Setting the Stage

- Catastrophe in the U.S.
- Insurer Models
- Super Storm Sandy
  - Magnitude
  - Challenges
- Changing Role of Reinsurers
- Key “Lessons Learned”
Catastrophes, Bledsoe. Interminable periods of boredom followed by brief moments of intense excitement!
Global Natural Catastrophes 2012

Natural Catastrophes 2012
World map

Number of events: 905

- Natural catastrophes
- Selection of significant Natural catastrophes
- Geophysical events (earthquake, tsunami, volcanic activity)
- Meteorological events (storm)
- Hydrological events (flood, mass movement)
- Climatological events (extreme temperature, drought, wildfire)

Source: MR NatCatSERVICE
© 2012 Munich Re
Catastrophe in U.S.
U.S. Tornadoes 2012

1,119 tornadoes

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#
U.S. Large Hail Reports 2012

7,033 reports of “Large Hail” causing extensive damage

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#
U.S. Wind Damage Reports 2012

14,351 reports of wind damage

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#
All U.S. Severe Weather Reports 2012

In total, 22,503 severe weather reports through December 2012

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html
Surge Capability
Indemnity vs. Fulfillment Claims Handling
Different Styles of Adjusting

U.S. Style
- Qualify, Quantify & Write Cheque
- Heavy emphasis on cycle time

Rest of World
- Focus on Customer Experience
- Fulfillment of Loss

How does the U.S. ensure accuracy?
Xactware

- Insurers:
  - U.S. – Over 80% of residential claims
  - 21 of Top 25 U.S. Insurers
- Independent Adjusting Firms
  - 8 of Top 10
- Repair Contractors
  - 80% of Repair Contractors
- Claims Processed:
  - 33,000,000+ Total
  - 14,000+ Per Day
3 Preparation
2012 Tropical Season Forecast

“Below average probability Fewer landfalls expected”
Sandy Formation
“What do you think about Sandy? Any worries?”
Kevin Frawley (23/10)

“I haven’t been terribly impressed with this one. My sense is that it’ll be minimal. If it moves noticeably back to the west, it could become something larger. Will know more in 24 to 48.”
Bud Trice
Sandy Tracking
Tidal Surge Plotting
Impact Forecasting

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Population</th>
<th>Households</th>
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<tr>
<td>&gt;= 64 kts/74 mph</td>
<td>14,512,880</td>
<td>5,211,301</td>
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<tr>
<td>&gt;= 50 kts/58 mph</td>
<td>42,489,466</td>
<td>14,990,837</td>
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<tr>
<td>&gt;= 34 kts/39 mph</td>
<td>74,707,553</td>
<td>27,675,324</td>
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Monday

08:00  29/10/12
## Needs Assessment

### Superstorm Sandy Personnel Needs

<table>
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<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>All Other</th>
<th>Total</th>
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<tbody>
<tr>
<td>Projected Losses</td>
<td>10,000</td>
<td>8,000</td>
<td>1,200</td>
<td>950</td>
<td>600</td>
<td>2,000</td>
<td>750</td>
<td>5,000</td>
<td>28,500</td>
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<tr>
<td>Avg Caseload</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>50</td>
<td>50</td>
<td>60</td>
<td>30</td>
<td>60</td>
<td></td>
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<tr>
<td>Adjusters Required</td>
<td>167</td>
<td>133</td>
<td>20</td>
<td>19</td>
<td>12</td>
<td>33</td>
<td>25</td>
<td>83</td>
<td>493</td>
</tr>
</tbody>
</table>

- Adjusters on Stand-By 10/27: 402
- Adjusters Deployed 10/27: 100
- Additional Adjusters Needed on Stand-by: 91
- Need to Deploy: 393
The Magnitude
Sandy: Size & Scope

The storm covered the entire Eastern seaboard of the US...
Sandy: Size & Scope

Which would cover New South Wales/Queensland…
Sandy: Size & Scope

And would completely cover New Zealand…
All Claims by Type – 1,580,000 total

- Residential Property: 1,129,000 (71.5%)
- Commercial Property: 193,000 (12.2%)
- Automobile: 258,000 (16.3%)
Loss Dollars – $18.75 billion USD

- Residential Property: $8.927 B (47.6%)
- Commercial Property: $7.107 B (37.9%)
- Automobile: $2.716 B (14.5%)
Claims by State

