

The coverable risks of exploration and production law commercial essay

[Law](#)



**ASSIGN
BUSTER**

Risk engineers and claims managers work in fully-integrated teams dedicatedly to the business of Insurance for E&P sector. Big Insurance companies provide coverage for a range of onshore and offshore exploration and production risks, plus onshore and offshore midstream risks, including: Upstream processing facilities Terminals Renewables physical damage, control of well (OEE), business interruption, Construction and installation. removal of debris, costs of well control, Redrilling expense Construction All Risks Fixed platforms, spars, offshore mobile drilling units, pipelines, land rigsoilfield property. Engineering and service contractor vessels Floating production and storage units Gathering systems Builders Risk Liabilities property insurance Offshore construction contractors containing seepage and pollution Comprehensive cover for offshore construction projects comprising procurement transits, land fabrication, load-out, transportation to site, installation, hook-up and commissioning. All risks of physical loss or damage may be for for unscheduled oil lease property, including pump jacks, tanks, treaters and related equipment. Business interruption covers Boilers and machinery damage covers. Automatic blanket limit which may include protection for valuable papers and the costs to replace data such as well logs, mineral leases, seismic data and maps. Automatic protection for newly acquired wells. Contractors' equipment including service rigs can also be included. Machinery breakdown protection also can be provided for the machinery and equipment that is vital to the operation. Business income, contingent business income and extra expense insurance are available. An example of Allianz Global Corporate & Specialty provides a full range of products and services.

The Oil And Gas Business:

Sample Insurance Policy of Chubb Insurance highlights include:

The Solution from Chubb: Customarq for the Energy Industry Customarq from Chubb—the only package policy in the energy industry—offers broad insurance solutions in a modular format. We tailor Customarq to meet your company's needs through seamless property and general liability coverages—from construction/ installation to commercial operation—all supported by exceptional loss control and claim services. Customarq policy features include:

- Optional coverage for Property, Mobile Equipment, Builders Risk and General Liability
- A \$250, 000* automatic blanket limit for certain property extensions, allowing your company to spend its insurance dollars where they are most needed following a loss
- No sublimit/deductible for extra expense (part of the Business Income limit)
- Separate limits can be offered for surface and underground equipment
- Additional property coverage extensions are also available

Liability insurance provides protection for bodily injury, property damage, personal injury and advertising injury. Coverage enhancements for your oil and gas exploration and production include: Contractual liability Newly acquired or formed organizations Newly acquired wells automatically covered Underground resources for third-party damages Insured status for non-operating working interests you manage and control Blanket additional insured and waiver of subrogation as required by contract Defense in addition to the limit All-risk property protection, with an automatic limit of \$10, 000 for unscheduled oil lease property including pump jacks, tanks, treaters and related equipment. Lease property can also

be amended to include electric lines and poles and crude stored in tanks. Contractors' equipment including service rigs can also be included. Machinery breakdown protection also can be provided for the machinery and equipment that is vital to your operation. Business income, contingent business income and extra expense insurance are available.* Aggregate limit can increase to \$1 million, subject to underwriting guidelines. Round Out Your Insurance Program To complement your Customarq policy, Chubb also offers insurance protection for: Commercial Auto Excess/Umbrella Executive Protection Multinational Pollution Workers Compensation Chubb's package approach for the petroleum industry is designed specifically for petroleum operations and offers many enhancements: Newly acquired wells automatically included Co-owners of working interest and non-operating working interests you manage and control are insureds Defense in addition to the limit Lease property form includes tanks, pump jacks, dehydrators and associated lease equipment, as well as crude stored in tanks Per well liability limit for underground resources and equipment Blanket additional insured and primary wording available Ability to schedule gas storage and gas extraction/recovery facilities Contractors equipment form can include oil field servicing equipment Ability to schedule pipelines including pipeline metering, gas conditioning and compressor stations Chubb also offers insurance protection for: Pollution Liability - helps to provide protection for suits brought against you for damages to the environment (can be extended to include on-site cleanup costs) Excess/Umbrella Liability - offers high limits to help protect against catastrophic liability, as well as: Two insuring agreements: Coverage A affords vertical continuity with your primary

