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Anatomy of a Claim

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Business & Financial Conference

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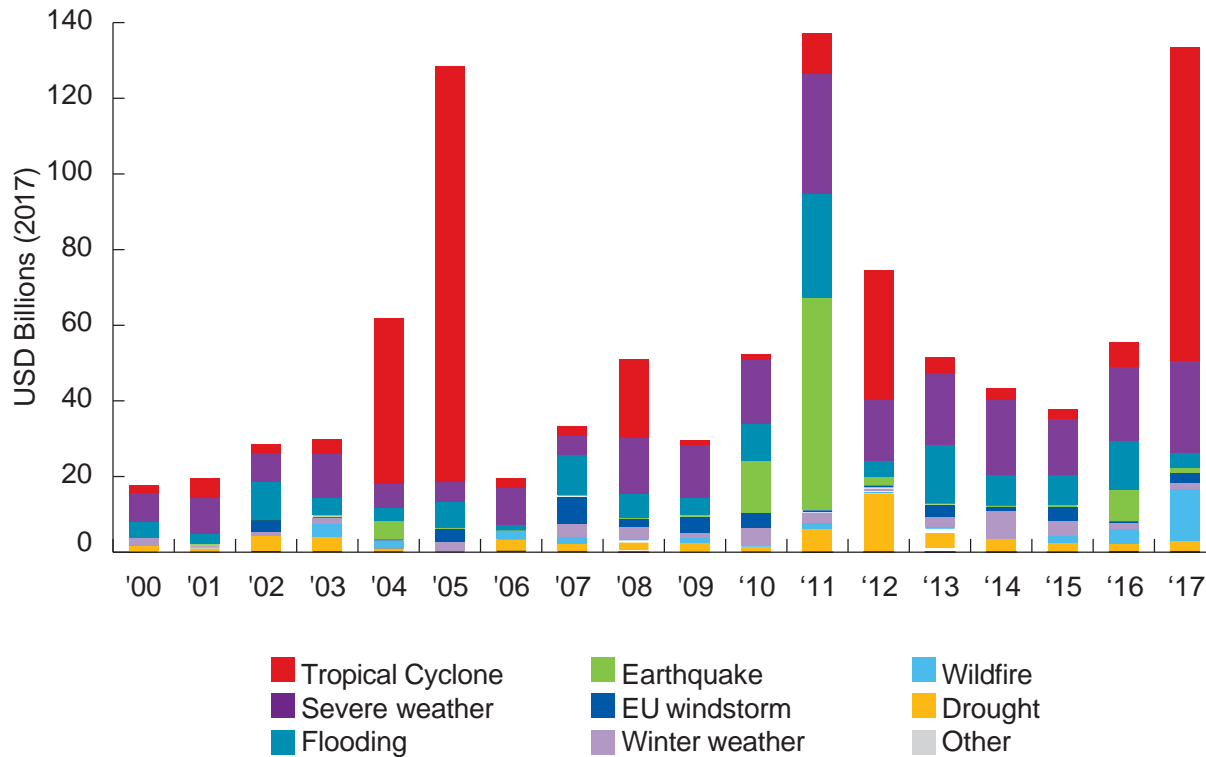
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2017 - Costliest CAT Year on Record



Insured Losses by Year, by Type



- 330 natural catastrophe events in 2017 generated economic losses of USD353 billion – of which an unprecedented 97 percent (USD344 billion) were due to weather
- 36 percent (USD80 billion) of economic damage from Hurricanes Harvey, Irma and Maria was insured
- 31 billion-dollar events occurred globally, with 16 alone in the US
- Wildfires caused USD14 billion of insurance losses in 2017 – the highest on record for the peril
- 2017 was the third warmest year on record since 1880 for combined land and ocean temperatures

Source: Aon Benfield Analytics

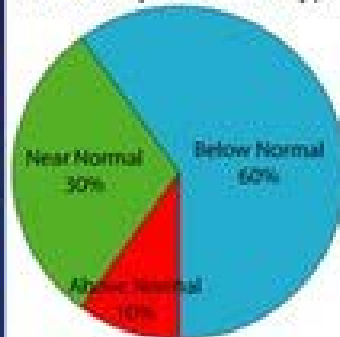


NOAA's Updated 2018 Atlantic Hurricane Season Outlook

NOAA's 2018 Atlantic Hurricane Season Outlook

Updated Outlook Issued 9 August

Below- or Near-Normal Season
Probability of Season Type



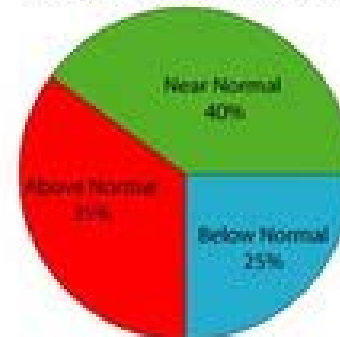
70% Probability For Each Range

August Update

Named Storms	9-13
Hurricanes	4-7
Major Hurricanes	0-2
ACE (% median)	50-100%

Pre-Season Outlook Issued 24 May

Near- or Above-Normal Season
Probability of Season Type



70% Probability For Each Range

May Outlook

Named Storms	10-16
Hurricanes	5-9
Major Hurricanes	1-4
ACE (% median)	65-145%

- (Left) For the entire Atlantic hurricane season, expect a below-normal or near-normal season, with 9-13 named storms, 4-7 hurricanes, 0-2 major hurricanes, and ACE range of 50%-100% of the median.
- Expect less activity compared to the May outlook (Right), which indicated a near- or above-normal season.

