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Delivering service – any place, every time

Major and complex losses arrive in many forms: fire, flood, criminal activity, earthquake or error. In each case the challenge is to rapidly assimilate the issues presented and to apply expertise that reassures and resolves in equal measure.

Good communication is the critical success factor
A common element of all the claims that we’ve successfully handled is that good communication is critical across all parties involved in the loss.

Clear and timely communication is the glue that builds a team in a major or complex loss. Only by working together as a team and building the confidence of our clients and their customers can we get to the bottom of the critical issues and provide the support needed to manage the loss effectively.

Boots on the ground
Having talent on the ground is essential. Both the Fort McMurray fire and the claims from the conflict in the Ukraine illustrate that there’s no substitute for physical proximity to the problem. The critical element across these claims was our ability to mobilise local teams and get them on site quickly, so that clients could be given early loss assessments and remedial works could be started as soon as possible.

Experience pays dividends
Another theme illustrated by several of our claims (the Modern Express casualty, the factory fire in Australia and the UK floods) is that sometimes you have to spend money to save money. All of these cases required solutions that involved additional investment up front to deliver a significant reduction in the overall cost of the loss. Persuading clients of the merits of this approach means having experts who have seen this sort of loss time and again to explain the benefits fluently.

Unearthing the truth
Many claims turn out to be more complex than they at first appear. The cyber extortion claim and the forest fire on the Iberian Peninsula both show that apparently superficial damage can conceal much deeper rooted issues. In claims such as these, forensic analysis capability helps to unravel the story and get to the bottom of the problem.

Man and machine
The ability to deploy technology is a vital component in adjusting today’s losses – whether it’s drone technology to get early sight of damages at inaccessible sites or video and online reporting to assist our insurer clients in undertaking quicker and more accurate loss assessments. There’s no doubt that the power of people is enhanced by the smart use of machines.

An interconnected world
In today’s interconnected world, major and complex losses are invariably multifaceted and require a team of loss adjusters working in more than one jurisdiction. The sugar beet case study highlights how one simple mistake can result in losses for numerous parties located in a variety of countries and demonstrates the complexity of unravelling a supply chain loss. Managing this connectivity is a vital skill for our teams.

Right people, right place and right time
The ability to deliver the necessary specialist technical capability wherever and whenever underpins everything we do. Put simply – it’s about having the right people, in the right place at the right time.

The customer demand and expectation levels are proportionately greater in major and complex losses. To help our clients’ customers get their lives and businesses back on track, our adjusters deliver an exceptional service that draws upon their depth of experience, their collective breadth of knowledge and the support of our global network.

In this review we’ve captured case studies that illustrate three themes that we’ve noticed in dealing with these losses. These are the themes of changing weather, emerging risks and hidden exposures.

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Major & Complex Loss Review 2017

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Changing weather
Beating back wildfire losses

With more extreme weather being experienced in many parts of the world, the frequency and ferocity of wildfires is increasing.

Often these burn at extreme temperatures, covering vast tracks of land at tremendous speed – swallowing up homes, businesses, and even whole towns, leaving devastation in their wake. The damage is widespread, including physical damage to property and land, and soot and smoke contamination. The affected areas are usually very difficult to access in the immediate aftermath, making loss adjusting claims a difficult and dangerous task.

The scale of wildfires means that the aggregation of loss is often high, and resources to manage the quantity and scale of the claims are stretched to the limit, both in terms of helping affected home and business owners and claims handlers to manage the quantity of claims arising. Incidents like these really test the skills of loss adjusters. We often use expert teams to help handle these major loss situations.

In May 2016, Fort McMurray, situated in North Eastern Alberta, in the middle of the Athabasca Oil Sands and surrounding boreal forest, was engulfed by raging wildfires.

The cause of the fire is unknown, but very dry conditions accompanied by strong, gusty winds and an abundance of pine forests, aided the fire’s progress and impact. The fire engulfed communities so fast that people were forced to flee their homes and businesses at very short notice, and relocate several hours away, with no knowledge of the status of their home or livelihood for many weeks. This lack of information and uncertainty created additional stress, with people seeking answers on what insurance coverage was available, and how quickly emergency funds would be paid to cover additional expenses and fixed business costs.

In addition, oil production in the areas was cut by over one million barrels a day, and many other commercial businesses were forced to close for over a month due to the evacuation orders in place. Although the actual losses are lower than the initial estimates – property damage claims are now thought to be around CAN$3.58bn – it’s still the largest natural catastrophe loss in Canada’s history.

Due to the entire town of Fort McMurray being engulfed by the fire, the Canadian authorities imposed an evacuation order across the affected area that stayed in place for about a month. This allowed for air quality to improve and the risk of smouldering fires to reduce. By working with the Royal Canadian Mounted Police (RCMP) check points, our adjusters gained early access to Fort McMurray as our work was deemed vital.

This included repairing grocery stores, building centres, hospitals and other infrastructure needed by residents when they were allowed back into the town.

Loss adjusters in Canada must be licensed in the province where they’re working. As we already have licensed experts in Alberta, we could respond immediately. Our local experts were supported by a further 15 adjusters based in some of our other offices across Canada. They too were licensed to operate in Alberta, and this saved time applying for licenses before gaining access to the site.

Another challenge was the remoteness of the area, which meant the closest available airport was Edmonton – a days’ drive away, and available accommodation was over 300km away, resulting in daily six-hour round trips. Site access was only permitted during the daytime. To maximise our time on site we operated a shift rotation.

Our on-site adjusters made sure they relayed information back to our insurer clients on the extent of the losses, as quickly as possible.

