First on the scene
Counting the cost of Tohoku
On the FrontLine

This May, Crawford & Company® celebrates its 75th anniversary. 1941 saw Jim Crawford’s vision for an independent loss adjusting firm become a reality, and since then the firm has gone from strength to strength.

In this issue’s Crawford Matters, we speak to ‘veteran’ employees Bud Trice and Tim Wolfe about how the firm has evolved. Another Crawford® stalwart is Mike Reeves, head of global technical services. His 40 years in the industry have been about the people. “I have made so many good friends,” he says, “from different parts of the world. Living and working in different cultures has enriched my life above and beyond anything I could have imagined.”

When discussing what has changed most in our industry during this time, Mike believes the biggest change has been “the meaning of time itself”. He adds: “This is wider than just insurance but the need for instant communication at all stages throughout the claim, particularly in a major loss, is now critical.”

For Crawford, much has also changed over the last 75 years – and perhaps this issue of On the FrontLine reflects that. Topics range from business interruption and the Rio Olympics, to environmental damage; from supply chain losses to the global insurance gap, demonstrating just how diverse and far-reaching our organization has become.

Kara Grady
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Guilty until proven innocent?
Why environmental damage losses are growing in severity as unforgiving regulators take polluters to task

Adjusting to a new world
Crawford CEO of international operations Ian Muress considers the role of the loss adjuster in an ever changing world

4D: The Protection Gap
Four industry experts offer their views on how to close the gap between economic and insured losses

Identifying the weakest link
How large and complex supply chain losses are highlighting issues with insurance coverage and claims
**U.K.**

**London insurance market considers potential impact of Brexit**

With the U.K.’s EU referendum rapidly approaching, London market insurers and reinsurers are considering the possible implications if the U.K. populous votes to leave the EU, a potential outcome that has been dubbed “Brexit.” The considerable uncertainty such an outcome would create could cause U.K.-based reinsurers at a disadvantage vis-à-vis their EU counterparts, according to A.M. Best.

“Insurers should identify the potential consequences of operating without the EU financial services ‘passporting’ scheme,” said Catherine Thomas, director, analytics.

She added: “Pulling out of the EU could result in the need for U.K. insurers to establish an EU-domiciled subsidiary to underwrite business there.”

The London and Lloyd’s market has attracted considerable investment in recent years, with total income of £48.2bn in 2014, according to research by the International Underwriting Association (IUA). However, there is a recognition that the market must continue to innovate and evolve in order to maintain its competitive position relative to other international hubs.

This is particularly critical with the threat posed by terrorism, according to the IUA. “If the U.K. were to exit, insurers and reinsurers from countries such as the U.S. and Japan might be obliged to choose other European domiciles over London in order to passport into the EU.”

The market as a whole must work together according to Dave Matcham, chief executive of the IUA. “Individual companies are, of course, pursuing their own research and development projects. But the situation of how London can encourage innovation and attract the entrepreneurial talent to deliver new products is one which has market-wide implications.”

**Global**

**Low oil prices exacerbat political risk in oil-dependent markets**

Plummeting oil prices are at the top of political risks facing emerging market investors in 2016, according to the Aon Political Risk Map 2016. This is particularly the case for states that are already fragile, such as Iraq, Libya, Russia and Venezuela.

However, countries with more resilient institutions and greater foreign currency reserves will be better placed to minimize sovereign risk payment and exchange transfer risks, including the members of the Gulf Cooperation Council (GCC) as well as Colombia, Malaysia and Kazakhstan.

Still, increased security risks in neighboring countries could prove an issue.

Ongoing conflicts create heightened levels of political violence and present further risks, according to the risk report. The effectiveness of extremist groups in the Middle East and Africa, including ISIS and Boko Haram, taking advantage of weaker borders and weak institutions will also be amplified in afflicted countries, many of which are also feeling the effects of low oil prices.

“Oil-producing nations must find substitutes for lost revenues which will put pressure on their corporate sectors at a minimum through tax regimes adjustments and at the extreme through IPOs of state-owned enterprises,” said Matthew Shires, head of Political Risk for Aon Risk Solutions. “With no sign of prices returning to previous levels, turbulence in many oil producing states is likely to continue, and could worsen.”

**Construction firms turn to 3D printing**

**Faced with a growing skills gap in many countries, construction firms are increasingly adopting new technology to help take the strain, with the increasing use of robotics, autonomous machinery, drones and even 3D printing. However, it is uncertain what risks may be associated with 3D printed buildings.**

In January 2015, Chinese firm WinSun Decoration Design Engineering Company built ten homes using 3D printing. It went on to “print” a five-storey structure in Suzhou Industrial Park, adjacent to Shanghai, currently “the world’s tallest 3D-printed building.” Previous buildings, the walls are comprised of a mix of concrete and recycled waste materials, such as glass and steel.

Italian engineering company WASP recently showcased a record-breaking 39 foot tall 3D printer called the Big Delta, which could be utilized for similar projects in the future. Japan’s infrastructure ministry has shown significant interest in and is hoping the technology will help resolve its construction labor shortages, caused by an aging workforce and the global recession.

However, the technology is in its infancy and there is some concern over whether 3D-printed structures can withstand the test of time and the elements. With layers of concrete drying at slightly different rates there could be a higher chance of fracturing, for instance, a significant issue anywhere, but particularly for structures in earthquake zones.

Building codes are expected to evolve to respond to and ensure, where the technology is utilized, that 3D printed buildings are safe. In the meantime, the insurance industry is taking a more cautious approach, explains John Roberts, UK Construction Industry leader at Willis Towers Watson.

“Additive Manufacturing (AM) or 3D Printing, has been around for a while now, and in theory anyway is intended to give increased confidence in component safety, operational quality and reduced downtime in the event of a loss,” he told On The Frontline. “However, in practice there is still concern regarding whether AM components should be considered as being prototypical or untried. This in turn gives rise to concerns over the availability of full cover being provided in respect to defective design, material and workmanship type losses.”

**News in brief**

The Pentagon has invited outside hackers to test the cyber security of U.S. defense websites in the first ever “Hack the Pentagon” pilot intended to identify flaws in their networks.

Combined claims from four catastrophes over the Australian summer - including three major bushfires - have so far reached $1.7bn, according to the Insurance Council of Australia.

The EU’s eCall emergency services will require all new cars to be fitted with telematics devices by April 2018, offering insurers the opportunity to use the infrastructure, according to Fitch.

**U.S.**

**Monster tornadoes cause widespread devastation**

**SEVERE U.S. STORMS LEAD TO THE GREATEST NUMBER OF FEBRUARY TORNADOES SINCE 2008, CAUSING DEVASTATION AS FAR NORTH AS VERMONT**

On February 22 and 23 a severe weather outbreak in the South and Mid-Atlantic U.S. resulted in 31 tornadoes. The twisters damaged over 340 buildings and mobile homes, causing 111,000 power outages and killing at least seven people across more than a dozen states.

What was unusual about this particular event was how far north the severe weather stretched, according to RMS manager Jeff Waters. “Severe thunderstorm watches were in effect as far north as Vermont and parts of Massachusetts,” he said. “The last time western Massachusetts experienced a severe thunderstorm warning was in February 1997.”

