Catastrophe Claims - A practical case study

Thailand floods  2011

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Agenda

– Overview of Thailand

– The Flooding

– What we at If have done in response to the floods

– Challenges

– Insurance Issues
2011 Catastrophe Events

Last year was the costliest year ever in terms of natural catastrophe losses,

- Economic losses of $380 Billion
  - Insured Losses $108 Billion
- Australian Floods - $7.3 Billion
- New Zealand Earthquake – US$15 Billion
- Japan Earthquake – US$35 Billion
- USA Tornadoes – US$14 Billion
- Hurricane Irene – US$5 Billion
- Thailand Floods – US$ 8 -11 Billion
Thailand – Country Background

- Population of 68m people
- 24th largest economy in the world – GDP US$584 billion
- Moved from 70% agriculture in 1980’s to industrial economy
- Worlds largest exporter of Rice
- Large Tourism trade
- Major industries is Textiles, Electronics, Cement and food processing
- Major hub for the Asian Automotive industry
The Extent of the Flooding

- Floods lasted from July until December
- 64 out of 77 provinces affected – nearly 1/3 country affected
- 587 people killed
- 9 million people affected
- Economic cost estimated at US$ 45 billion
- Insured losses estimated at US$ 8-11 billion
- One of the top ten insured events in history
Thai floods – affects companies **globally**

“Microsoft Warns PC Sales Worse Than Expected Because Of Thai Floods”

“Sony Ericsson also said it had been hit by component shortages following the floods in Thailand last year.”

“Thai Floods Force Honda Philippines to Close will not re-open until it can find alternative suppliers to those in Thailand”

“*Honda has said it will cut production at its factories in the US and Canada by 50% due to a shortage of parts in wake of the floods in Thailand. The company also withdrew its earnings guidance, saying the floods made it difficult to estimate the numbers*."

“Toyota Motor cut its profit forecast for this business year by more than half on Friday after it was hit by a stronger yen and widespread output disruptions due to Thailand's floods”
Rojana Road (Wangnoi to Ayutthaya City)
Thai Floods – Proactive approach before Claims notified

- Through contacts in Asia made aware of serious flooding
- Identify our risks in Thailand via our internal UW control
- Contact Clients HQ directly or via brokers to see if assistance needed
- Establish which Loss adjusters have offices in Thailand
- Any Regulatory issues?
- Contact Local Insurers
- Arrange site visits OR contact client locally
- Master/Local policy – What is covered locally and/or Global Master policy
Some Challenges in the Thailand Floods

- Each Catastrophe event presents its own unique challenges
- Use of International knowledge and experience
- Sheer amount of water and time it took to disperse
- Access to insured Sites
- Road access
- Lack of local repair contractors
- Significant Commercial/Industrial claims
- High level of underinsurance locally
- Managing Mechanical and electrical engineers in writing off plant
Some of the insurance issues

- Suppliers & Customers Extension claims – when did damage occur?
- Non Damage Denial of Access
- Complex CBI claims worldwide as a result of Flooding
- Damage in the “vicinity” of the insured premises?
- Rescue and salvage costs in preventing damage covered?
- Hours Clauses - One claim or several?
- Unable to supply due to infrastructure or transportation issues
- Underinsurance or sub-limits for flood
CLAIMS HANDLING
THE WAY IT SHOULD BE.