We also got permission for engineers, cleaning specialists and other technical experts to access commercial sites before the evacuation order was lifted. This work was vital to minimising business interruption losses, and making sure that infrastructure was in place to support the residents when they returned to the town and their homes.

1The Insurance Bureau of Canada
Our ability to mobilise a team of local specialists meant we were one of the first loss adjusters on-site, post the fire. We were able to undertake loss assessments and get the appropriate specialists on board to undertake the necessary repairs and clearing works to help get businesses operational and homes habitable in the fastest time possible. Our experience of handling similar major losses, good communication networks and a proactive approach to problem solving, all contributed to the successful management of our clients’ Fort McMurray losses.

Ben Price
Head of Operations
MCL Global

2,400 houses destroyed by the fire

90,000 people forced to flee their homes and businesses

1 million barrels Oil Sands production was cut by over one million barrels a day

CAN $3.58bn in losses amounted to property damage claims – the largest natural catastrophe loss in Canada’s history

25,000 acres of land impacted by the fire, leading to

27,000 property claims

5,000 commercial property claims

12,000 motor claims

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Weathering the storm

Climate change is making flooding in the UK increasingly common. Floods experienced in the North of England in the last couple of years have been widespread, creating a surge of claims that has put loss adjusting and claims management teams to the test and severely stretched the availability of alternative accommodation, drying equipment and building contractors.

In December 2015, the UK was battered by two massive storms – Eva and Desmond – which struck within a couple of weeks of each other, leaving a trail of destruction, flooding and power outages in their wake.

Storm Desmond set a new rainfall record with 341.4mm of rain in just 24-hours, compounded by wind gusts of 81mph. Storm Eva followed and hit over the Christmas holiday, bringing further strong winds and torrential rain that forced thousands of families in the North of England to find emergency accommodation, and left many properties without power for several days.

On 26 December 2015, the River Irwell in Salford burst its banks, and we were appointed to assist the policyholder, a Housing Association where 309 properties of varying types and sizes were hit by flood damage, including a separate sheltered accommodation block for elderly people.

Our loss adjusters provided guidance and assistance to the policyholder, in implementing a targeted emergency recovery plan to support the affected households, and at the same time minimise the loss for the insurer.

We were keen to reduce the disruption to the tenants’ lives and keep them close to their community. Due to the scale of the damage, finding alternative accommodation in a nearby location was difficult and would’ve been very costly.

We worked to create a solution that would enable tenants, where appropriate, to stay in their homes whilst the dry-out and reinstatement works were undertaken. We worked with the policyholder and insurer to offer residents a fair disruption payment per property, to be managed by the policyholder, that also covered the additional energy costs for running drying machines and other disturbance costs to encourage them to remain in situ. Apart from the most vulnerable of elderly residents who were moved immediately, most residents took up the offer to stay.

“Generally, flood repairs are lengthy, costly and disruptive. We know that critical decisions need to be taken quickly and our aim was to support the policyholder’s tenants by keeping them close to their community, and getting their homes fully habitable again as soon as possible. To help achieve this objective our experienced ‘surge’ team were on hand quickly after the flood hit. By working with all parties involved, we helped support residents impacted by the storms by delivering a service that helped manage the loss as effectively as possible for all concerned.”

Roger Palmer
Major & Complex Loss Technical Director
A fast response to the floods by the policyholder and their contractors meant they immediately sourced over 200 dryers and dehumidifiers. With the assistance of our consultants, the properties most affected by the flood waters were identified and allocated the drying equipment. These actions helped reinstatement works begin in the shortest time frame, so tenants’ homes could be made fully habitable as quickly as possible.

It was also decided that three of the policyholders’ existing contractors should be instructed to undertake the reinstatement works as their prior knowledge of the properties would speed-up the response. To facilitate the organisation of these works, the properties were grouped by location and allocated based on the needs of the selected three contractors.

The result was the residents got their homes back to normality in record time.

We also supported the chartered surveyor in their successful application for a government grant to install flood resilience measures as part of the reinstatement works, to help make the properties less vulnerable to flooding in the future.

Using technology to best advantage

Due to widespread flooding created by Storms Eva and Desmond, many areas of the UK were inaccessible, so drones were deployed to fly over the affected areas to build up a detailed picture of the extent of the damage and general environment, which provided insurers with a more accurate picture of their potential losses to assist with their reserving calculations.

Our loss adjusters, equipped with iPads, submitted video footage from site straight to insurers. This helped underwriters get a good understanding of their exposures in the aftermath of a major flood and helped them to reserve better to provide faster initial claims payments.

This eased the logistical issue of trying to find similar, and local, accommodation for tenants on such a widescale and created savings of £1.5 million in relocation costs.

A fast response to the floods by the policyholder and their contractors meant they immediately sourced over 200 dryers and dehumidifiers. With the assistance of our consultants, the properties most affected by the flood waters were identified and allocated the drying equipment. These actions helped reinstatement works begin in the shortest time frame, so tenants’ homes could be made fully habitable as quickly as possible.

We worked closely with the appointed chartered surveyors to agree a schedule of repair works.

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In recent years, vast tracks of forest in Australia, California, Canada and Chile have all fallen prey to forest fires. In Spain and Portugal there has also been an alarming increase in large forest fires over the last decade, up by 200 hectares per fire on average between 2001-2013.

The environmental damage caused by these fires is significant, and so too are the commercial losses linked to the costs of replanting trees and repairing the surrounding environment. Adjusting the losses requires the consideration of numerous factors including the cost of extinguishing the fires, the age of the trees, the extent of the damage, the presence of protected species of flora and fauna, and the investment needed to replant the forest.

