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Webinar



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**Risk Management Professional
Tips on Managing Your
Superstorm Sandy Claims**

November 30, 2012 at 1 p.m.



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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Moderator:



Mary T. Pipino, CPCU
President & CEO
Donald P. Pipino Company, LTD
Boardman, OH

Panelists:



Kevin M. Grudzien
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Gerald Ritter
Principal
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Chicago, IL



George R. Stratts
President
AIG, Global Property Division
Chicago, IL



Liz Wittenberg
Regional Underwriting Manager
AIG, Professional Liability Division
Chicago, IL



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SIGS | SPECIAL INDUSTRY GROUPS

Insurance and Risk Management

Understanding the vast array of potential risks that affect developers, retailers and merchants, and how to handle those risks appropriately and most cost effectively is the focus of the Insurance and Risk Management SIG.

If you are interested in participating in this SIG or receiving materials on issues relevant to insurance and risk management please contact:

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Projected Cost
of Superstorm
Sandy:
\$65 billion¹ –
*ranking it as
the SECOND
costliest in history*

10 Most Costly Storms to Impact the US Mainland Since 1900			
Rank	Name	Year	Damage
1	Katrina CATEGORY 3	2005	\$108 billion
2	Ike CATEGORY 2	2008	\$29.5 billion
3	Andrew CATEGORY 5	1992	\$26.5 billion
4	Wilma CATEGORY 3	2005	\$21 billion
5	Ivan CATEGORY 3	2004	\$18.8 billion
6	Charley CATEGORY 4	2004	\$15.1 billion
7	Rita CATEGORY 3	2005	\$12 billion
8	Frances CATEGORY 2	2004	\$9.5 billion
9	Allison TROPICAL STORM	2001	\$9 billion
10	Jeanne CATEGORY 3	2004	\$7.7 billion

Source: CNN

¹ Moody's Analytics *The Daily "Weathering the Storm"* October 31, 2012



Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Impact of Sandy on US Business

Facts to consider:

- *The region in Sandy's path along the East Coast has a GDP of about \$10 billion a day¹*
- *In addition to property damage, IHS Global Insight and EQECAT estimate lost business to be between \$30 billion and \$50 billion²*
- *Due to Sandy, the US Stock Market was closed for two consecutive days, the first time for such an occurrence since 1888³*
- *Virtually all major retailers had at least 10% of their store base in the path of the Sandy³*
- *Sandy triggered an estimated 8 million power outages so far in the U.S. with New Jersey and New York City having the largest impact, with outages being reported as far west as Cleveland. For New York City, this was its largest ever weather related power outage³*

¹ Moody's Analytics *The Daily "Weathering the Storm"* October 31, 2012 ² Forbes *"One Week Later, the Cost of Superstorm Sandy"* November 5, 2012 ³ Planalytics *"The Economic Impact of Superstorm Sandy"* October 30, 2012



Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Important Claim Tips:

- No one knows your business better than you so do not assume insurers know.
- Work with your risk management professionals to thoroughly review your coverages and complete a thorough claim submission that clearly presents your losses, direct and indirect, such as contingent business interruption.
- Clearly and concisely state the facts so they are easy for the insurers to understand.
- As you gather additional information relevant to your claim, it is important to inform your insurers in a timely manner.
- If in doubt about whether a loss is covered, still present the loss to the insurer and they will advise you if it is excluded. If they advise that the loss is excluded, request the specific exclusion language to understand why.

