



INTERNATIONAL MONITOR

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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	

2024 IILA Annual General Meeting



The 2024 IILA Annual General Meeting will be held in Crete, Greece from October 18th through October 22, 2024.

The venue for the Annual General Meeting will be the Abaton Island Resort & Spa ([HTTPS://www.abaton.gr/](https://www.abaton.gr/)). The resort is located on Crete’s Northern Coastline and offers elegant accommodations and panoramic Mediterranean Sea views. Further details and registration materials can be found on the IILA website.

The conference and program chair is the Institute’s 2nd Vice President Jerry Provencher who has put together a first-class cultural an educational program for all attendees and industry quests.

Please check your calendars and make plans for attending this event at a once in a lifetime venue.



PRESIDENT'S MESSAGE

Mr. Emre Kokavci



To My Fellow Members,

I trust all is well with you and your families and I would like to take the opportunity to update one and all on the developments with the Institute for the first half of this year.

The IILA's Mid-Year Meeting was held on May 9, 2024, in conjunction with the USA based National Association of Independent Insurance Adjusters (NAIIA) at that organization's Annual Conference in San Antonio, Texas USA. Chairing that meeting was the IILA Secretary, Charles J. Reilly, Jr, who provided the attendees with the details of the Institute's efforts along with providing an overview of the plans for the 2024 AGM.

I am pleased to announce that since our last AGM in Madrid Spain, there have been two new full members added to the Institute's roster and they are Margaret A. (Peggy) Reilly of Edward R. Reilly & Co., Inc along with Francis Marx of the Curley Adjustment Bureau. I would like to extend my sincere thanks to our new full members for joining the IILA family. I ask that the membership continue to promote the Institute, especially promoting likeminded

industry colleagues to join our organization, so that we may continue to be relevant in the global claims environment.

Further, I am happy to report that at this juncture, we have considerable support for the 2024 AGM in Crete, Greece as well as the Pre-Conference Tour in Athens, Nafplion and Delphi, Greece. If you have not as yet registered for this event, please visit the IILA website to make those reservations as quickly as possible, as space for both venues is limited. I want to extend my sincere thanks to our conference and program Chairman, Jerry Provencher for his work on an outstanding program for both the Pre-Conference tour and AGM.

If you have not already noticed, the Institute has a LinkedIn page which is excellently managed by our past President, Daniel Paz. I invite all of our members to follow the Institute's LinkedIn page to interact with our page. The LinkedIn page can be found at – <https://www.linkedin.com/company/international-institute-of-loss-adjusters/>

It should be noted that the Institute has redomiciled from Canada to the United States for the ease of conducting cross boarder banking with our members and being compliant with current international banking regulations.

If you wish to participate in a more active role with the Institute, please feel free to contact me directly or any of the Institute's officers and or Regional Vice Presidents as to what committees you wish to be a participant. In closing, I am honored to be the President of the Institute and wish to thank our officers and regional vice presidents for their continued support and service, and I will continue with my best efforts in leading the Institute forward.

Very truly yours,

Emre Kokavci,
President



International
Institute of
Loss Adjusters



Athens, Greece

2024 IILA Pre-Conference Tour

Ahead of the Institute's Annual General Meeting, a pre-conference tour has been planned to be held in Athens Greece from October 13th through October 18, 2024 at the Athens Plaza Hotel in the City's Central Business District.

The pre-conference tour will be chaired by the Institute's 2nd Vice President Jerry Provencher, which will feature first-class cultural and culinary tours of the Acropolis, Nafplion, Arachova and Delphi.

Information and registration information on the Pre-Conference tour along with the agenda is posted on the Institute's Website.

Again, please check your calendars to see if you can attend this wonderful event at the birthplace of Western Civilization.

IILA Welcomes New Members

The Institute wishes to welcome its newest Full Member namely, Francis J. (Frank) Marx, President of Curley Adjustment Bureau, Inc, a Philadelphia, Pennsylvania USA based independent adjusting firm.

Mr. Marx began his insurance career with his family firm in 1972 and his areas of expertise include commercial fire and theft, business interruption along with being a qualified expert witness in insurance claim disputes.

Frank is the past president of the Pennsylvania Association of Independent Insurance Adjusters, and the past president of National Association of Independent Insurance Adjusters along with being an Associate member of the Loss Executives Association.

Frank is happily married has three adult children (one of which is

associated with his firm) and resides in Doylestown, Pennsylvania, USA.

