

RIA A Barker Gillette PK settles complex reinsurance dispute

RIA A Barker Gillette successfully represented clients in settling a complex, high-value reinsurance dispute in Pakistan's oil and gas sector, navigating novel legal issues.



We recently successfully negotiated a substantial reinsurance dispute settlement on behalf of our clients, a leading Pakistani insurance company and a major oil and gas exploration and production (E&P) company, in a multi-million dollar dispute against a syndicate of Lloyd's reinsurers. The settlement brings to a close complex litigation proceedings before the Insurance Tribunal in Karachi.

The dispute arose from the reinsurance of an operator's extra expense control of well policy, a specialized insurance product that covers additional costs incurred by oil and gas companies due to loss of well control during drilling operations. When the oil and gas company suffered significant losses in two underground blowout incidents and sought to recover under the policy, the reinsurers denied liability, resulting in the commencement of litigation.

The dispute raised complex issues around legal questions of privity of contract, alleged breaches of warranty, and the interpretation of policy terms. The reinsurers raised threshold defences, arguing that there was no privity of contract between them and the oil and gas company and alleging that the oil company had breached express warranties by failing to comply with recommendations from the reinsurers' well plan review consultant.

We countered, contending that privity was established *inter alia* based on the incorporation of a "cut-through clause" from the underlying insurance policy into the reinsurance agreement. In response to breaches of warranty, we countered that these were either waived or the reinsurers were estopped from relying on them.

The case also involved complex factual disputes over whether the first incident qualified as an insured underground blowout, the application of a due diligence exclusion, and the recoverability of redrilling costs.

Commenting on the outcome, Mayhar Kazi stated, "This was a challenging case involving novel issues and a complex web of legal and factual arguments. It highlights the importance of careful drafting and interpretation of specialized policy terms and dispute resolution provisions. The settlement is a testament to our firm's expertise in handling sophisticated insurance matters and its ability to deliver results in challenging, high-value disputes."

The settlement, reached in late 2023 after extensive negotiations in London, followed substantial progress in litigation in Pakistan.

Please contact [Mayhar Kazi](#) for more information about RIA A Barker Gillette's practice in insurance disputes.

This article is not legal advice; it provides information of general interest about current legal issues.

RIA A Barker Gillette is Pakistan's premier law firm, with an on-the-ground presence in four major cities in Pakistan: Karachi, Islamabad, Lahore, and Peshawar, and affiliated offices in Dubai (DIFC) and London.

The firm practices in all areas of corporate, commercial and dispute resolution law. Leading international legal directories consistently recognize the firm as a top-tier law firm in Pakistan.

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