coverage Coverage B closes many gaps in your primary liability program No aggregate is imposed on unaggregated policies such as auto Separate aggregate for products, Advertising Injury/Personal Injury and Coverage B apply Commercial Automobile - includes non-owned and hired cars Executive Protection Liability - includes Crime, Directors & Officers, Fiduciary, Employment Practices, Kidnap/Ransom and Extortion Multinational - global extension to expand property, liability protection worldwide, foreign voluntary

workers compensation, employers liability and international auto

USA Workers Compensation

Political Risk

Surety

Thus having a look at the above two examples helps us have a better understanding of the Insurable risks which the companies are covering in Exploration & production Sector. It is up to the insurer and the insured to get the best possible array of Insurance Cover after having an understanding of the Insurable & Non Insurable Risks and also the extent to which they can be covered.

BPCL CASE STUDY:

Insurance has some common concepts across policies. We give below some of them: Sum Assured: This is an amount in Rupees giving the maximum value covered under the policy. In some policies it is possible that there may be an overall limit and then a sublimit for one accident/incidence. Period Of

Policy: This is generally one year. **Reassured:** Is the insurance company who is the principle insured for the policy. All information regarding any incidence which falls under the policy should be informed to the respective insurance companies. **Deductible :** This is an amount which the corporation agrees not to claim from the insurance company. To the extent of this amount no claim will be payable by the insurance company to the corporation. This amount will be deducted from any claim which arises beyond this value. For eg: a deductible amount of Rs. 5 lakhs means, no claim can be made to the insurance company for losses upto Rs. 5 lakhs, in case a loss of Rs. 6 lakh is suffered the corporation will get Rs. 1 lakh only. **Insurable Event :** Every policy covers a risk and a loss arising due to occurrence of some specified events. Only if all conditions like location, nature of event etc are as specified in the policy the claim is tenable with the insurance company. **Exclusions To The Policy :** The insurance policy generally excludes coverage of certain losses occurring due events which are not covered under the policy.

Some Points To Remember At The Time Of Claim :

Information of an accident/event leading to a claim should be informed to the Insurance department of BPCL. This information would be conveyed to the Insurance Company. The Insurance company would appoint a surveyor. The surveyor appointed would from there on be the focal point for all claims to collect data, analyse the data and to finalise settlement of the claim.

Policies presently taken by BPCL are given below: Mega Package Policy for Refinery Mega Package Policy for Marketing SBUs Public Act Policy Umbrella Public Liability Act Policy Aircraft Refuelling Policy Group Personal Accident

<https://assignbuster.com/the-coverable-risks-of-exploration-and-production-law-commercial-essay/>

PolicyLPG Comprehensive PolicyMarine Open Cover PolicyMaterial in Transit
PolicyC&F Lubes PolicyOverseas Mediclaim Policy

Mega Package Policy applicable for Refineries

As per the Mega Package Policy, covers losses arising out of SUDDEN ACCIDENTAL PHYSICAL LOSS, DESTRUCTION OR DAMAGE TO THE PROPERTY, DIRECTLY AND WHOLLY ATTRIBUTABLE TO ANY CAUSE, barring few exceptions which have been mentioned (in this write-up), OCCURRING DURING THE CURRENCY OF THE POLICY. Mega package policy is 'All Risk Policy' i. e. all risks except few exclusions (as given below) are covered in the Policy. Few of notable covers available under this policy are given below:
FireLightningEarthquakeExplosion / ImplosionRiot, Strike, Malicious and Terrorism damageStorm, Tempest, Flood, Inundation, Hurricane, Cyclone, Typhoon and Tornado.

Section 1 – Property Damage

This policy covers loss of assets & stock occurring on the happening of an event. While determining the sum insured following points are taken into account: The above sum insured is worked out based on 'Replacement value' concept. Third Party Valuer is appointed to value the Refinery Assets once in three yearsStock is on 'Declaration Basis' and is informed to Insurance Company within 30 days of the end of the quarterBusiness Interruption is computed based on 'Business Plan' of that year.

