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The progress of human civilization has accelerated significantly in the last 200 years, impacting everything from how we build our homes and cities to how we interact, communicate, and live our day-to-day lives. However, we are still susceptible to unforeseen events, whether they are caused by human error or nature.

COM

A COMPREHENSIVE TASK

Claims management is complex with a number of actors on the scene playing key roles. The cast includes the insurer that took on the risk, the experts in damage assessment and mitigation, and the broker, the knowledgeable consultant able to support the client through the necessary, but not-always easy, exchanges with their insurer.

Some claims are extremely technical in their complexity but the management of opposing expectations notwithstanding, both experts and brokers have a shared goal of achieving a settlement acceptable to the insurer and the insured that honours the terms of the contract they entered into. The focus in this process should not be the monetary amount of compensation *per se*, but on the detail behind any final sum. Teamwork is an essential part of ensuring the right outcome from what is often a turbulent process.

Even simple claims involving limited material damage can be complex, as the moment an accident occurs is always disruptive to those involved. And this is even more so in the wake of major catastrophes that devastate territories, wipe out populations, destroy the environment or simply bring the world to a standstill, changing it forever.

In this article we reflect on some of the key claims over the centuries that have, given their severity, traits and the damage caused, made a mark on world history, and on the insurance sector. They can hardly be forgotten, and for that very reason we have termed them *iconic*.



Pedro Pinhal is Technical and Claims Director at MDS Portugal, having joined the business in 2016. He has a degree in Law, and post-graduate degrees in Insurer and Pension Fund Management and Forensic Medicine. He began his career as a lawyer before joining insurer Tranquilidade in 2003 where he started as a liquidation - bodily injury expert, before being promoted to Responsible of Claims Services for Bodily Injury.



Paulo Pereira has over 20 years' experience working in the insurance sector as a loss adjuster. Before joining Advanta in 2005, he held a number of directorial positions with leading claims management companies. Paulo's specialities include industrial all risks, machinery breakdown and energy.

Harmful events are as old as humankind, and so is our need for security. The insurance industry is there to help bridge the gap between known and unknown risks, and to provide a level of comfort to society, enabling it to cope with the unexpected and continue to advance despite these setbacks. Technological advancement cannot prevent disaster and insurance remains critical to minimising the impact these events have on both people and businesses.

Disaster and insurance are intertwined, with the former justifying its existence through the need to remedy or mitigate damage from an adverse event.

When an insured acquires a policy, they are buying a promise of security; an assurance that, if a given event takes place and certain requisites are met, the insurer will, in return for a fee, pay out a given amount. In the world of insurance, disaster is the moment of truth.

Any claim, regardless of origin or gravity, can have a serious impact on people's lives and/or a company's and society's business in general. The first aim of claims management is to enable those who have suffered to piece their lives back together after a disastrous event, eliminating or at least mitigating its financial impact; and so, allow people to go back to their business, and get back to their normal.

Disasters that made history

THE GREAT FIRE OF LONDON

The Great Lisbon Earthquake* All Saints' Day

1755

On November 1, 1755, All Saints Day' three quakes, which may have ranked 9.6 on the Richter scale, with their epicentre out on the Atlantic, shook Lisbon to its foundations. Although the quakes lasted for about ten minutes, they originated a sequence of tsunami with waves over six meters in height in Lisbon and twenty in Cádiz, Spain.

The catastrophe swept across the city tearing down over two thirds of it, washing away buildings and bridges and ships and monuments. Fires followed, ignited by candles left unattended in multiple homes. Ironically, the city's most infamous district remained intact.

Historians estimate that about 200,000 people lived in Lisbon at the time, and that between 30-40,000 died, along with a further 10,000 in Morocco. The number of fatalities grew as a consequence of the panic that spread that morning. Many Lisboners, faced with collapsing buildings, attempted to escape by moving toward the Tagus river and by getting onto boats, only to be engulfed by the tsunami.

The Great Lisbon Earthquake marks a significant milestone in the development of science and risk management. Natural disasters were previously deemed acts of God that could not be avoided, nor their outcomes managed and mitigated, but the earthquake fostered a search for understanding of the underlying causes through the application of scientific methods.

As Europe moved into the age of reason a new science saw the light of day: seismology. Lisbon was rebuilt with innovation in mind, adopting unprecedented principles of planning and organisation. New construction methods were employed, and the city centre was resurrected based on geometric plans with broad streets and avenues.

