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Ending the Year on a High Note

In our latest newsletter, my colleague David McGhie referred to the ongoing transition into the Caribbean hurricane season without us knowing then what was to come. Now as the hurricane season in the Caribbean winds down, the global insurance market is earnestly working to handle the resulting losses in the aftermath of hurricanes Harvey, Irma and Maria and the largest earthquake experienced in Mexico in a century.

In response to the natural catastrophes experienced this year, our NATCAT team was deployed to the affected areas. The team has been extensively involved in providing assistance to our clients and those impacted by these devastating events. The team at ADVANTA extends our

best wishes to all those who have been affected by the recent natural events.

Tomas Fourcade, Director of our Argentinean office, provides an insightful account of the impact that natural events can have on the local community, it's infrastructure and economic activity.

Jeff Ashman, who is leading ADVANTA RISK SURVEYING, addresses how prudent risk management can mitigate the likelihood of losses from occurring, highlighting his points through a recent survey he undertook at a steel mill in Africa.

For Advanta, 2017 has been a successful year, expanding

strategically, including the recent opening of our offices in Colombia and the welcoming of key team members across our network.

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Mark Simmons
Director

On the Stroke of Midnight

It was approaching 12 o'clock on New Year's Eve, the villagers gathered in a small church in South America had to evacuate due to a sudden flood. As they headed to higher ground they saw fire burning on the flood waters that were rapidly consuming their homes, schools and crops.

The heavy flooding and resulting rockslide had broken an LPG pipeline upriver, the thick gas floated over the river course until it found open fire in a kitchen and deflagrated. Thirty people, including children, had severe burns on their body. ADVANTA was notified three days after the incident and a team of adjusters was swiftly deployed to start evaluating the losses and working with the Insured to mitigate further damages. The Insured was an operator of the affected LPG pipeline, who immediately transferred the injured to nearby clinics.

The state of affairs was very tense in the immediate aftermath as there was substantial national media coverage and demands for criminal charges to be raised against the Insured and for the revocation of the LPG pipeline's operation permits. Local and state politicians were soon involved and there was mounting pressure on the Insured in light of the widespread impact the incident had generated.

Although the root cause was an unpredictable natural event, liability was promptly established as strict liability laws made companies that owned or operated using dangerous products responsible for any damages, even without establishing negligence.

It was resolved that a construction company would be hired to undertake the reconstruction of affected houses and buildings with the consent of each claimant. This decision

in conjunction with all other remedial efforts that the Insured undertook in the aftermath of this incident, improved the communication with each of the affected parties.

To assess the value of the damages, proper ownership of each asset had to be established which proved challenging as many claimants held no official documents confirming their ownership of the affected property. Damage determination was performed in numerous categories including; damages to buildings, other goods, crops and the environment. In addition other areas assessed were; medical and legal expenses, loss of income and personal compensation.

The damages to buildings were repaired by the construction firm hired by the Insured using industrialised technology which resulted in structural and safety improvements to the previous constructions. Medical expenses were also reviewed and paid directly to clinics and doctors, after a close follow-up of the patients' evolution and treatment.

There were substantial damages to the local vegetation during the fire, hence trees were replanted where possible. Yet considering some crops such as orange trees take up to seven years to regain full production levels, economic loss for this period had to be calculated. In the case of environmental damages, certain restoration measures were implemented and compensation was agreed with the local community which involved the construction of a new town hall.

A committee was also formed with independent experts that designed a formula for compensation based on local jurisprudence and international parameters. Their role was

to calculate an indemnity sum for each claimant who had suffered any injury ranging from minor burns to permanent scars. Due to the transparency in all the remedial efforts, swift response and consistent communication with the affected parties, just settlements were promptly reached upon assessment of all damages and calculation of the final indemnity figure for each claimant.

In summary, ADVANTA played a key role in this case, collaborating closely with the Insured, Broker and affected parties to ensure the swift and impartial settlement of claims. Acting proactively and following closely the immediate needs of the affected parties enabled the prompt remediation of what was a critical situation for the claimants. The ongoing flow of data from all stakeholders, close collaboration and informed decision-making also resulted in substantial savings in legal costs and any further reputational and legal consequences for the Insured.

