

Helping residents rebuild their lives

“I’ve never seen anything close to this scale.”

These were the words of one Fort McMurray firefighter who had spent days in searing heat trying to get Canada’s worst ever wildfire under control.

Key facts:

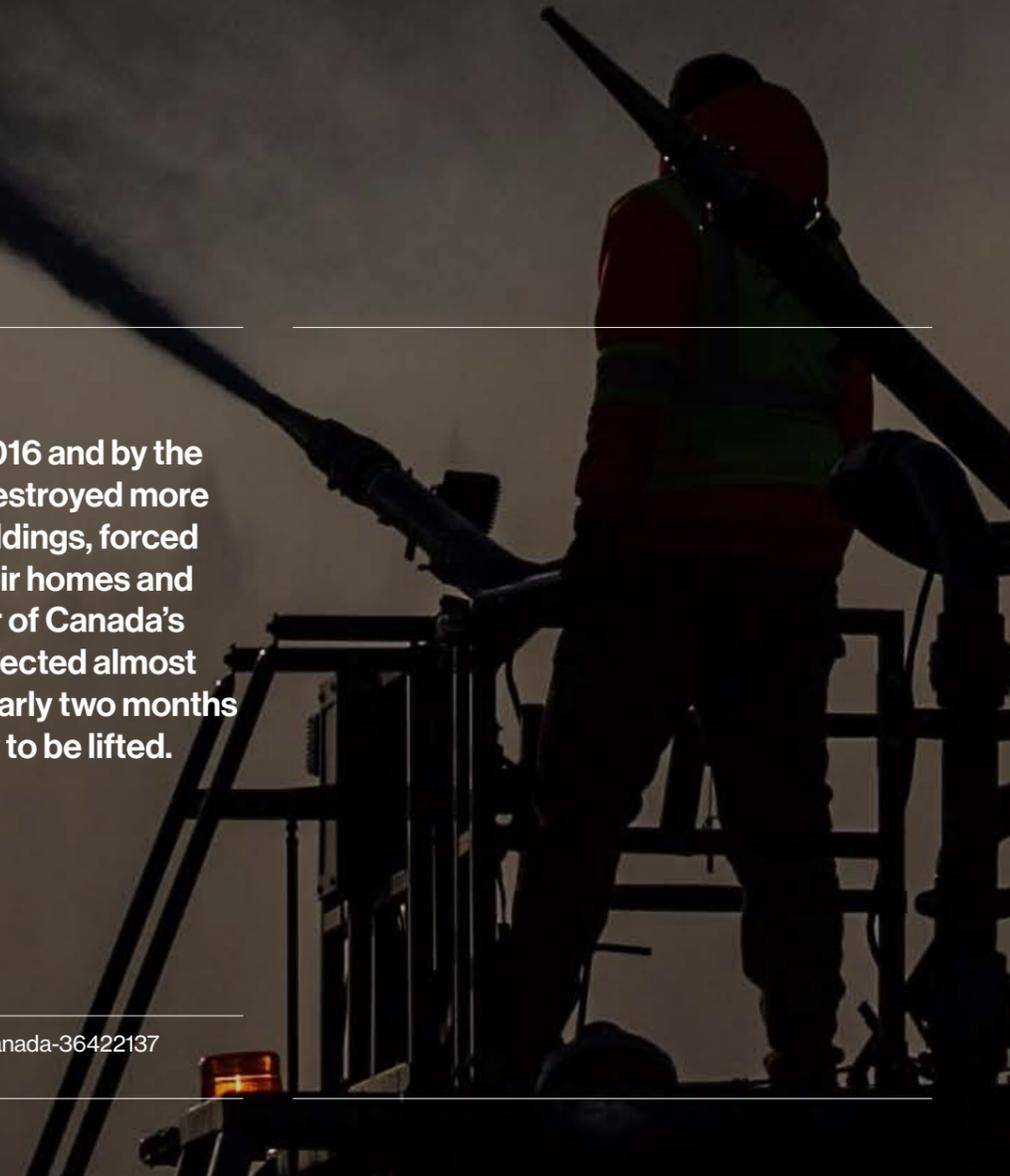
Lead insurers*:	TokioMarineKiln and Liberty Specialty Markets
Class of business:	Property
Cost of damage:	CAN\$3.6 bn

* (Note: 55 other Lloyd’s insurers have also paid claims relating to the Fort McMurray fire.)