 Although these disasters meant great losses of lives and property, they did not impact the insurance industry as there was no insurance in place.

1666

The Great Fire of London* A city burnt to the ground

On September 2, 1666, a fire started at Thomas Farriner's bakery in Pudding Lane near London Bridge. A maid had failed to put out the ovens at the end of the night. The heat created by the ovens caused sparks to ignite the wooden home. Once it started, the fire spread quickly. Although fires were quite common in those days, the unseasonably hot summer created ideal conditions for this tragedy to occur.

Over 300 houses quickly collapsed and strong winds fanned the flames. Efforts to bring the fire under control failed and, as the fire raged, people tried to leave the city by boat on the River Thames. Suddenly, the city was thrown into chaos and two days later half of London was ablaze.

As people attempted to escape the city, St. Paul's Cathedral was caught in the flames and subsequently collapsed. Eventually the fire was brought under control, and by the September 6 it had been completed extinguished. Only one fifth of London remained undamaged. Almost all civic buildings were destroyed along with over 13,000 private dwellings. Despite such widespread devastation there were only six recorded fatalities.

It is estimated that the property losses caused by the fire were around £5m-£7m. As a result, fire protection management significantly changed in London. The Fire Office, the first insurance company, which still exists today but under a different name, was set up and within ten years, one in ten houses in London were insured.

THE GREAT LISBON EARTHQUAKE

Copper engraving of the city of Lisbon after the earthquake of 1755. Original in the City Museum, Lisbor



WARNING - DANGER

WALKING OR DRIVING IN THIS AREA COULD RESULT IN SERIOUS INJURY OR DEATH

DANGEROUS GASES ARE PRESENT

GROUND IS PRONE TO SUDDEN COLLAPSE

Commonwealth of Pennsylvania Department of Environmental Protection

Underground mine fire warning sign in Centralia, Pennsylvania

HMS Lutine A notorious shipwreck

The wreck of the HMS Lutine in 1799 is one of the most notorious maritime disasters of all time.

On that day, the HMS Lutine sailed under the English flag and carried large quantities of gold and silver from London to Hamburg.

On October 9, 1799, both the ship and all but one of the 240 crewmen vanished somewhere off the Dutch coast during a raging storm.

The Lutine's valuable cargo was covered by Lloyd's of London. That much gold and silver was worth around £1.2m at the time, around $\pounds 95m$ today.

Lloyd's paid out the claim in full only two weeks after the wreck.

Numerous attempts were made to recover the ship's cargo, none of which succeeded. In 1859, however, the ship's bell was retrieved. It has since been hung in the rostrum at the Underwriting Room of Lloyd's of London where it used to be rung once for bad news (such as the loss of a ship) or twice for good, such as a missing vessel coming home safe and sound. The idea was that the ringing of the bell would reach all stakeholders of the vessel at the same time. The tradition was however discontinued when the bell developed a crack. Nowadays, it is rung only to mark especially meaningful occasions, such as the death of a member of the royal family. 1962

Centralia coal mine Long-lasting fire wipes city off the map

Centralia, Pennsylvania was once a bustling mining centre, but a hidden, underground fire has turned it into a smouldering ghost town.

In May 1962, the city council proposed cleaning up the local landfill in time for Centralia's Memorial Day festivities. Though competing theories exist about what sparked the fire, it is thought that the Centralia dump fire sparked a much larger mine fire beneath the town.

Soon, a fire raged in a coal seam beneath Centralia. It spread to mine tunnels beneath town streets, and the local mines closed due to unsafe carbon monoxide levels. Multiple attempts were made to excavate and put out the fire, but all of them failed.

As the years went on, the ground beneath the city itself became hotter and hotter, reaching over 900 degrees Fahrenheit (482.222 °Celsius) in some locations. Smoke poured from sinkholes and gas filled basements. Residents started to report health problems and homes began to tilt.

Rather than put out the fire, the US Congress decided to buy out its residents, paying them to move. Then, in 1992, Pennsylvania moved to kick the holdouts out for good. All of Centralia's buildings were condemned; its ZIP code was eliminated. Seven residents remained via court order; they are forbidden from passing down their property or selling it.

Fifty years on, Centralia still burns as one of 38 known active mining fires in Pennsylvania. According to the state's Department of Environmental Protection, the fire could burn for another century if left uncontrolled.

