



INTERNATIONAL MONITOR

A publication of the
International Institute of
Loss Adjusters
www.iila.com

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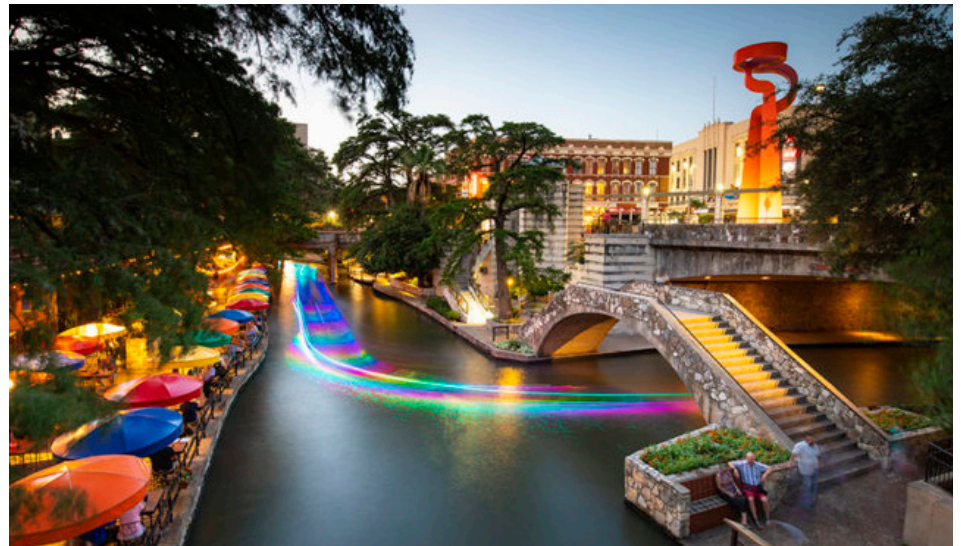
IILA World Headquarters Ottawa, Canada

Email: info@iila.com

Our members are represented in these countries

Argentina	Italy	Singapore
Australia	Japan	Spain
Austria	Kenya	Thailand
Bahrain	Kuwait	Trinidad/ Tobago
Barbados	Lebanon	Turkey
Bolivia	Mexico	United Arab Emirates
Brazil	Namibia	United Kingdom
Canada	Netherlands	United States
Chile	New Zealand	Uruguay
Colombia	Nigeria	Uzbekistan
Ecuador	Paraguay	Venezuela
Ghana	Peru	
Hong Kong	Portugal	
India	Russia	

2022 IILA Annual General Meeting



The 2022 IILA Annual General Meeting is slated to be held from October 23rd through October 27, 2022 at the Hotel Contessa, which is located on the River Walk section of San Antonio, Texas USA.

San Antonio is a major City in South Central Texas which is located in the San Antonio River Valley. The City is rich in colonial heritage and is the site of the Alamo, the 18th Century Spanish Mission where the 1836 Battle for Texas Independence from Mexico occurred.

The Conference and Program Chair will be past IILA President, Johnny Michalek, who promises a first class cultural and educational program for all attendees and industry guests.

For international travelers, the major airport hubs in Texas include Dallas, Houston, Austin and San Antonio. The major international hubs being Dallas and Houston which are approximately a one hour flight from those respective cities to the City of San Antonio.

Additional information concerning this meeting will be forthcoming to the membership in the not too distant future.



PRESIDENT'S MESSAGE

Mr. Daniel Paz



It is my distinct pleasure to be in contact with you again and it is my sincere wish that you and your families are healthy, safe and emerging from the Pandemic unscathed.

While many of us have left the Pandemic of Covid-19 behind us, some countries are still feeling its affects upon its populous as well as their economies. In addition, the Russian action in Ukraine bears watching as it may cause permanent changes in the flow of goods and services throughout the globe.

Our profession as loss adjusters, cannot be exempt from these developments that are slowing down world trade and partially restrict our activity in serving the global insurance industry. We are committed professionals that do not give up in the face of adversity as demonstrated in how our membership along with our associated firms responded to the challenges that faced us all during the Covid-19 Pandemic. It is incumbent that we continue to face these challenges and continue our sterling service to the insurance industry and insuring public.