During 2016 we assisted with a claim relating to a large forest fire that raged on the Iberian Peninsula, damaging about 3,200 hectares of terrain (including 1,000 hectares of forest). Our forest engineers and environmental specialists from the Iberian Peninsula evaluated the risk of erosion and the reforestation costs. The initial loss estimate for the damage to the forest was €35m, which made it the largest forest fire loss experienced in the region. Due to the size of the claim and scale of the damaged area, our experts chartered a plane equipped with infrared equipment to photograph the affected area.

The imagery collected was used to create a 1.86mt/pixel resolution digital elevation model that was based on geographical data of the area. Special software was used to apply the infrared images collected to a normal vegetative index, enabling us to assess the level of damage the fire had caused to the trees. Armed with this information we split the forest into four areas, each with different levels of damage to produce an accurate assessment.

Ageing the trees is an important task, so that reforestation costs are calculated based on the time it will take for the new trees to reach the age of the burnt ones. To create an accurate age assessment of the trees over the 1,000 hectare site, our specialists completed a review of historical aerial photography from 1956, which was compared to current images of the forest prior to the fire.

The insurer is delighted with the result.
Using technology to best advantage

By employing the latest infrared imagery, applying the imagery gathered to geographical mapping, and using computers to create a digital elevation model, we could more accurately assess the level of damage caused to the trees by this vast fire. This unique insight provided the data required to significantly help reduce the loss estimates.

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The unique combination of skills within the team in Iberia meant we used our specialist knowledge of forests and environmental issues, imaging technology and computer mapping to generate an accurate loss assessment. This was a significant challenge due to the huge area affected by the fire, but the time and effort paid dividends and the result was a very significant reduction in the cost of the resulting claim.

Carlos Mantecas Alonso
MCL Global Specialist
Spain

There has been a significant increase in large forest fires over the past 10 years.

In Spain and Portugal there has been an increase in large forest fires – up by 200 hectares per fire on average between 2001 and 2013.

In 2016 a huge fire damaged 3,200 hectares of terrain including 1,000 hectares of forest on the Iberian Peninsula.

The loss assessment work reduced the loss by 75% of the original estimate – from €35m to €8.5m.

10 years

200 hectares

3,200 hectares

75% reduction

Damage caused by forest fires includes flora and fauna damage and reforestation costs

Infrared photography, computer mapping and historical aerial photography were used to create an accurate loss picture

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Emerging risks
In the summer of 2014, fighting between pro-Russian rebels and Ukrainian forces escalated along the front line in eastern Ukraine and a battle for Donetsk airport raged.

Artillery fire was reported in several areas of eastern Donetsk and Luhansk regions, the hospital in Donetsk City was hit and the surrounding areas were badly damaged.

The military action resulted in mining and processing plants, business centres, public infrastructure and sports facilities being hit by artillery and mortar attacks. Businesses and houses were badly damaged or destroyed. Armed militants pillaged trade centres, shops and car showrooms, and chaos reigned across the region. Local insurers and international reinsurers urgently needed to get an understanding of the losses sustained.

We were the only claims management and loss adjusting company on the ground, representing 12 insurer and reinsurer clients. Loss adjusters had to travel over 200km across territory controlled by armed militia.

100% of the site visits were undertaken. The loss assessment work reduced the loss by 75% of the original estimate – from €35m to €8.5m.

There was no place to stop overnight as militia fighters had taken over all the hotels in the region. So the team had to be very resourceful in finding ways to access damaged sites, which resulted in our adjusters putting themselves in highly dangerous situations. The loss adjusters on the ground were supported by Andrey Semenov, the Ukrainian team director, who was the 24-hour contact with the adjusters on-site.

Accessing the sites was only half the problem. When our adjusters were inspecting one site, shelling started in the surrounding area and forced them to flee by foot to a nearby bomb shelter.

• Fighting broke out in the summer of 2014 between pro-Russian rebels and the Ukrainian forces on the front line in eastern Ukraine impacting several areas of eastern Donetsk and Luhansk regions.
• Losses included damage to factories, mines and public buildings, and looting of warehouses and supermarkets.
• Interpretation issues linked to military terminology arose, resulting in local insurers not agreeing to settle losses and numerous legal fights.

In the firing line

The losses we were instructed to assess included destruction and damage to factories, mines and public buildings due to the shelling and fighting in the region. In addition, armed groups had raided warehouses and supermarkets stealing medicines, products, building materials and food.

Reaching the various sites was extremely hazardous. Our loss adjusters needed to travel over 200km across territory that wasn’t controlled by the state. They had to navigate their way safely through roadblocks manned by illegal armed groups and dodge artillery fire.

On another site visit to a damaged shopping mall and warehouse, armed militants arrived and our adjusters had to hide to avoid being shot.
Due to the determination of the team, 100% of the site visits were undertaken and insurers and reinsurers were supplied with detailed and objective loss reports on the damage and destruction to the policyholders’ premises.

As we worked through the planning on how to adjust these losses and considered the challenges, for example communication and logistics, we also encountered several difficulties linked to insurance legislation in the Ukraine. These included interpretation issues around terms such as ‘military actions’, ‘anti-terrorist operations’ and ‘military conflict’ that arose from the fact that martial law hadn’t officially been declared, despite the military operations being conducted by the regular Ukrainian army. These misunderstandings, and unwillingness by local insurers to agree and settle losses, have given rise to numerous legal fights against these insurers by policyholders.