CENTRALIA COAL MINE

1984

Bhopal The worst industrial disaster

The Bhopal Disaster began with an overnight gas leak on December 2/3, 1984 at the Union Carbide India Limited (UCIL) pesticide factory in Bhopal, a central India city with over 1.4 million residents. It is considered the worst industrial disaster in history. Over 500,000 people were exposed to methyl isocyanate (MIC). This highly toxic gas struck several smaller towns located around the factory.

The final death toll was estimated to be between 15,000 and 20,000. Some half a million survivors suffered respiratory problems, eye irritation or blindness, and other maladies resulting from exposure to the toxic gas, upwards of 20,000 people have died since from related conditions; many were awarded compensation of a few hundred dollars.

The factory owner paid \$470m (\$929m adjusted for inflation in 2017) to settle the claims arising from the disaster, a value out of proportion with the scale of the disaster.

In June 2010, seven former employees, including the former chairman of UCIL, were convicted in Bhopal on charges of causing death by negligence and sentenced to two years' imprisonment and a fine of \$2,000 each, the maximum penalty allowed by Indian law.

Construction workers on ground zero of the demolished World Trade Center, NYC



9/11 The day that changed the world

On the morning of September 11, 2001, the US was targeted in an attack by terrorist organisation Al-Qaeda. Nineteen terrorists hijacked four commercial airliners.

Two of them, American Airlines 11 and United Airlines 175, collided with the Twin Towers: South at 8.03 and North at 8.46 in the morning, respectively. A third plane, American Airlines 77, crashed into the Pentagon at 9.37. Finally, the fourth, United Airlines 93, crashed at 10.03 in Pennsylvania after passengers rose up and attempted to regain control over the aircraft to prevent terrorist action. In the ensuing conflict, the terrorists caused the plane to crash.

These attacks caused almost 3,000 casualties and over 6,000 injuries.

Insurers bore claims in the order of \$40bn spanning several lines and types of insurance: material damage, loss of business, life insurance, liability, workers' compensation, life, aviation. A total of \$3tn in costs had been estimated.

The event had a profound impact on the way we travel and on the world of insurance.

In the wake of the attack, coverage for acts of terrorism was redefined, and so were the thresholds for the amounts made available by the insurance market, putting limits in place that we still follow. It is important to note that the attacks were defined as acts of terror and not acts of war.

Before 9/11, most insurance policies taken out on property covered terrorism, either through the explicit inclusion of coverage in the policy or by not mentioning it in its roster of exclusions. On the other hand, it was not uncommon to have high or even open-ended amounts of liability coverage.

After September 11, insurers began to assess the risk of terrorism and their own capabilities, which brought severe limitations to their offerings.

Some countries, concerned with limited availability of coverage of terrorist acts post-9/11, advanced legislative schemes that established public and public-private instruments to insure such risk.

2001

ARTHQUAKE AND TSUNAM

2004

Earthquake and Tsunami Tragedy on the Indian Ocean

The earthquake and tsunami in the Indian Ocean in 2004 was an underwater earthquake that occurred on December 26, 2004. The scientific community has dubbed it the Sumatra-Andaman Earthquake.

On December 26, 2004, an underwater earthquake took place in the Indian Ocean with its epicentre off the west coast of Sumatra, Indonesia, at a depth of 30 kilometres.

The earthquake presented a magnitude between 9.1 and 9.3 on the modified Mercalli intensity scale, making it one of the largest quakes ever recorded by a seismometer. The quake had the longest duration of faulting ever observed, between eight and ten minutes.

The earthquake caused one of the deadliest tsunamis on record. The Indonesian province of Aceh was hit hardest, but waves of destruction washed upon Sri Lanka, India, and Thailand. The tsunami then bounded across the Indian Ocean to reach the shores of East Africa. The tsunami was in likely observed in South Africa, producing other, smaller tsunami along the west coasts of North and South America.

This natural disaster caused at least 227,898 deaths and 1.5 million people lost their homes. Indonesia suffered the most, tallying 170,000 casualties. The economic impact of the disaster was in itself devastating. Affected countries suffered major losses in tourism and fisheries.

The world's insurance and reinsurance industry paid out about \$4bn as a result of claims across several lines, especially in property and loss of business in tourism, plus travel and life-related claims. However, the damage to economies in the region was exponentially harmful as insurance penetration in the affected areas was relatively low at the time.

Katrina Most devastating of hurricanes

The 2005 Atlantic hurricane season was the most catastrophic in recorded history. It was in fact an annus horribilis, with 15 hurricanes causing 3,913 deaths.