Expected Conditions During the Peak Months (August-October) of the 2018 Atlantic Hurricane Season



1. Below-average SSTs in Main Development Region
2. El Niño
3. Unfavorable wind patterns



Conditions within the Main Development Region (MDR) are expected to suppress Atlantic hurricane activity during the peak months of the season (August-October). A stronger west African monsoon system typically favors more activity, and could offset some of the non-conducive conditions farther west.

Property Claims

-a BIG deal in asset-heavy industries

- Aging Infrastructure
- Costly Infrastructure
- Long Lead Times
- Extra Expenses
- Qualified Vendors
- Procurement



Before the Loss...



-Preadjust your losses

- Do you communicate with your team?
 - Brokers
 - Carriers
 - Key Stakeholders?
- Do you know your policy?
 - Carrier(s)?
 - Coverages?
 - Limits?
 - Deductibles?
 - Adjuster?
 - Claims Advocate?
 - Loss Payees?



Before the Loss...

-Preadjust your losses

- Internal functions?

- Operations?
- Maintenance?
- Accounting?
- Finance?
- Purchasing



Before the Loss...



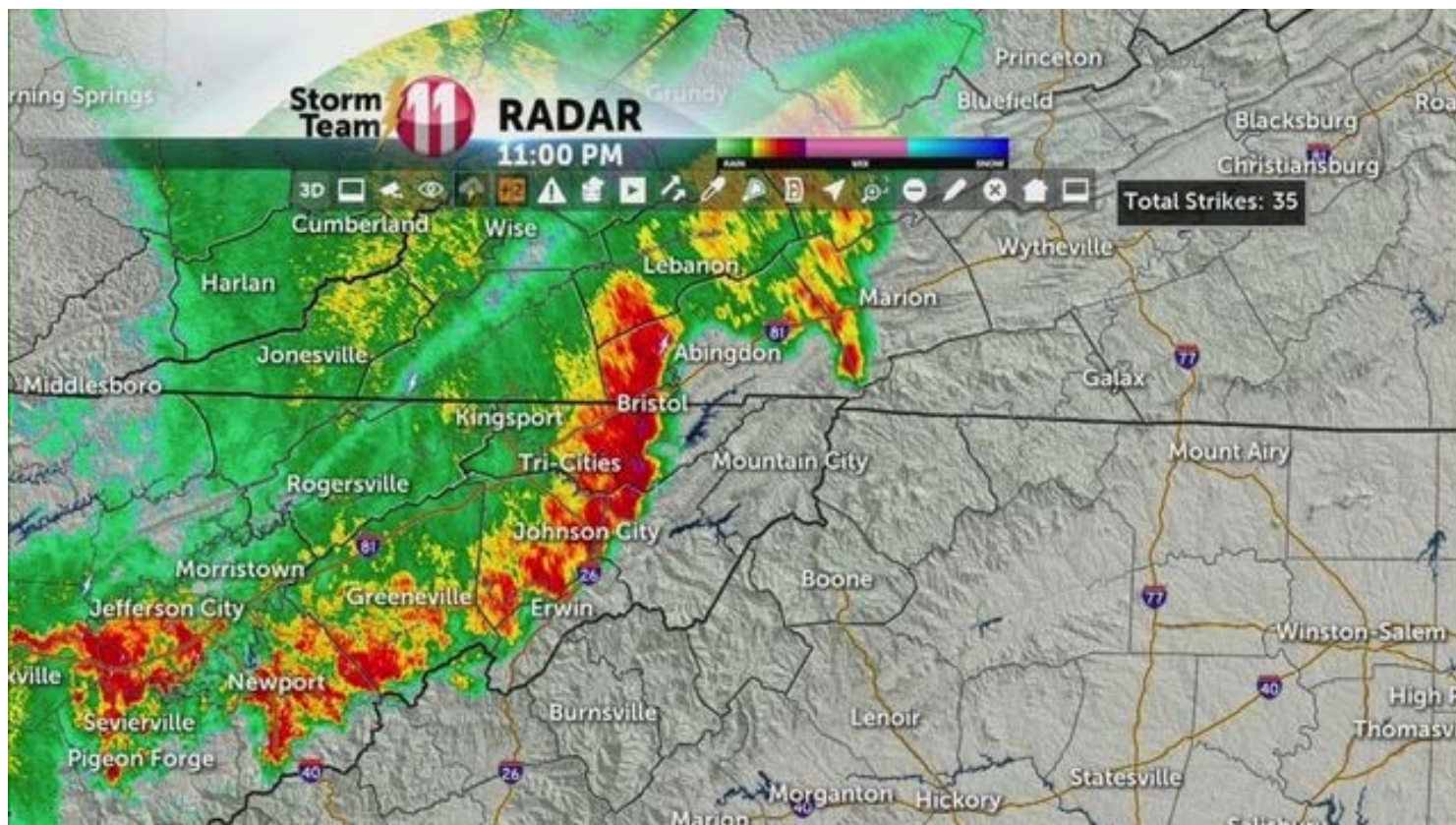
-Preadjust your losses

- Do you have a Business Continuity Plan?
- Emergency Purchasing Policy?
- Asset redundancy?
- Contractors or MSAs?



During the Loss...

-Gather the Troops





After the Loss...

-Follow your plan

- Internal Reporting and External Reporting
- Do you have an adjustment team?
- Are you under a time crunch?
 - FEMA
 - State Regulatory Bodies
 - Emergency or Disaster Declarations

After the Loss...

-Follow your plan

- The Claim File:

- Who owns it?
- Where does it live?
- How do you share it?





After the Loss...

-Follow your plan

- Received confirmation of coverage?
- Do you need advanced payments?
- Do you have other coverage?
- How do we proceed?
 - Time element change repair/replace decision?
 - Are there extra expenses?
 - What about payroll?

Lessons Learned

-Mechanical Breakdown



Lessons Learned



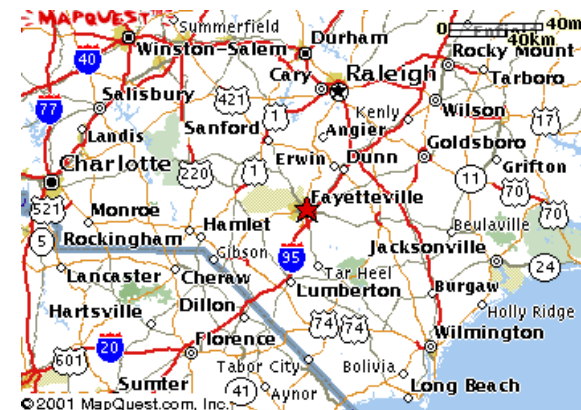
–Hurricane Matthew



Detailed Overview of Hurricane Event

Hurricane Matthew – Category 4 Hurricane

Location	Fayetteville, North Carolina
Date	October 7 th – 9 th 2016
Wind Speeds	90-100 mph
Rain Fall	Over 8 inches in 6 hr span and over 15 inches total during event
