Gas and Pipeline Industry Q&A Series

How does insurance relate to pipeline operators?

Many insurers are actually creating customized insurance policies for physical assets. But the insurance industry generally looks at insurance from a number of angles with respect to pipeline. Failures in supply of oil and gas or water and other things actually have implications on business continuity, business interruptions. Insurers look at the sort of secondary consequence of failure.

Then there is the aspect of risk. So many pipelines are actually identified as potential hazards and risk on their impact on other assets that the insurance industry underwrites, prices, from a risk perspective. They also look at the coincidence of pipelines with other natural and man-made risks such as proximity to wildfire, earthquake zones, or major population centers.

The insurance industry is extremely interested in pipelines: Where are they? What are they shipping? How are they maintained? What information relates to those pipelines?

What kind of an impact does risk that have on insurance? If pipeline companies able to mitigate risk or reduce risk, is there a corresponding impact in the insurance premiums that an organization would pay? Absolutely.

There's quite a high demand for the insurance industry to get information, detailed, accurate information on the physical location of the pipeline, its condition, its location. Is it buried? Is it above surface? How was it planned? How long has it been there? What's the regimen with respect to things like security implications or the type of products which are being shipped?

And often that type of database is lacking, or that type of information in the industry is generally sparse or held in sort of a confidential basis. What that means is that people guess. People make assumptions and assertions about what that means. This leads to high premiums for the operators themselves. It actually leads, in many cases, to price and risk being identified for communities around the pipeline in different ways.

And I think that's a real opportunity for the pipeline industry and the insurance industry to get together to share much more information about those operational details than historically has been done.

Thank you very much Simon, and for future inquests, Simon's e-mail address is sthompson@esri.com. Also, alternately you can talk to Mark McCoy, which would be mmccoy@esri.com.