Global Economic Outlook

The World Bank upgraded its outlook for the global economy estimating that it will expand 2.6% this year on the strength of sustained growth in the United States.

The bank's last outlook marks an increase from the 2.4% growth for 2024 it had predicted in January and that it would match the global economy's 2.6% expansion that occurred in 2023. The agency has cautioned that global growth remains sluggish by past standards, that the poorest countries are struggling under the weight of heavy debts and high interest rates and that increased trade tensions could endanger prosperity worldwide. The conflicts in the Ukraine and Gaza are inflicting further pressures on regional economies.

The World Bank expects emerging market and developing countries to collectively grow 4% this year, down from 4.2% in 2023. In many cases, their

populations are outpacing their economies, reducing their annual income growth per person to 3% this year through 2026, far below the

average 3.8% in the decade before the Pandemic.

China, the world's second largest economy after the United States, is struggling with the collapse of its real estate market and with weak consumer confidence. The Chinese economy is expected to decelerate to 4.8% this year from 5.2% in 2023. Growth in Latin America is forecast to slow from 2.2% last year to 1.8% in 2024. The World Bank expects the economy of sub-Saharan Africa to grow 3.5%, modest but up from 3% last year.

The (20) European countries that share the euro currency, hurt by the consequences of the Russia/Ukraine conflict, are expected to eke out .7% growth in 2024, which is nearly twice the .4% growth this region experienced in 2023.

The World Bank expects Japan's economic growth, hobbled by sluggish consumer spending and flagging exports, to slow to .7% this year from 1.9% in 2023.

The World Bank says it worries that faltering trade due to geo-political tensions in the Mid-East and elsewhere could hold back global growth for the second half of 2024 and into 2025.

The World Bank is made of 189 member nations and seeks to

reduce poverty and boost living standards by providing grants and low rate loans to developing economies.

Ocean Marine Update

The massive Singapore- flagged container ship Dali sailing out of the Baltimore Harbor (USA) bound for Sri Lanka reported losing power and the ability to maneuver before plowing into a support pylon of the Francis Scott Key Bridge causing its collapse.

The impact brought most the bridge tumbling into the mouth of the Patapsco River blocking shipping lanes and forcing the indefinite closure of the Port of Baltimore, one of the busiest on the US Eastern Seaboard. **The disaster could lead up to 4 billion in insurance claims according to the rating agency Morningstar DBRS.**

Lloyd's Chairperson Bruce Carnegie-Brown advised that it was to soon to be a figure on the total insurance loss, but indicated that he would be surprised if it did not result in a multi-billion dollar loss. He further added that the involved tragedy has the capacity to become the single largest marine loss ever.

Britannia, the insurer of the containership Dali, is working

with the vessels owner and US authorities on the investigation into the collapse of the bridge.

The involved P & I Clubs may be liable for issues such as repair of the bridge and clearance of the wreckage according to industry sources.

Reinsurers in the London market and major European players such as Swiss Re, Munich Re and Hannover Re are likely to face claims as well.

This event and its effect on the reinsurance market bears watching as the details of this casualty gradually become known.

North American Hurricane Season Report

The US based National Oceanic and Atmosphere and Administration (NOAA) outlook for the 2024 Atlantic hurricane season, which spans from June 1st to November 30th, predicts an 85% chance of above normal season, a 10% change of near -normal season and a 5% chance of low-normal season.

NOAA is forecasting a range of 17-25 total named storms (wind speeds of 39 mph or higher).

So far this season, two one hurricanes have struck the United States, namely, Hurricane Beryl

which struck Houston Texas as a category 1 storm on June 28, 2024, and Hurricane Debby which struck the Big Bend section of Florida also as a category 1 storm. The Hurricane Beryl storm caused havoc to the City of Houston's electrical grid which caused substantial outages to residential, commercial and industrial customers for quite some time. Hurricane Debby had wind speeds of 80 mph when it made landfall but has transitioned into a major rain event affecting the states of Florida, Georgia and South Carolina before affecting the Northeast.

The losses to the State of Texas, which was the hardest hit, are estimated to be several billion dollars. Analysts are projecting insured losses to be between 2.5 billion to 3.5 billion US dollars. Damage estimates concerning Hurricane Debby are still being compiled.

Hurricane Ernesto a category (1) storm, struck the British Crown colony of Bermuda, resulting in approximately 70% of its inhabitants to lose their power.

