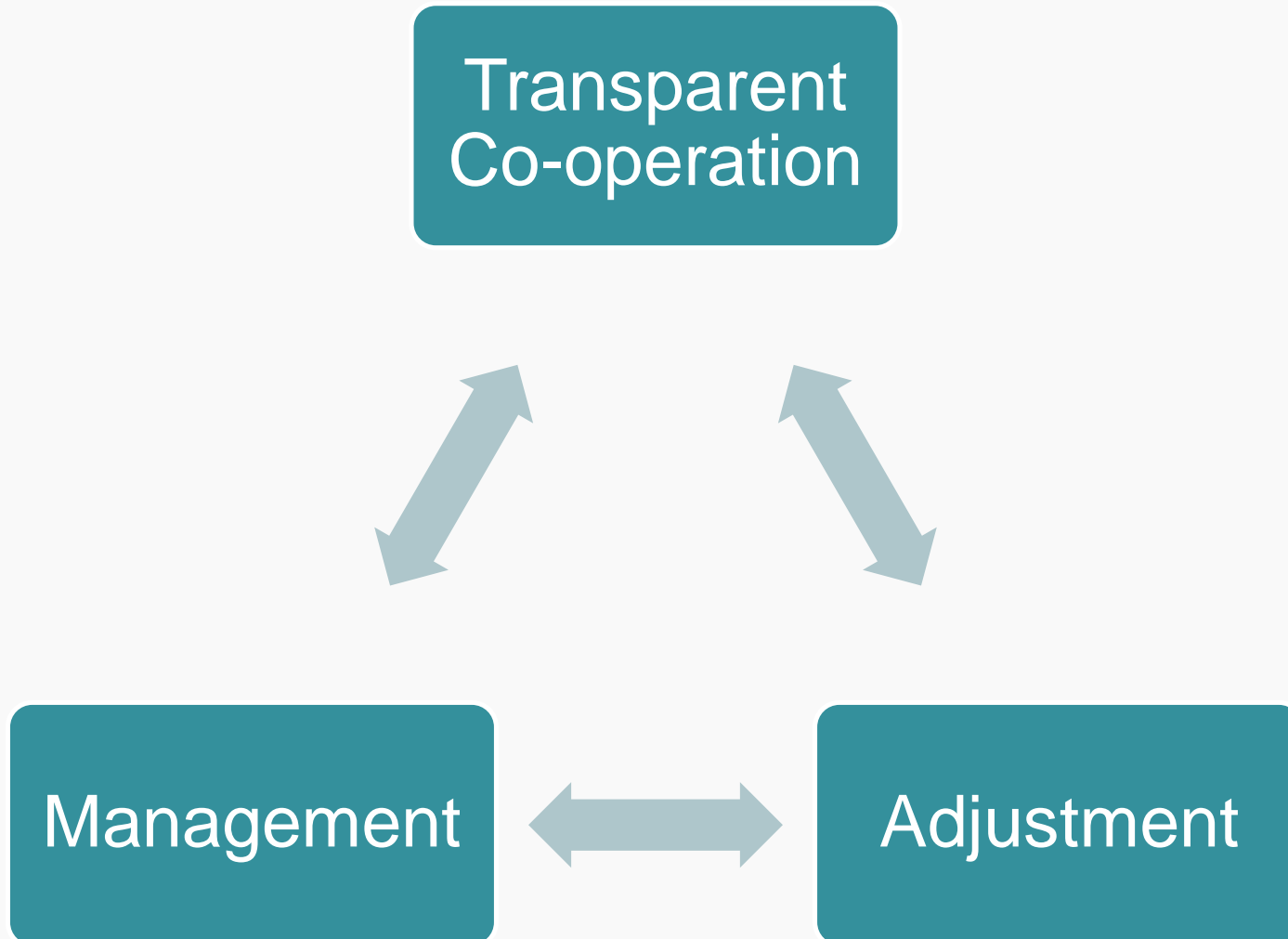
- Process shall be defined in detail
- Binding effect

3. Consequences of breach

4. Law & Jurisdiction

- The applicable law needs to be observed
- Policy stipulations may be void under applicable law

Post Loss situation



Post - loss measures



Network

- Experts (internal, external) – Adjuster, forensic accountant, specialist engineers, disaster manager, etc.
- Repair / adjuster supervision

Expediting measures

- Speed up transportation
- Add manpower
- Repairs: transfer of repair slots, transport/spare capacities, bonus payments

Post - loss measures



Alternatives

- Suppliers / Quotations
- Repair methods (e.g. use of similar parts after modification)
- Restoration / Refurbishment

BI specific measures

- Partial restart / production, provisional opening
- Temporary / provisional repair
- Bring forward scheduled downtime
- Purchase of feed / product for resale or to uphold production
- Alternative production facilities

Limits of Loss Mitigation



Factual Hurdles

Lack of capacity

Accessibility of site /
plant

Formal Restrictions

Court orders

Directives

Challenging Scenarios – Contradictory Interests



NatCat

- Huge demand for experts, parts, equipment
- Lack of resources
- Public infrastructure affected

New Technology

- Lack of spare part availabilites
- Lack of repair capacities
- No loss reference data
- Lack of expertise

Guaranty / Warranty

- OEM vs. Non OEM
- Aftermarket
- Refurbishment / Restoration

Loss mitigation



- a neglected opportunity to add value?
- Insurers as a value adding party?



DISCUSSION