We must continue to embrace change along with innovation and knowledge so that we may continue to be a recognized group of professionals whose market knowledge and commitment know no bounds.

I would like to report that our Mid-Year Meeting was well attended in person as well as via the Zoom video platform, where members from four different continents were able to attend and participate. I ask that the membership continue in promoting the Institute, especially promoting likeminded industry colleagues to join our organization, so that we may continue to be relevant in the global claims environment. Attached to this newsletter are the reports from our Regional Vice Presidents which were submitted for the Mid-Year Meeting, which you will find interesting reading.

I would like to encourage one and all to attend the Institute's Annual

General Meeting, which is to be held this October at the Hotel Contessa in San Antonio Texas, USA. If you have not attended an Annual General Meeting, I strongly suggest that you review your schedules and make time for this event. Our conference chair, Johnny Michalek is putting together a first class event that we can all look forward to attending.

In closing, I want to thank all of the membership for your continued support as it is most appreciated on my part. I look forward to seeing old friends and new friends at the Annual General Meeting in San Antonio this fall.

Very truly yours,

Daniel Paz,
President



**International
Institute of
Loss Adjusters**

2022 IILA Pre-Conference Tour

Ahead of the Institute’s Annual General Meeting, a pre-conference tour is being planned to be held in Fort Worth, Texas, USA from Wednesday October 19, 2022 through Sunday October 23, 2022.



Fort Worth, Texas

Fort Worth is the fifth largest city in the state of Texas and the thirteenth largest city in the United States. The City of Fort Worth was established in 1849 as a stop on the legendary Chisholm Trail, where millions of herds of cattle were driven north to market. Fort Worth became the center of these cattle drives and later the ranching industry. Fort Worth is approximately a 40 minute drive from Dallas and a 4 ½ hour drive to San Antonio Texas.

Arrangements are currently being made by Pre-Conference Chair Johnny Michalek which will feature a first class cultural and culinary tour of this most famous Texas city. Information on the Preconference

tour will be forthcoming to the membership in the near future.

Coronavirus Update

The World Health Organization (WHO) has seen a substantial decline in infections in the majority of the world with the exceptions being China, Hong Kong and South Korea.

As of June 2022, the WHO reports 533 million confirmed cases and over 6.3 million deaths globally.

As more people are vaccinated and boosted, the ability to overcome Covid-19 increases significantly. Death and hospitalization rates remain significantly higher among the unvaccinated population.

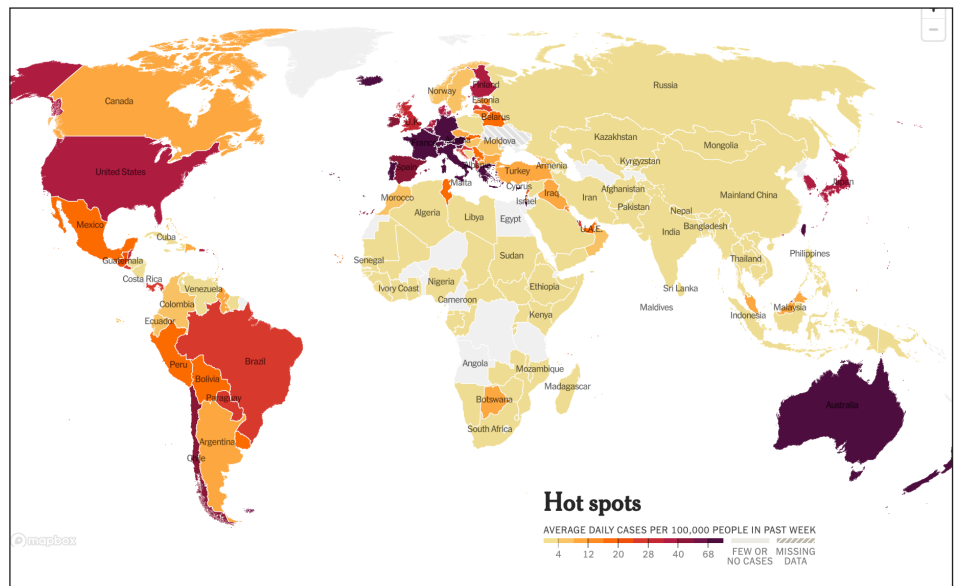
Millions of vaccinated people have gotten sick from the Omicron strain, but the vaccination served the most important function, preventing severe illness. During the Omicron wave, vaccination

with a booster reduced the chance of hospitalization and death by more than 90%. Sudden spikes in cases from the fast moving variant have pressured health systems, but the outlook for the average covid patient has improved significantly.