Moderator:



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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Global Property Division

- *Opening Comments*
- *Natural Catastrophes - Key Learnings*
- *Large Catastrophe Claims – How Do They Differ?*
- *Tips from the Claims Team*
- *Moving Forward, Preparedness is Key*
- *Industry Effects*
- *Summary Comments*

Panelist:



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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Quantum Global Advisors

Initial Response

- *Mirror carriers' experts*
- *Let the experts determine the extent of damage*
- *Not all experts are experts*
- *If emergency response or dry out is complete, it's not too late for IH to certify efforts*
- *Set up receivable account to capture all costs*

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Quantum Global Advisors

Deductibles

- *Flood*
- *Windstorm/Hurricane*
- *Waiting Periods/Timed Deductible*

Property Damage Coverages

- *Direct Physical*
- *Law and Ordinance Issues*

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

Quantum Global Advisors

Business Interruption Coverages

- *Direct Physical*
- *Civil Authority*
- *Off-Premises Power*
- *Ingress/Egress*

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Quantum Global Advisors

Payment/Advances

- *Request advance payments now*
- *Carriers close payments soon for year-end*
- *Carrier internal systems are overwhelmed and payments may take longer*
- *Outline “incurred/committed/estimated” costs*

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Professional Liability Division

What is Cyber Insurance?

- *Security & Privacy Insurance responds to important third party liability for claims*
- *Event Management Insurance responds to the costs to retain services to assist in managing and mitigating a covered privacy or network security incident*
- *Cyber Extortion Insurance pays to settle network security-related extortion demands made against the insured*
- *Network Business Interruption Insurance responds to an insured's loss of income and operating expenses when business operations are interrupted or suspended due to a failure of network security*

Panelist:



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Regional Underwriting Manager
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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Professional Liability Division

Concerns after a major event such as Superstorm Sandy

- *Hackers are looking to take advantage of vulnerabilities and exploit weaknesses*
- *Dependency on IT infrastructure and security*
- *Managing access and storage of private information*
- *State and federal privacy regulation*

Panelist:



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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Professional Liability Division

Claims Examples

- Retailer sustained a disruption/failure of its credit card processing system on a Friday
 - *The disruption prevented processing of credit card transactions in all of its 900+ retail outlets and its online sales through its website*
 - *The system failure also impacted the individual stores' time management system and the in-store communication systems*
 - *The disruption continued through close of business on Sunday - compounding the problem was the fact that this failure occurred over the President's Day holiday weekend. Due to the system disruption, the stores suffered massive delays in processing payments leading to retailer frustration and customer walk-outs*

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Professional Liability Division

Claims Examples

- AIG worked with the insured to retain a forensic accountant to best calculate the lost sales caused by the system disruption/failure – taking into account two important factors:
 - *failure occurred over a weekend which typically means higher sales **and***
 - *this weekend was also a holiday period*
- The forensic accountants calculated approximately \$727,000 in loss profits in excess of the policy's 8-hour waiting period retention. AIG worked with the insured to confirm its calculated damages as well as the forensic accountant analysis and processed full reimbursement to the insured

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Claims Examples

- A hotel owner/manager experienced three separate data breaches over a three-year period in which hackers gained access to its computer system. Over 600,000 individuals' credit card information was exposed
 - *In all three breaches, the insured worked with forensic experts to indentify the issues that led to the breaches and to correct its systems accordingly*
 - *In addition, the insured provided credit monitoring to all impacted individuals*
 - *Several states' attorneys general investigated the matter, but none took action other than requiring notification and credit monitoring to impacted individuals*
 - *AIG paid \$500,000 for the investigation brought by the states' attorneys general and over \$1M for the costs to conduct a forensic investigation, notify the affected individuals and provide credit monitoring services*

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Risk Management Professional Tips on Managing Your Superstorm Sandy Claims

AIG Professional Liability Division

Claims Examples

- A department store received notice from Visa indicating that Visa was alerted of a potential compromise/computer hacking involving an unknown credit card processor that compromised personal information for over 18,000 Visa cardholders of the store
 - *AIG worked with the insured in retaining vendors to provide notice to those at risk, providing replacement credit cards and credit monitoring services*
 - *Incurred costs approached \$500,000 which were within the insured's retention*
 - *AIG is working with the insured to explore its rights to seek reimbursement from Visa and the third-party processor*

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Q & A

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If you have any topics you would like discussed at future Webinars, please email **Stephanie Lockwood at slockwood@icsc.org**



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