Flooding	Widespread flooding in the entire area of Fayetteville
Description of Loss	As a result of 15" of rain and several dams failing upstream the drainage system on our complex became overwhelmed. It could not properly remove water at the rate by which it was accumulating, which ultimately led to widespread flooding on our Operations Complex. At various points onsite we measured as much as 5.5 feet of water. The attached pictures give you visual of the damage, which traveled into the building impacting furniture, interior structures, equipment and tools. Unfortunately we also had a number of water meters stored inside which have been deemed inoperable.



Fayetteville is roughly 90 miles from the coast



Loss from Excessive Water



Operational Impact



- **Extensive system damage as a result of historic flooding**
- **Reduced use/restrictive use of some facilities**
- **Water Resources mainly impacted versus Electric Systems**
- **6 Facilities suffered “Major” Damage**
- **Most repairs are in process with some of the major repairs in design phase**

Financial Impact



- **Estimated \$10.1 million in damages**
- **Increased Insurance Rates and costs**
- **\$6.7 million insurance losses**
- **\$3.3 million in FEMA losses**
- **Estimated \$100k in “uncovered” losses**



Insurance Impact Additional Requirements:



- **Mandatory Property Valuation**
- **Underground/Foundation Value Assessments**
- **Engineering Controls implemented to risk exposures**
- **Pre-Storm baseline inspections required annually**
- **Rates increased**
- **Values went from \$570M to \$788M (FY17)**
- **Premium increased by 33%**





Vehicles starting to go under



Erosion caused this pipe to become exposed and unsecured





Lessons Learned

-Hurricane Matthew

- Internal Communications
- Consistent messages
- Be conservative in activating your response plans; don't wait too late
- Assume that the event is going to happen at the worst time
- FEMA/Insurance Documentation



Lessons Learned

-Hurricane Matthew

- Employee Damages incurring on your property
- Contractor Invoices
- Food Reimbursement
- Receipt Maintenance
- Vendor Capacity Limited
- Consider the use of drones for assessments

Lessons Learned

-Lessons from the Trenches





Questions? Comments?

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