



{ CATASTROPHE MANAGEMENT { PLANNING

No-one knows when disaster will strike, but a well-developed mitigation and response plan can showcase your strength and crisis management skills, especially in emerging markets, as Keith Moskowitz explained to Intelligent Insurer.

The numbers are staggering: at least \$60 billion in total damages from Hurricane Sandy, \$120 billion for Hurricane Katrina, \$125 billion for the Great Sichuan Earthquake, \$100 million in flood damage in Colorado, \$3 billion for the Firestone tyres recall, \$170 million for the Sony PlayStation cyber attack.

Over the last three decades, the economic cost of natural catastrophes alone more than quadrupled—from an inflation adjusted average of \$25 billion in the 1980s, to \$95 billion in the 1990s and \$130 billion in the 2000s.

And that is just for natural catastrophes. Risk can come from all sides. Think terrorism and mass violence. Think climate change and cyber crime. Think another global financial meltdown, and the implications of resulting supply chain disruptions from catastrophes in a global economy. In 2012 alone, manmade and natural disasters accounted for \$140 billion in losses worldwide.

Everyone thinks of catastrophes as earthquakes or floods, and with tragic images of towns wiped away. But almost anything manmade can also be a catastrophe, whether it be an industrial accident, a product recall or a mass Internet privacy breach.

“Anything that can go wrong, could go wrong,” explains Keith Moskowitz, litigation partner at Dentons, who handles catastrophic claim events such as *Deepwater Horizon* and Hurricane Katrina. “It can happen at any moment, so you need to be prepared.”

Moskowitz explains that damage is not only financial—the cost to reputation goes hand in hand with the cost to individuals and property. Even a ‘simple’

catastrophe can do damage to public image, goodwill and ultimately profitability if handled poorly. There are also important relationships with governmental and regulatory entities that must be properly managed. But handled well, the value of being a good citizen in a time of crisis can be priceless.

PUBLIC-PRIVATE PARTNERSHIPS IN EMERGING MARKETS

More than two million people around the world died from natural hazard events between 1980 and 2012, the majority in developing and emerging countries, particularly in Asia and Africa. Not surprisingly, the portion of insured losses for the same period was lowest in those parts of world—an average of 8 cents as opposed to 40 cents in North and South America.

The uninsured portion then falls to the public sector to support, a public sector that may be ill-equipped—politically or financially—to provide the necessary rebuilding efforts.

Having a functioning insurance market is the best way to reduce the government’s burden. This is easier said than done for emerging markets which may not have, or may not be able to rely on, any kind of local insurance option.

Developed countries have an established governmental framework for insurance, something which may not be as robust—or even exist—in emerging markets. Before the insurance industry can provide support to these areas, private companies and insurers have to convince the public

sector to build the infrastructure necessary to grant international insurers access to these markets.

This may seem like heavy lifting for the public sector; but fortunately the private sector is in a unique position to provide targeted support. Organisations which have broad exposure to decades of catastrophic events worldwide—who have been there from the first claim to the final adjudication—can help insurers convince governments and non-governmental organisations of the importance of a healthy insurance market. Numbers don't lie, and hard data combined with practical case studies can go far.

It may fall on private industry to convince governments to implement minimum levels of insurance since the most vulnerable countries generally have the weakest financials to support the largest disasters. Private industry can also work with governments on establishing regulatory means to mitigate damages, such as establishing regulations for flood protection, severe weather warnings systems or building code improvements.

MITIGATE AND RESPOND

Once the immediate steps have been taken to control the damage from a major storm or plant explosion or to recall a defective product from the market, the challenges only continue: the claims and litigation start rolling in.

Managing the crisis is the cornerstone of any response, but crisis management is more than an immediate strategy to control the loss event. Moskowitz says that corporations, insurers as well as government entities, need to successfully develop and implement strategies to navigate the aftermath and resolution of catastrophic and large loss events.

“Here is where being proactive is far better than being reactive. There are strategies you can deploy not only to prepare for these claims, but to mitigate your risk and exposure in advance of the liability and regulatory storm,” he says.

It can be difficult to foresee the next big catastrophe, but “organisations have to establish strategies to mitigate and respond to risks before they occur”, says Moskowitz. The benefits, he says, can provide positive media attention, preserve corporate brand reputation and goodwill, allow early, positive conversations with government, regulatory authorities or other interested third parties, and rehabilitate customer relationships.

GLOBAL AND LOCAL

Catastrophes can happen in any location, but the fallout is worldwide. Even a localised disaster such as an earthquake or building collapse can have multinational effects, let alone the far-reaching consequences of a cyber crime.

Moskowitz notes that handling today's catastrophes requires the presence of being everywhere at once and understanding the judicial systems in every jurisdiction.

It's even more true when thinking about the labyrinth of country-specific insurance regulations—is a foreign subsidiary really covered by an US or European insurer? How do the various laws work together (or against each other) in a multinational disaster?

Speaking the language, in every sense, is key.

Being fluent in the language and culture is one thing, but to be really invested “it's important to have established relationships with best medical experts, reconstruction experts and local law firms,” Moskowitz says. “These kinds of pre-existing relationships with trusted third parties provide a commitment from that vendor which avoids the painful ‘emergency leveraging’ that can happen when you have to go with an unknown or untested third party who may be trying to profit from your lack of fluency.” □

HOW TO PREPARE FOR THE UNKNOWN

- Making sure your products and services go above and beyond the basic regulatory requirements will not only reduce the likelihood of disaster, but will provide a strong defence should litigation arise.
- Keep your crisis plans updated, including communications—in all the languages and platforms, including electronic and social media;
- Designate a team and facilities to support local needs, be it communication, housing or business services; and
- Practise, practise, practise.

MEET KEITH MOSKOWITZ

Moskowitz is a commercial and insurance litigator focusing on complex class actions, catastrophic losses and coverage disputes. As a partner at Dentons, he has particular experience in counselling clients on insurance claim department organisational and process issues, as well as developing strategies to respond to and manage catastrophic events.



Moskowitz currently represents BP in connection with the *Deepwater Horizon* oil spill litigation, and was involved in coordinating a major insurer's response to Hurricane Katrina, including a Congressional investigation, Department of Homeland Security subpoena and a federal grand jury, and various civil litigation matters. He also created national claim handling and underwriting responses for mould claims for several insurance companies, and set up the run-off of a property casualty insurer's international business.

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