

Insurers facing £500m bill



TROUBLESHOOTER: oil rig firefighter Red Adair

LLOYDS of London is facing a payout of several hundred million pounds following the disaster on oil platform Piper Alpha.

David Palmer, the chairman of top London insurance brokers Willis Faber, which has arranged most of the insurance on Piper, said today: "There is no doubt that the London market is facing losses of hundreds of millions of pounds."

Estimates

Nobody knows at this stage, but best estimates are that the total bill for the disaster could exceed £500 million.

The platform itself is believed to have been insured at £320 million, but the great unknown is what the costs of salvaging it will be.

by Peter Osborne

Environmental laws insist that the site must be cleared entirely. Such an operation has never been achieved before. Some experts believe that the costs of the exercise could exceed the cost of the rig itself.

Insurance men were cagey today about the amount of third party insurance following the tragic loss of life. It is likely to approach £100 million.

Mr Palmer said: "Time is needed to assess the loss. It's not like an aeroplane crash, where you can define expenses exactly and payments can be made within a week or a fortnight."

Risk on the platform has been spread throughout the London market and overseas.

Danger a way of life in the North Sea

by Paul Cheston

Voe oil-gas terminal in Shetland—again without injury.

Danger has always been a way of life for riggers. Since 1971, British North Sea oil and gas production has claimed more than 130 lives, but the Piper Alpha explosion is the first disaster involving large numbers of dead in the UK sector.

The neighbouring Norwe-

Production from Piper, and several nearby fields using the same pipeline that have been shut down for safety reasons, accounts for 10 per cent of the entire UK production in the North Sea. If the loss of oil production following the disaster continues, it could significantly damage the British balance of payments position. The disaster has led to an immediate loss of £2 million of oil revenues per day.

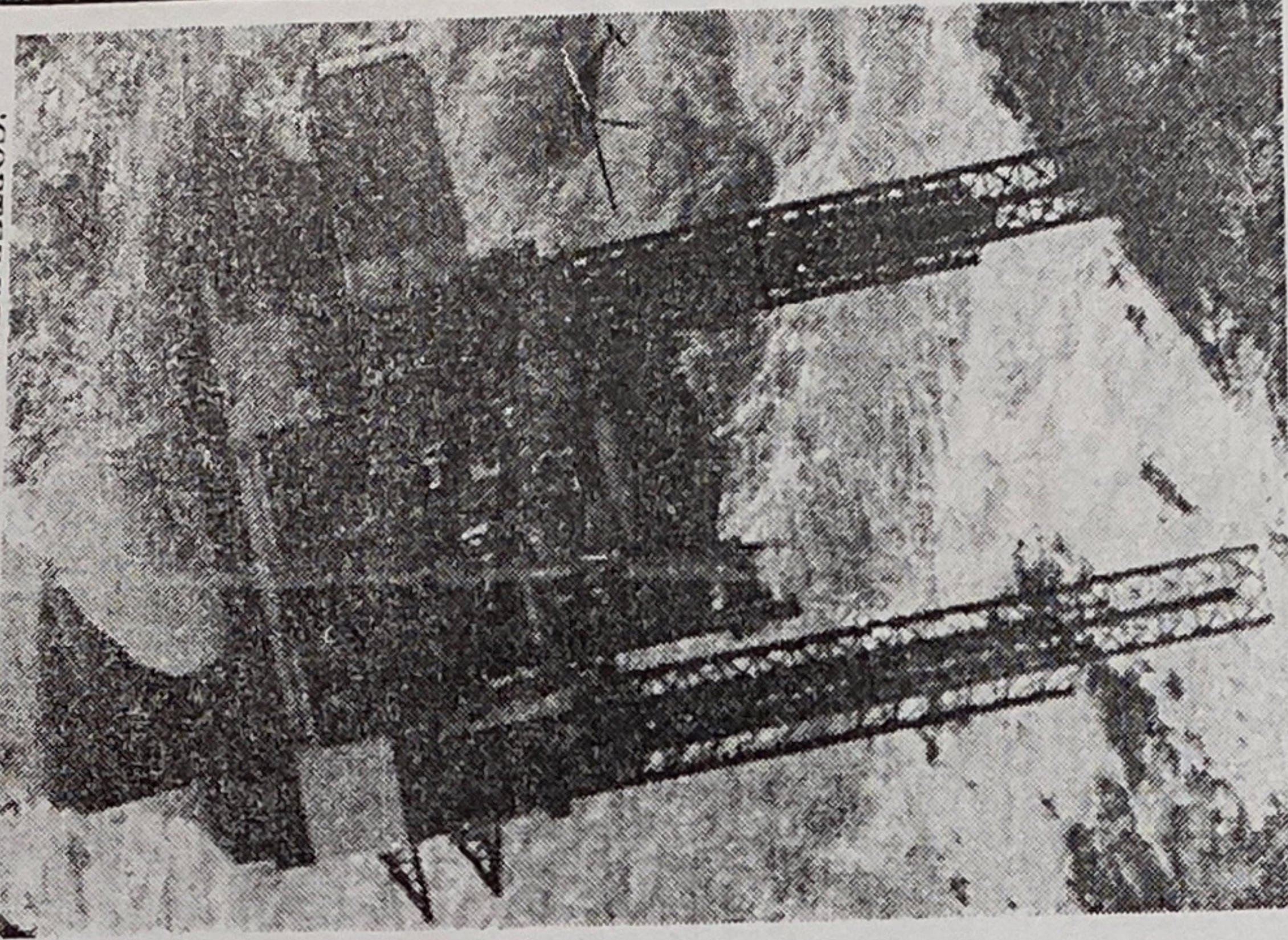
Deficit

Economist Gerard Lyons of SBCI Savory Millin said: "On initial estimates the disaster could add some £50 million a month to our current account deficit, or £600 million a year."

The Government would lose tax revenue, but given the healthy state of its finances that was not so worrying.

son of Edinburgh University estimated that, by the mid-seventies, working on offshore British installations was 11 times more dangerous than working in the construction industry and nine times more dangerous than mining.

Last night's explosion is expected to take the combined death toll from oil and gas production in Norwegian and UK sectors to more than 500 over 20 years.



COPTER RESCUE: a lift-off from the rig Orion.