“Some may also be wondering about the connection between the strong El Niño phase currently taking place in the Pacific, and the severe weather,” he continued. “The El Niño Southern Oscillation (ENSO) phase may have some influence on the frequency of tornadoes, but it’s difficult to differentiate the large factors from the many small-scale factors. El Niño does not, by itself, spark tornadoes or severe weather outbreaks.”

While historically it is Atlantic hurricanes that have caused the largest U.S. catastrophe claims, severe weather and tornadoes have been responsible for the most costly events in recent years. Last year’s El Niño was credited for another benign hurricane season in the North Atlantic, however a February winter storm in the U.S. was the largest loss-making natural disaster of the year, resulting in insured losses of over $2bn, according to Swiss Re Sigma.

Insured losses due to natural disasters in the U.S. in 2015 totaled $166bn, according to Munich Re. Severe thunderstorm losses, in $4bn, accounted for about 60% of the total with two tornado outbreaks in December in the southern states contributing to some of the highest losses.

Annually, about 1,000 tornadoes are reported nationwide in the U.S., according to the National Oceanic and Atmospheric Administration. Tornado intensity is measured by the enhanced Fujita (EF) scale of 0 through 5. During February’s outbreak at least six tornadoes were rated EF2 or stronger, with at least EF3 damage from a tornado that hit near Pensacola, Florida.
It’s been years in the planning and the fever and excitement is already building as Brazil prepares to kick off the 2016 Summer Olympic Games in Rio de Janeiro on August 5 in the Maracanã Stadium. But with concerns over the Zika virus and potential for social unrest in a country beset by economic and political upheaval, the event organizers are gearing up to respond to unpredictable and potentially disruptive forces.

At the time of writing, officials were reassuring athletes and visitors that Rio was a safe city to visit in spite of the Zika outbreak. However, given the suspected link between the mosquito-borne virus and microcephaly in babies, the advice from scientists was for pregnant women to stay away.

Kicking off with a bang

Three renowned film directors are the creative force behind the Opening Ceremony, which is promising to include lots of color, spectacle and pyrotechnics. Rio - a city renowned for its beautiful beaches, colorful and electric carnival and iconic statue of Christ the Redeemer - is set to provide a stunning backdrop.

Fernando Meirelles, director of the City of God and The Constant Gardener, has however estimated Rio will spend one-tenth of what was spent on London’s Opening Ceremony, given the Olympics are taking place “in a country where we need sanitation and education”. Social unrest ahead of the 2014 World Cup in Brazil was a lesson the Olympic Organizing Committee is taking on board.

The organizers are keen to ensure nothing disrupts the Games, as the eyes of the world are on Brazil and Rio. An exception includes the Bahrian Grand Prix in 2011, which was cancelled due to the Arab Spring.

In the history of the Games only two have ever been cancelled. This was during the two World Wars, while in 1908 they were relocated from Rome to London. Usually, given the high level of contingency planning, changes can be made to ensure major events go ahead.

“The rugby World Cup in New Zealand is a perfect example,” explains Elizabeth Seeger, a contingency underwriter at Hiscox. “About six months prior to the tournament opening, there was a highly destructive earthquake in Christchurch. They had the capacity in other venues to reschedule those matches, so they didn’t actually have to use an entirely new venue but they could spread the Christchurch scheduled matches to the other existing venues.”

Insuring for the unexpected

Helping to fund these back-up plans and provide indemnification if those fail, is the highly specialist contingency, or event cancellation, insurance market. Limits on policies for a major event like the Olympics can be greater than $1bn. Terrorism is typically excluded, but can be written back in.

Major sports events have been disrupted in recent years, but rarely cancelled entirely. The organizers are keen to ensure nothing disrupts the Games, as the eyes of the world are on Brazil and Rio. A major global pandemic could affect an event, whether the athletes travelling to the event, or actually closing down the venue itself,” she continues. “But the current virus is different because it’s caused by a mosquito bite, rather than something like SARS or avian flu where they had significant human-to-human transmission.”

Numerous stakeholders are impacted if an event is delayed or cancelled. “Contingency insurance will indemnify anybody with a financial interest in the event - from the main sport’s governing body through to the local organizing committee, the event sponsors and broadcasters,” says Seeger.

Therefore, in the case of the unforeseen happening, the organizers will ensure contingencies are in place. This includes having alternative venues on standby and necessary investment in logistics and infrastructure to ensure athletes can get from A to B. The Olympic rowing, for instance, will be held at Lake Rodrigo de Freitas, but this venue could also be called upon as a contingency for the sailing events, although fewer spectators would be able to attend.

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“We cover if the insured event is cancelled or abandoned or postponed due to a covered peril or a peril that is beyond the control of the insured,” explains Seeger. “This includes perils like weather, flood, communicable disease, war, terrorism or a venue fire that’s not caused by building problems.”

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The rapid rise of terrorist organizations over the last decade is a symptom of today’s highly globalized world.

### 21st century terrorism

**THE EVOLVING TERRORIST THREAT IS MAKING BUSINESSES RETHINK THEIR RISK AND INSURANCE STRATEGY**

The rapid rise of such organizations over the last decade is a symptom of today’s highly globalized world. While operating primarily from strongholds in Iraq and Syria, ISIL’s threat to businesses from global즐 detergent in 2014 from 18,511 in 2013 to 32,685. The worldwide cost of terrorism was $52.9bn, an increase of approximately $20bn in 2013 and a tenfold increase on 2000 ($4.93bn). Furthermore, the number of countries impacted by terrorist attacks increased by over 4% to 93 during the period. Figures are not yet available for 2015.

At a business level, the threat posed is causing growing corporate-level concern. According to the latest “Horizon Scan” report from the Business Continuity Institute, the perceived threat to businesses has increased considerably in the last year. Respondents elevated terrorism from 30th to 4th in the list of global threats to an organization – behind cyber attacks, data breaches and unplanned IT outages.

### Disrupting businesses

While the likelihood of a direct impact from a terrorist attack is extremely small, the repercussions of such events on business activities are becoming more pronounced. Business disruptions from terrorist-related incidents are becoming an increasingly common occurrence.

Recent events have resulted in city-wide shutdowns, transport disruption, heightened security procedures and event cancellation. Businesses in impacted areas have struggled to return to normality due to ongoing fears over similar attacks.

In many holiday destinations targeted by terrorists, the industry has ground to a halt. Even the threat of an event is sufficient to cause wide-scale closures, as seen in December 2015 when an email threat resulted in the shutdown of over 900 schools in Los Angeles.

While numerous government-sponsored pools are in place to help businesses cope with the financial fall-out from a terrorist attack, their effectiveness is being questioned due to changing terrorist tactics. Political risk analysts have pronounced a shift in focus from major buildings and assets to so-called “soft targets”, with the aim to cause disruption and fear the primary motive.

### Appropriate risk transfer

The Marsh Terrorism Risk Report 2015 showed a 59% increase in organizations turning to standalone terrorism cover in 2014 - a fact attributed primarily to previous concerns surrounding the renewal of the U.S. terrorism facility TRIPPA, but also reflecting improved rates, more expansive coverage, higher limits, and longer contracts in the terrorism insurance market.

