



# VALUATIONS FOR INSURANCE PURPOSES



APPRAISAL & VALUATION  
CONSULTANTS LTD



## Onshore Energy Valuations

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# VALUATIONS FOR INSURANCE PURPOSES

- Aims & Expectations
- The Valuer's Role and Where They Fit In
- Expectations
- Why Have a Valuation
- AVC Valuations
- Factors That Affect Cost
- Claims
- Valuation Methods
- ValusolV
- Case Study
- Future – Interactive Mapping
- Conclusions

# INSURANCE VALUATIONS WHY AVC?

AVC is an independent Company, recognised globally as experts in providing insurance valuations within the Energy industry on a pre and post loss basis.

With backgrounds in chemical, mechanical, civil and structural engineering and property appraisals, we have over 130 years of combined experience of valuations and the insurance industry.

# AIMS

## Your Clients Expectations

- First class service from all partners / best practice & best advice
- Properly approved/ Quality Reinsurance Markets (S & P rating)
- Competitive Programmes
- First class, speedy claims handling/ No delays in payments
- Compatibility throughout with all service providers.
  - Local Insurers / Brokers
  - International Insurers/ Brokers
  - Lawyers
  - Engineers/Surveyors/Risk Managers/Adjustors
  - Valuers

# THE VALUERS ROLE

## **Provide accurate valuation of assets**

- Select and utilise suitable methodology
- Consistent
- Valuations acceptable to Insurers and Insured
- Sufficient Breakdown to Ensure Accurate EML Calculations
- Cost-effective
- Fair and Impartial
- Have and maintain market reputation

# WHERE DO VALUATIONS FIT IN? – INSURANCE

## Pre Loss

- Importance for Insurers/Underwriters to have accurate Sums Insured
- Vital for Insureds & Brokers to present accurate values to Underwriters
- Avoidance of average issues & validity of loss figures

## Post Loss

- Assist Insurers/Underwriters when arriving at quantum figures
- Working with loss adjusters

# WHERE DO VALUATIONS FIT IN? NON INSURANCE

- M&A
- Dispute resolution
- Uninsured losses e.g. compulsory purchase

# MAIN EXPECTATIONS OF A VALUATION

**Provide an accurate valuation of assets to ensure correct coverage**

- Sum Insured = Value at Risk
- Avoid over/under insurance
- Sufficient breakdown to ensure accurate EML calculations
- Fair & impartial



# BASIS OF COVERAGE

## Two Options

- Replacement as New
  - i.e. New for Old
- Indemnity/Actual Cash Value
  - i.e. Return to the same financial position existing prior to a loss

# WHY INDEMNITY IS NOT OFTEN USED

- If facility requires replacing, Indemnity doesn't work
- Doesn't allow replacement of existing assets
- OK for a car (Perhaps!) – Old for Old
- But Not a Sophisticated Kit – Bespoke Turbine
- Suitable when replacement/reinstatement is not required, or a cash settlement is preferred. e.g.
  - Old and Past Economic Life facilities
  - Uneconomic/Loss making facilities

# REPLACEMENT AS NEW

## Replacement "As Is"

- Like for Like, similar to condition when new, no betterment
- Reflects the risk that's insured
- Can deal with Partial Losses

# THE JUST HANDED OVER ISSUE

- Plant is "T&C'd" and Moves to Property Programme
- TCV Doesn't Provide Accurate Replacement Values –  
Why ?
- Construction Contract Negotiated Over Several Years =  
Best Prices / Best Schedule
- Post Loss Requires Quick Response
- Parts / Labour in Speedy Timeframe

# WHY HAVE A VALUATION DONE

- Avoid Over Insurance and paying excessive premiums
- Avoid Under Insurance and possible application of Average
- Facilitates Underwriting particularly in calculation of EML's and Premium
- Technical Claims Support can be provided in the event of a loss.

# ONSHORE



# ONSHORE

- Need for accurate/independent valuations
- Market confidence in Valuers Report/work product
- Well known to specialist insurance markets
  - Refineries, Petrochemical, Chemical, Gas Processing, LNG, Oil and Gas Production.
  - Major clients last 12 months include :-  
Ineos, Pemex, PDVSA, Qatar Petroleum, ENOC, QAPCO, PTT/PTTGC, PetroPeru, Hellenic Petroleum, SSE.