The biggest, deadliest, most violent of them all was Katrina. Even now it is still cited by insurers and reinsurers across the world as the most expensive natural disaster ever.

Katrina was a tropical storm beginning late August 2005 in the Gulf of México, reaching category 5 intensity, with winds topping 280 km/h and bringing floods that caused significant loss of life and devastating damage to the coastal southern US, hitting Louisiana and Mississippi the hardest.

The destructive force of wind and water affected a highly risk-prone area much of it below sea level, between the Mississippi River, Lake Pontchartrain and a complex network of dams and levees, some of them huge in scale.

According to the National Hurricane Center, Katrina caused 1,833 deaths directly or indirectly (1,577 in Louisiana, 238 in Mississippi, 14 in Florida, two in Georgia and two in Alabama).

Katrina gave rise to upward of 1.7 million claims. Most of which, about 1.2 million, related to personal property, such as houses and the contents therein. People also filed 346,200 claims relating to damaged vehicles.

As for claims filed by companies, they comprised 156,600 property claims, and the amounts submitted consumed about half the total loss taken by insurers. Additionally, insurers paid out another \$8bn to offshore power plants in the Gulf of Mexico.

There was also an additional \$16.3bn in damage borne by the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program, which provides coverage where it is not available from the private sector.



Fire boats battle a fire at the offshore oil rig Deepwater Horizon

ATRINA

The Deepwater Horizon Massive environmental tragedy

On April 20, 2010, in the Gulf of Mexico, the offshore drilling platform Deepwater Horizon exploded and was engulfed in flames. Following the explosion, the platform sank, killing the workers on site.

What happened next caused one of the greatest environmental disasters on record. A spill affected fishing vessels, beaches, and coastal wetlands. It also endangered birds, sea turtles, sea mammals, fish, oysters, and other marine creatures. Not to mention the fisheries and tourist operations around the Gulf of Mexico.

It is estimated that the equivalent of 53,000 crude barrels was spilled daily until BP plugged the well on July 15. Spilled crude oil contaminated around 400 sq. miles of the ocean bottom and 2,100 miles of coast along the Gulf. The impact and scale of the disaster far outdid that

of the Exxon Valdez spill in 1989.

BP paid out over \$60bn in indemnity, criminal damages, damage to natural resources and cleaning/remediation costs.

This spill, by virtue of the massive criminal, civil and environmental damages, also became a watershed moment and marked the start of an era of multi-billion criminal and civil damages arising from environmental crimes.

THE DEEPWATER HORIZON

Eyjafjallajökull Skyborne ash and gas

2010

The word Eyjafjallajökull, which most people may struggle to pronounce, means something like "island volcano glacier".

Seismic activity initiated in late 2009 gave way to a volcanic eruption which began on March 20, 2010. The eruption went into a second phase on April 14, 2010, generally halting air travel in Europe, affecting thousands of flights with a domino effect across the world.

While some of the ash floated off to uninhabited parts of Iceland, the wind carried much of it westward, clouding mainland Europe. Gas and ash, as we know, reduce visibility and, when they penetrate plane engines, they can cause them to stall. So, in accordance with instrument flight rules (IFR), a large set of European countries, including Finland, Germany, Austria, Belgium, Denmark, Slovakia, Slovenia, Estonia, the Netherlands, Hungary, Ireland, Latvia, Luxembourg, Poland, Portugal,

the United Kingdom, Romania, and Switzerland, stopped air traffic altogether. The International Air Transport Association (IATA) estimated a loss of up to €148m per day due to this business interruption to commercial aviation.

The complete shutdown of air traffic over most European countries took place between April 14 and 23. During that week, over 100,000 flights were cancelled, affecting seven million passengers, and resulting in a total of \$1.7bin in lost revenue to airlines according to an analysis by Oxford Economics.

The shutdown was unprecedented and impacted air traffic worldwide more severely than the terrorist attacks of September 11, 2001 in the US.

The loss from the Eyjafjallajökull eruption, according to IATA estimates, was substantial – and uninsured. With business interruption, aviation insurance policies usually only come into effect when preceded by damage to the insured object. This was not the case here.