Exclusions applicable for Mega Package Policy

Mega Package Policy comes with certain exclusions. If any loss arises due to events given below then claim is not tenable under this policy. Notable

<https://assignbuster.com/the-coverable-risks-of-exploration-and-production-law-commercial-essay/>

exclusions are given below: The deliberate and sustained operation of the BPCL's Plant, Machinery, pipeline or other equipment in excess of the design specification. Gradual subsidence and settlement, shrinkage or expansion or erosion of soil. Wear and tear, gradual deterioration, rusting, corrosion, metal fatigue, oxidation, Auto-oxidation, dampness, change in temperature or humidity, action of air or light or natural heating or drying. Fermentation, evaporation, loss of weight, contamination or change in quality Short-circuiting, self heating, leakage or surge of electrical current, over-loading or excessive power. The cost of replacing, repairing or rectifying defective parts, materials, workmanship, design or defect or omission in design or specification or latent defect. Marine perils and marine liabilities. Seepage and/or pollution and/or contamination There are some properties which are excluded as per the policy. These properties are given below: Property in course of construction or erection or dismantling or undergoing testing or commissioning unless specifically included in the Policy Road vehicles, waterborne vessels or craft. Property belonging to third parties unless specifically declared as BPCL hereunder or in the BPCL's care custody and control and for which they are responsible. Over and above the main cover as mentioned above, Additional covers are also available under the Policy which is given below. SINOcovers What is covered Sum Insured Fire fighting expenses In the event of a fire this policy covers the actual cost of materials used and/or damaged and/or lost in extinguishing or controlling or attempting to extinguish or control any such fire and the cost of all clothing and/or personal effects damaged and/or lost as a result of such fire and/or fire fighting, Rs. 10 crs each and every loss Property not on the BPCL

premises This policy extends to cover property (Machineries / Equipments and Stocks) of the BPCL kept outside the BPCL premises anywhere in India Rs. 40 crs each and every loss Leakage and overflowing Policy covers the loss of stock caused by leakage and/or overflowing from any storage tank, pipeline or vessel. Rs. 50 crs each and every loss Contamination and commingling of stocks Policy extends to cover loss or damage to stocks as a result of contamination and/or commingling whilst in the BPCL's care, custody or control as well in the care custody of other PSU oil marketing companies and reputed oil companies like Reliance Industries Ltd, Essar Oil Ltd, and Shell or their subsidiaries /joint ventures and every loss Rs. 50 crs each Catalysts and consumable interests in storage or in process Catalysts and consumable materials in storage or in the course of process are covered to a maximum limit. Rs. 20 crs each and every loss Inland transit Policy extends to cover the BPCL's Plant & Machinery and spares whilst in transit within the territory of the Republic of India Rs. 20 crs each and every loss Expediting expenses In the event of loss Insurance Company shall also pay the reasonable extra cost of safeguarding, preserving, temporary repair and of expediting the repair of such damaged property, including overtime and extra cost of express and other rapid means of transportation. Rs. 25 crs each and every loss Temporary removal This In covers the BPCL's property excluding Stock, Finished Goods and Raw Materials against the risks covered under this Policy whilst temporarily removed for cleaning, renovation, repair and other similar purposes, elsewhere on the same or to any other premises worldwide. Rs. 40 crs each and every loss Shut down/start up costs This policy extends to cover Shut Down and Start Up Costs necessarily and reasonably

incurred by the BPCL consequent upon a loss or damage covered by this policy. Rs. 10 crs each and every loss Removal of debris Policy covers the cost and expenses of clearing debris, including the cost of cleanup, after loss, destruction or damage by a contingency BPCL hereunder including but not limited to the costs and expenses actually incurred in the necessary dismantling, removal, demolition, shoring up or propping, clearance of drains and sewers, temporary boarding up of the Property so destroyed or damaged including undamaged portions and the removal of debris. Rs. 25 crs each and every loss

Deductibles

For Refinery Locations following Deductibles are applicable: Amount Assets & Stock Rs. 4. 5 crs each & every loss Additional Covers as mentioned above 2. 5% of Claim Amount subject to minimum of Rs. 5. 00 Lacs NIL for Fire Fighting & Loss Minimizations Expenses