- New York: 590,000 (37.3%)
- New Jersey: 540,000 (34.2%)
- Pennsylvania: 133,000 (8.4%)
- All Others Combined: 317,000 (20.0%)
Loss Dollars by State

- New York: $9.65 B, 51.5%
- New Jersey: $6.3 B, 33.6%
- Pennsylvania: $2.045 B, 10.9%
- All Others Combined: $755 M, 4.0%
Sandy – Crawford’s Numbers

- U.S. Mainland – 16 States
- Jamaica & Bahamas
- 562 adjusters
- 44,085 calls received
- Claims volume
  - Caribbean 626
  - GTS 1,473
  - Vehicles 5,657
  - Direct Repair 10,927
  - Cat Field Operations 30,061
  - Total 48,744
- 11,050 completed estimates returned in first 20 days
5 The Challenges
First Things First; Effects on Local Staff

- Staten Island
  - Home destroyed
  - Personal property lost
- Manhattan
  - Climbing 46 floors of apartment building
  - Sleeping at office
- Long Island
  - Finding petrol at 1:00 a.m.
- New Jersey
  - Inability to leave home (streets blocked)
Launching Operations

- Induction Center
  - Adjuster Registration
  - Temporary Licensing
  - Team Allocation
  - Local Briefings
  - Health & Safety
  - Deployment
Assignment Acquisition

- Account Adjusters
- Claims Alert® (Call Center)
  - Overflow to Claims Alert Canada
  - Data input
  - Outbound calling / Triage
- FTP Transmissions
- TPA Operations
  - Full service “Claims Department” – 9,000+ losses
  - Insureds report directly to Crawford
Lodging

• Availability
  - Stranded business and vacation travelers
  - Flooded – Lower tip of Manhattan
  - Loss of Power - 39th Street and South - 500,000 people
  - Displaced Sandy victims - 3,500 families
  - Emergency responders

• Result
  - Greater driving times
  - Greater distances
  - Greater fuel usage
Travel Issues

- **Fuel**
  - 2-3 hour wait common
- **Restrictions**
  - Bridges & Tunnels required carpool
- **Weather**
  - Snow
- **Daylight**
  - 3 1/4 hours less daylight
Access Problems - Safety

![Image of damaged infrastructure with leaning utility poles and tangled wires.]
Access Problems - Safety

I AM HERE

I HAVE A GUN
Coverage: Wind or Water?
Coverage: Wind or Water?
Coverage: Wind or Water?
Regulatory Challenges

- 16 State regulatory jurisdictions
- 10 State adjuster licensing regulations
- U.S. Immigration
  - Canadian Adjusters
- Pressure to waive hurricane deductibles
- Emergency Management
  - Control of access
Regulatory Challenges

- Goal: To help consumers receive their payments sooner
- Insurers given six days to inspect any/all losses
- Unintended consequence:
  - Forced us to retool the adjustment process
  - Focus shifts to inspection
  - Less time reporting and/or closing losses
Head Office
Command Center

- Performance monitoring
- Dashboards
  - Incoming volume
  - Mapping
  - Unit workloads
  - Resource allocation
  - Operational progress
  - Queue management
- Special requests
  - Client-specific reports
  - Historical comparisons
Changing Role of Reinsurers
Complex Losses
Complex Losses
Iconic Losses
Iconic But Simple ….
Media-sensitive Losses
What next ...?
Perception of U.S. Insurance Industry

- Public seems to approve. Complaint < 1% of Sandy claims
  - Liberalized estimating
  - Significant advertising dollars aimed at catastrophe response
- Problems still exist.
  - Insurers
  - Individual adjusters
- And a single politician or solicitor can still find a cause to fan the flames
Key Takeaways (Lessons Learned)

- Intake capability is driving the need for earlier deployments
  - Technology has the claims in our hands quicker than ever
- Need for better communication with “spot-market clients”
  - Set expectations
  - Ensure that the product delivered is the product desired
- Reinsurers are engaging sooner. Expect to be questioned.
- A REAL hurricane in the Northeastern U.S. will be worse than the industry has planned for
More E-Mail Traffic

“Kevin, It’s time to think about cancellation. Airlines have closed all flights into NYC. No one in their right mind would want to hear me talk about hurricanes now. They’ll have their own.

Kevin O’Brien (26/10)

Good luck!!”

Bud (28/10)
Thank You ... and Good Luck !!!