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OIL SANDS INFORMATION BULLETIN 2011-13

Subject: Business Interruption Insurance Premiums as Allowed Costs of Oil Sands Royalty Projects

This Information Bulletin is for all operators and lessees of oil sands royalty projects.

Operators and lessees should be aware that Alberta Energy is currently engaged in a review of the eligibility of some types of insurance premiums as allowed project costs.

Insurance premiums in relation to a project, and paid to third parties, have typically been treated as allowed project costs, while any proceeds arising from insurance contracts have been treated as other net proceeds of a project. Alberta Energy has recently become concerned about “business interruption” insurance, non-arm’s length insurance transactions and the valuation of premiums charged to projects by affiliates of project operators and lessees.

Alberta Energy will notify operators and lessees upon the outcome of the review, which is expected to take several months.

Legislative Authorities:

Column 1 of Item 26 of the Schedule in the [Oil Sands Allowed Costs \(Ministerial\) Regulation \(A.R. 231/2008\)](#) currently allows:

Insurance premiums under a contract of insurance, as defined in the *Insurance Act*, providing for property insurance in relation to profits, earnings, pecuniary interests and indirect losses of the lessees or operator of the Project.

Under section 23(2)(b)(i) of the [Oil Sands Royalty Regulation, 2009 \(A.R.223/2008\)](#), other net proceeds include

- (b) any proceeds received or receivable

(i) under a contract of insurance, as defined in the *Insurance Act*, providing for property insurance in relation to the Project, and including property insurance in relation to profits, earnings, pecuniary interests and indirect losses of the lessees or operator of the Project;

The [Oil Sands Royalty Regulation, 1997 \(A.R. 185/1997\)](#) includes in other net proceeds in section 22(2)(b)

(b) any proceeds received or receivable during the Period

(i) under a policy of insurance, to the extent of the proportion of the proceeds that is the same as the proportion of the corresponding insurance premiums that are allowed costs or were costs taken into account in determining prior net cumulative balance of the Project, or

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