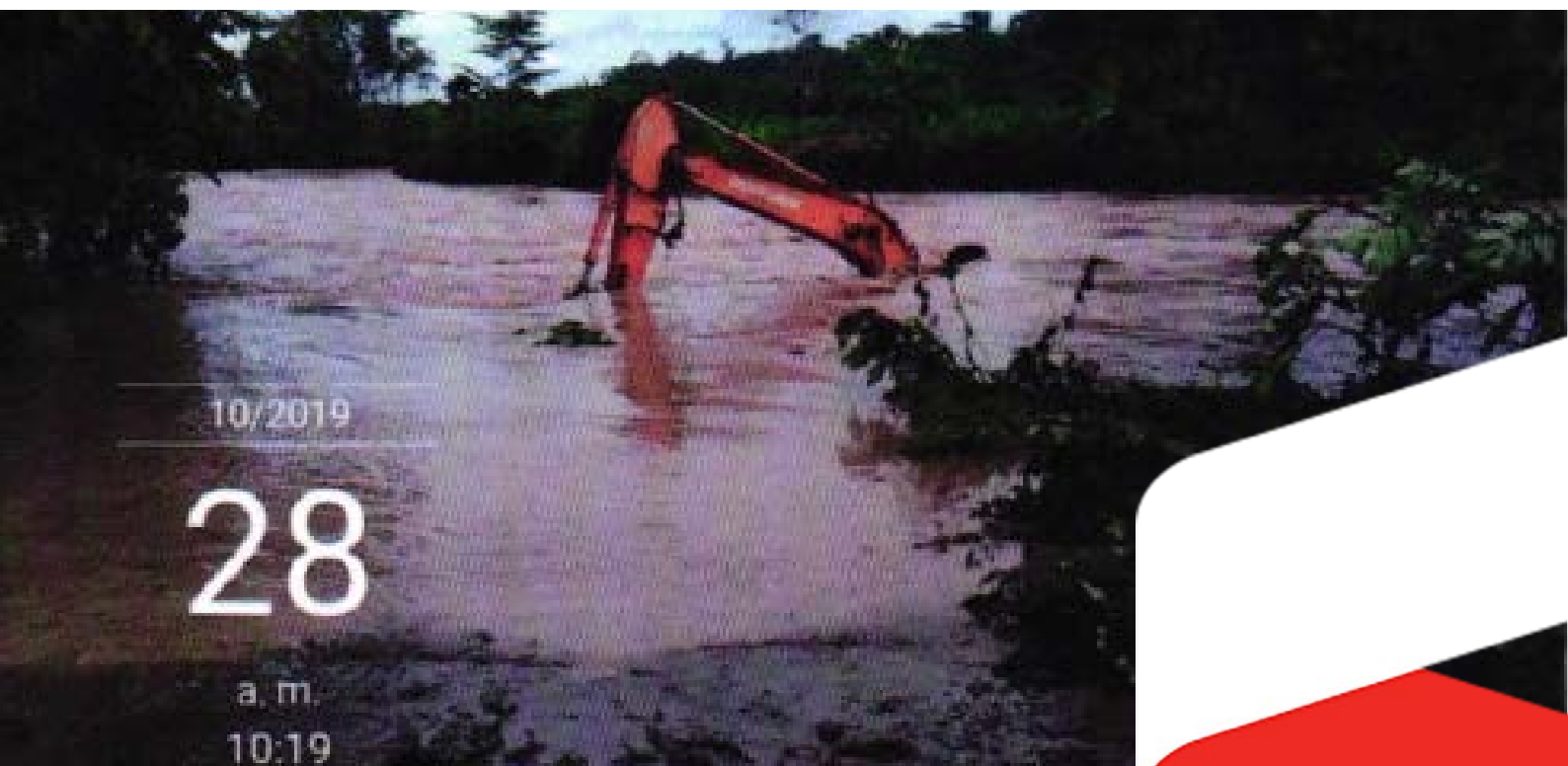




LLOYD**WARWICK**
INTERNATIONAL



Report No. 1

03 December 2019

Original Insured

Petroperu

Reinsured

Pacifico-Peruano-Suiza

Loss Description

Damage to tipper and excavator, Amazonas, Peru

Date of Loss

28 October 2019

LON02567/ AT/ RB

Lloyd Warwick International (London) Ltd
Second Floor, Forum House, 15-18 Lime Street,
London, EC3M 7AN, United Kingdom
Company Registration No.: 8532567