The experience gained by the brave loss adjusters on the ground in the Donetsk and Luhansk region has given us a unique insight and considerable practical experience into the management and settlement of losses resulting from hostilities in this part of Europe. In particular, the need to agree the procedure in detail with the insurer and policyholder prior to commencing our work, as well as making sure of the safety of our loss adjusters at all times. Using the knowledge gained from the logistical issues experienced by the team, as well as the legislative problems linked to military terminology, the team now conducts seminars and training sessions for insurer clients and other Cunningham Lindsey partners with interests in politically volatile areas of Europe. Sadly, with the political situation in the region still unstable, this experience is unlikely to be a one-off situation.

Irina Mamchur
Lawyer, United Loss Adjusters in association with Cunningham Lindsey Europe

Due to the determination of the team, 100% of the site visits were undertaken and insurers and reinsurers were supplied with detailed and objective loss reports on the damage and destruction to the policyholders’ premises.

These reports included photos and videos, which had to be transmitted via mobile internet connection to Cloud storage, and then deleted from their devices, because if the illegal armed groups had found these images our adjusters would’ve been in danger of being arrested.

As we worked through the planning on how to adjust these losses and considered the challenges, for example communication and logistics, we also encountered several difficulties linked to insurance legislation in the Ukraine. These included interpretation issues around terms such as ‘military actions’, ‘anti-terrorist operations’ and ‘military conflict’ that arose from the fact that martial law hadn’t officially been declared, despite the military operations being conducted by the regular Ukrainian army. These misunderstandings, and unwillingness by local insurers to agree and settle losses, have given rise to numerous legal fights against these insurers by policyholders.

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According to recent UK Government figures, the cost of malicious cyber-attacks nearly doubled in 2015, and this trend continued throughout 2016 with seven out of ten attacks on all firms involving viruses, spyware or malware. These figures are likely to be the tip of the iceberg, as criminals can purchase malware openly on the dark web in exchange for digital currency.

Cyber criminals are indiscriminate as to the type or size of company they attack. The UK’s Department for Business, Innovation & Skills’ 2015 Information Security Breaches Survey revealed that 90% of large firms and 74% of small businesses had experienced a data breach or cyber-attack.

Ransomware is the fastest growing cyber crime. This is where malicious code is executed within a corporate network either by running an email attachment or after being injected and initiated by criminals.

Once activated the malware locks data in situ by encrypting it, following which an extortion demand is made for the release (decryption) of the data. Ransoms are commonly set low to encourage companies to pay and are usually demanded in digital currency, eg Bitcoin. The criminals can convert their digital currency back into tangible currency.

The subsequent delay in being able to access their IT system and vital data was causing significant issues to their ability to trade. The policyholder was minded to pay the ransom in an attempt to get their data unlocked.

We advised the policyholder not to pay the ransom, as this doesn’t necessarily result in the criminals supplying the decryption key to allow the data to be unlocked. Details of companies who pay are often sold on in the form of a ‘suckers’ list’ on the dark web, increasing the propensity for further attacks. Paying a ransom increases the risk, which could be detrimental when taking out future cyber policies. This could result in higher premiums or terms being applied.

Unfortunately, even when victims pay the ransom less than half recover their lost data.

The FBI estimates that cyber criminals in the USA netted $209m in the first three months of 2016, linked to denial of service and ransomware attacks, putting their gain for the year around $1bn in the USA alone.

Once instructed we immediately deployed our cyber experts to assist the policyholder with decryption of their data. Within a short time, the data had been unlocked and access to the policyholder’s data and IT system was once again established.

Cyber crime is a 21st century problem that any organisation that relies on data to run its business, or stores personal or financial information on its employees, customers or suppliers, is at risk of being a victim of.
Once unlocked we implemented a recovery plan to cleanse the system of the malware to get the business operational again. We also advised on better back-up processes and improved risk management procedures to try to prevent a similar loss occurring again in the future.

In another incident, late one Friday night we received notification of an extortion threat. A criminal had threatened to damage the business network if a payment in digital currency wasn’t made. The threat was taken seriously as the criminal had in-depth knowledge of the network environment.

A cat and mouse scenario ensued over the following two weeks, where we would lockdown part of the network only for the work to be circumnavigated by the extortionist. The surprising aspect was the speed at which the criminal could navigate around the fixes being implemented and the level of knowledge they had of the IT system and its specific features. This raised our suspicions that this could be an inside job. We turned our attention to investigating people within the organisation who could be behind the attack. Our investigations revealed that a member of staff was the extortionist. Thanks to the speed in which our specialists had responded and the initial forensic work we undertook, the staff member didn’t have time to fully cover their tracks. We had a good body of evidence, which we presented to the management team of the company and the police, resulting in the fraudster being arrested and charged.

By the next morning we had deployed a team of forensic IT experts, who took a digital snapshot of the network and back-ups and set about securing the system.

These two cases demonstrate the need for policyholders to get specialist assistance as soon as a cyber crime is discovered, as speed of response is critical to successful resolution in these kinds of claims. Our hands-on approach in unlocking data and resolving issues as quickly as possible, are key elements of our work as this helps to limit the damage done by the criminals and mitigate any business interruption losses flowing from the cyber event.

No organisation, whatever their size, is immune to a cyber attack and being prepared by having a cyber response plan and having the appropriate risk management procedures in place is essential for a positive outcome for the company.

