Claims excellence under extreme pressure

Every now and then, a huge natural catastrophe takes place that tests the central premise on which insurance and reinsurance are based – that is the promise to pay claims after disaster strikes. Superstorm Sandy was one such event.

Key facts:

States affected:	**24**
Class of business:	**Marine, property, casualty, energy, accident and health, and other specialty claims**
Total claims settled to date:	**$2.5 billion***

* Correct as of March 2017

The storm strikes

The devastating windstorm struck the Caribbean and the east coast of the US and Canada in October 2012.

Peak winds measured nearly 100mph over the Gulf Stream and at its height over Cuba the storm became a Category 3.

In the US, 24 states experienced storm effects including wind, rain, flood, coastal surge and blizzards. Sandy caused water levels to rise along the entire east coast from Florida to Maine.

Huge costs

The destruction was immense. Millions of residents in the Caribbean and North America were affected by power outages, and more than 150 people lost their lives.

Costs have been estimated at more than $50 billion, making it the second-most costly hurricane in US history (behind windstorm Katrina).

Not surprisingly, Sandy proved to be one of the largest claims in Lloyd's more than 300-year history.

Lloyd's swings into action

To date, Lloyd's insurers have paid thousands of claims totaling more than $2.6 billion from Superstorm Sandy.

More than 75% of Lloyd's claims were for property, followed by marine (17%). There were also a small number of casualty, energy, accident and health, and other specialty claims.

But claims service excellence is based on much more than numbers of claims and dollars paid out – it is also about how the claims are handled.

When the US Government mandated insurers to complete weekly performance scorecards with respect to their claims handling for Superstorm Sandy, broking firm Willis used its claims systems to find out which insurers had delivered above and beyond their expectations for their clients. It found that the top five performing international insurers were all from Lloyd's.

Keeping an eye on emerging risks

Of course, insurers in the Lloyd's market don't stop when claims are paid. They also look at ways to help customers work out where their exposures might lie and how to reduce them.

Lloyd's carries out research on everything from modelling and scenario development to emerging risk analysis and global risk costs.

For example, in relation to the challenges that Superstorm Sandy posed, a Lloyd's report, Catastrophe Modeling and Climate Change, found that the approximately 20 centimeters of sea-level rise at the southern tip of Manhattan since the 1950s increased Sandy's ground-up surge losses by 30% in New York alone.

Another study supported by the Lloyd's Tercentenary Research Foundation, Coastal Wetlands and Flood Damage Reduction, found that coastal wetlands along the Northeast coast prevented more than $625 million in property damages during Superstorm Sandy. It also found that where wetlands remain, the average damage reduction from Sandy was greater than 10%.

Claims excellence

It is this dual-track focus – on risk mitigation and claims excellence – that distinguishes Lloyd's from its competitors and gives our customers the peace of mind that once the storm has passed, we will be there to pick up the pieces and help them get up and running again as quickly as possible.

That's the Lloyd's standard.

Impact numbers from: http://www.livescience.com/40774-hurricane-sandy-s-impact-infographic.html