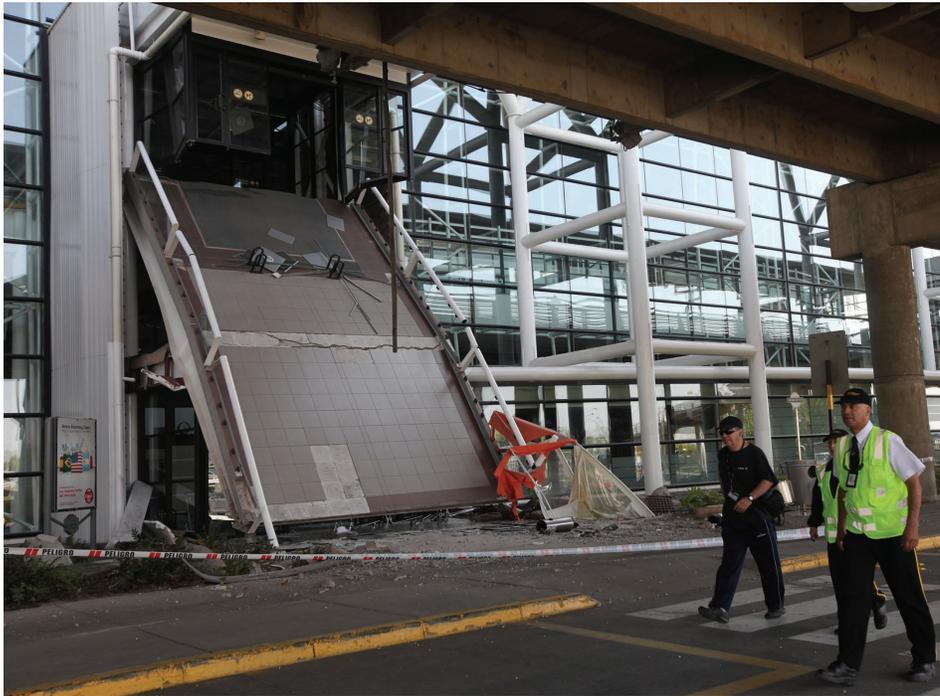


# RISK & INSURANCE®

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Emerging Strategies for Risk



**A COLLAPSED** pedestrian bridge at the Santiago airport in Chile. The earthquake that leveled parts of the country also temporarily closed the airport to commercial flights. FM Global says claims adjusters were on the ground in the quake-stricken nation within five days of the quake.

## ● Q&A

# Knockout!

**Insureds have spoken, and they like FM Global's claims-paying prowess. Now, it's time for the insurer to reveal some of its secrets.**

*Editor's note: In a recent study by institutional financial services research group Greenwich Associates, insureds singled out FM Global's claims-paying ability for promptness and service. In April, Gerry L. Alonso, senior vice president of claims, FM Global, spoke with Risk & Insurance® Managing Editor Cyril Tuohy about claims trends and how carriers can improve their track record paying claims.*

**Q: What have you seen happening in claims during the past 15 years?**

**A:** From the perspective of FM Global because we're a mutual company, our clients are our owners and policyholders, and so we want to get them up and running as fast as possible, in the event of a loss. Our adjusters are in-house employees. They can make decisions on the spot with clients and we, as a corporation, honor those agreements and decisions.

**"WE HAVE EXAMPLES OF LOSSES IN EXCESS OF \$50 MILLION THAT WE'VE SETTLED IN LESS THAN SIX MONTHS."**

—Gerry L. Alonso, senior vice president, FM Global

During the past 175 years we've followed our clients as they've expanded into new countries to provide them coverage worldwide. Each year we set up corporate claims objectives that are based on client feedback. After a loss, we ask for client feedback, such as what worked well, what didn't, and we continue to hone our skills to improve.

**Q: How fast should corporate clients expect a carrier to respond to a claim?**

**A:** We endeavor to arrive at the site of any loss within 24 hours. All our adjusters have a loss-prevention mindset. In the case of the Chile earthquake, the airport was not operational, so we were there within five days and among the first on the scene with the exception of the Red Cross. With all claims, we seek to get there fast and settle the loss as fast as the client is able to. We have examples of losses in excess of \$50 million that we've settled in less than six months. We want to help get them up and running so they get back to business as soon as possible with as little difficulty as possible. It's not just about the claim, but about how fast you can get payments to the client. Clients could have cash flow issues and we want to be able to help them. We see ourselves as business partners in a time of loss, not adversaries. For one recent client loss during a tornado in Arkansas, we arrived there the next day. Senior adjusters came back on site and requested a \$7 million advance for the client. We take pride in settling claims in less time than our competitors do. A few years ago, for example, we closed a \$200 million claim for a loss in Germany in just eight months. The industry average would have been two years.

