MONSANTO CHEMICAL COMPANY

Texas City, Texas

Bulletin No. P-51 April 10, 1958

PLANT PROPERTY INSURANCE

AND

BUSINESS INTERRUPTION INSURANCE

OBJECTIVE

This bulletin explains (1) what is insured by our plant property and business interruption insurance at Texas City, and (2) who is responsible for the various parts of this insurance program.

DEFINITIONS

Plant Property Insurance covers loss of or damage to physical property of the company due to any insured hazard. (See below.)

Business Interruption Insurance covers loss of profits (and necessary continuing expenses) resulting from an interruption of production by an insured hazard.

With respect to each of the above types of loss, two kinds of insurance are carried:

1. Boiler and Machinery

2. Fire, Lightning, and Extended Coverage

(Extended coverage pertains to damage caused by explosion, windstorm, hail, smoke, non-owned vehicles, etc.)

Insured Incident - - - Unfortunately, there is no good or specific way to define an insured incident. In general, insured incidents are those which are caused by

(a) Fire, lightning, windstorm, hail, smoke, or non-owned vehicles.

(b) Explosions of furnaces, reactors, exchangers, and process columns.

(c) Explosions of boilers, balance wheels, turbines, and engines.

(d) Mechanical breakdown resulting in actual physical damage to compressors, motors, turbines, and refrigeration systems.

(e) Collapse or rupture of vessels normally operating under pressure or vacuum.

(f) Any other incidents which result in a significant amount of damage to company equipment or property.

No claim is made when the damage to plant property and/or the value of non-recoverable lost production is less than $1,000.

Since the definition of an insured-incident is not clear-cut, all incidents which cause a significant amount of damage must be reported to the Insurance Group in Production Coordination. (See Appendix A.) This group will then investigate the incidents to determine whether they are covered by insurance.

GENERAL RESPONSIBILITIES

1. Company (St. Louis)

Property Insurance and Business Interruption Insurance functions are under the joint control of the Treasury Department and the Engineering Department of the Research and Engineering Division.

The Engineering Department of the Research and Engineering Division handles the technical and physical phases of the insurance. The Treasury Department handles the financial, statistical, and administrative functions. They work jointly in the settling of claims for losses, and in the determination of insurance values, coverages, terms and conditions of policies, etc.

2. Texas City

Property Insurance and Business Interruption Insurance functions are under the joint control of the Production Coordination Department and the Inspection Group of Divisional Engineering.

The Production Coordination Department is responsible for claims handling, fire inspections, and administrative details. The Inspection Group of Divisional Engineering is responsible for the boiler and machinery inspections. They are jointly responsible for providing insurance rating data to insurance company representatives. The Operating Departments will give full cooperation in carrying out all of these insurance functions.

SPECIFIC RESPONSIBILITIES AT TEXAS CITY

1. Claims

a. Operating Departments

Give prompt notice to the Monsanto Insurance Engineer in the Production Coordination Department, (see Appendix A) anytime an incident occurs which may constitute an insurable loss. Should the incident occur at night or on holidays or week-ends when regular departmental supervision is not present, notice will be given by the night superintendent.

Furnish a sequence of events leading up to the incident when requested by the Insurance Engineer.

Cooperate with the Insurance Engineer in processing insurance claims.

b. Production Coordination Department

Give immediate notice of insured incidents to the local insurance company representative.

Give notice of insured incidents to the Insurance Engineer in the Engineering Department of the Research and Engineering Division in St. Louis. Follow with complete report giving details and a preliminary estimate of loss as soon as the information is available.

Process all claims and submit the final computations to the Insurance Section of the Treasury Department at St. Louis for negotiations with insurance company representatives.

c. Maintenance Department

Assign an insurance repair job number anytime an incident appears to be an insured loss.

Make certain that the cost of insured repairs and any uninsured repairs that might be performed at the same time are kept separate.

Tell Insurance Engineer the insurance repair job number assigned and give him an estimate of the cost of insured repairs.

Furnish the Insurance Engineer with the value of the salvage and/or scrap, if any, from an insured accident.

Assist the Insurance Engineer, when requested to do so, in auditing repair costs after the repairs are completed.

d. Accounting Department

Furnish the Insurance Engineer, upon request, all necessary cost data charged to an insurance repair job together with copies of supporting invoices and tickets.

2. Boiler and Machinery Inspections

a. Utilities Department

Maintain a current Boiler Inspection Schedule and notify the Inspection Group of Division Engineering (see Appendix A) a few days before each boiler is due for the state inspection.

Assist the insurance company inspector when making inspections.

Arrange to have a purchase order issued to the Boiler and Machinery Insurance Carrier at the beginning of each year to cover the state boiler inspection fees for that year (current fee is $3.00 per boiler).

Make any required changes that are based on insurance recommendations and which are agreed to by Monsanto.

b. Operating Departments

Notify the Inspection Group of Division Engineering (see Appendix A) when major machinery is down for inspection and repairs. Major machinery is defined as (1) internal combustion engines and driven compressors, (2) separately fired superheaters, (3) motor and turbine driven compressors, (4) steam engines and driven equipment, (5) motors driving centrifugal compressors, and (6) turbines.

Assist the insurance company inspectors in making inspections.

Make any required changes that are based on insurance recommendations and which are agreed to by Monsanto.

c. Divisional Engineering (Inspection Group)

Contact the local insurance inspector and arrange for an inspection when notified that a boiler or piece of machinery is available for inspection.

Follow up with departments concerned on boiler and machinery insurance recommendations.

Handle any reconciliation of Monsanto's needs versus insurance inspector's wishes.

Make any inspections required by the operating departments or insurance inspectors.

3. Fire Insurance Inspections

a. Safety Department (Fire Section)

Notify the fire insurance carrier of all improvements to the fire fighting facilities.

Perform all necessary field work with fire insurance company inspectors where fire protection facilities are concerned.

Notify the fire insurance carrier when there is an interruption or impairment of fire fighting facilities, and also when these facilities are returned to service.

b. Production Coordination Department

Answer all fire insurance company recommendations after consultation with the departments affected by the recommendations.

4. Insurance Rating Data
(Data needed by the insurance companies to determine correct rates. This includes a description of the equipment, its function, what effect the loss of its service would have on the process, etc.)

a. Divisional Engineering (Inspection Group)

Arrange for the procurement of or provide all physical data for insurance rating purposes.

b. Production Coordination Department

Arrange for the procurement of all necessary data pertaining to process and operating units.

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c. Operating Departments

Provide all rating data pertaining to process and operating units. Also, assist in collecting the physical data when requested by Divisional Engineering (Inspection Group).

5. Insurance Files

a. Divisional Engineering (Inspection Group)

Maintain files on boiler and machinery inspections, and correspondence pertaining to insurance company recommendations on new projects.

b. Production Coordination Department

Maintain all files pertaining to insurance on physical properties other than those kept by the Inspection Group.

6. Insurable Values Report

a. Production Coordination Department

Compile and issue monthly insurable values report from data provided by the Accounting Department.

7. Insurance Conferences

a. Production Coordination Department

Set up conferences, as needed, from time to time to discuss insurance matters pertaining to new projects, rate structures, claims, etc.

FAF/rd
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APPENDIX "A"

When requested to contact a department or group, the order of preference on individuals and their telephone numbers are as follows:

	PLANT	HOME
PRODUCTION COORDINATION		
F. A. Fisher	601	5-4279
J. G. McQuarrie (1st Alternate)	552	5-9815
DIVISIONAL ENGINEERING (INSPECTION GROUP)		
C. W. Warren	356	3-2971
E. L. Haile (1st Alternate)	248	3-2180