Section 2 – Business Interruption

In the event of an occurrence resulting in damage as mentioned in section 1 which leads to interruption of business, the insurer will pay BPCL the amount of actual sustained loss resulting from such interruption or interference in accordance with the provisions of the policy. The Insurance under this Article is limited to loss of Gross Profit due to Reduction in Turnover Increase in Cost of working In respect of Reduction in Turnover : The sum produced by applying the Rate of Gross Profit to the amount by which the Turnover during the Indemnity Period shall, in consequence of the Damage, fall short of the Standard Turnover; In respect of increase in cost of Working: The additional

expenditure necessarily incurred for the sole purpose of avoiding or diminishing the Reduction in Turnover. Where Rate of Gross Profit means the rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Damage. Standard Turnover means the Turn-over during that period in the twelve months immediately before the date of the damage which corresponds with the Indemnity period appropriately adjusted where the Indemnity period exceeds twelve months.

Extensions available under Business Interruption

CUSTOMERS, SUPPLIERS AND UTILITIES EXTENSION

Loss resulting from ' Damage' occurring at the premises of any of the BPCL's customers and/or suppliers, including suppliers of electricity, gas, water and steam as well as crude/finished products. Deductible: 30 days equivalent of Gross Profit of affected plants/departments of each & every loss

Section 3: Machinery Breakdown

Insurance Company agrees to pay the compensation against Sudden and accidental breakdown, collapse or rupture of property insured including physical explosion/implosion of including but not limited to, boilers and/or other pressure vessels directly and wholly attributable to any cause.

Breakdown shall mean sudden and accidental physical loss or damage necessitating repair or replacement before operation can be resumed resulting from: Defects in material, design, construction, erection or assembly or; Fortuitous working accidents such as vibration, maladjustment, loosening of parts, centrifugal force, abnormal stresses, defective or

accidental lack of lubrication, water hammer or local overheating , failure or faults in protection devices or; Excessive voltage or current, failure of insulation, short circuits, open circuits or arcing or the effects of static electricity or; Incompetence, negligent acts or lack of skill of employees or third parties or; Falling, impact, collision or similar occurrences, obstruction or the entry of foreign bodies or; Overpressure except when caused by occurrences excluded in exception (i) of this section.

Exceptions Applicable:

The Insurer shall not be liable for: Wastage of material, wearing away or wearing out of any part of a machine caused by or resulting from ordinary usage, rust, boiler scale or other deposits, corrosion or deterioration due to chemical or atmospheric conditions or otherwise scratching of painted or polished surfaces Slowly developing deformation, distortion, cracks, fractures, blisters, laminations, flaws or grooving or the making good of defective tube joints or other defective joints or seams unless such defects result in damage otherwise insured under the policy; Loss or damage caused by the imposition of abnormal conditions directly or indirectly resulting from testing or willful overload beyond safe limits, or experiments Loss or damage caused by the wilful act or wilful neglect of the insured or his representatives. However, acts of malicious damage by employees and/or representatives of the insured are covered; Loss of or damage to or loss of use of property directly or indirectly caused by seepage or pollution; The cost of removing, nullifying or cleaning-up of seeping, polluting or contaminating substances; Loss or damage due to any faults or defects known to the insured at the time this insurance was arranged and not disclosed to the insurer; or for which the

manufacturer is responsible by contract. Loss or damage to foundations and masonry, refractory linings, exchangeable or replaceable parts and attachments such as flexible drives or tools used for cutting, drilling, grinding, polishing or similar purposes or moulds, patterns, pulverising and crushing surfaces, screens and sieves, engravings on cylinders, ropes, chains, belts, elevator and conveyor bands, batteries, tyres, connecting wire and cables, flexible pipes, joining and packing material and all other parts not made of metal (except the insulation of electrical conductors) fuels, filter fillings, cooling media, lubricants, catalysts, chemicals or other operating media. However this exclusion will not be applicable when damage to these parts is part of a loss and/or damage to an insured machine by a cause not excluded. Further this exclusion shall only refer to these parts and not to any resulting damage to the machinery insured under this section of this policy. Lack of power, light, heat, steam or refrigeration unless the result of a sudden and unforeseen happening;

Deductibles

Amount Machinery Breakdown Rs. 4. 5 crs each & every loss Additional Covers as mentioned above 30 days equivalent of Gross Profit of affected plants/departments of each & every loss

