

Ironshore Sees New Business Potential as Silver Lining in Gulf Coast Oil Spill

by Meg Green, senior associate editor, BestWeek

HAMILTON, Bermuda May 10 (BestWire) — While workers continue their attempts to stem and contain the oil leaking in the Gulf of Mexico from the April destruction of the Deepwater Horizon oil rig, Ironshore's environmental insurance division is bracing for increased demand for environmental/pollution insurance, from both new and existing clients.

The first wave of new business is coming from fishermen. While fishing has been banned in contaminated waters, they are not sitting idle. The emergency clean-up and containment effort has recruited fishermen to help place booms in the water to stop the oil from spreading.

"We have existing clients who have formed new companies. We have existing clients that need excess limits. These are clients who were laying out nets yesterday, but today are laying out booms," said Joe Boren, chief executive officer of Ironshore environmental insurance

"Yesterday, they didn't need this coverage because they weren't in the business."

Ironshore's environmental insurance division has formed a rapid response team of industry experts to assist with evaluation and management of insurance liability risks and questions surrounding the escalating oil spill threatening the Gulf of Mexico. The company's office in New Orleans has been busy, Boren said.

"If we've had a potentially larger environmental disaster, it doesn't come to mind," Boren said. "I think this has the potential to make people forget about things like Love Canal and the Exxon Valdez."

The threat of pollution harming wildlife and sensitive ecosystems, such as wetlands and beaches, is also catching the attention of the hospitality and real estate industries, said John O'Brien, president of Ironshore Environmental.

"It mostly likely creates an awareness of folks in the hospitality and real estate industry that there's a significant amount of offshore drilling that already occurs in the Gulf — and the Pacific Ocean — that they did not think could cause a threat to them," O'Brien said. "It creates an awareness of an exposure that they most likely do not have coverage for. What happens when pollution washes up on their beaches? What happens when people cancel their travel plans because of that?"

Most companies that lose business because of a pollution incident are not covered by insurance, unless they are carrying pollution insurance.

"Under the typical commercial policy, this would not be covered as business interruption, because it hasn't followed a property loss," Boren said. "I anticipate we'll have more people looking at how they protect themselves from future events like this."

Ironshore Casualty said it is also will be available to provide insurance industry guidance to contractors responding to the spill in the waters of the Gulf and surrounding coastal lands; manufacturers of dispersal agents, oil absorbents, or other products that are being used in the Gulf; and companies responsible for the treatment and disposal of any waste generated by the response efforts.

The destruction of the Deepwater Horizon, and the resulting massive oil spill, has the potential to cause major ripples throughout the offshore energy market (BestWire, May 10, 2010).

While insurers and reinsurers are likely to be on the hook for about \$1.4 billion in connection with disaster, the bulk of the losses may be paid not by the private insurance market, but by the energy companies' own self insurance, Robert Hartwig, president of the Insurance Information Institute, said on May 5.

Ironshore's subsidiaries currently have a Best's Financial Strength Rating of A- (Excellent).