Key Details

Original Insured	Petroperu
Reinsured	Pacifico-Peruano-Suiza
Loss Description	Damage to tipper and excavator, Amazonas, Peru
Loss Location	Nieva, Condorcanqui, Amazonas, Peru
Date of Loss	28 October 2019
<hr/>	
Policy Number	UCR B0901BZ1813695015
Policy Period	10 September 2018 – 10 March 2020
Interest	100%
Limit	USD 300,000,000 annual aggregate iro Floods USD 2,500,000 iro Contractor Equipment and Plant
Deductible	USD 10,000 for assets with replacement value less than or equal to USD 1,000,000 USD 200,000 for Catastrophe in minor locations
<hr/>	
Potential Exposure	TBD
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Executive Summary

We have recently been appointed in respect of a claim notified following flash flooding of the Chiangos River which resulted in damage to an excavator and dump truck which were working in the vicinity at the time of the flooding on 28 October 2019.

Whilst our enquiries are at a very early stage, from the available information, it appears that excavations were being made in the vicinity of pipeline marker location KM 391+162, along the banks of the Chiangos River, which required the use of a dump truck (with plate EGW-935) and excavator. At around 9am on 28 October 2019 an unexpected flash flooding event was experienced which resulted in the dump truck overturning and being dragged downstream. We understand the rising waters also submerged the excavator.

Due to the remote location of the incident and extensive logistics involved in reaching it, we have not yet been able to inspect the damage. We are presently working with the Insured to coordinate a survey date and have also requested any and all technical reports which may pertain to the damage.

At this stage it is unclear whether the equipment can be repaired or will require replacement. We have requested these details from the Insured and will report further as this information becomes available.

The Insured has given a preliminary estimate of USD 415,000 in respect of the incident. We have requested a breakdown of the estimate and shall report further as this becomes available.

To date, not enough information is known to be able to provide a potential exposure figure.

We maintain close contact with the Insured and are presently engaged in arranging a survey of the affected equipment, to be undertaken by our local associates, Crawford Peru. We hope to issue our further advices within the next 45 days.

01 Background

Introduction

We have recently been appointed in respect of a claim notified following flash flooding of the Chiangos River which resulted in damage to an excavator and dump truck which were working in the vicinity at the time of the flooding on 28 October 2019.

Background

Petroleos del Peru (Petroperu) is a Peruvian, state-owned, petroleum company responsible for transport, refining, distribution and marketing of fuel and other oil derivatives. The company owns and operates the 1,100km North Peruvian Oil Pipeline (ONP) which runs from Station 1, at San Jose de Saramuro, to the Bayovar Terminal, on the Pacific Coast. In 1976 the North Branch Pipeline (ORN) was added to the ONP in order to transport oil production from the Andoas region of Peru.

The ONP is divided into two sections: Section I, a 24-inch pipeline, runs from Station 1 to Station 5, at KM305; and Section II, a 36-inch pipeline, runs from Station 5, where the ORN joins the ONP, to the Bayovar Terminal.

