

Owner change of offshore assets: challenges & pitfalls

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7th March 2019

Question: whose fault is it that the insurance paperwork has still not been finalised for Hanne?

1. The buyer/seller?
2. The Underwriter?
3. The Broker?
4. Brexit?

Insurance: the last piece of the puzzle

- It's not necessarily the first thing the seller and buyer thinks about...
- Proof: one of the previous speakers had a slide titled "all the practical stuff"
- At a certain point in the timeline to sale, the parties involved in the transaction will pick up the phone to their broker and expect everything to get sorted



(typical broker)



(typical underwriter)

Insurance: what is the key challenge?

- **Change...**

managing this change can have a positive or negative impact on my:

- Profitability
- Portfolio

Insurance: change – key points to cover

- Who is buying who (& what)
- Insurance structure, coverages, capacity, price
- Processes, management, systems, people

Change: who is buying who (& what)

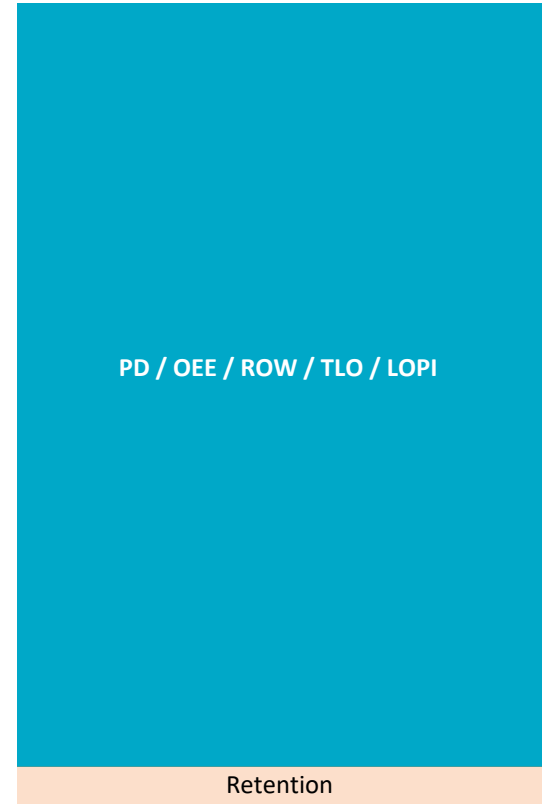
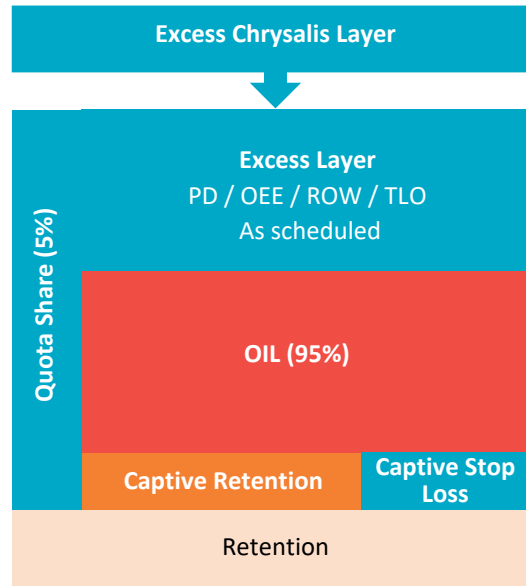
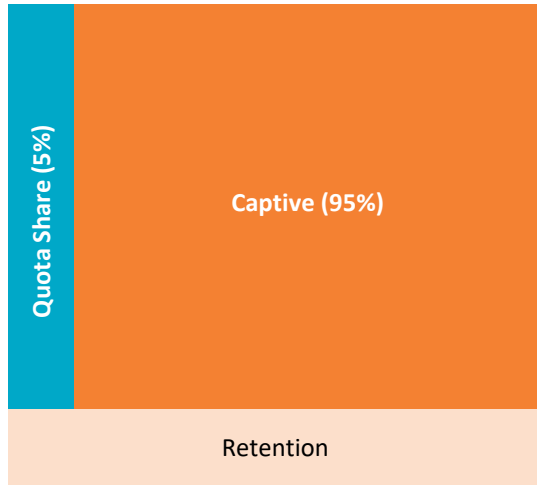
- The perspective of the buyer and seller can make a big difference to the insurance considerations
- Different size companies will have very different risk appetites:
 - Sovereign wealth fund
 - Private equity
 - Supermajor
 - State-owned oil company
- Each business model will have different drivers (long-term return vs. pump-up and sell)
- New assets could represent a significant departure from the existing asset base and/or business model