**SINCE 2002, MORE THAN 90 PERCENT OF CLIENTS WHO COMPLETED OUR POST-SETTLEMENT SURVEY SAID THEY WERE "EXTREMELY" OR "SOMEWHAT" SATISFIED WITH OUR SERVICES. WE HAVE CLIENTS WHO HAVE BEEN WITH US SINCE THE LATE 1800s AND WE BELIEVE OUR CLIENTS STAY WITH US BECAUSE THEY SEE US AS TRUE PARTNERS.**

For FM Global, it's not just how quickly a loss gets settled, but it's about getting clients timely payments that they need to get their businesses back up and running. When a client has a loss, it could be the first time the risk manager or plant manager may have experienced such an event. So, we want to help them as much as we can. There may be many issues on managers' plates, so we want to help them with as much as we can by partnering with them with loss mitigation and restoration.

**Q: How does that happen, via phone, an Internet portal, e-mail, pen and paper?**

A: It depends. With sizable losses, clients want to speak with someone personally. Every office in which we have an adjuster we have someone on call all the time, including every weekend and every holiday. We also strive to be flexible. If a client needs to talk to someone, they can. They can get all the services through a toll-free number and can report losses electronically. They can call their brokers or underwriter or account reps that then call us.

In many cases, clients will receive no warning before a disaster strikes. That's why we also offer pre-loss planning meetings with clients long before a loss occurs. Such a meeting helps them because it can minimize the impact a loss can have on the bottom line, should one occur. During that meeting we emphasize education and preparation. We provide policy workshops to walk them through their policies so they can understand how their policy and FM Global will respond should they have a loss. We also believe it is better to prevent a loss than it is to try to recover from one. So we also help clients with developing loss-management plans and pre-loss contingency plans to ensure that they are prepared for the unexpected.

The claims process in the insurance industry isn't exactly known for being smooth. In fact, at times, it can be quite contentious. However they want to report losses, we will work with them. And there is no replacement for clean and

clear communication. The size of the loss shouldn't dictate how soon we get to a facility. It really all depends on the need of the client. The loss could be a big or small loss. The point is that if they need assistance, the size of loss should not govern the response issues.

I've not seen a big uptick in Internet use for first notice of loss (FNOL). FNOL is often submitted via a toll-free number or it's a direct call to the office to talk to a live person.

The first thing we do, if a client has a loss, is to try and give them advice to help them prevent further loss. For example, following a windstorm, we might recommend a client put a tarp over their damaged roof to protect that facility from the elements, separate any wet stock from dry stock, spray mechanical parts with WD-40 to prevent oxidation.

Then we look at the type of loss and match an adjuster, based on expertise. If the loss is in a high hazard industry like pulp and paper or semiconductor, we would send an adjuster with background in that field. Most of our adjusters are also loss prevention engineers. We give them initial information and get them to the site of the loss quickly. Depending on the nature of the loss, we may need to help an affected client locate spare equipment so they can resume production quickly and provide them with an advance payment.

We also assist them in determining what are the most critical parts of their affected business operations. Where are the bottlenecks? Is affected equipment repairable? Does it need to be replaced? How do we help them get new equipment in? We've even, on occasion, looked at chartering a plane to get equipment on site faster. Much of the on-site claims work is about problem solving and helping the client develop solutions.

**Q: Is speed and ease-of-processing a deal breaker when customers choose a carrier?**

A: That's probably a question better asked of our clients.

However, we've made a concerted



GERRY L. ALONSO, senior vice president of claims, FM Global

effort at eliminating red tape in the claims handling process because, understandably, that's what our clients desire. I've been the head of claims since 2006 and there's been much third-party research that shows FM Global at or near the top in many industry rankings for claims handling.

We look at it as validation, but refuse to rest on laurels. We want to know where we can do better, and widen the gap between our competitors. We're always looking at improving no matter how well we do with speed of claims payments. At FM Global when we set a goal, we work to meet or exceed it every time. In the words of Vince Lombardi, the only thing harder than getting to No. 1 is staying at No. 1.

Losses are more complex today than they were 25 years ago. There's more focus on regulation, for example. We're cognizant and understanding of those dynamics.

For example, as society has become more environmentally conscious, businesses need to be quite careful how they dispose of damaged property and goods.

We insure more than \$7 trillion of property in more than 130 countries, so we can average between 5,000 to 6,000 losses of all sizes per year. If you take any 10-year period, less than one tenth of one percent of those losses end up in litigation. Since 2002, more than 90 percent of clients who completed our post-settlement survey said they were "extremely" or "somewhat" satisfied with our services. We have clients who have been with us since the late 1800s and we believe our clients stay with us because they see us as true partners.