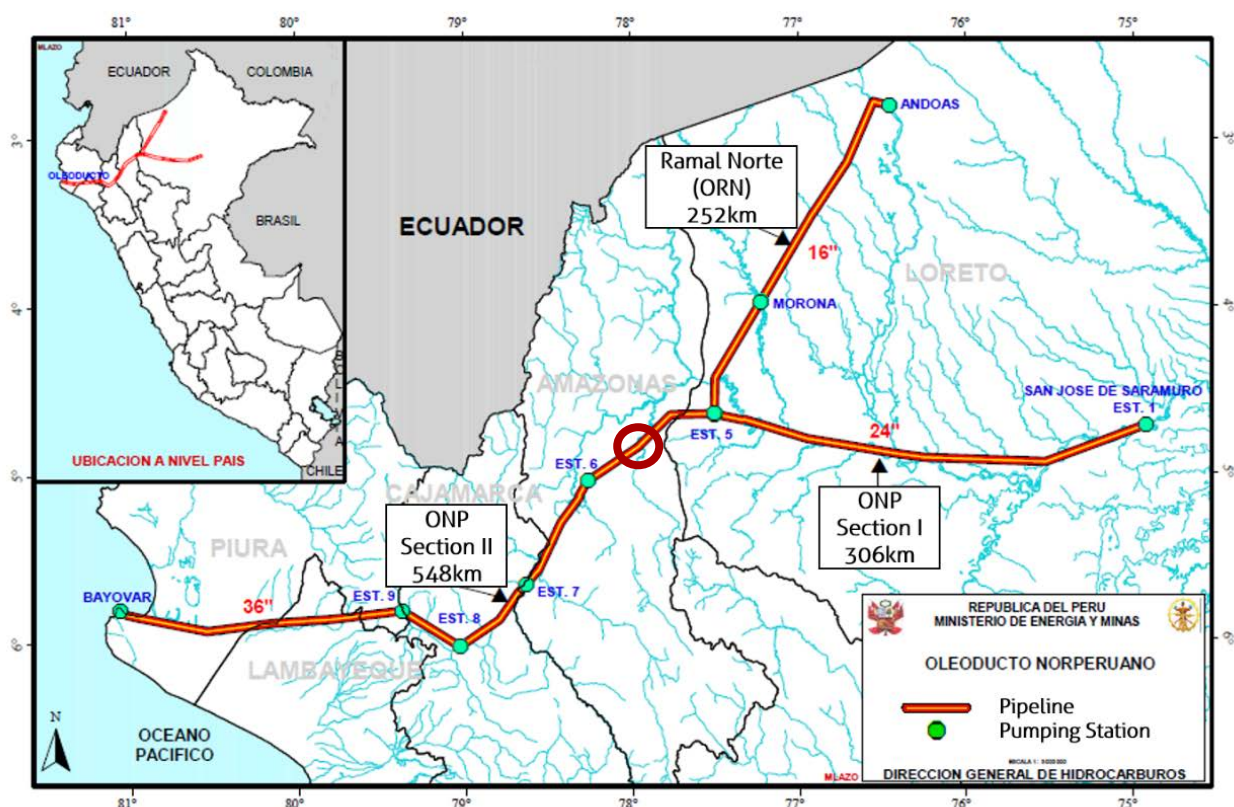


Fig 1.1: Map depicting location of ONP and ORN pipelines, Peru (relevant area highlighted)

The subject incident took place near Section II of the pipeline at location KM 391+162, near the village of Paatam in the District of Nieva, Condorcanqui Province in the Amazonas Department.

02 Incident

Circumstances

Whilst our enquiries are at a very early stage, from the information available it appears that excavations were being made in the vicinity of pipeline marker location KM 391+162 which required the use of a dump truck (with plate EGW-935) and excavator along the banks of the Chiangos River in the vicinity of pipeline marker location KM 391+162. At around 9am on 28 October 2019 an unexpected flash flooding event was experienced which resulted in the dump truck overturning and being dragged downstream. We understand the rising waters also submerged the excavator.

We have requested and await the Insured's full incident report and witness statements and confirmation of the equipment owner.




