

Up from the Ashes...

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Stephen R. Figlin & Associates, Inc. • After the tragedy, then the strategy. • Fall 2002



From Stephen R. Figlin

Welcome to *Up from the Ashes...* to inform and educate you about every day issues of protecting the future of your business and family. *Up from the Ashes...* features up to date information on both local and global concerns and how to protect yourself in your dealings with your own insurance company.

We are *Adjusters for the Assured*. **After the tragedy, we offer the strategy.** We know buying insurance to protect your property is easy. However, collecting successfully on a claim is much harder. We understand the insurance policy.

We assist and serve when you make claims for insured property losses.

What do we do for you at Stephen R. Figlin & Associates?

Our professional loss consultants help you demonstrate building damage, identify damage to affected equipment and documents, record inventory loss in order to maximize recovery for all losses including Business Interruption.

- ▶ We assist in determining replacement costs, damages, and salvage values.
- ▶ We know the burden of proof is on the policy holder not the insurance company.
- ▶ We understand the "small print" contained in the insurance policy.
- ▶ We understand the distress that results from a disaster and the rebuilding.

Continued on page 3

Get Those Snow Shovels Out for Winter 2003

If last winter's mild weather kept your snow shovel buried beneath beach towels and tanning butter, Farmer's Almanac recommends dusting it off this fall. "We are predicting a rough winter with severe weather patterns that gradually shift eastward as winter progresses," writes Caleb Weatherbee, their forecaster with a colorful pen name. They have been historically accurate, 75-80%, even though most meteorologists say the weather cannot be predicted so far in advance.

Their major competitor, Old Farmer's Almanac predicts a wetter, snowier and colder winter than normal. There will be heavy snowfall in early December, late January and the second week of February. Remember that you read it here. December will be milder than normal but cold weather will predominate.

This prediction follows a secret formula devised in 1792 and enhanced by the most modern scientific calculations based on solar activity particularly sunspot cycles. Of course, they analyze weather records of a particular local area. However to quote the editor "We believe nothing in the universe occurs haphazardly... we believe weather is predictable. Modesty requires however that we add this caveat: It is obvious that neither we nor anyone else has as yet sufficient insight into the mysteries of the universe to predict weather long-range with anything resembling accuracy."

So plan ahead for winter storms. Have ample supplies on hand.

Continued on page 4

Keep Warm and Safe This Winter...

Winter storms will come in different forms—ice, snow or tornado. You should be prepared for the possibility that you might lose heat, phone service, electricity and water.

First get your premises in order before the first big snow

1. Clear your premises of anything that could become a projectile (lawn furniture, laundry line poles, garden equipment, bird feeders, garden hoses and sprinklers).
2. If you have outside spigots, sprinkler systems, or other exposed plumbing, have the moisture in the lines blown out and prepared according to manufacturer's guide lines. Add heat protection if necessary. (Call in help from an outside contractor—don't try this yourself.)
3. Prune trees and shrubs with attention to branches that could possibly break causing damage to structures, autos, passers by, and power lines. "Deadhead" or cut plants back to protect from heavy snow and intense cold.

Now inside—

1. Check furnace and heating systems. Make sure the filters are clean. Check your chimneys. Check for animals, debris and leaves.
2. Have an alternate source of electricity or heat. Be sure your smoke detectors and alarm system are working properly. To avoid carbon monoxide poisoning operate electrical generators outside in a well ventilated area and be sure that the fumes are not being blown back into the building.



After the tragedy, then comes the strategy.

9/11 and Terrorism Alters Insurance Industry

Terrorist exclusion introduced.

Premiums increase.

Cost drives primary insurers out of business.

The 9/11 disaster altered lives, policies and attitudes to risk worldwide. The terrorist attack resulted in \$40 billion in claims, more than three times the cost of Hurricane Andrew, the most costly disaster before September 11. It is not only the biggest catastrophe, it is the most complex. Most claims have been paid a year later however commercial claim are more complicated. The recovery process may take years. More than 25% of the claims are business interruption while another 25% are liability claims. As of the first anniversary there have been 33,000 claims filed and two-thirds are commercial businesses.

The Bottom Line...

Because of these high percentages, commercial insurance prices are going up sharply. The insurance industry is now trying to avoid concentrating their risks in areas where high profile building and large numbers of employees could result in enormous losses. What is the bottom line... prices are going up. Businesses are seeking more insurance to protect their assets while companies, particularly reinsurers, are being much more selective in what they actually insure.

The extent of damage to large buildings near the World Trade Center and whether they will be reoccupied are still being assessed. In other cases, decisions about replacing destroyed buildings have not been made which affects the flow of insurance money. Many potential claimants are still evaluating whether to file through the Victim's Compensation Fund.