The insurance market has been quick to respond to changing dynamics, expanding the coverage remit of terrorism policies to factor in business interruption losses and additional expenses incurred in managing such events. In 2015, Hiscox launched a standalone threat product to protect businesses against the loss of revenue due to a threat or hoax, providing non-physical damage business interruption cover. More recently, XL Catlin has boosted its standalone terrorism product by doubling available limits to $200m and including specialized active assailant coverage.

Businesses should, however, consider their coverage needs very carefully. Recent events have created a grey area in terms of what constitutes a terrorist versus a politically-motivated attack. Companies may need to consider a combination of political violence and terrorism insurance to build the most appropriate protection.

As the terrorist threat evolves, so too will the insurance industry’s response. At a time when businesses across the world are on high security alert, protection at all levels is a priority.

### Disaster resilience in a warming planet

In the aftermath of COP21 and Davos 2016, the dual challenges of urbanization and climate change have risen up the agenda. The World Economic Forum’s (WEF) annual Global Risk Report identified climate-induced catastrophe as the greatest threat to the world economy in 2016. This challenge, combined with other macro trends such as urbanization and resource scarcity, was hotly discussed by policymakers in Davos in January and in the run up to last year’s Paris agreement.

2015 was the hottest year on record, with the global average surface temperature about one degree Celsius above what that of the pre-industrial era, according to the World Meteorological Organization. Nevertheless, losses from natural catastrophes were the lowest of any year since 2005, with overall losses totaling $89bn, of which roughly $27bn were insured.

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As the terrorist threat evolves, so too will the insurance industry’s response. At a time when businesses across the world are on high security alert, protection at all levels is a priority.
On Friday March 11, 2011 at 2:46pm local time, the seabed 45 miles east of the Japanese city of Tohoku started to shake. The cause of the shaking was two tectonic plates, located 15 miles below the surface, sliding 164 feet one under the other, releasing massive energy built up over centuries.

The result, a magnitude-9 earthquake that lasted for around six minutes, unleashed a biblical set of tsunami waves that roared into Japan’s northeastern coast less than an hour later. With run-up heights of 128 feet (measured at Miyako City) the surge travelled six miles into Sendai province, eventually flooding an area of around 217 square miles.

Waves overtopped sea walls and destroyed infrastructure in their path, including the Fukushima nuclear power station. It’s hard to imagine the force of the Great Tohoku Earthquake, but it’s known that the tsunami crossed the Pacific and broke off vast bergs of ice from Antarctica, 8,077 miles away, the largest of which was the size of Manhattan.

The earthquake was even heard in space, with a ripple of sound sent through the atmosphere that was picked up by the Goce satellite 158 miles above earth. Down on the ground, the aftermath was appalling, even for a country well used to destructive earthquakes. The number of confirmed deaths stands at around 16,000 - most from drowning. Hundreds of people are still reported missing today. Total destruction

Dr. Kazuya Fujimura, vice president and managing director in the Tokyo office of catastrophe modeler AIR Worldwide, was quick to the scene. “I visited Kobe after the earthquake in 1995, but simply could not believe that the damage resulting from the Tohoku earthquake was done by a natural disaster; there was no comparison with Kobe,” he says.

“It looked like the photos I’ve seen of areas bombed in World War Two in the sense that so many of the buildings were completely destroyed. The level of destruction was significantly greater and the extent of the damaged area was so much bigger than anything I had seen before. Also, the amount of building debris and piles of wrecked cars was huge.”

Dr. Fujimura remembers simply getting to the area was challenging. “We had problems with transportation because a lot of roads were still blocked by debris and closed, and there were many areas—other than around the Fukushima nuclear power plant—where people were not allowed to enter.”

Waves overtopped sea walls and destroyed infrastructure in its path, including the Fukushima nuclear power station. “When we finally got there, the immediate concern was aftershocks and the risk of another tsunami occurring. A relatively minor issue was finding accommodation, because many hotels were closed due to the lack of power and water,” he adds.

Crawford vice president, Global Markets Mike Patton, also a veteran of the 1995 Kobe earthquake, happened to be speaking at an industry conference in Bangkok on March 11, 2011 when he was taken aside and told of the unfolding catastrophe — and then told he was now in charge of Crawford’s operation in the stricken area.

Initially based in Tokyo because of the access problems, Patton recalls the eerie atmosphere that had fallen: “It was unusually quiet because so many people had fled south from Tokyo in fear of the fall-out from Fukushima. Meanwhile there were no trains up country and the roads were impassable,” he recalls.
Knead, the network of strong-motion seismographs installed at 1,000 locations around Japan, was down for one or two weeks after Tohoku. But when it was restored, models were able to obtain good quality data on the spatial distribution of ground shaking and the temblor’s intensity. “The biggest problem for us was that there was no model component with which to assess damage from the tsunami,” says Dr. Kazuya Fujimura, vice president and managing director at AIR Worldwide Tokyo. “We could get the footprint of the inundation, but the depth information only came some time later. We had to assume damage ratios in the footprint so we could estimate the tsunami damage.” Tohoku changed everyone’s thinking about Japan earthquake models, not least in the sense that large events that we have not seen before are always possible, and that they can occur within our lifetimes. AIR Worldwide comprehensively updated its model following the disaster. “The Tohoku event was by far the most widely instrumented megaseismic event of all time and it provided an unprecedented wealth of ground motion data, damage observations, and detailed claims data,” Fujimura said. “It had important implications for our understanding of seismic risk in Japan and highlighted the importance of explicitly modeling earthquake-associated perils like tsunami and liquefaction.”

Workers at earthquake struck Fukushima Nuclear power plant two years on from its meltdown, Japan - March 6, 2013

With nearly half a million people rendered homeless, Japan’s Reconstruction Agency worked tirelessly to restore services, industry and residential property. Putting the scale of the humanitarian disaster in context, 180,000 people are still waiting to be re-homed today. Following the Level Seven meltdown of Fukushima Daiichi Nuclear Power Plant, four out of 11 municipalities have been decontaminated.

Broad economic impact
The total economic damages from the earthquake and tsunami are now estimated at ¥25trn (about $300bn), according to the Japanese government. “We could get the footprint of the inundation, but the depth information only came some time later. We had to assume damage ratios in the footprint so we could estimate the tsunami damage.” Tohoku changed everyone’s thinking about Japan earthquake models, not least in the sense that large events that we have not seen before are always possible, and that they can occur within our lifetimes. AIR Worldwide comprehensively updated its model following the disaster. “The Tohoku event was by far the most widely instrumented megaseismic event of all time and it provided an unprecedented wealth of ground motion data, damage observations, and detailed claims data,” Fujimura said. “It had important implications for our understanding of seismic risk in Japan and highlighted the importance of explicitly modeling earthquake-associated perils like tsunami and liquefaction.”

The most complex claims issues revolved around business interruption. “Property claims were relatively straightforward but explaining to clients what costs could be claimed under BI was often immensely difficult,” Patton explains. “It could take months of negotiation and we had to be very patient often.” Crawford Asia Pacific CEO Andrew Bart says that many BI and supply chain claims were often slow to materialize and located outside Japan – in Europe, the U.S. and elsewhere. “Motor vehicle parts distributors in places like Australia, for example, suffered big losses,” he says. “But Crawford has a global network and we can seamlessly handle claims across borders with consistent processes and interchange of information, which really helps the market.”