However, there were no injuries or loss of life and the Bermuda Electric Company (BELCO) was able to restore power to most of its customers within (72) hours of the storms passing. The Bermuda authorities said that accurate forecasting lead to the government

establishing protocols for businesses and residents to follow prior to the storm striking the island, which greatly assisted in mitigating the damages from the storm.

Pacific Tropical Typhoon Outlook

The 2024 Pacific Typhoon season is an ongoing event where tropical cyclones typically develop between May and October. The season's first named storm, Ewiniar, developed on May 25th and eventually intensified to the first typhoon of the season.

Early indications are that 2024 will be a relative quiet typhoon system according to industry observers. The meteorological firm, StormGeo is anticipating a less active 2024 season in the West Pacific Basin. The reason for the below average activity according to the StormGeo's meteorologist, is a transition from El Nino into a weak or moderate La Nina in mid 2024.

CrowdStrike Event

For those unaware, on July 19th, CrowdStrike, a leading cyber security technology provider, released a "Rapid Response Content" update to its capitol BDR tool named Falcon, which sits on Microsoft Windows devices.

This update contained a software coding flaw that reportedly affected 8.5 million Windows devices.

CrowdStrike promptly reverted the update and introduced a fix but the impact was significant.

The outage caused a global disruption of critical services to businesses and governments around the world. Many industries that were affected including airlines, airports, banks, hotels, hospitals, manufacturing, stock markets, broadcasting along with retail operations.

While the error was discovered and a fix was released, many affected computers and systems had to be fixed manually which resulted in the outages lingering for quite some time.

This outage highlights the severity of digital supply chain interconnectedness as it disrupted not only crowdstrike's customers but also propagated through third-party networks, impacting the resilience of seemingly unrelated industries.

Reinsurance broker, Guy Carpenter estimates that less than 1% of companies globally with cyber insurance were impacted. They believe that many organizations had the opportunity to mitigate the outage before the waiting period expired for business interruption

claims. Most cyber insurance policies contain a 4-12 hour waiting period to trigger coverage. As a result, the likely insurance loss is between 300 million to 1 billion according to Guy Carpenter.

The firm said that its findings align with the conclusion that this event would not result in a material loss for most insurers, although this could change based on the warnings adopted by carriers, concentration of underwriting within affected industry sectors etc.

The US Global air carrier, Delta Airlines has announced that the outage resulted in a loss of approximately 500 million dollars and announced that they will be taking legal action against the CrowdStrike firm.

Cyber industry analysts are suggesting that the total economic loss from the event will fall between somewhere between 1 billion to 3 billion US dollars.

North American Market Report

The US P & C Insurance industry registered its best first half underwriting results in over 15 years. Strong premium gains and lower claims cost inflation contributed to a combined ratio of approximately 94%. Higher investment income provided an additional boost as well.

Industry returns on equity (ROE) was 14% and Thomas Holzheu, Chief Economist Americas of Swiss Re is forecasting a full year Return on Equity (ROE) of 9.5% and a 10% figure in 2025, with premium growth of 8% and an ROE of 5% respectively.

Further, he is forecasting an industry net combined ratio of 98.5% which is an approximate 8% percentage point improvement from the prior year.

NOAA is forecasting a higher than normal activity level for the North Atlantic Hurricane season. Hurricane Beryl a category 1 storm which struck the Caribbean and Texas coast has projected wind losses in Texas to be between 2.5 billion to 3.5 billion.

The residual market insurer, the Texas Windstorm Association (TWIA) has received over 27,000 claims for Hurricane Beryl and has made payment on more than 10,000 claims at a cost of \$120 million US dollars. The TWIA board of directors has reported that it will require a substantial drawn down of its Catastrophe Reserve Trust Fund which stood at \$451 million US dollars at the end of the second quarter. The TWIA board also voted in favor to file for a 10% rate increase for all policies in a filing with the Texas Department of Insurance.

Catastrophe risks modeler,

CoreLogic has estimated insurable losses in the Caribbean between 1 billion to 1.5 billion for the Windward Islands, and less than 1 billion in Jamaica, the Cayman Islands and Mexico.

Wildfires have returned to Western Canada as well as the Western United States but those fires are not as severe as they were in the years when those areas were in the midst of a long term drought.

Due to the continued hard market, property loss retention levels have increased which has resulted in reduced property assignments from insurers to their first party service providers.