Dr Mark Hawksworth
Global Specialist Practice Group Leader – Technology

In 2016 the FBI estimated that cyber criminals netted around $1bn in the USA alone

7 out of 10 attacks involve malicious viruses, spyware or malware

$1bn netted

2.5m cyber crimes were reported in the UK in 2015

90% & 74% of companies

90% of large companies and 74% of small companies in the UK experienced a data breach or cyber attack in 2015

• All businesses are at risk of a cyber attack
• Ransomware is the fastest growing cyber crime
• Cyber attacks in the UK doubled in 2015 and 2016

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Learning lessons from tragedy

Major construction works undertaken in residential areas have a number of inherent risks. Large telescopic cranes that combine compact size with extreme lifting power are often used, but these need specific expertise to make sure there’s no risk of collapse, especially when working from a floating barge.

Strict risk assessments are required, but incidents do happen and, when they do, the consequences are often catastrophic. The losses resulting from a construction-related accident in a built-up area are numerous and subject to close media scrutiny and local interest. In addition, various teams of specialists involved in damage assessment all vie for access and information. The stress of handling incidents of this nature and the complexity of unravelling the resulting third party claims can create delays in payments, rack up costs and hinder decision-making.

A tandem hoist of the bridge deck inclusive of its ballast block, was planned using two mobile hydraulic cranes (with maximum lifting capacities of 400 and 700 tons respectively) erected on separate floating barges on the river. The bridge deck was to be lifted from a separate third floating barge, then manoeuvred between the two cranes and tilted into a horizontal position. The barges would then float the bridge deck 100 metres up the river to the site, hoist it into place and mount it.

During the start of the elevating process, one of the floating barges heaved, causing a yield to one of the cranes’ jibs, resulting in a horizontal movement of the bridge deck. This created additional heave on the barge, and the crane started to tip sideways, pulling the bridge deck with it. The crane and the bridge deck moved sideways and toppled. During the bridge deck’s fall it also pulled the larger crane sideways, which also fell over.

On 3 August 2015, a new bridge deck for the Queen Juliana Bridge, which crosses the river Oude Rijn in the Netherlands, was due to be hoisted into place.

The cranes and the bridge deck flattened six houses, a restaurant and shops on the shore. Thankfully there were no injuries. Only a dog was killed.

There were over 250 third party claims associated with this devastating incident, in addition to significant first party losses. We were assigned by the mobile crane company’s liability insurers to assist with assessing the losses.

The big challenge we faced was how to deal with the quantity of claims, and not compete with the numerous other parties working on the loss. To co-ordinate the loss assessment work and to pool experience and knowledge to expedite valid claims payments, we agreed to collaborate and work as a team with all the other experts working on-site to act on behalf of first parties’ insurers.

Even prior to civil and criminal governmental investigations, we initiated an independent and objective investigation into the accident on behalf of the crane company and its insurers, employing highly specialised technical investigators and incident investigators. They undertook extensive research into the incident, which ran from August to the following March, the results of which were presented to the Dutch Safety Board prior to the issue of its own report on the incident.

Because of our, and the Dutch Safety Board investigations, new common safety practices in the hoisting industry, in relation to tandem hoists and operating cranes from floating barges, have been implemented.
Losses of this nature are very complex to manage, because of the numerous parties involved and the significant, and different, interests of these parties. Of course, there’s a demand to assess the third parties’ damages as quickly as possible, as well as to uncover the cause of the incident, thus enabling insurers to consider their position on liability and insurance coverage. In addition, the damage to the commercial companies’ reputations is also a key consideration, as the inevitable media and public attention puts huge pressure on the first parties involved, their insurers and loss surveyors. The collaborative approach taken by all the loss experts involved in the Queen Juliana Bridge incident was exceptional, benefiting all parties involved. Processes were streamlined, decisions were made faster and a lot of duplication of work and extra cost for insurers was avoided. In addition, we added value by deploying different disciplines in the investigation work into the cause of the incident, assessment of damages, and the assistance we provided to the insured, its insurer and lawyers.

Erik van den Bos
MCL Global Specialist
The Netherlands
Hidden exposures
Managing a loss after a factory fire needs a team of experts with a unique combination of skills, including structural engineering, property reinstatement expertise and accounting specialists to help monetise the scope of the loss. These experts need to work together to accelerate the reinstatement process of the factory, mitigate the effects of the fire on the property and manage and restrict the business interruption exposure.

Good communication between all parties is critical to the successful management of a loss of this kind, as it helps to provide the insight and understanding of the business needed to get it operational again as quickly as possible.

We can then understand the critical issues, and get the support and authority needed to manage a claim of this nature and deliver a more positive outcome for all parties involved.

When a fire happens in a manufacturing plant the initial focus is to get the fire under control, and then assess the physical losses, such as damage to buildings, machinery and equipment. Often the biggest loss is linked to business interruption and the knock-on effect to the supply chains.

A successful manufacturing company based in Queensland is Australia’s largest manufacturer of planetary gearboxes, producing them for some of the world’s leading earthmoving companies. The policyholder manufactures 95% of their products in-house and exports to companies in New Zealand, USA, UK and Europe.

On Wednesday, 2 March 2016, their future was threatened when a fire took hold in a service workshop on their premises in the early hours.

The fire started when a loader caught fire whilst the facility was closed and it spread throughout the 8,000sqm workshop, melting equipment. Smoke and soot from the fire also damaged plant and machinery.

Following the fire, the insurers appointed our MCL Global team to help manage the claim and get the business operational again as quickly as possible.

Our first tasks were to make sure delays in production were minimised, key equipment was temporarily repaired and temporary manufacturing premises were set-up at a nearby location.

Working as a team and taking a very hands-on approach helps to build confidence with both the insurer and the policyholder.