Claim Procedures applicable to Property Damage & Machinery Breakdown

If a misfortune befalls, following steps to be taken: Intimate such loss / damage immediately to Insurance Department, Treasury to make arrangement to depute Competent Surveyor. Give an account of all

properties damaged or destroyed with estimated amounts having regard to <https://assignbuster.com/the-coverable-risks-of-exploration-and-production-law-commercial-essay/>

their values as on the date and place of loss. Cooperate with surveyors by providing all the necessary documents for assessment of loss and establishing liability. Documents required by insurer for processing the claim: In case of Fire Claims documents required are given below: Report of the Internal Committee constituted for the purpose of investigating the cause of fire. Fire Brigade Report. Action steps taken to loss minimisation or prevention. Submit actual bills of repair/replacement with proof of payment to the Insurance Company. In case of Design fault, Certificate from Original Equipment Manufacturer (OEM) confirming the fault.

Flood Claims (additional documents):

Meteorological Report

Section 4: SPM Insurance

Insured Value
Section 1 : Property Damage SPM : Rs. 164 crore
Pipeline : Rs. 246 crore
Section II : Business Interruption
Business Interruption : Rs. 200 crore
What we have to bear Rs. 10 crore in case of Property Damage
45 days in case of Business Interruption

Section 1: Property Damage

The Cover for BPCL SPM is as per Institute Time Clauses Hull – Port Risks. The related Pipeline is covered as per London Standard Pipeline Form. The nature of coverage under Institute Time Clause Hull and London Standard Platform is given below:

Sr. No

IPRC (Hulls)

LSPF

More applicable for SPM's
 Advantage of inclusion of collision liability coverage
 Removal of Wreck & Debris Coverage included up to 25% of Single
 Property Value
 No Removal of Debris Coverage
 Specified Risks
 All Risks Policy

Section 1A: SPM

As SPM is covered under Institute Port Risk clauses, the coverage available only for Specified Risks or "Named perils". These risks are given below:

Perils of the seas rivers lakes or other navigable waters
 Fire, lightning & explosion
 Violent theft by persons from outside the SPM
 Jettison (More in relation to Vessel)
 Piracy
 Contact with aircraft or similar objects, or objects falling there from, land conveyance, dock or harbour equipment or installation
 Earthquake including Seaquake & Volcanic Eruption
 Accidents in loading, discharging or shifting cargo or fuel. Bursting of Boilers, Breakage of Shafts or any latent defect in the machinery or hull. Negligence of Master, Officers, Crew or Pilots. Coverage is also available for Pollution Hazard, Collision Liability & Protection & Indemnity
 Pollution Hazard
 Covers loss of or damage to the SPM caused by any action by the Governmental authority under the powers vested in it to prevent or mitigate a pollution hazard, or threat thereof, which results directly from damage to the SPM for which Insurance Company is liable. Provided such act of governmental authority has not resulted from want of due diligence by BPCL or any of them to prevent or mitigate such hazard or threat. Collision Liability
 Any damages by
<https://assignbuster.com/the-coverable-risks-of-exploration-and-production-law-commercial-essay/>

reason of the Assured becoming legally liable for: Loss or damage to any other Vessel or property on any other vessel Delay to or loss of use of any such other vessel or property thereon General average of, salvage of or salvage under contract of , any such other vessel or property thereon, where such payment by the Assured is in consequence of the SPM hereby insured coming into collision with any other vessel. Sum Insured for Collision Liability equals to Sum Insured of SPM which is currently Rs. 164 crore. Exclusions for Collision Liability is given below: Removal or disposal of obstructions, wrecks, cargoes or any other thing whatsoever Any real or personal property or thing whatsoever except other vessels or property on other vessels Loss of life, personal injury or illness Pollutions or contamination of any real or personal property or thing whatsoever (except other vessels with which the insured vessel is in collision or property on such other vessels) Protection & Indemnity Insurance Company agrees to indemnify BPCL for any sum or sums paid by BPCL to any other person or persons by reason of BPCL becoming legally liable as owner of the SPM, for any claim, demand, damages &/or expenses, where such liability is in consequence of the matter listed below: Loss of or damage to any fixed or movable object or property or other thing or interest whatsoever other than the vessel, arising from any cause whatsoever in so far as such loss or damage is not covered by " Collision Liability Clause". Any attempted or actual raising, removal or destruction of any fixed or movable object or property or other thing, including the wreck of the vessel, or any neglect or failure to raise, remove or destroy the same. Loss of life, personal injury, illness or payments made for life salvage. Following are the items which are excluded from the coverage: Any

payments under Workmen's Compensation or Employer's Liability Punitive or Exemplary Damages, howsoever described Fines or Penalties arising from overloading or illegal fishing Cash, Negotiable Instruments, Precious Metals or Stones, Valuables belonging to persons on board the vessel, or non essential personal effects of any Master, Officer or Crew Member. Limit of Liability under P&I limited to the value of SPM