As with the Thai floods, Tohoku highlighted the global interdependencies in the automotive, computer and pharmaceutical sectors especially. Bart explains. “From an insurance perspective it showed how insurance policy wordings need to be redrafted for insureds and how insurers must ensure that coverage meets the needs of a rapidly changing economy.”

Tokio Marine alone has paid 200,000 domestic P&C claims, totaling ¥484.6bn ($4.26bn)

Crawford is often asked by insurers to contribute to discussions on reviewing wordings, Bart reveals. “Frequently, we’re involved in post event reviews of claims responses for particular clients. We work post event with brokers, insurer and insured to find out what worked and what didn’t work so well.”

Many of the risk professionals that lived and worked through the aftermath of the Great Tohoku Earthquake, found the experience cathartic but came away with a sense of enlightenment, according to Tokio Marine spokesman Shihori Sasaki. “Unfettered by rules and manuals, every-one gave serious consideration to the best and necessary options, prioritized them and acted upon their own initiatives, demonstrating outstanding teamwork and a fast response,” he explains.

“After witnessing the unprecedented tragedy, each and every employee as well as our agencies thought about what they themselves could do to help provide safety and security to customers in immediate need. It was an event that enabled our employees to fully realize once again the responsibilities an insurance company must fulfill for society.”
When German employees were badly injured in an auto accident in the U.S., Terex and its TPA advisor Broadspire took immediate action to ensure they received the best possible treatment and repatriated them back to Germany and their families. This is in spite of confusion at the time over which policies would respond to the claim.

“Bottom line, a number of coverages from travel accident to auto liability could respond,” says Wingo. “But because of the initial facts and the confusion over which program would take the lead, Terex with Broadspire, amended and prioritized the claim management protocols to address and ensure that medical, investigation and other resources were brought to bear to ensure these guys are getting the right care.”

Ad hoc changes to prioritization of protocols to bring suitable resources to bear (i.e. field nurse care) is not something we would have been able to do when dealing with our coverages among various carriers,” he continues. “A lot of times carriers are too concerned about what coverage will apply and protecting their bottom line than to mitigate the overall loss. In these circumstances, when you know that someone will pay, either the company via deductible or the insurance carrier, the focus should be on mitigating the claim, looking after our team members, and then figuring out who’s going to be participating in the claim.”

Beyond the HR benefits of such an approach, the ability to be flexible and proactive in response to workplace injuries is not a purely philanthropic exercise. It also helps to mitigate claims and maintain a healthier workforce. This is important for a major employer like Terex Corporation.

The Connecticut-based organization employs over 20,000 people and has major business segments that include material processing and mining equipment, aerial work platforms and cranes. “The TPA allows us to take a different approach in comparison to the insurance company model,” explains Wingo. “This flexibility and proactive approach is a critical aspect that allows us to be holistic in how we’re dealing with numerous issues in claims.”

“On workers’ compensation versus employers’ liability, in collaboration with your TPA in India or Italy, many times, local operations will approach the incident as a business accident claim while it may be better served to address it as an employer liability claim,” he continues. “You have the flexibility to do that with a TPA like Broadspire, because they handle our claims for many lines, allowing us to adapt and adjust to meet the regulatory requirements as well as to meet the requirements of bringing better and more consistent solutions to our team members and overall claims management.”

He offers a textbook example where an expensive piece of machinery catches on fire, subsequently igniting a customer’s warehouse. “The third party liability will respond to the incident or shortly afterwards to do the due diligence of a TPA going out and surveying and investigating the incident.”

Depending on the circumstances of the incident, we also engage Broadspire’s rehab services throughout the U.K. with the focus to support team members by providing additional rehab to augment the governmental medical care services without having the team member to put forth a claim,” he continues. “We believe by implementing this rehab program we’ve miti-
gated and reduced the cost of our claims. “And it’s given our injured workers a more positive view on things,” he adds. “They begin to understand that this is a proactive service to help them recover instead of waiting weeks or months to get proper rehab services. We strongly believe that if we do something in the first 24–48 hours, our team members will have a better chance of full recovery than waiting until the claim comes in several weeks later."

But there were doubts when the initiative was first broached with Terex’s HR department. “They thought risk management was nuts!” laughs Wingo. “They said, ‘basically you’re going to invite a bunch more claims and this is going to be ridiculous’. The whole idea of being proactive in providing care and services at the critical time, to augment the socialized medical system... a positive one if they do and a negative one if they don’t. It’s an issue that employers in the U.S. grapple with. To be able to use the technology to put your injured workers released to return to work, do you have a job to accommodate? Whether the employer can accommodate that release and bring them back to work has a financial impact... a positive one if they do and a negative one if they don’t. It’s an issue that employers in the U.S. grapple with. "And it’s given our injured workers a more positive view on things," he adds. “They begin to understand that this is a proactive service to help them recover instead of waiting weeks or months to get proper rehab services. We strongly believe that if we do something in the first 24–48 hours, our team members will have a better chance of full recovery than waiting until the claim comes in several weeks later.”

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us as a business to deliver services that reflect this process-efficient, technology-reliant, fast-paced environment.

The sector is also having to respond to tough market conditions and lower volumes of work. How difficult are conditions at present?

The market is challenging, but we must embrace these conditions rather than fight them. The reality is that claims volume are reducing the risk of losses from electrical faults, or breaking pipes. Also, crime levels are at an all-time low. When I was a loss adjuster, an average claim for a domestic break-in was £5k; now most of the items that were being stolen have been replaced by your iPad.

But, as I said, we must embrace this new world. This has taken the form of expanding online capabilities, exploiting new technologies, introducing apps to boost sell-side functionality as well as capitalizing on the latest in drone technology and satellite imagery to enhance claims-handling functions.

In a broader sense, we must also acknowledge the expanding scope of claims. Our role as loss adjusters is now much greater than simply “investigate, evaluate, negotiate and settle”. We are increasingly extending our reach along the supply chain to fulfill claims, which is taking us much more into contractor networks or Contractor Connection as we call it.

So in response, we are capitalizing on new technologies, enhancing our processes, improving efficiency, and expanding our remit to meet changing client needs.

You mentioned the impact of new technologies. How significant are those in advancing the role of the loss adjuster?

If we start at the high-level data, technology is helping us unlock the power of Big Data, enhancing analytical capabilities and supporting our work on predictive analytics. At the coalface, we continue to develop new tools, investing more in this front than any other company in the sector. Adjusters are using the latest in hand-held technology, coupled with aerial and satellite equipment, to enhance the adjusting process and improve our data capture capabilities; while new apps are improving our client interaction. They are also making the most of the latest advances in video-streaming technology.

But it is important to remember that technology will only take you so far. For example, my 8-year-old son would be more than capable of downloading an app in the event of a flood in his flat. Following the prompts to describe the claim and uploading footage of the damage via his iPhone. For my 80-year-old mother-in-law, it would be a completely different matter.

We must also continue to recognize the critical role of the on-site loss adjuster. Where people have experienced a life-changing loss, whether a major flood or a devastating fire, what they want is someone knocking on their door, offering them support and advice, and essentially putting an arm around them during their time of need. Technology cannot do this.

