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The SANDY Claims Response



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The Sandy Claims Response

Insurers are combining technological prowess with an improvisational spirit to address the superstorm's claims challenge.

By Nathan Golia and Anthony O'Donnell

For years, the prospect of a major hurricane hitting the New York City metropolitan area was on insurers' lists of possible — but unlikely — doomsday scenarios. In 2011, Tropical Storm Irene came ashore on Coney Island but didn't pack the punch of the most dire claims costs projections — mostly because its devastation was concentrated in more sparsely populated upstate and inland areas.

But shortly before Halloween last year, Hurricane Sandy trudged up the East Coast, merging with a nor'easter-style system to become Superstorm Sandy, the massive storm that slammed into the southern New Jersey shore and pushed a devastating storm surge into New York City, Long Island and

Insurers are dealing with hundreds of thousands of totaled cars in Sandy's wake

northern New Jersey, affecting a swath of high-value insured property.

"The storm was unprecedented in terms of its size, total duration, population affected and the relatively high value of the property damaged," says Aite Group analyst and P&C claims expert Stephen Applebaum. "In fact, the dollar losses of inland marine property, such as personal pleasure craft and high-value fine art in flooded New York City galleries, are likely unprecedented from any single loss event."

Fitch estimated in an early January report that Sandy's insured losses will likely reach \$20 billion, putting it in the top five biggest hurricane loss events of all time. While there are plenty of questions and initiatives to be addressed in the long term, the immediate challenge for P&C insurers is to effectively and fairly handle the nearly 1.5 million Sandy-related claims, says the Insurance Information Institute. What follows is an update on that effort, focusing on some of the major story lines that emerged from the daunting task of processing Sandy claims.

Progressive's Power Of Improvisation

With power outages, gas shortages and debris making travel more difficult than normal, Progressive (Mayfield Village, Ohio; \$1.3 billion in November 2012 revenue) had to scramble to set up shop, says catastrophe field response manager Brian Hill. The company staged 90 adjusters early on in Pittsburgh, then, after the storm passed, moved them into predetermined hotels along the Jersey shore.

Usually, insurance companies set up staging areas with mobile claims centers in an open space and have damaged cars brought to them. But with the lack of open space in the region, Progressive adjusters were forced to drive to each damaged car. That meant a lot of time in rental cars, which the company's logistics department helped turn into mobile offices.

"The scale of our mobile operations changed because of the amount of work we couldn't do in our staging areas," Hill says. "Typically we're able to send a bunch of tow trucks out to get cars to us, but instead we had to go out to them. So we had about 90 folks, and we pretty much equipped them all with mobile offices in their rental cars."

Those offices included company-issued power inverters, printers, cameras and extension cords distributed before they left Ohio. But getting the tools to the ad-

justment site wasn't the only challenge posed by an inability to work out of a staging area: There was also the matter of gas, which was hard to come by — gas stations were out of power, their operators were unable to open them or gas deliveries were delayed, leading to very long gas lines around the region.

"We literally rented a gas truck and had it drive around to adjusters so they could fill up their cars," Hill says. "We also set gas drop zones in strategic locations."

Progressive estimated in December that its losses from Sandy could reach \$90 million.

— **Nathan Golia**

Selective Insurance's Grace Under Pressure

Deploying resources to a hurricane-affected area is challenge enough, but in the case of Superstorm Sandy, many Northeastern-domiciled insurers had to react from within the storm zone. The Branchville, N.J., headquarters of Selective Insurance Group (\$1.5 billion in 2011 net written premium) is about 50 miles inland in the Appalachian northwest corner of the state. The carrier was far from Sandy's devastating storm surge, but like most of New Jersey's interior, it felt the storm's force as a wind event that downed trees over a vast area.

Selective needed to respond to the wind-related claims of policyholders affected by the storm in several states where the carrier writes personal and commercial lines policy. But Sandy was also a flood event for Selective, which is the sixth-largest writer for the National Flood Insurance Program, writing in all 50 states. To meet the claims demand, Selective's personal lines and flood insurance staff worked around the clock, seven days a week, for three weeks, says Gail Petersen, VP of corporate communications. In some cases, facilities staff used chain saws to clear fallen timber off roadways, and Selective provided food and shower facilities for employees who needed to stay long hours — and even days — at its Branchville office.

"We provided BlackBerrys to people who didn't normally have them, in case they needed to work from home," Petersen says. "Managers and volunteers capable of taking first notice of loss were given a checklist. Classrooms that we use for large meetings were equipped with computer and telecommunications equipment and filled nearly to capacity."

