
Broker Foresees No Rate Impact From Oil Rig Disaster

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Published 5/4/2010
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NU Online News Service, May 4, 3:20 p.m. EST

The losses from the Deepwater Horizon Drilling Platform explosion are not expected to significantly impact the insurance marketplace or buying behaviors, a brokerage executive said.

Daniel S. Glaser, chairman and chief executive officer of Marsh ventured that opinion during a conference call with financial analysts today.

At same time several attorneys ventured opinions on what sort of oil rig disaster law suits might result and what their outcomes might be.

Responding to a question on whether the oil rig incident is affecting insurance buying patterns or self-insurance decisions, Mr. Glaser said, "What I think you have to bear in mind is that the insurance marketplace is huge."

He added, "And so any individual loss, outside of a catastrophe loss which involves many, many insureds—any loss to a single insured has a remote possibility of affecting the entire marketplace."

While he said there may be some upward pressure or concern in the offshore drilling rig marketplace, it will not likely extend to the entire energy marketplace.

"In terms of size of loss," Mr. Glaser said, "we don't have precise numbers, but in terms of insurable amount of this loss, most prognosticators are using a number between \$1 and \$2 billion. So even if you say it is the upper end of that, or even more than that level, it would not be enough, in itself, to impact buying behaviors or the overall insurance marketplace."

Regarding the types of lawsuits that can be expected in the wake of the spill, attorney Keith Hall, said wrongful death/personal injury lawsuits from workers on the rig, as well as economic damages from outside parties affected by the spill will likely arise.

Mr. Hall handles commercial litigation, oil and gas litigation, and toxic tort litigation at New Orleans law firm Stone Pigman Walther Wittmann L.L.C.

He said wrongful death and personal injury lawsuits are already beginning and he expects settlement or recovery on these wrongful death and injury actions.

There has also been a wave of proposed class action lawsuits filed on behalf of commercial fishermen, arguing that the spill is adversely affecting their trade, Mr. Hall noted.

He expects, he said, to see companies in the tourism industry file similar economic damages lawsuits as well if the spill gets close enough to shore to affect vacation spots.

But Mark Bunim chairman and managing director at Case Closure LLC, an alternative dispute resolution firm specializing in resolving insurance related disputes, said, "Tourism is a stretch."

He said the implication for lawsuits against BP and other potential defendants is not necessarily there. "You can go to New Orleans, stay in a hotel, and go to a restaurant and not be affected by this," he said.

For hotels along the shore that might have physical damage to their properties from the spill, business interruption claims may arise, and if beaches end up closing, some litigation may occur, but he said urban tourism spots "probably won't be affected."

Speaking to those entities that do file business interruption claims, Richard Shore, a founding partner of Washington, D.C.-based law firm Gilbert LLP, recommended policyholders do their best to present their claim in a clear cut understandable manner to the insurer.

Insurance companies "will be inundated with claims," he said, and they will process clear, concise claims faster than ones that are not presented well.

For the commercial fishermen, Mr. Bunim said they may look to FEMA for quick dollars to help them survive, as they are essentially out of business and don't have much financing to survive.

If federal dollars are used in this case, the government will likely go after BP and other potential defendants to recover that money.

The U.S. government will also go after insurers of BP for the cost of cleanup, Mr. Bunim said. "The odds are it will get settled," he said. "These cases always get settled."

As for BP's options, Mr. Hall said that the company announcing that it is going to pay for all cleanup costs was "probably smart," as it shows BP as "trying to be a good corporate citizen."

He said as investigations proceed to find out what happened, BP may try to demonstrate that fault lies with Transocean, owner of the Deepwater Horizon rig, or Cameron International, which provided gear designed to prevent a blowout.

Mr. Bunim said there will be finger pointing among the defendants to sort out who will ultimately pay for what. This will likely occur through mediation and settlements, he said, as the parties will agree on percentages of risk. Allocating the risks, Mr. Bunim said, will likely be driven by the insurance companies.

Meanwhile in Florida the state's Chief Financial Officer Alex Sink issued a statement urging Florida residents with homes and businesses along the coast "to get their financial statements in order and take 'before photos' in case they have a claim against BP."

She included a list of phone numbers where residents could get more information.