Bermuda Market Report

Bermuda's reinsurers and insurers combined ratio should be in the 85% to 86% range as forecasted by the USA rating agency, Fitch Ratings. Catastrophe losses will represent 3-4% points of the combined ratio. Underwriting improvement will be more limited in 2024 with premium rate increases subsiding. Shareholders equity grew at 23% due to increased underwriting and investment income, equity market gains along with stabilization of unrealized bond losses.

Bermuda’s implementation of a 15% corporate tax will marginally reduce its economic advantage but the Island’s established position in the global reinsurance marketplace will continue to grow as a “go to” marketplace for catastrophe insurance programs.

Lloyd’s/London Market Report

Lloyd’s, the world’s leading marketplace for insurance and reinsurance, announced a strong set of results for the first six months of 2024, with an underwriting profit of 11 billion pounds. This sets it on course to achieve its best return on capital for over 15 years.

In addition, there will be a focus on cost reduction for doing business at Lloyd’s and transparency to investors. There will be some reduction in the burden of data reporting to Lloyd’s and a focus on Lloyd’s Corporation charging structure to make it simpler and cheaper to transact business in the marketplace.

While underwriting performance improved to an 84% combined ratio the biggest change was in the syndicates’ investment returns. This resulted in the first time in the

last decade that Lloyd’s that in the aggregate, exceeded its estimated weighted average cost of capital (WACC).

The US based rating agency, Fitch Ratings outlook for Lloyd’s and the London market to be improving for the balance of 2024.

Latin American Market Report

The US rating agency, Fitch Ratings has continued its neutral outlook for the Latin American insurance market for 2024, citing stable operating conditions and economic growth. International broker, Marsh & McClellan reports that insurance rates in the second quarter of 2024 in the region have increased at a 4% rate.

The US rating firm S & P Global projects the industries return on equity (ROE) and return on revenue (ROR) will increase slightly to 8.2% from 7.9% and 23.0% from 20.2% respectively.

The sector outlooks for Columbia, El Salvador, Peru and Chile are more optimistic than other Latin countries. The resilience of these insurance markets combined with favorable economic conditions, moderate inflation, strengthened underwriting policies and improved claims management, contribute to that positive outlook.

Asia-Pacific Market Report

The Marsh Global Insurance Market Index is reporting that the Asia property insurance rates declined 3% in the second quarter of this year. Global commercial insurance rates were reported to be flat during the second quarter, the first time in nearly seven years that there has been a decline in insurance rates.

The Swiss Re Institute is reporting that the insurance industry has reached a new equilibrium and that the global economy has surprised on the upside which could drive more demand for insurance on real property.

According to a report by the market research firm GlobalData, the property insurance industry in the Asia-Pacific (APAC) region is expected to grow by 9% and is expected to reach a gross written premium figure of 103 billion US.

Japan is the leading market in the region with a 30.5% share with the other top markets being China, Australia, India and South Korea, with a collective share of 56.8%. The top ten insurers account for approximately 80% of the APAC property insurance premiums with the top three insurers holding a

70% share, which indicates a very concentrated market.

Insurers are continuing to focus on prudent underwriting practices and technology to safeguard their losses given the regions high vulnerability to natural hazard risk. Insurers are now embracing AI technology to improve their modeling and underwriting practices.

Growing demand in the construction and energy sectors coupled with rising premium prices, is expected to support property insurance growth in the region.

Lastly, portfolio adjustments to limit high severity of loss exposures and maintaining probability will be a key focus for APAC property insurers for the balance of the year.

European Market Report

The property insurance market in Europe is expected to reach a



market size of 150 billion US in gross written premium by the end of 2024. Certain industry analysis are projecting a little under a 3% growth rate for the market heading into to 2025.

International broker Marsh & McClellan reports that commercial renewal rates were flat in the second quarter and is seeing that being a trend for the balance of the year.

The top ten insurers accounted for 38.9% of Europe's property insurance premiums, indicating a fragmented competitive landscape. All top ten insurers were European groups and had strong solvency positions due to prudent underwriting practices and diversified business operations outside of Europe.

In the late spring, heavy and persistent rainfall fell across Central European areas with major flooding hitting parts of Germany. Flooding started with smaller rivers across the South of the country, mainly in the Baden-Wurttemberg and Bavaria, with the Danube River later reaching flood stage in several locations as the flood waters from the headwater catchments accumulated downstream.