In response, the generalist loss adjuster of 40 years ago has morphed into the specialist of today.
In February 2015, a bitter labor dispute in the U.S. caused the sudden closure of major ports along the country’s West Coast, disrupting imports, including supplies of critical parts to the automotive industry. The strikes were just another example of the potential for unexpected supply chain disruption, and for uninsured losses. Strike action is typically excluded from traditional property damage business interruption insurance.

Growth in international trade and a relentless drive for efficiency have dictated that supply chains become leaner, longer and more fragile. Storms, floods and earthquakes, as well as terrorism, infectious disease outbreaks and product recalls have all shown the potential to cause costly disruption.

“Supply chains are becoming more complex, extending into countries with higher natural catastrophe, political risk and health exposures,” says Kieran Rigg, chief executive officer, Europe and Latin America at Crawford. “And we see this borne out in insurance claims every day.”

Major loss events in recent years have helped raise awareness of supply chain risk, and this has translated into growing demand for risk transfer solutions, according to Ian Hasson, head of forensic accounting for Continental Europe, Middle East & Africa at Crawford.

“There is recognition of the growing complexity of supply chains and the impact of disruption - we now see much more contingent business interruption risk in global programs, with thought given to appropriate limits,” he reveals.

Supply chain interruption is likely to become much more of a feature of insurance claims in the future as insurers look to accommodate supply chain risk in insurance. Bespoke supply chain policies are being developed by insurers to provide broader cover below first tier suppliers and to extend cover to non-damage triggers such as labor strikes, supplier insolvency, power supply disruption, cyber events, and government actions, such as the closure of air space.

However, as supply chain interruption losses have become more relevant, complex legal and quantification issues have become apparent when handling insurance claims. “As a business interruption loss adjuster, I see the difficulties of supply chain interruption for insurance claims, in particular the challenges of investigation and of establishing the cause, as well as how this relates to coverage under an insurance policy,” says Hasson.

Traditional property damage insurance offers limited cover for supply chain risks, and this has been highlighted by a number of high-profile loss events. These have included the 2011 Tohoku earthquake and tsunami in Japan, floods in Thailand, also in 2011, as well as last year’s devastating series of explosions at the Chinese port city of Tianjin.

Such events have focused attention on the vulnerability of global supply chains and the need for contingent business interruption (CBI) insurance. Companies located thousands of miles away in the U.S. or Europe suffered large losses when suppliers in Japan and Thailand were put out of action.

Without CBI, many suffered large uninsured losses. And even when suppliers’ extensions were in place in business interruption policies, they did not typically extend to second tier suppliers and beyond. Failure to name key suppliers in Thailand resulted in lower sub-limits applying.

Claims were also shown to be problematic where there were concurrent causes of loss, and/or an element of non-insured damage. For example, factories were affected, but they were already adversely affected by damage to companies further down the supply chain.

The Japanese earthquake and Thai floods of 2011 were also watershed moments for supply chain management, prompting many companies to reassess the resilience of their supply chains. Lessons continue to be learnt from more recent disruption. Last year’s strikes at U.S. ports made many supply chain managers look to further diversify supply routes and in out of the U.S. by making greater use of ports on the East Coast.

Resilience does appear to be improving, at least among larger companies, says Rigg. However, despite some notable advancements in supply chain management, the risk of major disruption is not going to go away. "Unexpected events will continue to cause business disruption, while the drive for efficiency and growing reliance on technology are likely to result in greater disruption when things go wrong,” he warns.

Just-in-time supply chains have reduced companies’ capacity to absorb disruption, with buffer stocks measured in just weeks, not months. At the same time, large manufacturers are concentrating their business on a smaller number of specialist suppliers, a trend made evident by recent product recalls.

Airebars recalled by one manufacturer in Japan affected 34 million cases in the U.S. during 2015 alone. A recall of canola spice in the same year showed how recalls can ripple through the supply chain — the contaminated spice affected more than 100 brands and 794 products with different packages.

Suppliers’ failure to communicate also appear to be widening, and increasingly involve non-damage events, like strikes and political risks. “Two major terrorist attacks in 2015 caused significant disruption in Paris and other European cities as security services reacted to the threat,” he adds.

Labor-related issues are also of growing concern. A 2015 investigation in Thailand revealed that migrants were being forced to produce fishmeal used in the global seafood supply chain, associated major retail brands with modern slavery.

Political risk consultancy Verisk Maplecroft recently predicted that modern slavery would emerge as a major challenge for supply chains in the coming year. It warned that human rights abuses were deeply entrenched in some supply chains, yet transparency and oversight remain low below the first tier of suppliers.

Technology is also an emerging aspect of supply chain risk, and one that is likely to be a source of disruption in the future. “Cyber is just the latest threat to supply chains,” says Rigg. "From the point of sale through to logistics and storage, supply chains are becoming more reliant on technology.”

“Business interruption from cyber carries a high risk of financial loss as well as potential damage to a company’s reputation,” he adds. It is clear that sources of supply chain disruption in the future may not be the same as they were in the past. From a business disruption perspecti

Growth in international trade and a relentless drive for efficiency has seen supply chains become leaner, longer and more fragile. This has been highlighted by a number of high-profile loss events. These have included the 2011 Tohoku earthquake and tsunami in Japan, floods in Thailand, also in 2011, as well as last year’s devastating series of explosions at the Chinese port city of Tianjin.

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Just-in-time supply chains have reduced companies’ capacity to absorb disruption, with buffer stocks measured in just weeks, not months. At the same time, large manufacturers are concentrating their business on a smaller number of specialist suppliers, a trend made evident by recent product recalls. Airebars recalled by one manufacturer in Japan affected 34 million cases in the U.S. during 2015 alone. A recall of canola spice in the same year showed how recalls can ripple through the supply chain — the contaminated spice affected more than 100 brands and 794 products with different packages. CBI, cyber attack and data breaches are some of the top causes of supply chain disruption.

Percentage of financial impact insured

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Source: BCI - Supply Chain Resilience Report 2015

Top three causes of supply chain disruption

- 64% Unplanned IT and telecommunication outages
- 54% Cyber attack and data breach
- 50% Adverse weather

Source: Business Continuity Institute - Supply Chain Resilience Report 2015

Top seven consequences of disruption

- 58% Loss of productivity
- 40% Customer complaints
- 39% Increased cost of working
- 38% Loss of revenue
- 36% Impaired service outcomes
- 29% Stakeholder/ shareholder concern
- 27% Damage to brand reputation/image

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Innovation is critical to bridging this gap. Markets must innovate, offering risk managers products that fully cater to their needs as these emerge, grow and evolve — products that they will buy at a given rate and deliver a successful return on R&D investment.

A good example is disease risk. Recently, Munich Re revealed it was developing epidemic-related property and casualty products, in partnership with Metabiota. Who might be interested in such products? Well, if we were an international hotel group or airline I would be very interested.

In order to innovate, you need to truly understand what the risks look like. Previously, insurers have not sought to provide cover for areas such as cyber, pandemic, brand and reputation, for instance. This is primarily because of a lack of available data against a risk landscape that is forever shifting.

In the case of cyber, historically markets have struggled to provide insurable solutions for what is a key corporate risk, much of which is intangible. In the last 18 months, however, we have seen a significant increase in understanding and, with that, the creation of more innovative products with higher limits attaching, to the point where we now have a genuine insurance response to the physical damage business interruption.

