



INDUSTRY INSIGHTS DID YOU KNOW?

A Quarterly Newsletter for Energy and Chemical Industry Corporate Officers and Boards

Pilko & Associates brings quarterly industry insights to Energy and Chemical leaders who are responsible for managing and mitigating Operational/EHS Risks.

CURRENT INSURANCE TRENDS

Jim Pierce, Chairman of Global Energy and Power at Marsh JLT Specialty ([Bio](#)), provided the following insights on current insurance trends:

Underwriters have reduced capacity to insure Refining and Petrochemical companies for major incidents as a result of major losses in these sectors globally since 2016. The Midstream sector is also feeling the similar, but not as severe, pressures.

- The result has been larger Retentions, increased Premiums and lower Limits for property and BI policies.
- This trend is expected to last for several years.

The net result is that Corporate Officers and Boards will have greater incentives to aggressively manage Operational/EHS Risks in order to reduce the probability of catastrophic incidents.

Focusing on Catastrophic Risks have become a key component of overall Enterprise Risk Management (ERM) for several reasons:

- Corporate Executives and Board Members have witnessed various companies, ranging from Boeing to Texas Petrochemicals, experience Catastrophic Events which have been devastating from financial, reputational and human perspectives.
- Many existing ERM efforts have been judged to be inadequate in effectively identifying, prioritizing and mitigating Mission Critical Risks essential to the wellbeing of the corporation.
- Upon close inspection, many ERM activities were deemed to lack sufficiently granularity or robustness to be effective.

In the energy and chemical industries, Operational/EHS Risks are clearly Mission Critical, yet companies have a false sense of security given that they have:

- a) Management Systems,
- b) Detailed Compliance Audits, and
- c) Policies, Procedures and Practices aimed at Safe and Reliable Operations.

Too often energy and chemical companies overlook:

- Risks inherent in aging physical facilities which may require more than routine Maintenance to operate Safely and Reliably.

- Risks in the first year of operation after Startup of a major new project.
- Risks surrounding Acquisitions, Mergers and Divestitures when operating personnel and leadership can be diverted.
- Risks during shutdowns, maintenance and restarts associated with Turnarounds.
- Gaps or shortcomings in Leadership, Culture and Competency which are often internal Blind Spots for a corporation.
- The cumulative impacts of cost and staffing reductions on Risks.
- The opportunity to Learn from Incidents and Near-misses.

UPCOMING EVENTS

- March 12-13, 2020 – Methanex Governance Forum (Vancouver, BC) **MEMBERS ONLY**
- April 15-16, 2020 – Sadara Gulf Governance Forum (Jubail, KSA) **MEMBERS ONLY**
- April 21, 2020 – Directors Breakfast Briefing (Houston, TX)
- May 18-19, 2020 - DCP Midstream Governance Forum (Denver, CO) **MEMBERS ONLY**
- June 10-11, 2020 –Transactions Roundtable (London, UK)
- June 23, 2020 – Governance Forum Webinar - **MEMBERS ONLY**
- October 7-8, 2020 – Syncrude Governance Forum (Fort McMurray) **MEMBERS ONLY**

Please contact us at events@pilko.com if you would like any additional information on an event listed above.

PILKO'S WELL-ESTABLISHED BRAND

- The Pilko Brand is well known and respected by Corporate Officers and Boards.
- Since 1980, we have organized:
 - 54 Governance Forums in North America and the Middle East for Corporate Officers and Boards
 - 69 Transaction Roundtables globally for Deal Leaders and Deal Advisors
 - 5 Breakfast Briefings for Outside Directors
 - 72+ Grey Papers on timely topics for Corporate Officers and Boards
- We will be celebrating our 40th Anniversary on April 1, 2020.