Fig 2.1: Chiangos River at 08.22 (left) and 10.15 (right) hours on 28 October 2019



Fig 2.2: Photo of submerged excavator

Damage

Due to the remote location of the incident and extensive logistics involved in reaching it, we have not yet been able to inspect the damage. We are presently working with the Insured to coordinate a survey date and have also requested any and all technical reports which may pertain to the damage.



From the information received to date, there does not appear to have been any damage to the pipeline as a result of the incident.

Cause

From the information provided, it appears that flash flooding of the Chiangos River was the cause of the incident.

Repairs

At this stage it is unclear whether the equipment can be repaired or will require replacement. We have requested these details from the Insured and will report further as this information becomes available.

03 Policy

Policy with UMR B0901BM1813695000 reinsures La Positiva Seguros y Reaseguros in respect of original insured Petroleos del Peru ('Petroperu') for the period from 10 September 2018 to 10 March 2020. We note that Endorsement 2 to the subject Policy amends the Reinsured from La Positiva to Pacifico-Peruano-Suiza.

Section 1 insures *"All Risks of Physical Loss or Damage including Machinery Breakdown to REAL AND PERSONAL PROPERTY of every kind and description belonging to the Insured, property of others in the Insured's care, custody or control for which the Insured is legally or contractually responsible to insure and property whilst in the course of construction, installation, erection, assembly and/or disassembly..."*

The Policy is subject to a combined single limit for Property Damage and Business Interruption of USD 650,000,000 (100%) and USD 300,000,000 (100%) each and every loss and in the annual aggregate in respect of *"...Floods..."*.

Section 1 deductibles include: *"i) USD 1,000,000 each and every loss arising from Floods..." and "iii) USD 10,000 each and every loss arising from any other cause, for assets with a replacement value less than or equal to USD 1,000,000. For Catastrophe (being Floods...) in minor locations deductible of USD 200,000 to apply."*

We note the Schedule of Original Policy Sub Limits includes *"USD 2,500,000 for event to cover CPE – Contractor's Plant and Equipment..."*.

04 Quantum

Costs

The Insured has given a preliminary estimate of USD 415,000 in respect of the incident, however it is unclear what constitutes this amount. We have requested a breakdown of the costs and shall report further as this becomes available.

Potential Exposure

To date, not enough information is known to be able to provide a potential exposure figure.

05 Summary

Subrogation

At this early stage of our investigations it is not possible to comment upon the potential for subrogation. We shall address this important matter in future reports.

Remarks

We maintain close contact with the Insured and are presently engaged in arranging a survey of the affected equipment, to be undertaken by our local correspondent, Crawford Peru. We hope to issue our further advices within the next 45 days.

For Lloyd Warwick International Ltd

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Appendix 1

Adjuster's Scope of Work & Fee Estimate

We estimate our on-going work activities from instruction will include the following:

Summary:	<ul style="list-style-type: none"> • Preparation and issue of information requests • Analysis of technical data relating to incident, damage assessment, causation, repair operations, highlighting issues which affect claim. • Review of provisional and subsequent timelines / cost estimates • Meetings / discussions / Liaison with Insured personnel • Prepare initial advice and preliminary reports with details of incident • Audit and adjustment of repair cost submission packages. • Clarification of cost audit queries, quantum issues and anomalies. • Review updates to budget cost estimates, determine impact on exposure. • Participate in on-going cause investigations and forensic testing. • Meetings, discussions with Underwriters • Clarification of adjustments with Insured as appropriate • Prepare / issue interim status reports with progress on claim • Issue final report • General project management of claim 				
Fee Arrangements:	Fees based on share of common activities and policy specific activities.				
Service to Insurers:	Firm	First Estimate	Current Estimate	Invoiced to Date	Balance to Bill
Loss Adjuster	LWI	£20,000	£20,000	Nil	£20,000
Milestones:			Target		Actual
Issue of Report No. 1			Nov 2019		Nov 2019
Issue of Report No. 2			Q1 2020		
Timing of Payments	Amount		Anticipated		Actual

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