We can then understand the critical issues, and get the support and authority needed to manage a claim of this nature and deliver a more positive outcome for all parties involved.
We also worked with the policyholder’s management team to help them move to manual operations. The policyholder created extended working shifts and outsourced some of the processes to enable the production of key components to be maintained, and the business to remain operational. These measures involved significant additional costs, but they were essential to help the company achieve over 90% of its normal turnover, including sales that were critical to its long-term business relationships.

At the same time, with strong support from the insurer, our loss management team oversaw the reinstatement works to the damaged warehouse, and worked with the policyholder who sourced replacement manufacturing equipment from suppliers around the world.

The resurrected facilities included streamlined processes and incorporated new technologies, which have set-up the policyholder for the next phase of their growth while mitigating the overall loss to insurers.

Before the end of 2016, the policyholder’s new factory complex had risen from the ashes, and during this repair and rebuild programme the company had managed to maintain both their production line and critical supplies to retain their customers.

“Getting the business back on its feet quickly was critical to the successful outcome of this loss. To do this our team were on-site daily during the initial phase to identify the key actions needed to repair and protect the business. Keeping communication lines open with all parties was essential and this was assisted by the active involvement of the insurer, who took a hands-on approach, undertaking frequent site visits. This helped to reassure them that the claim was being managed effectively and expedited critical payments. We were fortunate to have a proactive and resourceful policyholder, who responded positively to all suggestions and to being empowered to rehouse and streamline their production processes, which was critical to keeping their supply chain intact.”

Tony Morgan
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What lurks beneath

When works are undertaken on a site previously used for a different purpose, toxic substances and contaminated soil can be unearthed, creating hazardous conditions for workers on the site.

These hazards beneath the surface can result in significant clean-up costs and long delays for any building projects. Before any work can commence, it’s imperative that an environmental health and hazardous materials (HAZMAT) safety plan is put into place, which outlines strict procedures for all excavation works undertaken. In addition, regulators will be involved and construction firms and sub-contractors need to be reassured that their workers will be safe. Local residents also need to be kept safe and informed of any risks.

When a construction management firm was contracted to oversee the construction of a bus maintenance facility for the City of Worcester, Massachusetts, it faced a considerable challenge when excavation works revealed badly contaminated soil created from the former occupier of the site – a utility company’s manufactured gas plant.

The gas plant sat on a 9-10 acre site and had been decommissioned between 1969 and 1975. Tar, sludge and solid waste had been removed from the site and a warehouse, pipes and a 750,000-gallon oil storage tank and concrete foundation demolished.

When works are undertaken on a site previously used for a different purpose, toxic substances and contaminated soil can be unearthed, creating hazardous conditions for workers on the site.

What emerged as works began was a hazardous mix of asbestos, flammable substances in the soil, abandoned underground oil tanks and other perilous materials.

All of this represented a significant effort to be undertaken by all contractors on-site, to protect against potential health risk to the workers in situ.

EFI Global, our forensic engineering, fire investigation, environmental and laboratory testing services team in the USA, were brought in by the construction manager to develop an environmental health and safety plan to minimise inhalation and skin contact exposures, implement vapour and dust control procedures and monitor and identify any work linked to the contaminated soil and ground works.

In addition, HAZMAT training for all personnel working on-site was needed, which was undertaken by our team.

It involved a 40-hour course for all workers operating in the affected zone, and an additional 8-hour course for supervisors working on the site. It encompassed all aspects of working with hazardous materials, including personal protection, asbestos and respiratory training, as well as confined space training.

We created exclusion zones so that any non-HAZMAT trained workers and sub-contractors weren’t permitted to enter.

9-10 acres
A 9-10 acre site that previously housed a gas plant that had been decommissioned between 1969 and 1975

40 hours of training
40-hour HAZMAT training given to all workers on the site

2 scientists
Two environmental scientists on-site, equipped with real-time air-monitoring reading instruments

2 years
Decontamination works took two years to complete

- A hazardous mix of asbestos, flammable substances in the soil, abandoned underground oil tanks and other perilous materials were unearthed
- Buffer zones with clear designated exclusion areas and strict entry and exit procedures were implemented
Measures we implemented included:

- a special secured entry and exit to the site for personnel and vehicles entering and leaving the infected zone
- buffer zones with clear designated areas between the exclusion zones and clean zones
- decontamination and secure storage of tools and equipment from the exclusion zone
- clean zones created where site trailers, break areas and visitor sign-in processes were undertaken. In addition, any truck leaving the exclusion zone was cleaned before departure to make sure all contaminated soil remained on-site

Excavation controls also set out who could do the work and where contaminated soil could be transported to and disposed of. Site controls included dust and odour monitoring and controls for volatile and semi-volatile organic compounds, soil management and site and storm water management.

Personnel controls were implemented, which encompassed escorted site inspections for the owner representatives, engineers, regulators and other non-HAZMAT trained personnel, and work stoppages were managed when these inspections were undertaken.

We had two environmental scientists staffing the project, equipped with real-time air monitoring instruments to check volatile organic compounds, dust and asbestos to verify workers weren’t being exposed, and that the construction site didn’t impact neighbouring sites.

Using technology to best advantage

Real-time air monitoring instruments are highly sensitive instruments that monitor in parts per billion and these were calibrated every day to check accurate readings were taken. These instruments were used at all site work locations and along the site perimeter, in combination with wind direction monitoring data. The data from the reading instruments was transmitted remotely to a website, where the data was analysed and fed back to the scientists on-site, so that practical safety measures could be applied if needed.

