

Living the first week of a catastrophic loss. What is a risk manager's role?

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Agenda -

The past does not predict the future.

- ▶ The scenario
 - Day 1 – as it unfolds
 - Day 2 – as it unfolds
 - Day 5 – as it unfolds
 - ▶ Insurance implications
 - ▶ Reputation implications
 - ▶ Be proactive – educate
 - ▶ Keys to successful recovery
- 



Setting the Scene – fire in “Big Box” store

- ▶ timing: building fire Monday lunch time
 - mixed commercial and residential
 - fire will burn for 30 hours throwing off dense, black smoke
- ▶ Owned by publicly traded company, “Retail Co”
 - no significant losses for past 20 years
- ▶ 3rd parties hurt
- ▶ surrounding transportation links affected
- ▶ evacuation/relocation necessary



Risk Manager – 1st day – 1st Hour

- ▶ at lunch; sees the fire on the TV
- ▶ immediately calls:
 - his boss
 - his company's Crisis Management team
- ▶ makes immediate arrangements to get to the fire's site

At the site – 1st day – 1st hour

- ▶ fire expanding
 - large volume water applied
- ▶ TV crews arriving
- ▶ arrival of emergency services
 - evacuation of people in building
 - surrounding transportation closure
- ▶ injured people; ambulances; no details
- ▶ loud, smoky, chaotic

1st day – Hour 3

- ▶ Risk manager at site
 - –Media immediately asked for interviews
- ▶ Risk manager phones broker:
 - –to put insurers on notice of potential claims
 - –to assign adjuster, per policy terms
 - –can't get hold of broker: he is travelling/in meetings
- ▶ Retail Co's Crisis Management Team including Media lead arrive onsite
- ▶ Risk Manager heads back to the office

Day 2 – External Developments

▶ Reports from site:

- –9 store customers hospitalized
- –public: respiratory problems; talking to press
- –U Tube video of fire; plus slow day on news cycle
- –runoff water from fire suppression contaminated:
 - some escaping site
- –first notice of TP claim has arrived
- –total loss of store
- –stock price down
 - Street analysts asking Retail Co's CFO if loss is insured
- –regulatory body: notice of audit
- –adjuster onsite: who is his co. contact?

Day 2 – At the Office

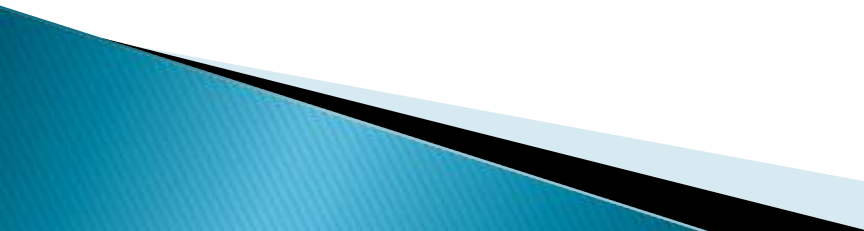
- ▶ CFO wants immediate, concise answer as to how insurance will respond
 - –required in 30 min. for briefing to CEO
 - possible use in formal media response
 - limited to 2 PPT slides
- ▶ Risk Manager hurriedly reviews policy wordings
- ▶ Risk Manager contacts Broker:
 - –seeks email confirmation all necessary insurers put on notice
 - –confirms coverage understanding
- ▶ day passes in a blur with many calls
- ▶ many internal stakeholders want regular updates
- ▶ local residents seeking money to pay for hotel stays



Day 5 – end of work week

- ▶ Risk Manager asks for adjuster's 1st report
- ▶ updates boss again
- ▶ tells accounting how to track expenses tied to property damage & extra expense
 - –interim payment question; timing of recoveries
- ▶ stays calm; manages internal expectations
- ▶ reminds everyone of policy deductibles; what is and is not insured

Insurance implications

- ▶ types of claims likely– discussion
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 - ▶ obligations to update insurers
 - ▶ timing of reimbursement (interim/final)
 - ▶ information flows: who/ what/ where
 - –implication for claims recovery
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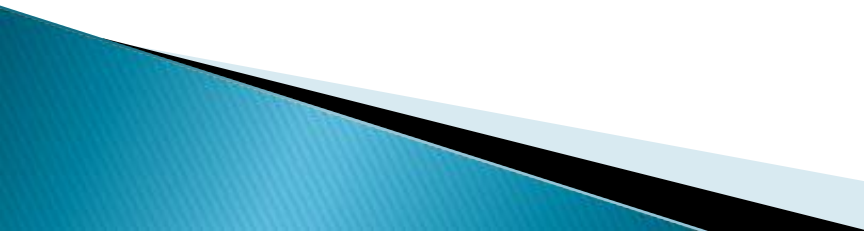
Reputation Implications– know your corporate culture

- ▶ Third party payments:
 - –purpose?
 - –recoverability?
 - –decision tree?
 - –effect on liability position?
- ▶ talking to the media:
 - –know your role
- ▶ adjuster's role:
 - –who does he represent?
 - –who is representing Retail Co's interest?

Before the loss happens: educate yourself

- ▶ know your business & priorities
- ▶ define the risk manager's role in a loss
- ▶ table top exercises & semi-annual live practices:
 - always have current phone contact details with you
 - specifically what is your role in a crisis?
- ▶ review all policies in detail:
 - broker/insurers/internal & external legal
 - compare against real scenarios
- ▶ know your insurers & adjusters

Before the Loss Happens: educate others

- ▶ fairly represent the exposure to the Underwriters
 - ▶ explain the claims process/ Stakeholders
 - ▶ resourcing needs – to represent insured
 - ▶ accounting/coding/data mining requirements
 - ▶ marketing presentations– insurers & claims
 - ▶ develop profile within company
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Key to successful recovery

- ▶ believe in your claim
- ▶ do your homework & present your logic
- ▶ submit a realistic, well documented claim
- ▶ meet in person with insurers
- ▶ manage internal expectations and set \$goal
 - define “given” vs. “negotiable”
- ▶ enter negotiations knowing clear goal parameters
- ▶ celebrate & share success at claims closure
- ▶ do “post-mortem” as learning tool

Questions? Comments?