Selective reached out to policyholders before the storm and put information on how to file claims on its website.



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— Rick Mohr,
Selective Insurance Group

Some months before Sandy, as a follow-up to Irene, Selective conducted webinars with flood agents on how to file claims. “We also did radio ads and other forms of outreach on how to file claims,” Petersen reports.

The reality of responding to a catastrophe is that adjusters who may normally handle 25 cases now have 85, Petersen notes. And dealing with those cases takes time. “An adjuster could be all day at a seriously damaged home, so we’re trying to educate policyholders about the realities of claims while working as fast as we can,” Petersen says.

Selective said in November that about two-thirds of the Sandy claims it expects to handle were in personal lines, with the rest in commercial lines.

Despite the challenging circumstances, Selective wasn’t slowed by business continuity issues, says Rick Mohr, senior VP of enterprise technology services. Past experience with wind and rainstorms has made clear the threat of losing power, he says.

“Electrical power is key, and we focus on protecting our corporate data center, which is critical to everything we do in Branchville,” Mohr says. “Telecommunications and systems availability are critical in servicing clients during a claims event.”

Selective’s data center has a built-in generator that can run the facility for a week. The company has a second generator capable of running its entire facility, including the data center, providing redundancy. It also has service agreements with fuel suppliers to keep reserves topped up.

Selective’s data center is further hardened with a Sonet data ring, eliminating the risk of a single point of failure, Mohr says. Selective also briefed staff on call routing. “We have call center capability in both Branchville and Richmond, Va.,” Mohr says. “We can reroute toll-free numbers, and if one location gets unduly burdened, we can redistribute calls accordingly.”

Based on the Irene experience, Selective has also engaged third parties to handle overflow calls, if necessary, and begun preparations for a unified communications system that will provide greater flexibility for both availability and call handling capabilities, Mohr says. “We operate in other regions, ... and with unified communications, you can potentially have someone working out of their home who would look to the claimant just like any agent working out of a call center,” he says.

— Anthony O’Donnell

Social Media Works For Plymouth Rock And Main Street America

Hurricane Sandy wasn’t the first major CAT event of the smartphone era, but it was the first that affected a critical mass of socially connected policyholders armed with smartphones and little else. This led to a flood of tweets and Facebook posts about the storm and the insurance response, some aimed directly at carriers with questions about coverage or how to report claims.

“Social media was a way to help service our customers who had trouble using their phones,” says Valerie Simon, director of marketing communications at Plymouth Rock Assurance New Jersey in Red Bank, N.J. (net income of \$28.7 million for 2011). “We were really closely monitoring our Facebook and Twitter pages.”

Responsibility for monitoring customer inquiries fell largely to the company’s social media specialist, Drew Griffiths. But he, too, was affected by the storm: Having lost Internet access, he was using his phone as a Wi-Fi hotspot, keeping it powered with car and manual chargers distributed by the company to the entire team.

Griffiths was the point person for all social queries. When information came in, he decided who it went to and what the contact channels would be, and made sure there were alternate channels in place. The marketing and claims teams were on the same email chain, right down to the single point person who needed to respond, he says.

In the wake of the storm, some insurers have struggled with PR missteps exacerbated by social media. Plymouth Rock says that it’s easy to prevent those problems before they start: Be authentic and do what you say you will. Both Griffiths and Simon say it was easy to identify with their policyholders’ concerns because the company’s employees, like all 500,000 autos the company insures, are located in New Jersey.



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— Valerie Simon,
Plymouth Rock Assurance
New Jersey

“When you’re right in the middle of a crisis, the first step is to know that there’s someone there that’s ready to respond to you,” Griffiths says. “But we did not set any false expectations. We made sure that we delivered on whatever timeframe we gave that individual on when they could be contacted.”

“I’m proud of how we were able to quickly respond, and when issues came up, they were quickly resolved,” Simon says. “We really didn’t have a lot of venting.”

Plymouth Rock has a fairly extensive social media program, using Radian6 and Sprout software to help monitor, measure and manage the channel. But there’s one key technology platform that Griffiths says could use improvement: Facebook. The difficulty in developing Facebook apps that meet insurance standards for security and privacy complicate insurers’ ability to collect claims data online, he says.

Plymouth Rock would love to have a claims reporting app, Griffiths says, “but we’d have to make sure that our customers’ private information is encrypted and secure above all, and there’s a lot of complications.” During the storm, the company directed customers to message privately with policy and claim numbers, and specify whether they wanted the response through Facebook or a different channel.