change: insurance structure

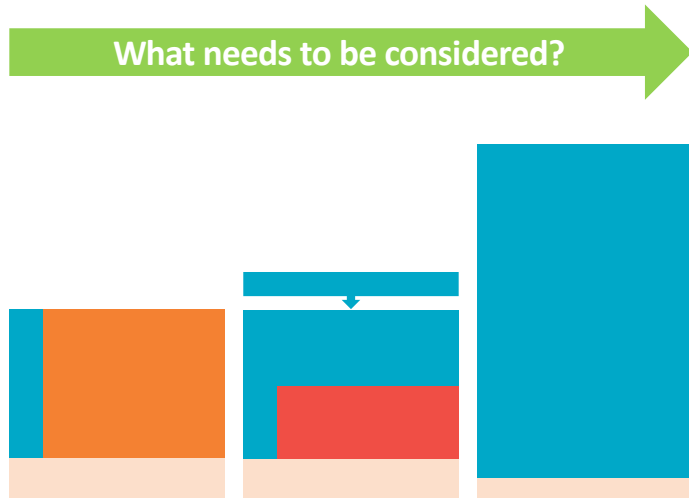
- A supermajor is likely to retain a lot of their insurance risk on their own balance sheet:
 - Large retention, self-insurance, Captive, O.I.L.
- An independent company is likely to transfer more risk off their balance sheet to the commercial market:
 - Ground-up placement, more clashing coverages, new top value(s) to the commercial market

change: insurance structure

- = client retained
- = commercial market
- = mutual

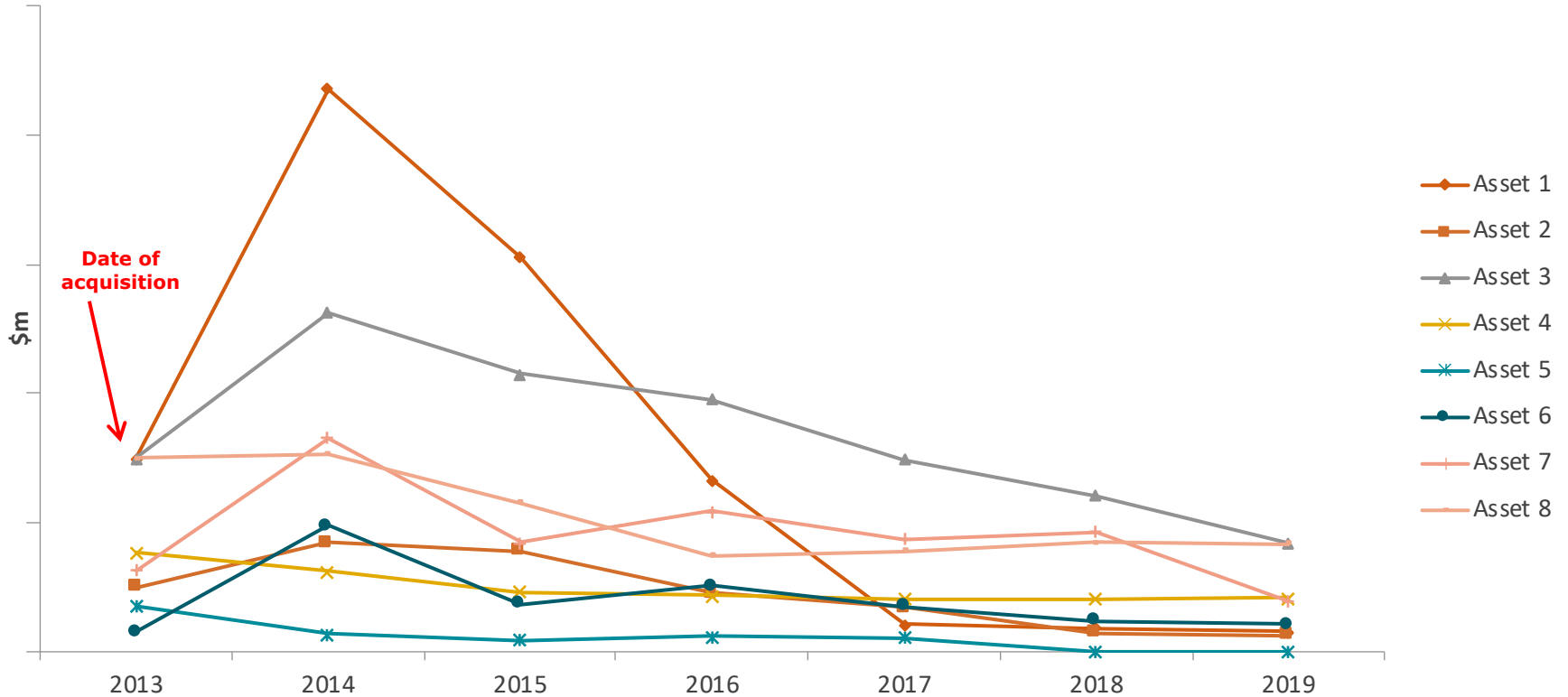


change: insurance structure



- New clashing coverages
- Change in retention; this could alter the perception of the deal, especially if captives and/or OIL no longer involved
- New top values; the impact of this can be exaggerated if the asset is already considered large in the commercial market
- Capacity...
- Pricing - lowest common denominator usually wins...

change: values & capacity



Insurance: processes, management, systems, people

- Who is the new owner
- Integration of new management systems
- What's the true operational loss record?
- What about people?
- Quality of the risk
- Timing

Insurance: there are some benefits too!

- **Change...**

*managing this change can have a **positive** or negative impact on an underwriters:*

- Addition of new business to the portfolio
- Can improve spread of risk
- Can improve forward-looking loss record
- Chance to sell more limit, more cover, MORE INSURANCE