The Covid-19 Pandemic has reached 228 countries and territories. There are more than 64 countries with more than one million cases, with 29 of those having more than 4 million cases.

The countries with the most cases after the United States (which has 87.76 million cases) are India (43.26 Million cases), Brazil (31.61 Million cases), France (29.98 Million cases) and Germany (27.01 Million cases).

In May, North Korea’s state agency shared that several cases of Covid-19 had been detected, something that the Government claimed had not happened since the Pandemic began. Since then,



North Korea dropped to 5th overall in new Covid-19 cases. Since then, it is the 24th overall with 4.56 million cases reported. That country has an incredibly weak medical system and testing capacity is extremely limited. Despite this, the country has reported only 73 deaths and says 4.51 million have already recovered.

The United States remains in the first spot for countries with the highest number of new cases in the past few weeks with almost 698,846 new cases a 12% decrease. Taiwan is in second with just over 451,000 new cases, which represents a 10% decrease, Germany is third with 54% increase (slightly more than 354,000 cases) and Brazil is fourth with nearly 300,000 new cases which represents a 016% increase in new cases.

The countries with the highest level of deaths over the past months are the United States, Taiwan, Brazil, Russia and Italy.

While we are in a much better place with the disease, it still bears watching since a lot of the Pandemic restrictions have been relaxed.

Global Economic Outlook

While the Covid-19 Pandemic created a great deal of uncertainty worldwide with supply chain shortages, the Russian action in

Ukraine and the political & economic sanctions that have followed, have created a great deal of uncertainty in the world's energy and commodity markets.

The World Bank President, David Malpass has stated that the global economy is facing high inflation and slow growth at the same time. One key risk to the outlook is the possibility of high global inflation accompanied by tepid growth, reminiscent of the stagflation of the 1970's. This could eventually result in a sharp tightening of monetary policy in advanced economies, which could lead to financial stress in some emerging market and developing economies. A forceful and wide ranging policy response is required to boost growth, booster microeconomic frameworks, reduce financial vulnerabilities and support vulnerable groups.

Some economists are predicting a US and Euro zone recession which may come into fruition in 2023 due to the inflationary pressures resulting from higher energy costs, commodity costs and supply chains bottlenecks due to the uncertainty with the Russian action in Ukraine.

Other commodities such as corn and wheat, are also surging as both Russia and Ukraine are considered the bread baskets of Europe.

Together they represent more than a quarter of Global export market and a significant slice of the worlds corn market. Consumers can expect to see rising prices as this conflict continues.

In addition, the economic sanctions that have been put in place will cause problems with countries who have relied on Russian oil and gas in the past. Some economists are predicating a Euro Zone recession maybe in the works along with inflationary pressures maintaining throughout the year.

In certain economic circles, forecasters are calling for a mixed recovery to most major economies,

with the US being the lone exception. Economists are anticipating a US GDP growth in excess of 4% but have lowered their forecast in the Euro Zone and China with other markets taking longer to rebound.

Due to the geopolitical uncertainty with the Russian action in Ukraine, certain economic pundits are calling for continued market volatility and disruption until there is a resolution in the Russia/Ukrainian conflict. The fallout from this event will have very long lasting effects both politically and economically, and bears watching for the foreseeable future.

Lloyd's/London Market Report

Lloyds said it return to profitability after posting a 2.3 billion pound profit for the full year of 2021, compared to a 9 billion pounds loss in 2020.

Lloyds paid out 19.9 billion pounds in claim in 2021, including 2.9 billion pounds to policy holders impacted by Covid-19.

It has claimed its turnaround has been driven by a focused underwriting approach to risk.

Looking ahead the 336 year old institution said the war in the Ukraine will be a major claim factor in 2022, with the market being in close dialogue with underwriters to understand the exposures. It should be noted that Ukraine, Belarusian and Russian business makeup less than 1% of Lloyds global footprint.

