



JOHN A. RATHMELL, JR.  
*President, Marine & Energy*

May 13, 2010

Honorable Robert Menendez  
U.S. Senator  
528 Senate Hart Office Building  
Washington, D.C. 20510

Dear Senator Menendez:

Lockton Companies is the largest privately owned insurance broker in the world, and through Lockton Marine & Energy in Houston, we service the insurance needs of many energy companies operating in the Gulf of Mexico. Specifically, we specialize in the small to midsize independent exploration and production companies that are very active in drilling wells in the shallow and deepwater Gulf of Mexico. In fact, two of our clients are in the top 10 largest lease holders and/or most active drillers in the Gulf of Mexico; however, they are relatively small companies. Exploration and production companies are supported by thousands of workers all along the Gulf Coast from their own employees to many small to mid-sized service companies' employees. The Bureau of Labor and Statistics reported that there were well over 100,000 petroleum-related workers and greater than \$12 billion in total wages earned in the Gulf Coast Region alone.

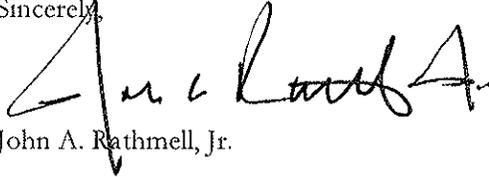
Insurance is critical to our clients and all small to mid-sized energy companies operating in the Gulf of Mexico. All of the companies operating in the Gulf of Mexico essentially go to the same insurance market to purchase their liability insurance coverage. The insurance market for offshore operations is relatively small, and prior to the Macondo well incident, we estimate the total market capacity for third-party pollution liability to be \$1.3 billion to \$1.6 billion. Following the Macondo well event, we estimate the capacity has dropped to \$1 billion to \$1.2 billion. Furthermore, the cost for the insurance coverage has increased substantially.

The market for Oil Pollution Act (OPA) coverage is an even smaller market, with total capacity of \$200 to \$300 million. While large exploration and production companies are able to certify on the basis of their balance sheet, most small and mid-sized companies are dependent on purchasing OPA coverage in the commercial insurance market.

We understand there is legislation under consideration which could significantly increase the liability cap for economic damages from the current level of \$75 million. Given the limited capacity in the energy insurance market, a material increase in the cap will eliminate insurance as an option for many exploration and production companies. Without insurance, many of the active exploration and production companies would be unable to operate in the Gulf of Mexico. This decision will affect thousands of people, their families and their local economies.

We respectfully request you give this issue careful consideration, and we are more than happy to provide supporting information on the energy insurance market providing insurance for the Gulf of Mexico.

Sincerely,



John A. Rathmell, Jr.

JAR:msk

cc: Honorable Barbara Boxer  
Chairman  
Senate Committee on Environment & Public Works  
410 Dirksen Senate Office Building  
Washington, DC 20510

Honorable James M. Inhofe  
Ranking Member  
Senate Committee on Environment & Public Works  
456 Dirksen Senate Office Building  
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Honorable Jeff Bingaman  
Chairman  
Senate Committee on Energy & Natural Resources  
304 Dirksen Senate Office Building  
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Honorable Lisa Murkowski  
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