EYJAFJALLAJOKULL

Volcano eruption in Eyjafjallajökull in Iceland



Beirut 2020 Walking in a loss adjuster's shoes

by John Donald Director, Advanta Global Services

Working as an International Loss Adjuster for over 30 years I have experienced many exciting, rewarding and often challenging scenarios. That day, whilst writing another Preliminary Report for Underwriters, breaking news of a large explosion in the Port of Beirut popped up on my laptop. I initially thought of the poor souls who may have lost their lives been injured or could have been locally affected in terms of losing loved ones, their jobs, homes and the general disruption this incident could cause in the immediate aftermath. I also realised at that moment that thousand of properties would have been affected.

With that in my mind contact was immediately made to my local Middle East office to find out what resources we had in the area, who we knew in terms of local Adjusters and of most importance who the local Insurers were. Delighted with the response the start of another Adjusting Adventure began.

Mobilising a small expeditionary team of Adjusters to immediately fly into Beirut was the first action. As the World was in the grips of the Covid-19 epidemic flights to the area were limited. However within 48 hours of the blast four of our Specialist Team had arrived in the country. Challenge number one, the Covid test at the Airport. Not a pleasant experience but a necessary one to gain entry. Whilst navigating their way through the airport the Regional office were working on finding accommodation. Not an easy task as most of the hotels usually used for business had been extensively damaged by the blast and were shut. With a pioneering spirit one was found, damaged but open.

Whilst admin matters were underway (set up computer systems and a link to the Company IT Hub, amongst others) many telephone calls to local insurers, brokers, local adjusters and the international reinsurers in Europe commenced. Getting the message out to insurers and reinsurers was of most importance. This was by no means an easy task. What became quickly apparent, was that the country was in a state of shock, offices had been ordered to close down and a Beirut lockdown was in force. For this reason, the local team worked tirelessly to reach out to the markets directly or via the local adjusters to assure them of our joint effort to assist and take the pressure off a once in a lifetime crisis. In respect

of the reinsurers, with the help of the local markets these players were then identified and dialogue with them in respect of reporting the on the ground situation and magnitude of the crisis. Communication with all involved at this time was key! Social media also played a very important part to let our clients know that we were on the ground, set up and ready to accept instructions working in tandem with local adjusters.

Whilst all of this logistical work was being performed, we were also conscious of the local Governmental Insurance Committee rules for international adjusters operating in Lebanon. With the help of local lawyers and our own corporate legal department and UK based lawyers within only a short time the appropriate licenses were granted.

Instructions started to be received, many coming via the local insurers, some from local adjusters who were overwhelmed and others directly from the reinsurers who ultimately held the most significant exposures. More adjusters were deployed as the size of the task was now in plain view to all involved. More logistical and adjuster management and introductions to the local players to be undertaken. The economical fact opened up further challenges as Lebanon faces extreme currency devaluation. Exchange rates alter significantly by the day and banks limiting cash withdrawal together with black market exchange rates created a minefield for the adjusters on the ground. This is not uncommon in some countries, however makes the adjustment process even more complex in real time.

As the site surveys progressed Initial Reports started to be generated, the real adjusting work has just begun: capturing information, plans, drawings, contracts, supplier lists, repair contractors, consultants, architects, lawyers, accountants and experts, to name but a few.

Three months of hard work in an ever-changing environment confused by Covid -19, local civil unrest, political uncertainty, currency collapse, shortterm lockdowns and curfews. Nonetheless, the international Nat Cat experience we carry has put us on the road to providing the professional service demanded during such a high profile set of catastrophic events as we have seen in Beirut.

From the adjusters' perspective, early response, resources, communication, adaptability, ingenuity, experience, support and flexibility are all key to successfully navigate the muddy waters of the aftermath of a devastating event such as the one occurred in Beirut in August 2020.

Last, but not least, one should always remember that in such extreme events there is a human consequence. Humility, respect, support and sympathy should never be far away when entering another country to adjust losses. We are, at the end of the day, part of a process, part of the team and therefore part of the solution. **///**







John Donald has joined Advanta Global Services as Director - Global Energy. He has worked as an energy loss adjuster for over 30 years, initially in the Middle East before transferring to London in 1990. In recent years he acted as Managing Director and Chairman of The Energy & Natural Resources division of a major loss adjusting firm. He has wide international experience in the onshore and offshore energy markets. John has managed the adjustment of many complex energy claims throughout the world. He also has a wealth of experience in the adjustment of construction claims, hurricane-related losses, property damage, well control and OEE losses, Loss of Production Income (LOPI) and Business Interruption (BI). In his early career he worked at British Steel and on engineering projects in UK-based Petrochemical facilities.