

RELIVING KATRINA: Drew Powell, general adjuster/manager for Davidson & Co. Inc., stands under some oak trees in Mobile, Ala. He is handling re-opened claims from Hurricane Katrina.

Claims Redux

Resurrected Katrina claims hold a lesson for adjusters and insurers.

by Rick Cornejo

A quiet storm of Hurricane Katrina claims is simmering along the Gulf Coast. They are not new claims. They are reopened claims, highlighting a lesson adjusters and insurers learned from the 2005 hurricane: Don't bite off more than you can chew.

The claims are being reopened as insureds invoke the appraisal clause of their policies, something seldom done before Katrina.

"That storm was five years ago but in many respects, it seems like it was yesterday," said Drew Powell, general adjuster/manager, Davidson & Co. Inc. "We're still dealing with it."

While some of the appraisal clause invocation is the result of the solicitations of public adjusters, Powell, a 25-year veteran independent adjuster, said

other "people had legitimate gripes."

"The reason we are seeing so much of it, a lot of it goes back to bad adjusting work. The job wasn't done correctly in the first place," he said. "I've reviewed files that have gone to appraisal where I'm not convinced that the original adjuster ever got out of the car."

Of all the appraisal resolution cases he has been involved in, "probably 50% of them would not have gone to appraisal had they been handled correctly in the beginning."

It is a result, Powell said, of adjusting firms taking on too much work in the storm aftermath. "Don't bite off more than you can chew. Apparently, that's what a lot of these folks did," he said. "We see files that were either mishandled or insureds were grossly

► **What Happened:** Five years later, adjusters and insurers are dealing with reopened Katrina claims.

► **At Issue:** Lack of training for adjusters and a heavy workload led to disputed claims.

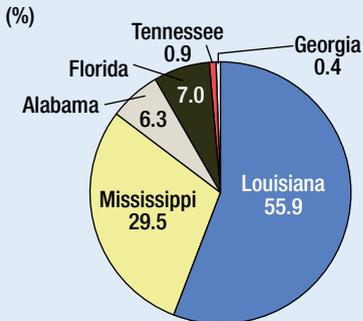
► **What's Next:** Adjusters are hiring more qualified personnel and insurers are using technology to pre-plan where to send resources in case a hurricane makes landfall.

underpaid and most of it stemmed from adjusting companies that... would just about hire anybody off the street because of the tremendous workload."

Powell said adjusting firms need to ensure their staffs are competent. "We try to be very selective," he said. "We just try to get people that know what

Hurricane Katrina Claims By State*

Nearly 56% of the more than 1.7 million Hurricane Katrina insurance claims are in Louisiana.



*As of June 8, 2006
Source: PCS division of ISO

they're doing, and I'm hoping the carriers are doing the same thing with their examiners that review claims files."

Hart Hubbard, vice president of catastrophe services at adjusting and risk management firm GAB Robins, agreed. "I won't hire anybody who is not experienced," Hubbard said.

He said he believes adjusters are more prepared now for a storm like Katrina. GAB Robins and its insurer clients preplan to ensure there's enough staff to cover an event. Adjusters "try not to over-commit" their resources, he said.

On the carrier side, Matthew Power, executive vice president of Lexington Insurance Co., said post-Katrina, Lexington has developed proprietary catastrophe planning technology, which enables them to review potential resource needs pre-landfall. It also works with third-party adjusters to secure the requisite resources on a priority basis. The insurer is "first in line" to access those resources and the adjusters are contracted to allocate a percentage of their staff to Lexington in order to adequately manage



"Our agents in Louisiana are borderline paranoid about making sure they offer customers all the coverage they might need."

—Jeff Albright,

Independent Insurance Agents & Brokers of Louisiana

demand surge. "One key element of this approach is to not only accurately source the appropriate percentage of personnel, but to ensure access to the most experienced and seasoned claim professionals," Power said.

Lessons Learned

Adjuster workload and training were not the only lessons of Katrina. Jeff Albright, chief executive officer of the Independent Insurance Agents & Brokers of Louisiana, called the storm a "wake-up call for everyone."

"Katrina generated a lot of errors and omissions claims" for agents, Albright said. Most claimed agents never offered the policy buyer flood insurance. While most were dismissed, it changed how agents work with customers, he said. "Our agents in Louisiana are borderline paranoid about making sure they offer customers all the coverage they might need," Albright said.

Post-Katrina, agents, adjusters and insurers all put intensive catastrophe plans in place as well.

Power said Lexington now uses mapping technology to assess an event's probable path. "We are much better prepared to assess pre-event the extent of physical assets we have on the ground and to determine the extent we need independent adjusters," Power said.

Albright said agents have established branch offices outside of New Orleans as backup locations. They also

have arrangements to rent properties following a storm, in case they have to evacuate their main operations.

While agents are looking at how they can get away from the immediate disaster zone in order to continue operations, Hubbard said adjusters will head to the storm area before it hits, but will stay far enough away as to not get caught in the aftermath. You cannot do your job if you are injured in the storm, he said.

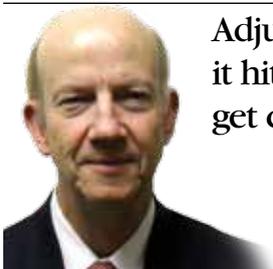
Adjusters will also try to locate in an urban area because "they get power back first," Hubbard said.

Agents have also "improved their technology enormously—systems are much more flexible in case of a catastrophe," Albright said. They have backup systems for their phones, such as out-of-state answering services. Their computer systems are on laptops, so they can take their operation with them in evacuations—or even moved to Web-based systems.

"Each year that goes by, we go more Web-based," Hubbard said, noting adjusters send everything electronically now. They use Web sites to find operating gas stations, and carry satellite phones and laptops with wireless access. **BR**

Adjusters will head to the storm area before it hits, but will stay far enough away as to not get caught in the aftermath.

—Hart Hubbard,
GAB Robins



Learn More

A BEST

Lexington Insurance Co.

A.M. Best Company # 02350

Distribution: Independent agents and brokers

For ratings and other financial strength information visit www.ambest.com.



Listen to the entire interview with Drew Powell at www.ambest.com/audio



Watch the Katrina Package video at www.ambest.com/conversations