# CLAIMS





# CLAIMS

- Sum Insured Assessment
- Quantum/Physical Damage Claims Assessment
- Business Interruption Claims Assessment

# FACTORS THAT AFFECT VALUES

- Contractor Availability
- Inflation
- Currency Fluctuation
- Location
- Equipment Costs
- Commodity Values e.g. Steel
- Timing!
- Insureds Philosophy e.g. NOC or International Oil Co.

# VALUATION METHODS

## **Four basic methods of valuation:-**

- Indices
- Throughput Analysis
- Asset Register Analysis
- 'Ground-up' Analysis

**Which works best for you?**

# THROUGH PUT ANALYSIS SAME CAPACITY DIFFERENT VALUE

## Scenario – Plant Cooling System

Plants A, B & C have the same nameplate capacity

Plant A – Cooling achieved with large air coolers on top of process trains.

Plant B – Cooling achieved by fresh water cooling, require cooling towers & extensive pipeline networks.

Plant C – Cooling achieved by sea water cooling, using large stainless steel pumps & plate heat exchangers.

Conclusion – Plant A will be the least expensive, Plant C will be the most expensive, whilst the value for Plant B will lie somewhere in between.

# ASSET REGISTER ANALYSIS

- Rubbish in – Rubbish out!
  - no verification of accuracy of information
- Tax document
  - should not be used for insurance purposes
- Cost centre based
  - unlikely to be compatible with EML modelling
- Indices may not fully reflect cost increases - CE suspended

# 'GROUND-UP' ANALYSIS

- Physically values the actual assets of the facility – By Area & Block
  - avoid under/over insurance
- Independent verification of actual assets of facility
  - increased overall accuracy
- Allows values to be reported as required
  - assists accurate EML calculations
- Incorrect Values = Incorrect EML Calculation....Leading to Questionable Insurance Placement/Coverage

# DEFINITIVE CERTIFIABLE VALUATION

AVC recommend a “**Definitive Certifiable Valuation**”.

This calculates a value for each major item of equipment. In addition, costs for all bulks (piping, instruments, electrics, civil works, structural steel, etc...) including jetties, buildings etc... are valued based on quantities established during a site survey.

This methodology takes into account the many variations of plants, even when they may have the same capacity, eliminating the inaccuracy of throughput/capacity analysis method.

It gives the value of the actual plant and not a theoretical plant.