The Lloyds market has strengthened its solvency position by over 2.6 billion pounds this past year to build up its balance sheet to over 36.6 billion pounds. Lloyds CEO John Neal foresees contained profitability in the year ahead.

Europe Report 4th Q 2021 and 1st Q 2022

The situation in Europe during the last Quarter of 2021-was quite optimistic and expectations were for a quick recovery after the lifting of COVID-19 restrictions.

During these months people were really optimistic and the markets were recovering as the activity with the people is mobility greatly increasing.

Despite this, the help of Governments was still active with monetary support dedicated to help keeping employees and self employed people at work.

In Spain (Canary Islands) were affected by a volcano eruption. Specifically, the island of La Palma with a big quantity of houses lost. Many villages areas were swallowed by the lava.

The beginning of 2022 has been quite hard. The sixth wave of COVID was affecting many people. More than the 5th and nobody knew exactly if the health care system could be affected. Luckily with all the vaccinations most of the cases were with light symptoms and the health care system has not collapsed, even though it has been quite busy.

Inflation was affecting the economy from the end of 2021 and by the end of February with the beginning of war in Ukraine, the cost of petrol shoot the price of fuel and gas increased.

During this last quarter, economic expectations have been cooling and perspectives for economies are being reviewed slowing down the expectations.

At the same time, governments had to dedicate more help to finance price of petrol and study measures for providing gas for next winter.

Many companies have left their business in the area of conflict due to difficulties of the EU restrictions.

Currently, there is not much hope in the next few months, that the conflict could end by mid summer and from that start a recovery of the world's economy.

Bermuda Market Report

The Bermuda Market continues to be both a reinsurance and captive insurance center in the worldwide insurance marketplace.

The Bermuda reinsurance market makes up approximately 36% of the global reinsurance marketplace

and is a market leader in the property catastrophe insurance field.

Currently, various rating agencies find that the Bermuda market has solid fundamentals however, risks are skewed to the downside due to the Russia-Ukraine war, higher commodity prices and inflationary economic trends.

Bermuda insurance and reinsurance executives are still upbeat on its ability to increase its worldwide market share and remain confident in delivering profitable results for 2022, despite challenging economic conditions.

North American Market Report

The North American Property Casualty Market saw a 4.6% increase in its net underwriting income for the first 3 months of 2022 over the same prior year. According to the US Rating Agency AM Best.

According to the rating agency, the combined ratio for the property/casualty industry improved marginally to 96.3% in the first quarter of 2022 down from 96.6% in the first quarter of 2021. Catastrophe losses accounted for an estimated 3.3 points on the three month 2022 ratio, down from an estimated 8.7% in the prior year.

Industry surplus increased slightly

by .5% from the end of 2021 to 1 trillion US dollars, as the net income pushed other surplus gains of 8.4 billion US of unrealized losses and stockholder dividends.

Forecasts for the balance of the year indicate a continued hard market however with moderated rate increases in the commercial lines area.

Industry executives are keeping a watchful eye on the Atlantic Hurricane season as meteorologists are forecasting a more active hurricane season for both the Atlantic and Caribbean basins.

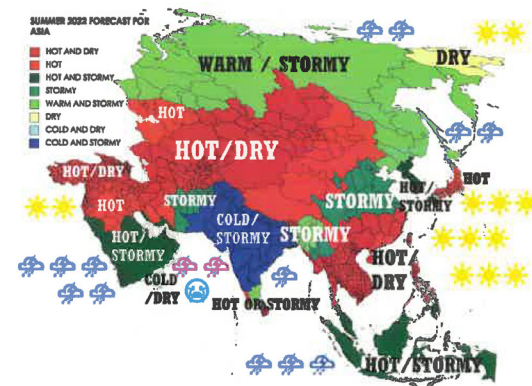
Asia-Pacific Market Report

According to the Swiss Re Institute, advance insurance markets in the Asia-Pacific region are expected to grow in real terms by 3.5% this year. Further, industries executives are concerned about claims inflation and its impact on profitability this year and possibly the further hardening market in 2023.

The Swiss Re Institute is forecasting a strong improvement in insurer profitability this year, which is due to the fact of a strong recovery in underwriting results for 2021. They are expecting a Return

on Equity to remain stable at around 6% for 2022 and 2023. In Japan, they are expecting improvements in underwriting results driven by improved loss ratios in the commercial lines business.