By providing real-time air-monitoring data via the latest Wi-Fi and web technology and an embedded text and mobile alarm communication programme, we could keep all the interested parties up-to-date with exposure levels, eliminate worker concerns, reduce work stoppages and keep regulators happy, which reduced the cost of project overruns.

Keith W Pokorny
Vice President Environmental, Health & Safety Services, EFI Global
The global economy has created an interconnected marketplace with companies importing or manufacturing items at different locations and countries around the world.

The result of this interconnectivity is that many supply chains are multinational and complex, relying on goods that come from various parts of the globe to function effectively.

When something goes wrong and a link in the chain is damaged, a domino effect can occur affecting multiple businesses in the chain. Unravelling the claim requires a lot of investigative work and specialists with forensic expertise to unearth where the problem started, who is impacted and how to resolve it.

Sugar beet today provides about 45% of the world’s sugar production and is used as the base for many different foodstuffs including animal feed. It’s grown in regions with moderate, sub-tropical climates. Weeds represent a significant problem to the crops, a problem combated by the use of herbicides.

At the end of April 2015, the sugar beet crops of 90 different farmers in Belgium were severely damaged. In some cases, farmers were looking at the whole crop failing. We were appointed to identify the cause and unravel the resulting losses.

Our first job was to work with the farmers to identify the damage done and work out which fields needed to be re-sown. The damage to crops was severe with over 560 hectares of crops spoiled and around 400 hectares of crops needing re-sowing. The first claims payments were for the farmers that needed to re-sow their crops.

Next, we arranged payments to farmers who elected not to re-sow to compensate them for their loss of yield. In addition, most of the farmers who did re-sow also had loss of yield compensation claims, because they’d lost around six weeks of growth from their original crop. Assessing the loss of yield was a complex task.
To start with we worked with the affected farmers to evaluate a realistic crop yield based on their previous three years’ harvests. As the crops are used in numerous ways, we also had to consider sugar content, as well as pulp value, of their crop in our calculations. To perform these calculations we worked with the sugar factories that buy their crops as they keep records of the average crop sugar content.

The next stage was an investigation into the ten wholesalers in Belgium, and two in the Netherlands, who distributed the herbicides to the affected farmers.

We wanted to identify which product could have created the problem. These investigations revealed that all the farmers had used the same herbicide from a company headquartered in India, but whose product was manufactured in the UK.

Our team also visited the manufacturer in the UK and undertook forensic investigations into its production processes, which revealed that one batch of herbicide, created from a blend of three products, contained one incorrect product. The mistake arose from a similarity in the packaging of the correct substance. The faulty product was then shipped to the Netherlands, where it was sold to wholesalers in Belgium, who then sold it to the 90 sugar beet farmers.

We then had to manage third party claims arising from the wholesalers in Belgium and the Netherlands, as well as the sugar factories impacted by the loss.

“With over 100 different interested parties involved in this claim, it was essential that we got to the bottom of where the problem started as quickly as possible, so that we could unravel the connected claims that follow an incident of this nature. We needed to work with a wide variety of people in the supply chain that had been impacted by the incident, from the manufacturer in the UK, the distributor in the Netherlands, the wholesalers in the Netherlands and Belgium, to the farmers in Belgium and the sugar factories. Our forensic work was essential in establishing where the problem began, as was the analytical work to set realistic compensation payments to the farmers who had to re-sow crops or who needed compensation for loss of yield.”

Annelies Van Boven
MCL Global Specialist Belgium

45% of sugar production
Sugar beet provides 45% of the world’s sugar production

90 farmers
90 farmers affected

560 hectares
Over 560 hectares of crops damaged

400 hectares
400 hectares were re-sown

3 countries
One mistake resulted in losses in three different countries

100 parties
Over 100 interested parties

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All at sea

Over 90% of the world’s trade is transported by sea and is vital to the companies who import or export goods. The cargo industry is highly competitive and ship owners are keen to make sure that their vessels are worked hard to make their assets work as efficiently as possible.

Ship owners look to optimise their returns by having cargo on both legs of a journey, but sometimes this means that they accept goods that aren’t suitable for the vessel to transport or which the crew are inexperienced in loading. When sea conditions are calm this practice works. If the vessel should hit heavy seas and poor weather and the cargo isn’t properly loaded or secured, then a serious incident and insured loss can result.

When a loss of this nature occurs, there are various parties and insurers involved making claims complex, drawn out and costly to manage.

At the end of January 2016, the MV Modern Express, a 164 metre-long vehicle carrier, hit rough waters in the Bay of Biscay, off the coast of Spain, en route from the Gabon in Africa via Le Havre in France to Antwerp, Belgium.

The vessel was transporting 3,600 tons of timber, trucks, trailers and heavy lifting equipment when it experienced engine breakdown.

Due to the poor weather conditions and the fact that the cargo wasn’t stowed correctly, the ship began to list, putting the 22 crew members in extreme danger.

Rescue helicopters from Spain were dispatched and the crew were evacuated to safety on the mainland.

The stricken ship, which was now listing by around 40 degrees, was left drifting in force eight winds, creating fears that it would run aground on the French coast.

Efforts to tether the vessel were hampered by the difficult conditions and the initial salvage attempts failed, as it was deemed too dangerous for rescue teams to board the ship. In the following days, the weather conditions improved and a cable was eventually hooked up to the ship and connected to a salvage tug, which then towed the vessel into the port at Bilbao in Spain, preventing the feared environmental damage if the ship had come ashore.
Once safely in port, our work began. We gathered multiple different insurers representing the owners of the cargo, the lawyers and policyholders, and persuaded them that, by acting as a single point of contact, we could salvage the timber and minimise their losses, rather than dumping the cargo in Bilbao and having to negotiate a solution with each cargo owner.