Section 1B: Pipeline

Coverage is as per " London Standard Pipeline Form", which is an " All Risk Form". This Policy insures against All Risk of Direct Physical Loss or Damage from any external cause to the property insured, provided such loss or damage has not resulted from want of due diligence by the Assured, Owners or Managers of the Property insured or any of them. Major Exclusions applicable under this section is given below: Wear & Tear, Gradual Deterioration, Subsidence, Metal Fatigue, Rusting Oil & Gas in the Pipeline which is covered under Mega Package Policy Loss or Damage to Dynamics, Exciters unless fire ensues & then for loss by fire only or unless the damage be caused by a peril not excluded hereunder originating outside the electrical equipment Loss or damage caused by or resulting from delay or loss of use, whether resulting from a peril insured against or otherwise.

Section 2: Business Interruption

Only Increased Cost of Workings is covered under this Section. Increased Cost of Working is defined as, " additional cash expenditure necessarily and reasonably incurred for the sole purpose of reducing a loss of throughput".

Recovery Period: Shall not commence until BPCL has suffered ' loss of

throughput' of Kochi SPM consequent upon such occurrence, for the days stated in the schedule as 'Waiting period' (which is 45 days) Shall then continue for as long as such loss of use persists but not exceeding Such time as when normal operations could be restored Maximum recovery period (which being 12 months) Claim Procedures for In case of happening of any claim Documents required are given below: Notification of Claim – To Be Immediate Appointment of Surveyor (By Insurance Company) Appointment of Average Adjustor (By BPCL) In Collision steps to be taken for preserving Recovery Rights Provision of Documentation: Incident Report Class Certificate Estimate of Repairs Weather Reports Information expected from Refineries is given below: Quarter-wise stock declaration once Refinery accounts finalized Any new project is capitalized, then capitalized value of that project

Mega Package Policy applicable for Marketing SBUs

As per the Mega Package Policy, covers losses arising out of SUDDEN ACCIDENTAL PHYSICAL LOSS, DESTRUCTION OR DAMAGE TO THE PROPERTY, DIRECTLY AND WHOLLY ATTRIBUTABLE TO ANY CAUSE, barring few exceptions which have been mentioned (in this write-up), OCCURRING DURING THE CURRENCY OF THE POLICY. Mega package policy is 'All Risk Policy' i. e all risks except few exclusions (covered in the later part of write-up) are covered in the Policy. Few of notable covers available under this policy are given below: Fire Lightning Earthquake Explosion / Implosion Riot, Strike, Malicious and Terrorism damage Storm, Tempest, Flood, Inundation, Hurricane, Cyclone, Typhoon and Tornado.

Section 1 – Property Damage

This policy covers loss of assets & stock occurring on the happening of an event. While determining the sum insured following points are taken into account: The above sum insured is worked out based on 'Replacement value' concept. The original capitalized cost of the assets is multiplied by RBI Index of expiring year. Asset Class considered for Insurance purpose is given below:

Assets class

Description

2023 Building factory 3030 Process plants 3031 Plant & Machinery 3039 P & M < Rs 5000 3132 Tanks & Pipelines 8153 Electrical equipments 8154 Sundry mechanical equipments 8156 Data Processing - Hubs/Servers 8169 Sundries < Rs. 5000 3066 Jetties & Docks 6063 Railway sidings All locations are considered except locations where sum insured (Assets + Stock) less than Rs. 2 crore. Stock is on 'Declaration Basis' and is informed to Insurance Company within 30 days of the end of the quarter. Exclusions applicable for Mega Package Policy Mega Package Policy comes with certain exclusions. If any loss arises due to events given below then claim is not tenable under this policy.