These coverages are becoming available as significant increase in understanding and, consequently, what the risks are, as well as their potential return on capital.

Insurers plays a vital role in protecting economies when disasters occur. In addition to indemnifying losses, the purchasing process often helps prevent losses and raise awareness of mitigation measures.

The Lloyd’s City Risk Index presents the first ever analysis of economic output at risk in 301 major cities from 18 mammal and natural threats over a ten-year period. It shows that, over the next ten years, emerging economies will shoulder two-thirds of risk-related financial losses due to accelerating economic growth, with cities often highly exposed to natural catastrophes.

Economies across Latin America, Africa, and Asia currently contribute 40% to global GDP, yet represent only 16% of global insurance premiums, suggesting large-scale underinsurance. Lloyd’s estimates there is a global insurance gap of around $1.25 trillion — which is vital to protecting economies from catastrophe exposures. This supports the case for more resilient infrastructure and institutions, and increased global access to insurance.

Insurance is a key source of capital after a catastrophe and supports the recovery and reduction of catastrophe impacts. Investment in risk management measures, including hardening and insurance capacity, could mitigate associated economic losses.

There are innovative measures insurers are already taking to help develop solutions to emerging risks. For example, the Lloyd’s Pula Re (UK Terror pool) and Flood Re are two examples of how we can close the protection gap. However, the creation of such pools must go hand-in-hand with compulsory insurance requirements introduced through national legislation. If such compulsion does not exist, experience shows the public simply will not take out insurance.

However, for me the main challenge lies on the primary side. How can we develop distribution channels, products and mechanisms which will enable us — through public-private market solutions — to reach out to millions, possibly billions, of people who would never have considered buying insurance, unless it is made compulsory?

There are good examples out there of programmes where the cover has been added on to something that millions of people buy anyway, such as telecom services, water or other utility services. There are examples for agricultural and weather-related insurance covers, where such insurance products are automatically granted to people who spend a few dollars more on their telephone plans, for instance.

This is where the effort should really be in the next five to ten years: finding commercially viable, creative market solutions that reach out to tens of millions of people using new informational technologies. And this is the area of huge potential that should be promoted by the international development community, governments, and the global insurance and reinsurance industries.

There must also be a change in mindset by policymakers as current efforts focus on post-loss recovery and funding.

Guy Carpenter has been calling upon the industry as a whole to help close the “insurance gap” for a number of years. We estimate that in the past decade approximately 70% of catastrophe losses globally have not been covered which equates to something like $2 trillion.

The gap is most marked when considering catastrophe losses caused by natural perils, because these events are indiscriminate in terms of which sectors of the population and economy they effect. While the gap exists in both emerging and developing economies, it is most acute in the emerging markets where insurance penetration is still low.

Unfortunately, the gap continues to widen, primarily due to insurance penetration not keeping up with rapid asset growth and squashed public budgets being unable to maintain funding for effective risk mitigation schemes.

At present, much of the financial burden this creates is absorbed by the balance sheets of governments, which are already stretched due to spiralling health costs and increasing social welfare needs in uncertain economic times. As a result, there is a chronic need for them to forego their role as the insurer of last resort. There must also be a change in mindset by policymakers as current efforts focus on post-loss recovery and funding, whereas an effective strategy would include prioritising risk management and risk mitigation before the event.

Truly sustainable solutions for transferring risk from the public sector into the private reinsurance markets can only be created when there is a true meeting of minds between government and industry stakeholders. The private re/insurance market is much better equipped to price risk and therefore accept it at terms which it can assume for a longer period of time. This will enable government entities to de-leverage their balance sheets and ensure that adequate new insurance capacity is available in those areas where they have a specific responsibility.

Pool Re (UK Terror pool) and Flood Re (UK Flood pool) are excellent examples of ways in which the UK’s re/insurance industry is actively addressing the need to reduce the government’s role, and instead utilise the industry’s appetite to assume the new sources of risk. We hope that moving forward, such facilities will become increasingly attractive for the government to help bridge the insurance gap.
In November 2015, the failure of a tailings dam in Brazil released a torrent of mud—waste from nearby mines—containing high levels of toxic heavy metals and resulting in the deaths of 17 people. In March, the companies involved had agreed to pay $5.1bn in damages over 15 years for environmental and community damages.

Increasingly stringent environmental regulation is resulting in new exposures for organizations of all sizes and from a wide range of sectors, and resulting in increasingly expensive clean-up costs and fines. In addition, there is growing awareness of the reputational impact a company can face.

Setting the benchmark

“The U.S. probably led the way in terms of statutory regulation of growing pollution challenges,” says David Waller, U.K. head of environmental adjusting, major and complex loss team, Crawford. “As early as 1980, the U.S. Superfund legislation brought in a regime of strict liabilities for polluters and since 2009, all countries in the EU have had standardized legislation that largely follows the U.S. model, which has broadly been referred to as the Environmental Liability Directive (ELD).”

“This has, in many jurisdictions, broadened the scope of liabilities arising and brought in lower thresholds for intervention for the regulator,” he continues. “It’s also empowered regulators to act where previously under national frameworks, they couldn’t. Under the ELD the regulator can intervene if there’s contamination impact to habitats and species, for instance.”

With budgets reduced after the financial crisis, there is growing pressure on environmental regulators globally to identify polluters and hold them liable for clean-up costs.

Where the original polluter cannot be identified, current site operators may find themselves liable.

There is also growing pressure from lobby groups and the public, particularly in North America, which has implications for suspected polluters and their senior management.

Hitting the headlines currently is the water crisis in Flint, Michigan, where high levels of lead were discovered in drinking water after an outbreak of Legionnaire’s disease.

Another case grabbing the headlines is a methane leak which has forced thousands from their homes in Southern California.

Officials say it could be months before the leak is contained and there are also health implications, with Porter Ranch residents complaining of headaches and nosebleeds.

The U.S. has a very active environmental tort liability regime, demonstrated by the history of U.S. toxic tort claims. In this market, when an environmental disaster occurs, there is inevitably a greater likelihood of third-party claims arising.

“Environmental cases are increasingly more complex because damages are not as often related solely to direct economic losses, as they are in consumer cases,” says Lorna Lightfoot-Ware, director of Operations at Garden City Group, LLC. “People are affected personally and economically.”

“In addition to economic losses, these cases can include injury to real or personal property or natural resources, loss of property value, loss of subsistence use of natural resources, and physical and/or emotional injury or death,” she continues. “And to make things even more complicated, each of the foregoing can have both short and long-term implications.”

“Executing on remedies for such a broad range of losses can be challenging,” she adds.

Guilty until proven innocent?

Why the stakes are so high when the polluter pays
“Increasingly, companies are establishing voluntary programs when the injury or crisis warrants a prompt and coordinated response. Voluntary programs bring claimants into the process early and provide immediate assistance.”

“Medical monitoring is very often a component in environmental cases because physical damages can be sudden or very gradual, potentially manifesting over decades, and encompasses an emotional component as well,” says Lightfoot-Ware.

Growing cost of remediation

The requirement to return sites to their original state is complicated, increasingly expensive and not always insured under general liability policies.

“As with medical monitoring, environmental damages can arise immediately or erode an evolutionary process over an extended period of time affecting public and natural resources, as well as property values,” says Kristin Oates, director of special projects in Gardon City Group’s New Orleans office. “Other contributing factors to the complexity of environmental cases are naturally occurring events.”

