

Preparing For a Disaster: Not Just for Policyholders

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Catastrophes come in many forms and include natural disasters as well as man-made ones. For property insurers, Property Claims Services defines a catastrophe as a natural or man-made event that is unusually severe, exceeding a set monetary threshold in insured losses (currently \$25 million) and affecting a significant number of policyholders and insurance companies. Each insurance company can have their own internal definition of a catastrophe which may depend on their premium volume and geographical spread.

Property Claim Services reported from 2006–2015 there were a total of 304 catastrophes in the United States, totaling \$191.5 billion (in 2015 dollars). In 2016, insurers worldwide paid out more than \$50 billion in claims for natural disasters. More than \$125 billion in disaster losses were uninsured. For insurers in most areas of the country, it is not a question of “if” a catastrophe will happen, but “when” and “how much.” When disaster strikes, insurers must be ready to handle an onslaught of claims in as quick a manner as possible.

For a household or business that has been displaced or forced to close, any amount of downtime is going to be viewed as problematic. In addition, the insurer itself or its employees may also be impacted by the disaster, either as victims of the disaster themselves or due to increased workload caused by the catastrophe.

Technological advances have created new tools for claims handling. Unmanned aerial vehicles (UAVs) or drones are being used more and more in the claims process. Pictometry® is a patented process used by some companies to provide 3D images of buildings on the ground. Crowdsourcing, through the use of the internet and often mobile apps, can connect company representatives with the claimant, providing rapid collection of information.




Drones can get to areas that are otherwise inaccessible, where roads are blocked, or to areas where there is widespread damage, such as after a hurricane or tornado. Other areas, like rooftops, may be too dangerous for humans to inspect. A number of insurers utilize drones to perform inspections.

Before and after pictures of affected properties can go a long way in the process of damage verification, and can greatly speed up the claims process. Companies such as Pictometry® not only post disaster images taken shortly after the event, but also historical views, for a “before and after” comparison. Pictometry® has a 12 year library of images that can show changes in properties over time, with more than 100 planes continually taking photos. They capture more than 30,000,000 images per year in all 50 states and Canada. As of 2010, their library included more than 150,000,000 images.

WeGoLook, a division of Crawford and Company, is one example of crowdsourcing, offering same day inspections and other services. Similar to ridesharing companies such as Uber and Lyft, WeGoLook employs 30,000 “Lookers” who are dispatched using a website or mobile app. They work with the claimant on the claimant’s schedule, obtaining information and pictures that will help speed up the claims settlement process after a disaster.

The use of debit cards for claim payments may become increasingly popular in the future. This could be more





appropriate for living expenses, spoiled food, etc. Payment for repairs to a home or structure is a somewhat different story. If there is a mortgage on a home the claim check will likely need to be made out to both the homeowner and the lender.

Catastrophes can take a major personal toll on claims personnel, especially those field adjusters who may be deployed far from home for weeks or months at a time—dealing with difficult conditions such as a lack of electricity/water and a long commute to where they are able to secure lodging. In many cases, inside claims and support staff are also required to work long hours to handle catastrophe claims. Companies may offer bonuses, overtime pay or compensatory time off to claims adjusters and staff.

Catastrophe (CAT) field adjusters often go into devastated areas to assess damages before it is actually safe to do so. The sheer number of claims may force adjusters to respond, even in areas that may not be completely safe. This poses a problem to the adjuster's safety and therefore, a safety plan should be in place. The plan should be in writing and shared with others. This plan should include mandated safety gear like helmets and goggles to protect against falling debris, use of harnesses and fall protection when working on a roof.

One man-made disaster was the November 2016 wildfires in the city of Gatlinburg, Tennessee, believed to have been started by arsonists, in nearby Chimney Tops Trail. As of December 1, 2016 there were 656 claims reported, including damage to homes, businesses, other structures and automobiles. More than 1,700 structures, including 700 businesses, were damaged or destroyed. At least 14 people died as a result of the fire, and over 130 sustained injuries. The Tennessee Department of Commerce and Insurance (TDCI) developed a plan to coordinate with insurers, compiling data from insurers with satellite images and geographic information system (GIS) mapping to estimate claims and potential claims from the fires.

An example of technology being put to use was an interactive map released by Sevier County, Tennessee within a few days of the event, showing properties damaged and destroyed. Included with the map was an alphabetical listing of the

properties with their status. This interactive map can be viewed at www.bit.ly/interactmap.

Having a plan is especially critical when the insurance company itself and its employees are impacted by the event. All employees may need to pitch in. In one instance, after a hurricane, an entire office of a single state insurer became a claims department. All company employees had been trained to be claims handlers, with underwriters and information technology staff drafted into the process of contacting insureds and processing claims. CAT adjusters were lined up and ready to work long hours, seven days a week. This advanced planning paid off. When the hurricane hit, the company was able to handle more than 13,000 claims, many within 30 days.

Reinsurance is another key component of a catastrophe management plan. Adequate reinsurance can mean the difference between a company's survival and its failure. Reinsurance reduces the primary insurer's exposure to loss, by shifting the claims payment responsibility to the reinsurer. Catastrophe reinsurance can allow a company to combine multiple losses from multiple underlying policies due to a single event.

It is critical to develop relationships with restoration companies and third party administrators before the storm or other disaster hits. Once the event occurs, these companies may be much too busy handling claims for their regular clients to take on new ones. In addition, during and after catastrophes, especially hurricanes and tornadoes, for the sake of your policyholders, keep in mind that building materials may be in short supply.

Catastrophes and disasters are an all too common component of the insurance industry. Managing staff and resources and having plans in place to deal with catastrophes as efficiently and economically as possible goes a long way to maintaining an insurer's reputation, profitability and even viability.

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