Notable exclusions are given below: The deliberate and sustained operation of the BPCL's Plant, Machinery, pipeline or other equipment in excess of the design specification. Gradual subsidence and settlement, shrinkage or expansion or erosion of soil. Wear and tear, gradual deterioration, rusting, corrosion, metal fatigue, oxidation, Auto-oxidation, dampness, change in temperature or humidity, action of air or light or natural heating or drying.

Fermentation, evaporation, loss of weight, contamination or change in

<https://assignbuster.com/the-coverable-risks-of-exploration-and-production-law-commercial-essay/>

quality Short-circuiting, self heating, leakage or surge of electrical current, over-loading or excessive power. The cost of replacing, repairing or rectifying defective parts, materials, workmanship, design or defect or omission in design or specification or latent defect. Marine perils and marine liabilities. Seepage and/or pollution and/or contamination There are some properties which are excluded as per the policy. These properties are given below:

Property in course of construction or erection or dismantling or undergoing testing or commissioning unless specifically included in the Policy Road vehicles, waterborne vessels or craft. Property belonging to third parties unless specifically declared as BPCL hereunder or in the BPCL's care custody and control and for which they are responsible. Additional covers available under the Policy is given below:

SI No

Covers

What is covered

Sum Insured

Fire fighting expenses In the event of a fire this policy covers the actual cost of materials used and/or damaged and/or lost in extinguishing or controlling or attempting to extinguish or control any such fire and the cost of all clothing and/or personal effects damaged and/or lost as a result of such fire and/or fire fighting, Rs. 10 crs each and every loss Property not on the BPCL premises This policy extends to cover property (Machineries / Equipments and Stocks) of the BPCL kept outside the BPCL premises anywhere in India Rs. 100 crs each and every loss Leakage and overflowing Policy covers

the loss of stock caused by leakage and/or overflowing from any storage tank, pipeline or vessel. Rs. 50 crs each and every loss

Contamination and commingling of stocks Policy extends to cover loss or damage to stocks as a result of contamination and/or commingling whilst in the BPCL's care, custody of other PSU oil marketing companies and reputed oil companies like Reliance Industries Ltd, Essar Oil Ltd, and Shell or their subsidiaries /joint ventures Rs. 100 crs each and every loss

Inland transit Policy extends to cover the BPCL's Plant & Machinery and spares whilst in transit within the territory of the Republic of India Rs. 20 crs each and every loss

Expediting expenses In the event of loss Insurance Company shall also pay the reasonable extra cost of safeguarding, preserving, temporary repair and of expediting the repair of such damaged property, including overtime and extra cost of express and other rapid means of transportation. Rs. 25 crs each and every loss

Temporary removal Covers the BPCL's property excluding Stock, Finished Goods and Raw Materials against the risks covered under this Policy whilst temporarily removed for cleaning, renovation, repair and other similar purposes, elsewhere on the same or to any other premises worldwide. Rs. 40 crs each and every loss

Removal of debris Policy covers the cost and expenses of clearing debris, including the cost of cleanup, after loss, destruction or damage by a contingency BPCL hereunder including but not limited to the costs and expenses actually incurred in the necessary dismantling, removal, demolition, shoring up or propping, clearance of drains and sewers, temporary boarding up of the Property so destroyed or damaged including undamaged portions and the removal of debris. Rs. 25 crs each and every loss

Deductibles

For Marketing Locations following Deductibles are applicable: Amount Assets & Stock 10% of the claim amount subject to minimum of Rs. 10 Lacs and maximum of Rs. 20 Lacs Additional Covers mentioned above as 2. 5% of Claim Amount subject to minimum of Rs. 5. 00 Lacs NIL for Fire Fighting & Loss Minimizations Expenses