“In south Louisiana the coastline has been in a state of erosion for over a century resulting in an evolutionary process in the Gulf of Mexico ecosystem,” says Oates. “Another such example is the impact of climate change on the environment, as well as hurricanes and other natural disasters. Combined, these factors must be weighted relative to the effects of environmental damage.”

There are lots of complications involved in remediating contamination that has spread widely beyond a specific site, explains Waller. “If you have a spill and the site lies above a productive aquifer - a geological body that holds groundwater that may be used as a drinking water source - the contaminant can migrate downwards through soils and substrata to impact the water in the aquifer.”

“One way this has happened, the contaminated water will eventually and inevitably be drawn into the local borehole, contaminating all the drinking water supplied to houses and businesses in the vicinity... and it’s very difficult or even impossible to put right, and a very significant financial liability is unavoidable,” he continues.

“Previously, a regulator would impose on an operator who polluted the environment the requirement to clean up the affected area as best science allows,” he adds. “That in itself can be a very expensive process. The new regulations impose further requirements that an operator identified as a polluter will have to clean up the part of the environment directly affected, but if that exercise only restaures the affected site to say 60% of the pre-incident environmental amenity, the polluter will have to spend further potentially significant sums to make up the shortfall by benefitting the environment elsewhere.”

It’s not all bad news. Remediation methods are improving and whereas once the response may have been to remove and dispose of all contaminated soil, now there are options to break pollutants down in other ways, minimizing the impact of the clean-up.

“There are now many innovative ways of remediating inland pollution that can avoid the necessity to excavate all affected materials and take it to landfill sites,” says Waller. “There are various options for in situ and ex situ treatment, and it is important to recognize that a successful remediation does not need to remove every last drop of contamination.”

“To ensure best possible outcomes, it is important to quickly and fully understand the nature and extent of environmental risks arising from a given event and to engage with the regulators and any stakeholders to identify and manage expectations and ensure the right remediation options are implemented,” Waller continues. “Conversely, it is equally important to avoid inappropriate ‘corner-cutting’ in a remediation scheme, as this can involve projects being re-opened following a closure, often with much more significant cost and reputational damage.”

Once considered an exposure primarily for heavy industries, claims for environmental damage are increasingly being made against companies from all sectors. This includes schools, transportation companies, small manufacturers and landowners.

“The market has recently seen some interesting new environmental challenges,” says Waller. “Among these have been well-publicized incidents involving contamination allegedly created by members of the trading community, leaving behind contamination issues when they leave temporary sites. The practicalities for a regulator pursuing a recovery against the traders are prohibitive so the statutory liability to clean up tends to be imposed, under a fall back mechanism in the legislation, on the unfortunate landowner. Where certain contaminants (e.g. asbestos) are involved, the costs can be very significant.”

Mitigating reputational harm

In Canada, recent complex and costly environmental damage claims have primarily stemmed from heavy industry. As in Brazil, tailing dam failures have been behind some of the more high-profile claims.

“A significant proportion of Canada’s GDP still comes from primary industry”, based in Vancouver. “Those types of operations are often located in remote frontier areas, not close to the types of resources that might be necessary to address a severe accident.”

He recalls two mining accidents which caused widespread devastation. “Just recently there were two separate catastrophic failures of tailings ponds - one in Alberta and the other in British Columbia. In both those incidents all the retained water and tailings escaped out into the environment and water courses into some fairly major rivers. They were therefore considered to be huge environmental and political disasters, and invited significant public attention.”

Based on his experience dealing with high-profile environmental accidents, Nadworny thinks this is a lesson many firms have taken on board. “Many of these large mining, oil and gas companies do have people in place and an emergency response ready from a communications perspective, so they can manage the company’s reputation and the storyline of what’s going on.”

There is also a growing recognition that directors and officers can be taken to task for environmental disasters. “In this recent mining spill claim it was called into question whether the senior executives of a mining company that experienced this failure were culpable,” says Nadworny. “They started looking for their coverages under their D&O because they thought they could be potentially exposed.”

In January 2016, the former director of an alumina plant in Hungary, along with 14 other employees, were acquitted of charges of negligence, violations of waste management and environment protection after a catastrophic spill in 2010. MAL Corp, the owner of the alumina plant, was nevertheless held responsible. It was taken over by the government and put into liquidation.

These high-profile incidents and concerns about the reputational damage they can cause have helped to raise awareness of standalone environmental impairment liability (EIL) insurance. “There is a recognition that not all instances of pollution - including those that have occurred historically or taken place over a long period of time - are covered by general liability policies.”

As a result, EIL take-up is on the rise. “With today’s environmental legislation we’re talking about damage to the environment as being the key liability trigger, so pollution has become a subset of damage,” explains Cliff Weiskopf, environmental practice leader for Marsh within the EMEA region.

“The insurance industry has had to step up to the plate to help in the event of a major and significant environmental accident causing widespread injury and economic harm,” he adds. “In these circumstances we need to have some mechanism to cover clean-up costs, and to pay the polluter to implement remediation. And since public interest is very high, we need the polluter to be held accountable.”

“With the growth of the EIL market, there has been a corresponding growth in EIL insurance. We have seen the market expand over the past few years and the demand for EIL cover continues to grow.”

“While we’re seeing an increase in demand for EIL insurance, there is still a lack of awareness among policyholders as to what’s covered and what’s not,” says Weiskopf. “In the EIL market, there is a need for policyholders to understand the risks involved with their operations. It’s important for policyholders to determine the level of exposure and to purchase the appropriate level of coverage.”

“EIL insurance is a specialized form of insurance that provides coverage for the costs of environmental contamination, including the costs of remediating the contaminated site and the costs of restoring the environment to its pre-contamination condition,” says Weiskopf. “EIL insurance can be used to cover the costs of cleaning up a contaminated site, including the costs of removing and disposing of contaminated materials, as well as the costs of restoring the environment to its pre-contamination condition.”

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For the fourth year running, Business Interruption (BI) risks have topped the Allianz Risk Barometer survey, with over one third of respondents citing it as their number one concern. The BI risk barometer survey, with over one third of respondents citing it as their number one concern. This is leading to an increased risk of loss calculation errors, requests for the wrong information or too little information, and an inability to identify major claims quickly.

“The impact of this lack of expertise,” he states, “begins at the early stages of a loss, including not gathering appropriate information and an inaccurate assessment of the extent of the loss, culminating in inappropriate triage.” Looking at the broader picture, the outcome “is a poor customer experience and a potential for significant claims leakage that could cause reputational damage.”

In response, Crawford Forensic Accounting Service (CFAS) recently launched a market first – a combined financial risk toolkit and e-learning facility to help fill the skills gap. “The kit includes an industry-specific and time-based document request list, step-by-step guide to loss calculations and a reserve calculator to provide initial loss estimates to support claims triaging,” Crawford explains.

Crucially, it also provides access to claims experts. “Our document request list takes approximately one minute to complete,” Miller explains. “It only requires an estimate of the length of the indemnity period, together with basic information obtained from the policy, which varies depending on the length of the interruption period.”