Terrorism exclusion clause initiated

In the last year, the government's Insurance Services Office created a terrorism exclusion clause for commercial policies. Adopted by 45 states, Washington, D.C., Puerto Rico, and Guam, the clause excludes coverage on claims arising from acts of terrorism. Of the five remaining states, New York and California are considering revisions while Texas and Florida have yet to rule on any form changes. Georgia stands alone in rejecting this new language.

Continued on page 3



Notes... from Nicole Figlin

We chose to name this newsletter *Up from the Ashes...* because of our commitment to assist our clients in recovering from a disaster in the best possible way. Our mission is to return the insured, their business, their employees and families to the fullest extent possible following a catastrophe.

The members of our firm are accredited long time members of the National Association of Public Insurance Adjusters, an organization dedicated to the professional development and education of public adjusters. NAPIA is dedicated to keeping us fine-tuned about the role of the public adjuster and issues and trends within the property insurance industry.

Since I joined the family trade more than thirteen years ago, my professional development coupled with participation in this professional organization has extended my expertise. I am now the first female executive officer of NAPIA with more than 115 members firms. I had plenty of practice as the first female President of the Pennsylvania Association of Public Adjusters (PAPIA). More importantly, my expertise was honed with the highest honor of Senior Professional Public Adjuster—one of eighty-four in this nation.

Check out our web site www.figlinassoc.com for more information about Figlin and Associates. I look forward to sharing the latest in trends and concerns in property insurance with you.

Nicole S. Figlin, SPPA

From Stephen R. Figlin (continued from page 1)

► We understand the need to recover the maximum insurance adjustment to which the insured is entitled in the shortest possible time.

This newsletter is for you. Contact us at 800.292.9090 or email us at info@figlinassoc.com and tell us what you think of our message, and what you would like to see in upcoming issues. This newsletter alerts you to the strategies and is another way for us to retain our commitment to serve your insurance adjustment needs.

Stephen R. Figlin, SPPA, FPPA

9/11 and Terrorism Alters Insurance Industry (continued from page 2)

What is Washington doing?

Since 9/11 we have been virtually free of natural disasters. Companies have had to pay big increases from 50% to 200%. Acts of war are not customarily covered by Property and Casualty policies but the industry declared after September 11 that whatever the attacks were called; it would pay the losses they caused. Insurers know, they don't have the resources for repeated acts of large-scale terrorism, so they have urgently sought legislation that would make the government the principal insurer for any future assaults.

Congress compromises on three year insurance backstop program. In October, the insurance industry won a major victory when U.S. House and Senate agreed on a three year insurance program where the government pays up to 90% of insured losses caused by acts of terrorism. President Bush is expected to give the the green light to the bill, which will be voted on after the November 5th election.

Significantly, there will be a cost-sharing program that applies to all commercial property casualty companies. Insurance companies will be responsible for paying claims equal to 7% of the written premium from the previous calendar, the following year would increase to 10% and 15% in the third year. Any losses above that the federal government would cover.

The Treasury Secretary will be required to recoup the difference between total industry costs , that is losses up to the deductible plus the 10% co-pay and specified fixed dollar amounts-\$10B in the first year, \$12.5B in the second and \$15 in the third year. A surcharge, no more than 3% of the premium paid in a given year on commercial policies, is the source for the recoupment. The cap on losses is \$100B; above this amount Congress would have to determine what to do next.

Disclosure is required.

All commercial property casualty companies are required to offer terrorism insurance and disclose the premiums they charge for this specific coverage and most importantly that the government is picking up 90% of the coverage. Worker's comp losses for acts of war is included. On a state level, the agreement requires to allow rate and form changes to take place immediately. However, states retain full authority to disapprove any rates or forms that violate state laws.



It's important to be prepared for winter's wrath.

Get Those Snow Shovels Out for Winter 2003 (continued from page 1)

Organize an emergency supply kit for your home and business!

- Flashlights and extra batteries
- Battery powered portable radio to receive emergency information
- Extra food and bottled water. High energy food for starters—nuts and trail mix and canned food requiring no cooking or refrigeration is best including dried or canned milk, and ready to eat cereals
- At least one gallon of water per person per day for drinking, cooking and personal hygiene
- First aid supplies
- Heating fuel and a back up heating source such as space heater or fire place
- Fire extinguisher and smoke detector

Your survival kit should include, blankets and sleeping bags, shovel, windshield scraper, water container, tool kit, jumper cables, sand, knife and the ubiquitous cell phone (charged)!

Check out our web site www.figlinassoc.com for more information about Figlin & Associates



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