Asia Summer Forecast



The 2022 Asia Summer Forecast called for extremely strong and deadly monsoons in India, Indonesia, and Malaysia with extreme heat waves and drought in Continental Asia along with a possible stormy anomaly in China with a warm and stormy Siberia.

Pacific Tropical Cyclone/Typhoon Outlook

If La Nina remains in place, this would suggest below-normal tropical cyclone activity in the Eastern and Central Pacific, due to cooler sea surface temperatures

(SSTs) and increased winds. Meanwhile in the Western Pacific, La Nina does not necessarily have a significant impact on the total number of tropical cyclones. However, systems would be more likely to form further west in the basin closer to the Philippines and would tend to embark on a westward track.

Currently, three tropical cyclones have formed in the North Pacific, all in the Western basin.

One which made landfall in Vietnam with the second eventually strengthening into Category (4) Typhoon Malka which was followed by Tropical Storm Megi which developed East of the Philippines and made multiple landfalls in that island nation a few days later. Of course, uncertainty always exist when making long term weather and climate forecasts. The factors that were considered for this outlook will become more certain as the year goes on. It should be remembered that even in a below normal season, individual systems that do form can still have significant impacts.

Latin American Market Report

The AM Best outlook for the Latin American insurance marketplace is stable to negative. Premium growth will parallel the economic recovery

of the host countries economy from the Covid-19 Pandemic.

Due to the Russia/Ukraine conflict, large exporters of grain, such as Brazil, Argentina, and Paraguay could see increased market share for their grain exports to the Euro Zone as well as to other parts of the World.

Recent political changes have occurred in Chile, Columbia and Peru, where the populous is looking for additional social spending and support.

This market is also experiencing inflationary pressures, supply chain issues and commodity pricing volatility.

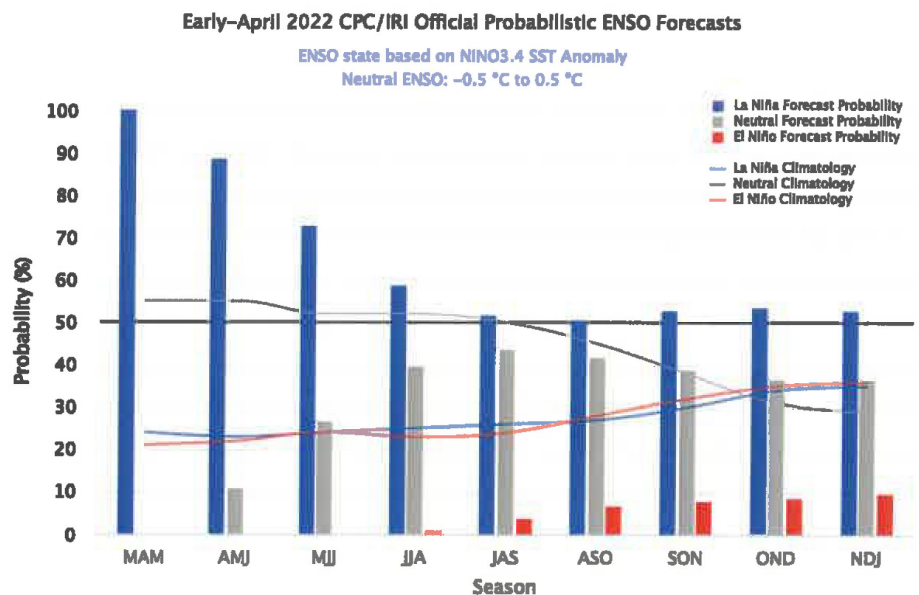
The insurance executives in this marketplace are facing the challenging times and have

the same concerns as their North American and European counterparts.

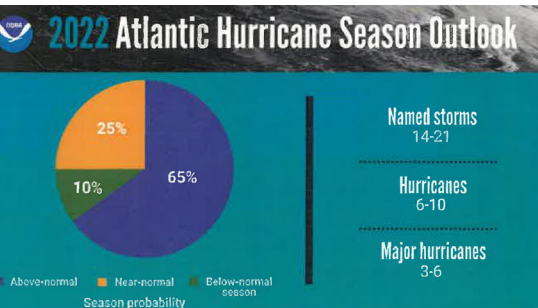
Oceania Winter Weather Outlook

The second La Nina event in a row has just concluded in this part of the world. However, Australian and International meteorologist models are suggesting a third La Nina event could be coming later in 2022. Typically, La Nina events in this part of the world can cause severe flooding in Australia while New Zealand an experience large areas of drought on both main islands.