Background

The fire began on 3 May 2016 and by the time it was put out it had destroyed more than 2,400 homes and buildings, forced 90,000 residents from their homes and shut down nearly a quarter of Canada’s oil production. In total it affected almost 6,000sq km and it took nearly two months for the state of emergency to be lifted.

<http://www.bbc.co.uk/news/world-us-canada-36422137>



A fast, coordinated response

As soon as reports came through that this was a serious event, Lloyd's insurers and brokers swung into action to make sure their network of insurers and claims experts had the support they needed to tell their customers what was going on and pay claims promptly.

Lee Bennett is head of property binder claims at TokioMarineKiln. He chaired the Lloyd's market McMurray working group, set up to make sure the claims process ran smoothly, and takes up the story. "The big thing with Fort McMurray was the lack of access. We knew the fire was burning but there was very little we could do from a claims-adjusting standpoint in the early stages," he says. "So our main focus was to make sure we spoke to all our coverholders and third-party administrators to get an understanding of their expected claims, as well as ensuring they had sufficient funds to settle claims in their authority, wherever possible."

Lloyd's also commissioned satellite imagery to assess the damage to Fort McMurray in the immediate aftermath of the fire. This gave an important early indication of the extent of the damage, because access to the town was restricted for the first two months, and most adjusters couldn't get onsite to assess the claims.

"The Lloyd's market is well versed in dealing with catastrophic events but there were specific challenges with this fire," says Bennett. "The main one was the lack of access to the site, but the location of Fort McMurray was a challenge too. There is only one road in or out, so logistics

surrounding debris removal and supply of materials for rebuilding were all things we had to take into account. Plus the winter conditions were horrendous, with temperatures dropping to minus 20C."

The importance of being on the ground

Despite the fact access was restricted, Bennett – like many others in his position across the Lloyd's market – flew out to establish a presence on the ground, and meet up with coverholders and some of the retail agents who bring in the business. "It is amazing how just turning up and listening makes a massive difference," he says.

Brent Lexier, claims manager at Can-Sure Underwriting, one of the Canada-based coverholders involved in the claim, agrees. "We had both Lee Bennett of Tokio Marine Kiln and David Pond of Liberty Specialty Markets fly in to Fort McMurray to see some of the claims and meet various retail brokers, along with our independent adjuster," he recalls.

"This not only showed our customers how important their claims were, it showed me personally how important the business that Can-Sure underwrites on behalf of these syndicates is."

Happy customers

Given the scale of the fire it is no surprise that months later the damage is still being assessed and claims processed. That said, thousands of dollars in claims have been paid out and, importantly, the Lloyd's market has received positive feedback from its coverholders and retail brokers for its swift and coordinated response to the disaster. This meant they could honour their promise to pay swiftly, and ultimately build trust with their customers.

"We heard many stories over the first few weeks of how, while our customers were having their businesses cleaned of smoke within a week, their neighbours had not been called back some 30 days after making their claims," says Lexier. "We don't like to hear those negative stories but it did make us proud to know how the efforts of the Lloyd's market made an immediate impact on our customers' lives. It was a very positive example of how the insurance industry responds best when it is needed most."

The value of insurance

There is a bigger picture too - the valuable role the insurance and reinsurance industry can play in mitigating the impacts of disasters. The Fort McMurray fire is estimated to be Canada's worst-ever natural disaster, with the cost of the damage estimated to be about CAN\$3.6 billion. That's almost double the \$2 billion in damages caused by the 1998 ice storms that swept across eastern Ontario and southern Quebec.

Reinsurance policies placed with the Lloyd's market and the subsequent claims paid, are playing, and will continue to play, a strong supporting role in getting Fort McMurray – its businesses and communities – back on its feet as quickly as possible.

That's the Lloyd's standard.

<https://www.thestar.com/business/2016/07/07/fort-mcmurray-wildfire-estimated-to-be-costliest-disaster-in-canada.html>

Adjusted to 2015 dollars