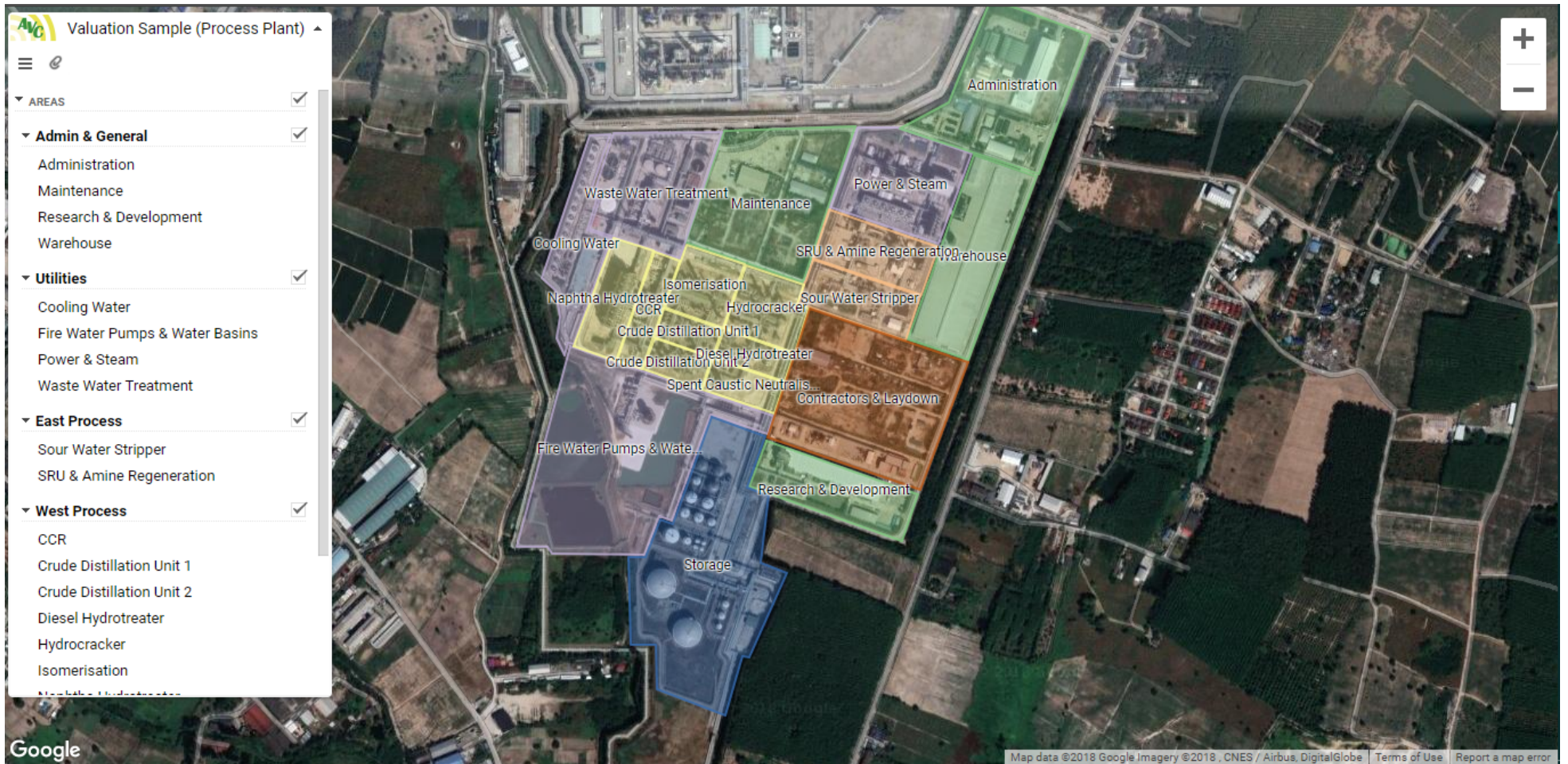
# VALUSOLV®

## What is VALUSOLV®?

- Bespoke software developed by AVC
- Stores data & calculates consistent values
- Costs changes input regularly ensuring accurate valuation
- Improved efficiency, competitive pricing



# INTERACTIVE VALUATION MAPS



# INSURANCE VALUATIONS

- AVC's expertise in this field is unrivalled
- AVC are proud to offer a professional, reliable and value for money service.
- AVC has a proven track record in this field having undertaken many assignments around the world.

# CONCLUSIONS

## AVC

- Professionalism
- Reliability
- Accuracy
- Consistency
- Cost-effective
- Trustworthy

# CONCLUSIONS

**VALUATIONS ARE WORTH THE BOTHER.....**

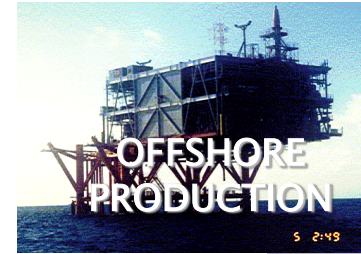
# WORLDWIDE VALUATIONS

Abu Dhabi · Albania · Algeria · Antigua · Argentina · Australia · Austria · Azerbaijan · Azores · Bahrain · Belgium · Belize · Benin · Bermuda · Brazil · British Virgin Islands · Bulgaria · Canada · China · Colombia · Costa Rica · Cyprus · Czech Republic · Denmark · Dominica · Dominican Republic · Dubai · Ecuador · Egypt · Ethiopia · Finland · France · FYROM · Georgia · Germany · Ghana · Gibraltar · Grand Cayman · Greece · Honduras · Hong Kong · Hungary · India · Indonesia · Iran · Iraq · Ireland · Italy · Ivory Coast · Jamaica · Jordan · Kazakhstan · Korea · Kuwait · Kyrgyzstan · Laos · Libya · Malaysia · Malta · Mexico · Monaco · Montenegro · Morocco · Mozambique · Myanmar · Netherlands · New Zealand · Nigeria · Norway · Oman · Pakistan · Papua New Guinea · Peru · Philippines · Poland · Portugal · Qatar · Ras Al Khaima · Russia · Sabah · Sarawak · Saudi Arabia · Sharjah · Singapore · Slovak Republic · South Africa · South Korea · Sri Lanka · Sudan · Sweden · Switzerland · Tanzania · Thailand · Trinidad · Turkey · Turks & Caicos Islands · Ukraine · United Kingdom · U.S.A. ·

# DIRECT CLIENTS



# BUSINESS SECTORS



- Natural Resources
- Power Generation
- Energy