Currently, most climate models surveyed through the Southern Hemisphere winter indicate neutral weather conditions for the balance of the year.



2022 Atlantic Hurricane Season



The ongoing La Nina, will result in both above average Atlantic Ocean temperatures that sets the stage for an above average Atlantic Hurricane season.

Forecasters at the US based National Oceanic Atmospheric Administration (NOAA) are predicting above average hurricane activity this year,

which would make it the seventh consecutive above average hurricane season. NOAA's outlook for the 2022 Atlantic Hurricane season, which extends from June 1st to November 30th, predicts a 65% change of above-normal season, a 25% of near-normal season and a 10% change of below-normal season.

For the 2022 hurricane season, NOAA is forecasting a likely range of 14 to 21 named storms (winds of 39

mph or higher), of which 6-10 could become hurricanes (winds in excess of 74 mph or higher), including 3-6 major hurricanes (Category 3, 4 or 5; with wind speeds of 111 mph or higher). NOAA provides these ranges with a 70% confidence level.

The increased activity anticipated this hurricane season is attributed to several climate factors, including the ongoing La Nina that is likely to persist throughout the hurricane season, warmer than average sea surface temperatures in the Atlantic Ocean and Caribbean sea, weaker tropical Atlantic trade winds and an enhanced West African Monsoon season. An enhanced West African Monsoon season supports stronger African Easterly Waves, which precede many of the strongest and longest lived hurricanes during most seasons. The way that climate change impacts the strength and frequency of tropical cyclones continues to be an area of study for NOAA scientist's.

IILA Welcomes New Member

It is with distinct pleasure that the Institute welcomes our newest full member, namely, Wendy Knizek.

Ms. Knizek is a partner with Can West Claims, Inc of Coquitlam, British Columbia, Canada. Her areas of expertise are handling complex commercial property and business

income losses. She is also a member of the Canadian Independent Adjusters' Association as well as being the current President (Most Loyal Gander) of the Loyal Order of the Blue Goose, International, an international insurance fraternal organization.

Ms. Knizek attended the Institute's Mid-Year meeting and is looking forward to participating at the AGM in the fall.

2022 World Cup Championship

The 2022 FIFA World Cup will be hosted in Qatar starting in November of this year.



The 2022 Men's World Cup will feature (32) teams and joining the host nation Qatar are the following countries; Germany, Denmark, Brazil, France, Belgium, Croatia, Spain, Serbia, England, Switzerland, Netherlands, Argentina, Iran, South Korea, Japan, Saudi Arabia, Ecuador, Uruguay, Canada, Ghana, Senegal, Portugal, Poland, Tunisia, Morocco, Cameroon, USA, Mexico, Australia and Costa Rica.

Best of luck to one and all for their respective countries in making the tournament as our esteemed President is very happy that Uruguay qualified for this event.

Property Commentary Covered Ensuing Loss Look for a Subsequent & Distinct Peril

All-Risk policies typically exclude certain perils but then add back coverage for an “ensuing” loss.

Determining the dividing line between an excluded peril, and the ensuing loss, presents challenges from even seasoned loss adjusters.

Many professionals have difficulty in determining the dividing line between the normal physical damage that accompanies an excluded peril, and the covered ensuing loss. This difficulty stems primarily from the flow of interconnected facts that comes with every loss. Determining exactly where the physical damage from an excluded peril ends, and an ensuing loss commences, can be challenging. But this determination becomes much easier if you look for a subsequent and distinct peril.

A good example is the fact pattern in *Balfour Beatty Construction v. Liberty Mutual Fire and Insurance Company*, 968F.3d504 (Fifth

Circuit 2020) which involved the construction of a commercial office tower in Houston, Texas. During construction, the contractor welded a metal plate to external tubing on the 18th floor. Welding slag fell down the side of the building and damaged the exterior glass windows on lower floors. Replacing the damaged windows cost \$687,000.00 US dollars.

