

# Problems Surveying Russian Risks: A View from London

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# MENSOR



ENERGY & INDUSTRIAL INSURANCE IN RUSSIA & CIS

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- Positives & Negatives
- What's Changed?
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## A Brief History

- First Surveys in Russia for JVs - mid 1990s
- First Survey for Major Russian Client – 1997
- Insurance Company Fears – Big Losses
- Reality – Big Profits

## The Positives

- Good Layout
- Simple Processing Schemes
- Smaller Units
- Large Design Margins
- Limited Natural Perils
- Flat Sites
- Good separation from Other Risks
- State Standards (Rostekhnadzor)
- Well-educated workforce
- High Levels of Experience
- Low Turnover
- Safety Declaration
- Independent State Fire Brigade
- Not Operating at the Margin
- Frequent Maintenance
- Preventative Maintenance (PPR)

## The Negatives

- Different history and culture
- Language
- Time & Distance
- Bureaucracy
- Old Equipment
- Control Systems
- Control Room Protection
- Little Finance
- Not International Standards
- Vegetation
- Severe Climate
- Not Full Replacement Values
- Near Misses not Investigated
- No Management of Change Procedures
- No HAZOPS
- Little Predictive Maintenance
- Poor Response to Recommendations

# What has Changed ?

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## *in Russia*

- Emphasis on Profits
- Started to adopt Western practices
- Benchmarking
- Outsourcing
- “Optimisation”
- Longer run lengths
- Business Interruption Insurance
- Losses

## *in London*

- Losses in Russia – e.g. SS HPS
- Financial Crisis
- Competition for Russian Business
- Lower Profits
- Increased number of engineers
- More underwriters’ engineers on surveys
- More careful examination of risks
- Underwriters are more demanding

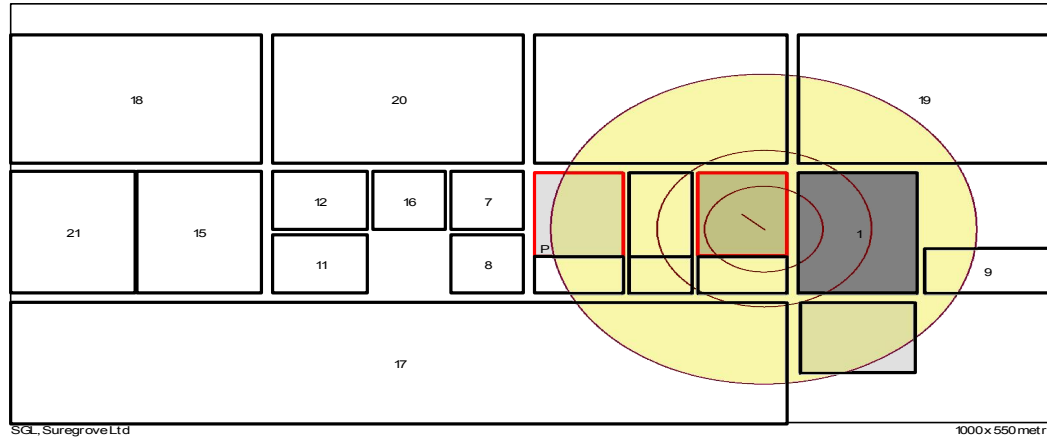


# Surveys – What's Important?

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- *Overall Rating on International Basis*
- *Estimated Maximum Losses*
  - *Physical Damage*
  - *Business Interruption*
  - *Mechanical Breakdown, etc.*
- *Recommendations*

# Vapour Cloud Explosions



SGL, Suregrove Ltd

1000x550 metres

Block	MM US\$
1 MHC	300
2 S-2300/S-2500	239
3 H <sub>2</sub> and S	100
4 S-2100	78
5 S-2200	59
6 S-2600	51
7 S-100/S-600	47
8 S-200	39
9 S-3600	36
10 S-2400	35
11 S-400/S-620	33
12 S-300	32
13 S-2450/S-2950	28
14 Power Station	27
15 Flare	10
16 S-500	8
17 Admin/Wkshps	6
18 Storage Tanks 1	6
19 Storage Tanks 3	6
20 Storage Tanks 2	4
21 Waste Water	2

Model:	Empirical
Calculation date:	02 Feb 2012
Site:	VCE
Block:	S-2300/S-2500
Values	(MM US\$)
Site value	1146
Losses	
Static EML	386 (34%)
Drifted 28m	581 (51%)
Extras:	
Inflation during rebuild	92
Debris removal	29
Total:	702

## Reduce Premiums & Facilitate Placement:

- Improve Rating – Large Investment
- Reduce EML – Very, Very Difficult
- Complete Recommendations – Relatively Easy



- Reduce inventories
- Improve Control Systems
- Automatic Shut Down Systems
- Upgrade Fire Protection Systems
- Passive Fire Protection
- Improved Inspection Techniques
- On-line Monitoring
- Loss Analysis
- HAZOPs
- Management of Change
- Personal Protective Equipment

- Surveyors who are trusted by the insured and the insurer
- Surveyors who understand the risks
- Russian surveyors who understand the international perspective
- Communicate with both sides in Clear Words
- Highlight positive and negative aspects
- Surveyors who can understand the risk AND communicate it to the insurers

- Headed by Tim Bibbs
  - 30 years in Engineering
  - 20 years in Russia
  - 12 years in Surveying
  - Native British, Understands Russia
- A unique approach
  - Understanding the Risk
  - Able to Explain the Risk

- Independent of Brokers, Insurers, etc
- Staffed by high quality Russian & European surveyors
- Expert knowledge
- All Russian speakers
- All reports in native English and Russian
- Reports acceptable to insured, brokers, underwriters
- Attractive fees

- Mensor's engineers have carried out risk engineering surveys for the following Russian companies:
  - Lukoil
  - Inter RAO UES
  - Transneft
  - Sibur
  - Severstal
  - AvtoVAZ
  - Rosspirtprom
  - Ural Steel
  - RusHydro
  - Rosneft
  - Evraz
  - Gazprom Neft
  - TAIF
  - SUEK
  - GAZ
  - Ostankino
  - Novatek
  - Eurochem
  - Gazprom
  - Norilsk Nickel
  - Tatneft
  - Baltika
  - AP&P
  - Irtysh Bridge

- Appreciate Changed Situation
- Evaluate the Positive & Negative
- Develop Objective Opinion
- Communicate Opinion to the Insured & Insurer
- Reduce Risk – Reduce Premiums



# **MENSOR**

## **The Surveyor**

# **Thank you for your attention**

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