

Alert | Energy & Natural Resources



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Minimum Insurance Requirements for Regulated Entities in the Hydrocarbon Sector in Mexico.

On July 23, 2018, Mexico published new administrative provisions (the “Guidelines”) implementing minimum insurance requirements for entities engaged in activities related to transportation, storage, distribution, compression, decompression, liquefaction, regasification, or retail sale of hydrocarbons or petroleum products in Mexico (“Regulated Entities”).

The Guidelines will help Regulated Entities that carry out activities in the hydrocarbon sector understand minimum insurance requirements for civil liability and environmental damage liability or losses that may occur as a result of their activities.

The Provisions are effective as of July 24, 2018.

Who Must Comply?

Regulated Entities that carry out the following activities must comply with the Guidelines:

1. Compression, liquefaction, decompression and regasification, as well as transportation, storage, distribution, and retail sale of natural gas.
2. Transportation, storage, distribution and retail sale of petroleum products.
3. Transportation by pipeline and storage linked to petrochemical pipelines products of natural gas processing and petroleum refining.

Insurance Requirements:

Insurance policies for environmental damage liability must cover, but not be limited to, costs and expenses for:

1. Emergency response;
2. Containment of pollutants;
3. Mitigation of environmental impact and related damages;
4. Restoration or environmental compensation;
5. Identification of contaminated sites; and
6. Remediation of contaminated sites.

Regarding civil liabilities, insurance policies must have general basic coverage for third parties in accordance with the Insurance Liability Provisions of the Insurance Contract Act.

Registration Requirements:

Regulated Entities that must comply with the Guidelines must register with the National Agency for Industrial Safety and Environmental Protection in the Hydrocarbon Sector (ASEA), prior to starting any work or activities. Regulated Entities must file the following with ASEA: (i) proof of the original insurance policy; (ii) sworn affidavit confirming that the insurance policy meets the Insurance Requirements; (iii) proof of payment of the insurance premium; (iv) documentation that proves the legal credentials of the Regulated Entity's legal representative; and (v) in some cases, a study of probable maximum loss by an accredited third party.

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