Socialized Agents

Main Street America Group (\$34.2 million net income, Q3 2012), based in Jacksonville, Fla., also found policyholders turning to social media to begin the claims process, says corporate communications director Mark Friedlander. That’s to be expected, considering how involved its agents are in the channel, he says. In fact, as CATs approach, agents in the path are often given important information through Main Street America’s social sites.

“We try to communicate to our independent agency

force in a variety of ways,” Friedlander says. “We’ll do email blasts, we’ll post it on our agents-only proprietary site and we’ll also use various channels on social media. Our agents are telling us they want to be communicated with that way.”

That includes Friedlander’s personal Twitter feed (@markfri09), which in the days leading up to Sandy included information about when binding authority was lifted in a certain geographical area.

“We already had a process in place,” he says. “If we want to communicate effectively to our customer, which is the independent agents, we need to be in the space where they’re marketing 24/7.”

Unlike Plymouth Rock, however, Main Street America, which is expecting about \$10 million in losses, wasn’t taking claims information through social media. Rather, it used social channels to reiterate messaging it sent before the storm about where and how to begin the claims process. However, Friedlander says, claims collection through social “is a direction that Main Street America and other companies will need to go into.” — *N.G.*

Assurant Specialty Property’s High-Tech, High-Touch Response

Hurricane Sandy struck close to home for Keith Goss, a property claims manager with Assurant Specialty Property (part of New York-based Assurant Inc.; approximately \$8 billion in annual revenue). Though ASP’s headquarters are in Atlanta, Goss lives in a Staten Island neighborhood that was flooded by Sandy’s storm surge, damaging his belongings and totaling his cars.

Goss and his family found shelter with neighbors, then he reported for duty at the insurer’s catastrophe response center. ASP’s high-tech, high-touch claims capabilities meant that many of Goss’ colleagues from Staten Island and elsewhere in the country were also on the job.

ASP’s claims adjusters didn’t wait for customers to call. Instead, they reached out to affected policyholders, visiting more than 500 and leaving laminated “door knocker” placards on the doors of more than 2,000 other homes. The placards let policyholders know that their insurer had been there and how to contact the company, says Steve Johnson, ASP’s senior VP of claims.

The door knocker is a low-tech way to get in touch with homeowners, who represented the majority of



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— Steve Johnson,
Assurant Specialty Property

claims for the company, Johnson says. “People get rattled by the harrowing experience they’ve been through during a catastrophe. They may not remember who their insurer is or what their policy number is. It can be very reassuring both to have that information and to know that their insurer is already working to help them through a difficult time.”

But sophisticated technology and planning are behind the low-tech gesture and ASP’s ability to have boots on the ground during the first-responder phase of the event, Johnson says. “That begins with the data warehouse we developed internally,” he says. “We have all of our policyholders’ information — location, risk values, types of policies — recorded, organized and accessible to our claims team in a very efficient way. So as we observed the storm track of Sandy, we had a very good idea of what response it would require significantly before landfall.”

Drawing on its database and analyzing policyholder information with geolocation technology, ASP was able to illustrate the location of thousands of policyholders in the areas most likely to be hit, using heat-mapping graphic displays. “With the convergence of these technologies, we were able to act essentially as

first responders, either meeting with policyholders or putting our door knockers in place where policyholders had been evacuated,” Johnson says.

ASP ramped up internal and external resources for claims adjusting. “We’ve taken our catastrophe response to the point where we can accurately inform our partners early in the game on what to expect from us so that they can scale up resources for us,” Johnson says. “We have internally developed good predictive abilities, a variety of features and a high degree of usability.”

ASP uses the same capabilities to manage its call center staffing, working with an outsourced partner when call volumes exceed what the insurer can manage with internal resources, Johnson says.

“For example, our partner taking first notice of loss can do it just as well as we do because they have access to our systems sufficient to receive that notice and enter it into our claims system,” he says. “We’re able to shoot for and often exceed the ‘80/20’ call center standard — 80% of the calls handled in the first 20 seconds — because of the technology bridge that we have with our outsource partner for FNOL.”

As ASP’s internal professionals and external partners connected with policyholders in the back office, field personnel such as Goss worked diligently on the scene. Goss stayed at his neighbors for a prolonged period, regularly checking his home, helping to pump out the basement and making sure his cats were safe.

“At least I have waterfront property now,” he jokes. “I guess being a claims adjuster, having this happen is like the plumber with a leaky faucet or the shoemaker with holes in his shoes.” On a more serious note, he says there were numerous fatalities in his neighborhood, similar to some areas he handled during Hurricane Katrina. — **A.O.** ■