Substantial property and business interruption losses occurred to residential, commercial, industrial and to agricultural properties. The estimated insured losses in German range between 2 billion to 3 billion Euros.

Swiss Re Group's Chief Risk Officer, Patrick Raaflaub reports

that weather related national catastrophes, including floods, wild fires and storms, are becoming more frequent and severe. While these events can cause property damage and loss of life, there cascading effect pose additional risks to the insurance and reinsurance markets.

Swiss Re Global Report

According to a new report from Swiss Re, global insured losses from national catastrophes have reached 60 billion US during the first half of 2024 from severe thunderstorms, namely in the United States, which accounted for 70% of the total figure.

At 60 billion US, global insured losses from natural catastrophes in the first half of 2024 are reportedly 62% above the ten-year average.

Meanwhile, severe conductive storms (SCS) categorized by strong winds including tornados, hail and heavy rain, led to insured losses of 42 billion US globally in the first half of the year, which is around 87% higher than the ten-year average.

Swiss Re reports that in the US alone, (12) storms each caused losses of \$1 billion dollars or more during the first half of the year.

2024 Summer Olympics

The recently concluded 2024 Summer Olympics held in Paris France, has universally been accepted as an unqualified success.

Generally speaking, the weather cooperated bringing spectators from all parts of the world to witness this amazing athletic event.



The host nation France was well represented in all athletic disciplines and medaled well in the swimming and track and field events. The accomplishments by the men and woman in all events were well documented by the worldwide media. Kudos to those wonderful athletes for representing their countries with such grace and aplomb.

The counties leading the medal count included the United States, China, France, Great Britain and Japan.

The International Olympic Committee has awarded the 2028 summer games to Los Angeles, California USA which previously posted the games in 1932 and 1984.



2026 World Cup

FIFA has awarded the 2026 World Cup to be hosted by Canada, Mexico and United States. The first time the event is being hosted by more than one country.

It will be hosted in (16) cities and will feature (48) teams which is (16) more than in the last World Cup.

The 2026 World Cup will be played in the traditional period between the months of June & July. The World Cup's opening match will take place on Thursday June 11th in Mexico City's fabled AZTECA arena. The final match will be held on July 19th, at the Meadowlands-Giant Stadium in New Jersey, USA.

Editor's Note

Beginning with this issue, the International Monitor will be featuring articles on climate change and its effects on the property loss adjustment field.

The first of these articles was published in the May 2018 Monitor by IILA retired member Neville Bussell, Canada.

This issue will be featuring a contribution from Constantino P. Suriano, Esq. of the Law Firm Mound Cotton, Wollan & Greengrass, a New York (USA) and London (UK) based firm, which specializes in property loss related matters for interested insurers and underwriters.

The Calm Before The Solar Storm Coverage Implications Arising From Solar Events

By Costantino P. Suriano, Esq.

Mound Cotton Wollan & Greengrass New York, New York, USA



*"Give me the splendid silent Sun
with all its beams full-dazzling!"*

-Walt Whitman

Our English professor would be proud to see how Walt Whitman's sayings apply to insurance (hurricanes, tsunami's, earthquakes, floods, and even volcanic eruptions). We all know and lament the natural phenomena that have taken their toll on human life and treasure. Many times, but not always, the treasure can be restored, at least in part. The sad loss of life cannot.

What surprises many today is that the source of warmth and off times healthy splendor- our Sun maybe the cause of future unhappiness

even though it is 93 million miles from Earth.

Solar storms are not new, but will be more frequent in the near future. Our scientists and popular press tell us that, unlike hurricanes, tsunami's, earthquakes, floods, and volcanic eruptions, a singular solar storm has the potential to cause damage across the entire globe, not just in an isolated region. Past solar storms have been responsible for damage to space-based assets, such as satellites-as well as to earthly objects, such as electrical power

grids. The National Academy of Sciences (US Research Entity) has predicted that a single solar storm could have the economic impact of twenty Hurricane Katrinas.

This article will explain what solar storms are from a first-party lawyer's point of view and how insurance carriers might be affected if a significant solar storm were truly to occur in the next few years.

Solar Storms: What Are They?

Solar storms are eruptions of energy and matter that escape

The Calm Before The Solar Storm Coverage Implications Arising From Solar Events - Continued

By **Costantino P. Suriano, Esq.**

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from the Sun and occasionally head towards Earth. They generally consist of three major components; solar flares, solar proton events (SPEs), and coronal mass ejections (CMEs), which under the right circumstances, may react with the Earth's magnetic field to produce a geomagnetic storm. The literature we have read says that solar storms occur approximately once every decade but have the potential to cause widespread damage. Geomagnetic storms have been described as “low probability, high-impact events”.