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Tomas Fourcade
Argentinean Office

Composing a Risk Survey Report



Insurers need accurate and independent Risk Survey Reports if they are to underwrite risks effectively. One of the sectors that is particularly complex for risk surveys is large industrial risks.

In order to present a professional Survey Report it is paramount to visit the site and analyse a wide range of information from the Insured and all parties involved. The Survey Report should describe the physical installations, main exposures, hazards, fire and safety systems, operational procedures and provide accurate loss estimations.

One of **ADVANTA RISK SURVEYING**'s recent assignments involved a major steel mill in Africa. This steel mill had a combination of significant risks including; oil and natural gas facilities, chemical processing plants and over 7,000 staff, in addition to the inherent industry risks associated with furnaces and steel production. However, in this instance there were two aspects at the heart of the site's operation, namely the integrated power plant and steel production.

The integrated power plant, whilst modest in capacity compared to dedicated power plants, still had a number of high pressure steam boilers, steam distribution systems, steam turbine and electrical generator sets, high voltage transformers and intricate electrical distribution systems.

The steam turbines had various steam extraction levels supplying the process which made the control of such machines very elaborate.

Steel production is a complex and hazardous business. Electric Arc Furnaces need to be constructed, operated and maintained to the highest standards if damaging incidents are to be avoided. Upon review we established that the site had up to date operating instructions, well trained staff, modern controls, instrumentation and electrostatic discharge systems, which are all integral parts of ensuring safe operation.

We identified that the site also had an array of explosion and fire risks including; significant stores of fuel and chemicals, high pressure hydrocarbon gas systems and high-pressure steam systems as well as explosive atmospheres in certain parts of production. Whilst hazard and operability studies (HAZOP) are more commonly undertaken in the oil and gas industry, the staff on site demonstrated to us that they had a current and complete HAZOP study for the main operating areas.

Fire and Safety Systems and the relevant regulations covering steel mills are varied, reflecting the wide scope of risks involved. This specific site had to manage numerous safety requirements as a result of the changing hazards. We established that the site had a comprehensive training

program for its staff to enable them to operate safely in sections of the site with quite distinct challenges.

Whilst it was possible to evaluate the above areas of risks in partial isolation to some extent, the site operated as an integrated steel mill and had to be assessed in its entirety. One of the most challenging aspects of this case was understanding the production process in sufficient detail to allow a meaningful business interruption calculation to be undertaken. The steel plant had multiple product lines and production contingency measures, therefore assessing the "what if" question was complex. It was very useful to have an in-house forensic accounting team who could offer their expertise in handling such multifaceted processes.

It is critical that a Survey Report not only offer a snapshot of the site at a given moment in time, but also presents a complete picture of the relevant risks affecting the site. At **ADVANTA RISK SURVEYING** we ensure that our surveyors understand the specific industry risks, provide an assessment of the ongoing risk profile and evaluate how well the site compares with similar sites.

A key consideration which directly influences the level of risk is the type of safety/operational culture at the site and an assessment of this can only be made by experienced surveyors during an onsite visit. Finally, we ensure that all our Survey Reports specify improvements that can be implemented to reduce the risk and impact of such losses over the policy period, to assist Insurers with their assessments.

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Group News

During the last quarter our team have been actively participating in various technical presentations and seminars at key (re)insurance events internationally including the LEG Conference, IMIA and the upcoming FIDES event. We were also pleased to host our clients recently at the Oktoberfest celebrations in Munich.

In our efforts to expand and strengthen our network, we are very pleased to announce the recent opening of our own office in Colombia, which has been developing as a key insurance hub in Latin America. **ADVANTA COLOMBIA S.A.S.** is headed by Germán E. Pedraza, a civil engineer with almost thirty years of experience in the Latin American insurance market and Carlos A. Garces Motavita, who has

over ten years of experience in the Colombian insurance and legal market.

Moreover, we have also bolstered our presence in neighbouring Panama, having formalised an association with IBS Plus, who shall be supporting us for all claims in the region, in close cooperation with our Miami office.

This season's hurricane and earthquake activity in the US, Mexico and Caribbean also resulted in the assembly and deployment of a highly qualified technical NATCAT team of loss adjusters.

Furthermore, we recently held our **ADVANTA Overseas**

Directors' meeting on 25 and 26 October 2017 in our London office, welcoming our Directors from across the network, visiting the London market and discussing key strategic matters.

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