The contractor tendered the \$687,000.00 claim to Liberty’s All-Risk Builder’s Risk policy. But Liberty denied coverage.

The policy wording and facts were not in dispute. The parties agreed that the All-Risk policy excluded defective construction. But they disagreed on whether the exception to the defect exclusion reinstated coverage for the damage from the falling slag.

Liberty’s exception to the defect exclusion stated;

“ If an act, defect, error or omission as described above results in a covered peril, “We” do cover the loss or damage caused by that covered peril.”

Although the above exception does not use the word “ensuing”, the court had no trouble treating the words as ensuing loss clause. The Court then noted that ensuing loss clause is triggered only when an

excluded peril results in a distinct covered peril “meaning that there must be two separate events.” In analyzing the fact pattern the court stated that the defective welding operation was in separable from the falling slag, they were not two separate events. The welding and attendant damage from the falling slag was the excluded peril.

More specifically, the falling slag and damage to the windows was not an independent event that “resulted in a covered peril.” Stated differently, the Court required “some distinct peril that arises as a result of the excluded peril.” The mere presence of some physical damage that flows from the excluded peril was insufficient.

In summary, the Court did not find a subsequent peril that was distinct from the peril of defective construction, which included the normal accompanying damage from the falling slag to the glass windows. Accordingly, the Court upheld Liberty’s coverage denial.

All fact patterns are different. But when faced with an ensuing loss clause, a claims professional should look beyond the physical damage that accompanied the excluded peril. The dividing line is drawn with a subsequent & distinct (covered) peril but arises after a “significant attenuation between the direct

result of a workmanship defect and the ultimate loss for which coverage is sought, usually to an independent or fortuitous intervening cause.”

Taja Ins. LLC v. Peerless Ins. Co, 717 F. A. BP’s 190,192 (4th Cir. 2017).

If you find such a peril then the loss is not excluded. But if you don’t find a subsequent and distinct peril, then the loss should be questioned.

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Editor’s Note: From time to time the International Monitor will be featuring various articles from industry professionals in the property loss arena. The attached article was reprinted with permission from the Authors.

In Memoriam

Michael Hale

(August 14, 1942-July 16, 2022)

It is with deep regret that the Institute announces the passing of Michael Hale, a past president of the Institute serving in that position from 2010 through 2011.

Michael Hale had an extraordinary career as an insurance claims professional. His career started with the Firemens Fund Insurance Company (A subsidiary of Chubb, Ltd) as well as being Vice President/ General Manager of the Home Insurance Company’s California & Hawaii operations. He was the founder and president of Carter Insurance Claim Services, an independent insurance adjusting firm he established in 1987. At the time of his passing, he was the Chairman of the Board of the Claim

Professionals Liability Insurance Company, a Risk Retention Group which specializes in errors & omissions for claim professionals and was the driving force behind its founding, as well as the growth and success of this company in the United States, since its founding in 2004.

He was a graduate of the University of Maryland and served honorably in the United States Air Force.

The Institute’s condolences are extended to his loving family and industry colleagues as he will be dearly missed. Letters of condolences can be sent to his daughter:

Miki Hewlett

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Prosper, TX 75078

USA.



International
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REGIONAL VICE PRESIDENT REPORTS

An ever – expanding global economy is changing virtually every aspect of the business world. Nowhere is this economic fact of life more manifest than in the insurance claims adjusting industry. Please take a look at our regional vice presidents’ reports to learn more.

Click the links below to download:



[Australia & New Zealand Region Report »](#)



[Latin America Region Report »](#)



[Canadian Region Report »](#)



[USA & The Caribbean Region Report »](#)



[Africa Regional Report »](#)

Treasurer's Note

Our Treasurer, Michael Nardulli advises that the 2022 dues notices were sent out to the membership in January. While the vast majority of members have paid their dues, a number of the membership have not as yet responded to that notice. Our treasurer happily points out that in order to keep the Institute properly funded, the membership needs to respond to its obligations in a timely fashion.

A round of dunning notices will be sent out shortly to those members who are delinquent . Please check your records and if you have no record of payment, please contact Michael Nardulli at:

michael.nardulli@mclarens.com or call 1-001-631-318-4476

To make the necessary arrangements to settle your account.

Editorial Note

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