Solar storm activity is often described in terms of “minimum and maximum periods of activity” which generally follows an eleven-year cycle with wherein minimum periods of activity are followed by maximum periods. Naturally, the maximum period of activity is when the threat of damage from solar storms is at its greatest. The public is told by experts that the Sun is currently coming out of its minimum period of activity and moving towards its maximum period. Although to us it seems that predicting solar storms is like picking the winning lottery

numbers, some experts say that the next great solar storm is expected between late 2024 and early 2026.

The main tool for predicting solar storms is the study of sunspots. Sunspots are regions of the Sun's surface that are cooler than the surrounding areas, thus appearing darker. They form as a result of “intense magnetic activity” and are generally the locations where solar storms begin. The more sunspots there are, the more likely it is that solar storms will occur. Knowing when and where sunspots will form is said to be the “key to predicting solar storms”. Recently, astronomer Stathis Ilonidis discovered a new technique for identifying sunspots that allows researchers to detect sunspots more than 37,000 miles below the sun surface. This technique enables forecasters to locate sunspots one to two days before they appear on the Sun's surface, providing improved space weather forecasting abilities.

Early detection of solar storms might be important for us Earth dwellers in any attempt to reduce the damage that might be caused by a great solar storm when it makes contact

with the Earth. Without sounding like the proverbial “scaredy cat” and remembering the unfulfilled doomsday scenarios for the year 2000 computer Y2K predictions, we must observe that a solar storm could cause widespread damage to industries such as communications, electrical power supply, and oil and gas.

A report by the National Academy of Sciences concluded that a great solar storm could cause “one to two trillion dollars in damages the first year and require 4-10 years of recovery”.

Past Solar Storms

In 1859, the largest solar storm known to date, the “Carrington Event” -struck the earth. Skies all over the planet illuminated with red, green and purple auroras so bright that people could read newspapers outside before the sun had risen. In addition to the light show that was produced, the solar storm caused considerable damage worldwide to the telegraph system that was in place. Sparks were seen discharging from telegraph machines, shocking telegraph operators and setting telegraph paper on fire. Even

The Calm Before The Solar Storm Coverage Implications Arising From Solar Events - Continued

By **Costantino P. Suriano, Esq.**

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after the batteries powering the telegraphs machines were disconnected, the (arura- induced) electric currents traveling through the telegraph wires continued to allow the machines to send messages. Although, looking back, the damage caused by the Carrington Event was relatively minimal, a similar size storm today would be far more destructive and could cause the world's hi-tech infrastructure to "grind to a halt".

In 1989, a solar storm struck Canada. While not nearly as strong as the Carrington Event, the 1989 event provides a frame of reference for the type of damage solar storms could cause today.

The 1989 solar storm struck Earth on March 13, 1989. The main consequence of that storm was geomagnetically induced currents (GICs) that flew through power lines in Quebec. The GICs destabilized the voltage of the power grid, causing spikes to erupt all over. In order to save as many transformers and as much other electrical equipment as possible, the power industries took protective measures, and the entire power grid was taken down. Within 90 seconds of striking, the entire transmission grid was out of

service. The collapsed power grid left approximately 6 million people without electricity on a very cold night. While power was restored to many within about 9 hours, some people were without power for days. In total, the 1989 solar storm



caused approximately \$10 million in damage to the Hydro- Quebec and tens of millions of customers of the utility.

In addition to the damage in Canada, the 1989 solar storm destroyed a 12-million- dollar PSE&G "generator step-up transformer" in New Jersey, USA. PSE&G utility asked its supplier for a replacement and was told that its order would receive top priority, but it would take almost two years to fill the order.

Luckily, a spare transformer was made available, although even that took six weeks to install.

In addition to these 1859 and 1989 events, numerous other solar storms are on record as having caused damage worldwide and in both

hemispheres. The future may bring us greater calamity, considering just how dependent most countries are on electricity, oil, gas and various energy- generated creature comforts.