While not all BI claims are complex, the kit’s reserve calculator provides what is essentially a claims safety net, quickly catching any potentially major or complex losses. “A referral element within the calculator is key to this,” points out Miller, “as it is linked to the rules set by the individual insurer governing what constitutes a complex claim.”

Crawford also offers a series of online learning modules, delivered via a dedicated learning management system. The hour-long modules cover all aspects of BI claims, from the initial events that trigger a BI claim and the framework of a standard policy, through to settlement phases, including calculating expected turnover and increased costs of working.

Eighteen months in, the system is already demonstrating its value both internally and with customers. “The reserve calculator has already allowed us to allocate claims on a ‘fit-for-purpose’ basis to others within Crawford who are dealing with similar claims,” says Miller.

Feedback from early adopters has been extremely positive, he adds and the system continues to evolve. Ultimately, Miller says, “we want an insurer, broker or even an insured to be able to complete their own BI loss assessments quickly, efficiently and accurately.”

Further information is available at: www.cfas.com.au

Significant movement in energy claims environment

Energy claims have undergone a period of significant upheaval in the last 12 months, characterized by a fall in claims frequency and a sharp rise in claims impacts. “The drop in claims is driven primarily by the sharp fall in oil prices plus an relatively benign loss period and lack of major storms,” explains Joe McManus, chairman of Lloyd Warwick International (LWI). “However, we’ve also seen some of the largest mining, construction and operating claims ever hit the sector.”

Falling oil prices are having a wide- spread impact. “This is having multi- ple effects,” he explains. “There are fewer construction, exploration and drilling-related claims as many projects have been shelved because of financial constraints.” This constrained environment is, however, also resulting in increasing smaller claims, particularly in U.S. drilling. “Normally, such claims are too small for most companies to pursue; however, current cash-flow challenges are forcing them to reconsider.”

At the other end, major claims have impacted many sectors, including mining and construction. While harder to attribute specific causes, oil price is again a contribu- tor. “Take petrochemical ethylene production or oil refining,” he says. “Low oil prices mean that margins in these areas are extremely high, which leads to significantly larger business interruption claims in the event of a loss.”

For LWI, despite falling claims vol- umes, business is brisk. “Our clients are placing ever-greater demands on us,” he says. “We are under increas- ing pressure to deliver the very high- est standards to ensure that we meet their needs.” Operating primarily within the energy, marine, mining, power and special risk sectors, the firm’s global reach spans 144 loca- tions. “We’re investing in new capa- bilities and technologies to respond quickly to incidents anywhere in the world to ensure a speedy claims resolution,” McManus adds. “It’s the nature of our market.”
This year, Crawford celebrates its 75th anniversary. From its humble beginnings on May 27, 1941 in an office in Columbus, Georgia, the company has evolved into one of the largest independent claims management providers, with an international network of offices reaching every corner of the globe and a workforce some 8,500 strong.

That Crawford has become what it is today is due in part to the simple fact that its founder Jim Crawford laid firm foundations. An imaginative and highly-motivated man, Jim saw an opportunity to greatly enhance how the insurance industry handled its losses, and through hard work and determination turned a spark of an idea into a bricks and mortar reality.

Seventy-five years on from those first loss assessments, we asked two of Crawford’s longest-serving employees whether the firm still espouses Jim’s ‘prime characteristics of service’ – “Top Quality, Promptly.” Tim Wolfe, vice president – account executive, and 43-year Crawford veteran, believes these are as relevant today as they were in 1941 – and for very good reason. “Our clients are evaluated many times evaluate their claims staff, and they have to spend time chasing our clients new solutions has ensured we have always remained relevant”

Innovation and the ability to respond to a changing marketplace have also been at the core of Crawford’s success. According to Trice, “Our ability to bring online new services, to see opportunities in new markets, and to offer our clients new solutions has ensured we have always remained relevant”

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that is known throughout the industry.”

The company has expanded rapidly over the decades to achieve this ‘global brand’ status. Trice puts its early expansion in the U.S. down to the simple fact that “if a client was happy with the service we provided in one location, then they became an automatic source of business in a new one.” And in 1975, Crawford extended its reach beyond U.S. shores, with the opening of a London office and now has operations in more than 70 countries.

Crawford’s core competencies have also grown exponentially over the years, as it has strived to create a more holistic, joined-up client offering. “We have been able to expand into non-traditional areas that were relevant to our core business,” says Wolfe, “such as the acquisition of Risk Sciences Group, The Garden City Group, and Prism, which was transformed into Contractor Connection. Adaption to changing industry trends, but recognizing there continues to be a need for many of our core competencies, has allowed us to remain successful.”

Innovation and the ability to respond to a changing marketplace have also been at the heart of Crawford’s success. According to Trice, “Our ability to bring online new services, to see opportunities in new markets, and to offer our clients new solutions when the need became clear has ensured that we have always remained relevant to our clients.”

As Crawford celebrates its 75th anniversary, this raises the question of how the firm plans to ensure that in the next 25 years, when it is celebrating its centenary, it is in an even stronger position.

“In my opinion, it’s all about nimbleness, developing new solutions that meet the industry’s changing needs and being able to execute on them,” says Trice. “I’ve just passed my 40th anniversary here at Crawford and the world today is a much different place to when I started here. 40 years ago, for example, we didn’t handle property claims – today it’s a huge part of our business. 15 years ago, a repair contractor was more often an adversary to the adjuster – today, we have an entire network of them. Technology will also play a major role in the firm’s ongoing upward trajectory, he believes. “It’s about making smart investments and ensuring that we’re taking the right path with technology. Companies can waste millions by taking the wrong route, so we need to ensure that we’re moving in the right direction.”

“In tandem with this,” he continues, “we will need to continue our focus on diversification, delivering solutions that complement our traditional business offering and enhancing our current services to ensure Crawford remains the provider of choice.”

Wolfe concurs. “Over the next 25 years, changes within the industry will come much faster than in the past 25 years as industries consolidation continues. To succeed, it will be paramount for us to adapt to change quickly, use technology to give us an edge, and be the best place to work in the industry so we are able to retain top talent.”

“We can only speculate on how Jim Crawford would view the organization that Crawford has become. However, we can say with confidence that his ideals and principles still hold true, and the drive and commitment he instilled in his employees will ensure the company continues to build on the foundations he laid.”

In January, Crawford unveiled its new executive management team at Garden City Group (GCG). The new leadership sees Kenneth Cutshaw take the helm of the market-leading legal and claims management firm as interim chief executive officer. Cutshaw is a strong fit for the role, having excelled in a wide spectrum of work and leadership environments, including C-suites level business management, law partnerships, academic institutions, entrepreneurial ventures, government management, political management and foreign policy. In addition, he joins Crawford’s global executive management team, reporting to Crawford interim president and CEO Harsha V. Agadi. Highlighting his industry calibre and vast experience, Agadi said: “With Ken and the other dynamic executive management team partners at the helm, we are well positioned to not only continue to deliver the notable superior service and efficiency to our clients but to take GCG to the next level.”

action attorney, Cirami is a nationally-renowned expert on all aspects of class action notice and administration and has been with the group for more than 12 years.

In addition, Scott D. Nader has been appointed executive vice president and general counsel for GCG. Nader previously served as the chief counsel for the former Crawford Americas segment, and has more than 19 years’ experience advising and leading organizations in various sectors.
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