We pointed out that the loose timber needed to be rebundled and once safely on the quay, we assessed the wood for water and oil damage and graded it by quality. The entire discharge and grading process was supervised by our local marine surveyor. As Bilbao is a relatively small port, there was no appropriate market for the timber. We persuaded the interested parties that the best option would be to ship the cargo to Antwerp, which although a costly option, offered a bigger port with an appropriate market to sell any unwanted cargo.

Finding a suitable carrier to transport the timber from Bilbao to Antwerp wasn’t without issue. Although a relatively short journey, it took considerable negotiation skills to convince a ship owner to take on board part of this cargo on their weekly vessels between the two ports. After a couple of months all the cargo was safely delivered to Antwerp.

Once in Antwerp, we then arranged owner inspections of the timber and negotiated a discount based on the quality of their shipment. Most orders were successfully fulfilled and we arranged the sale of any remaining timber that didn’t meet the required quality. The result was a positive outcome for all parties involved.

By taking a proactive approach and acting as the central co-ordination point for all interested parties in the cargo claim, we achieved mutual agreement to salvage the timber and deliver a positive result for everyone. The work that we undertook put our knowledge, expertise and negotiating skills to the test, and our ability to provide a seamless service from our network of specialists based in Europe was a huge advantage.

Ton Schox
Global Specialist Practice Group Leader – Marine

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<th>MV Modern Express</th>
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<td><strong>Length</strong></td>
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“Once engaged, our first job was to negotiate with local stevedores, ship owners and counter surveyors a way of discharging the timber from the ship.”

Ton Schox
Global Specialist Practice Group Leader – Marine

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Shaken by the unexpected

New Zealand is situated on the ring of fire – a huge 40,000km horseshoe shaped volcanic basin in the Pacific Ocean where 90% of the world’s earthquakes and volcanoes occur.

While New Zealand is no stranger to earthquakes, in November 2016 the South Island was struck by one measuring a massive 7.8 on the Richter scale. The result was shaking and extensive landslips, which caused significant damage to buildings, roads and ports in the region.

Hundreds of aftershocks, some up to 6 in magnitude, were experienced in the hours following the quake. In Wellington, New Zealand’s capital city, a portion of the central district was cordoned off, and several buildings and office headquarters were evacuated due to concerns over their safety. What wasn’t expected were the hidden exposures arising from the logistical challenges that the country faced – it was more than the obvious physical damage that created issues for insurers and policyholders alike.

Physical damage is what insurers expect after a natural catastrophe.

A significant issue in New Zealand has been the unexpected ramifications of an earthquake in terms of contingent losses caused by the extensive infrastructure damage and the ripple effect from the blockages of roads, buckling of railways and closure of the capital’s port.

New Zealand is a long, thin country, where no place is more than 75 miles from the sea and where the national infrastructure of road and rail runs from north to south – literally the backbone of the country in terms of logistics. Railway tracks were ripped up and thrown several metres by the force of the quake, over 100,000 landslips left tons of rocks and debris on the main state highway and huge fissures opened up in many roads across the affected area.

One town with a significant tourist trade in the middle of the South Island was completely cut-off for six weeks - needing a massive evacuation effort. As a result, a large number of rental cars were stranded and not available. Goods travelling by road were diverted by other longer routes, which meant surcharges of around 15% were levied by hauliers. The port in Wellington could no longer accept container ships requiring port side cranes, Cargo was diverted and again additional costs incurred for importers and exporters. The result was contingent business interruption claims, which weren’t expected in the initial loss assessments.

There were a number of key issues that needed to be considered from a loss adjusting perspective. The first was understanding how the policy wordings would respond to these unforeseen events, where they structured correctly to allow the insured to claim for these additional expenses?
The second was understanding the interaction between the marine issues in terms of shipping obligations etc, logistics, accounting issues and business interruption. This meant that adjusters needed to look at the claims to help define the relevant factual context, particularly relating to losses for international insurers, and to assist with policy interpretation.

Costs are still coming in and it’s impossible to know how long that will go on for. This is a particular concern when it comes around to renewal. How does an insurer reserve and price a renewal when the claims exposure is still so uncertain?

And finally, there’s the issue of timing – five months later the interruptions continue and, in the case of the state highway, it isn’t expected to be fully open until December 2017.

“Everyone thinks they know the insurance implications of an earthquake. However, the extensive damage to infrastructure across the South Island meant that we have to take a whole new look at business interruption – looking at each insurer and their policies and extensions to help adjust the losses. This was not about mobilisation as much as about looking at the claims through a different lens – melding marine expertise with business interruption to give the best support possible.”

Leon Briggs
National Chief Adjuster, MCL Global New Zealand

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**18,000,000 cubic feet**
Some landslides are up to 18,000,000 cubic feet in volume

**7.8 magnitude**
At magnitude 7.8 the earthquake was the most powerful to hit New Zealand in 160 years

**25 feet**
At some points the land was uplifted by 25 feet

**21 fault lines**
To date 21 fault lines are thought to have ruptured making this perhaps the most complex earthquake recorded

**300 vehicles**
Over 300 rental vehicles are thought to have been abandoned in Kaikoura when the town was isolated and tourists were evacuated by the Navy

**US$1.5bn cost**
Repairs to the transport network are expected to cost up to US$1.5bn

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Right people.
Right place.
Right time.
Right people.
Right place.
Right time.

We are the world’s leading provider of loss adjusting, claims management and risk solutions to insurers, brokers and corporate clients.