Risk To Electrical Grids

The solar storm threat is greatest to low-resistance power lines carrying the highest current densities; some of the most vulnerable areas will be those with the highest population. The ability to monitor

The Calm Before The Solar Storm Coverage Implications Arising From Solar Events - Continued

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and predict solar storms therefore becomes important. Accurate prediction of solar storms could allow power companies to protect their transformers by taking them off-line before a storm strike. While this might create local blackouts, they would only be temporary when compared to the length of blackouts if transformers were destroyed.

Risk To Telecommunications



As noted, solar storms have been observed affecting the telecommunications industry for over 150 years. They are numerous documented incidents involving solar storms causing damage to telephone, telegraph, and radio equipment. Satellites are not immune to the potential affects of solar storms. Today, more than ever, we rely on advance telecommunications equipment on a daily basis.

Such interruptions, even for a short period of time would greatly affect

the telecommunications industry and society as a whole.

Risk To Oil And Gas

Solar storms also pose some risk to the oil and gas industry. The main risk to this industry from solar storms may be corrosion of oil and gas pipe lines. Oil and gas pipelines have a tendency to corrode at points where electrical current flows from the metal into the surrounding ground.

The GICs sent into the pipeline by a solar storm may have the effect of producing additional voltages between the pipeline and the ground that could weaken the pipe's corrosion protection or rendering it ineffective. Studies pertaining to the degree of GICs increase the rate of corrosion in the pipeline are continuing. Those pipelines at higher latitudes face a heightened risk of corrosion when compared to pipelines at lower latitudes.

Are Solar Storms The Next Y2k "Nothing Happened" Event?

The ten most costly catastrophes in United States history have occurred in the last 20 years. Such

catastrophes were hurricane-related and have cost the property insurance business tens of billions of dollars in losses, resulting in litigation over numerous coverage issues. Assuming this is not another Y2K "dud", solar storms, although not as common as hurricanes, could be just as costly if not more so, since they have the potential to cause damage worldwide as apposing to "hitting" a specific geographic location.

Very few polices, if any, currently specifically address coverage for damage caused by solar storms. With regard to coverage questions, many of the same issues commonly addressed in hurricane losses may also apply to solar storms, including those pertaining to a number of occurrences, business interruption and contingent business eruption analysis and physical damage requirement analysis. With regard to the "physical damage" requirement, it bears noting that, unlike damage from hurricanes, solar storm damage can technically occur without causing any "physical damage". That is because power grids often contain internal safety mechanisms that cause the power supply to be shut down

The Calm Before The Solar Storm Coverage Implications Arising From Solar Events - Continued

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before physical damage occurs. Accordingly, an insured can suffer an extensive economic, but uncovered losses as a result of the shutdown of power even though neither the power grid nor the insured actually suffered any “physical damage”.

What Actions Can Insurers Take?

Insurers should consider whether they are satisfied with the policy wording in their standard forms in the context of possible future solar storm claims. Insurers may wish to take a sharp pencil when they are presented with a broker’s manuscript form.

If an insurer does not wish to completely exclude losses resulting from solar storms, the insurer may want to limit its liability for such losses by adding specific-limits for losses caused by solar storms.

Sub-limits are an effective tool for insurers because they allow the insurer to know “worst case scenarios” at the time of policy issuance. This allows the insurer to charge the appropriate premium and avoid being hit with large losses that it did not anticipate covering when the policy was issued.

Conclusion

We do not know if solar storms will turn out to be nothing more than another Y2K (Non-Event).

Although solar storms may strike infrequently, scientific literature says that they have the potential in the near future to cause severe financial and physical damage. If that happens, insured’s will undoubtedly seek to recover under their insurance policies. At inception or renewal, underwriters would be well advised to assess the potential risk and losses that an existing

prospective insured may suffer as a result of a solar storm and determine the appropriate premium that should be charged.

Insurers should take a hard look at their policy language. As discussed, an insurer’s policy language will likely be key in determining whether a policy will cover losses caused by solar storms. The inclusion of specific definitions, exclusions, and sub-limits will go a long way in limiting the damages from a severe solar storm event.

It is hoped that the general discussion of key issues pertaining to insurance coverage matters resulting from solar storms to be helpful information for you and your clients.

(Editor’s Note: A complete copy of the “Coverage Implications Arising from Solar Events” article can be obtained by clicking on the following link (click to read entire article).

Treasurer's Note

Our Treasurer, Tom Erhardt advises that the 2024 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 Tom Erhardt at:

terhardt@eacadjust.com or call 1-001-631-325-8390

To make the necessary arrangements to settle your account.

Editorial Note

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