Section 2 : Cash

What is covered Sum Insured Deductible Cash in Transit In transit in the custody of the BPCL or its authorised representative, to and from the Bank or Post Office and the premises. Rs. 3 crore 5% of the Claim amount subject to maximum Rs. 10, 000/- Cash in the Premises When open for Business and not left unattended Rs. 3 crore 5% of the Claim amount subject to maximum Rs. 10, 000/- Cash in the Premises When Closed for Business or left unattended Any loss if such money is not kept in locked safe or strong room Rs. 75, 000/- 5% of the Claim amount subject to maximum Rs. 10, 000/- Cash means Cash, Bank and Currency Notes, Cheques, Bankers' Drafts, Postal Orders, Money Orders, Securities for Money, Current Postage Stamps, Embossed Stamps, Franking Machine unexpired units being the property of the BPCL or for which the Company is responsible. Following Conditions are a pre-requisite for the claim to be tenable: The protections and precautions provided for the safety of the BPCL money shall be in use at all times, and maintained in good order throughout the currency of this Policy and in no way varied Deductibles or removed without the written consent of Insurer. All keys and duplicate keys of safes, strong-rooms, and alarms are removed from the premises at all times when such premises are closed or left

unattended. Exclusions applicable under this section: Loss from unattended vehicles Loss by dishonesty on the part of any of the insured's employees Loss or shortages due to depreciation or currency fluctuation or clerical or accounting errors or omissions, mysterious disappearance, theft

Claim Procedures

If a misfortune befalls, following steps to be taken: Intimate such loss / damage immediately to Insurance Department, Treasury to make arrangement to depute Competent Surveyor. Give an account of all properties damaged or destroyed with estimated amounts having regard to their values as on the date and place of loss. Cooperate with surveyors by providing all the necessary documents for assessment of loss and establishing liability Documents required by insurer for processing the claim: First Information Report / Letter of intimation to the Police Station duly endorsed / Police Panchnama. Newspaper reports on the incident, if any. Photographs. Final Investigation Report. In case of Fire Claims additional documents required are given below: Report of the Internal Committee constituted for the purpose of investigating the cause of fire. Fire Brigade Report. Forensic Laboratory Report on samples collected at affected site. Action taken loss minimisation or prevention.

Flood Claims (additional documents):

Meteorological Report Information expected from SBUs are given below: Quarter-wise stock declaration once SBU accounts finalized Any new project is capitalized, then capitalized value of that project

PUBLIC LIABILITY ACT POLICY

As per PUBLIC LIABILITY INSURANCE ACT 1991 the Company who handles hazardous substances are required to take Public Liability Insurance to cover any liability which arises out of accidents occurring during the currency of the policy. What is Covered Covers the statutory liability of insured arising out of accidents occurring during the currency of the policy due to handling hazardous substances as provided in the PUBLIC LIABILITY INSURANCE ACT 1991 and the Rules framed there under. Accident means an accident involving a fortuitous, sudden or unintentional occurrence while handling any hazardous substance resulting in continuous, intermittent or repeated exposure to death of, injury to any person or damage to any property. Cover Available Any One Accident (AOA) Rs 5 crore, Any One Year (AOY) Rs. 15 crore. Policy Period 1st April 2012 to 1st March 2013 Locations Covered Oil Refineries LPG Bottling Plants, Reticulated system and import facilities Mobile LPG bottling plants Installations, Terminals, Depots, tap of points Pipelines Transportation of products through pipelines, rail and road Cinema Theatres owned by Company What we have to bear Excess of 0. 5% of the AOA limit subject to maximum of Rs. 3, 00, 000/- and minimum of Rs. 2000/-. Claims not covered Arising out of deliberate, wilful or intentional non-compliance of statutory provision Arising out of Fines, Penalties, punitive or exemplary damages Occasioned by or in consequence of war, invasion, and act of foreign enemy. Arising out of personal injuries such as libel, slander, false arrest, wrongful eviction, mental injury etc. In respect of damage to property owned, leased or hired or under hire purchase or on loan to BPCL. Claim Procedures A written notice shall be given to Insurance Company as

soon as reasonably practicable of any claim made against BPCL along with additional information such as writ, summons or process relating to event shall be forwarded. No admission, offer, promise or payment shall be made or given by or on behalf of BPCL without the written consent of the Insurance Company. Insurance company will appoint the surveyor. The payment of claim amount will be made as per directions of District Magistrate/the Court. The Insurance Company shall not be liable for any claim for relief made after five years from the date of occurrence of the accident. In case of Claim, particulars about the claims can be forwarded to Insurance Dept, Treasury and same will be forwarded to Insurance Company.