



INTERNATIONAL MONITOR

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

March 2026

In This Issue

2025 IILA Annual General Meeting	1
President's Message	2
2026 Mid-Year Meeting	3
Global Economic Outlook	3
2026 Global Reinsurance Outlook	4
World Economic Forum's Outlook	4
2026 Marine Insurance Outlook	4
Bermuda Market Report	5
London/Lloyd's Market Outlook	5
Latin America Market Report	6
Asia Pacific Market Report	6
North American Market Report	7
Middle East and India Report	8
European & Africa Market Outlook	8
Cybersecurity Trends Report	9
IILA Welcomes New Members	9
2026 FIFA World Cup	10
2026 Winter Olympic Games	10
Editor's Note	10
If It Ain't Broke, Don't Fix It	11
Treasurer's Note	13
Editor's Note	13

IILA World Headquarters

New York, NY USA

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	

2025 IILA Annual General Meeting



The 2025 IILA Annual General Meeting was held in Montevideo, Uruguay from October 12th through October 18th.

The Conference and Program and Chair was IILA Past President, Daniel Paz, who put forth a first-class cultural and educational program for all attendees and industry guests.

The host hotel for the IILA AGM was the Hotel Costanero, which was strategically situated within the City of Montevideo located immediately adjacent to the Pocitos Beach as well as providing the attendees with the best views of the City. The hotel was the site for the IILA Educational Program which featured leading South American Property & Marine experts for the members and (115) industry guests in attendance. A reception followed where industry guests became better acquainted with the IILA and its membership base.



Mr. & Mrs. Rodolpho Lercari (Peru), Mr. & Mrs. Osmar Martins (Brazil) and Daniel Paz (Uruguay).

The gathering also included historical and cultural tours of Punta del Este, the City of Montevideo and a tour of Colonia Del Sacramento. The AGM culminated with the Annual Banquet and the installation of officers which also featured a first-class tango soloist and musical accompaniment, whose exhilarating performances were appreciated by one and all.



PRESIDENT'S MESSAGE

Mr. Jerry Provencher



To My Fellow Members,

I trust all is well with you and your families as we begin this New Year. I would like to thank you for the opportunity to serve as President of the International Institute of Loss Adjusters for the 2025 – 2026 term. It is an honor to leave this distinguished Institute especially as we celebrate our Diamond Anniversary. Our 60th Year will be marked by a special Annual General Meeting (AGM) in London, the center of the global insurance market.

IILA members and guests recently returned from an exceptional AGM in Montevideo, Uruguay, hosted by the Past President Daniel Paz, his wife Felicia, and Immediate Past President Michael Nardulli. Their efforts resulted in an outstanding event that showcased Uruguay's cultural and natural highlights. The educational program was well attended and highly engaging, drawing a (115) participants from across South America.

Our membership is the heart of the Institute, and I encourage every member to become actively involved. My wife and I have greatly valued the relationships and cultural experiences formed through our travels with the IILA. These meetings are for unique opportunities for professional development, international collaboration, and personal connection, all under the auspices of our in-country host members.

Growing our membership remains a priority for the IILA Board for 2026. If you are interested in contributing more directly, please contact any Institute officer or Regional Vice President to explore committee opportunities. I also encourage members to engage with our Linked In presence and help promote the organization through social media and professional connections.

As we prepare for our 2026 Annual General Meeting in London, we look

forward to celebrating 60 years of shared history and accomplishment. Details will follow in the not-to-distant future and we warmly invite all members to participate in what will be a very special event.

In closing, I would like to thank my predecessor, Michael Nardulli for his dedicated service to the Institute. I am honored to continue this work and remain committed to advancing the mission and vitality of our organization.

Respectfully,

Jerry Provencher,
President



International
Institute of
Loss Adjusters



Marriot Grand Hotel in Point Clear Alabama

2026 Mid-Year Meeting

The 2026 IILA Mid-Year Meeting is being held on Wednesday March 18, 2026 in conjunction with the USA based National Association of Independent Insurance Adjusters Conference in Point Clear, Alabama, USA.

The meeting will be held at the Marriot Grand Hotel in Point Clear Alabama which is located on Mobile Bay adjacent to the City of Mobile, Alabama.

The Mid-Year Meeting will provide the membership with the salient details of the IILA's 60th Anniversary AGM which is scheduled to be held in London, England in October.

Hotel arrangements can be arranged through the NAIIA website (www.naiia.com-click events icon). Should

you wish to register for the entire program as a guest, please contact the NAIIA Executive Director, Sheri Csom (877-344-0624 – sheri@naiia.com)

Global Economic Outlook

The International Monetary Fund is projecting global growth rate at 3.3% for 2026 and 3.2% for 2027. Technology investment, fiscal and monetary support, accommodative financial conditions and private sector adaptability have offset US trade policies shifts thus far.

Real GDP growth of 2.4% is projected in the United States, 1.3% in the European area, 3.9% for the Middle East & Central Asia, 5.0% for Emerging and Developing Asia, 2.2% for the Caribbean and Latin America and 4.6% for Sub-Saharan Africa.

The United Nations Department of Economics & Social Affairs are

highlighting several areas that will affect the global economy in 2026;

- Global Economic Growth (Remains Stable But Subdued)
- Geopolitical Tensions & Financial Risks (Will Add Pressures to Global Trade Growth)
- Expansion is Steady (Uneven Across Countries)
- Developed Economies (Are Projected to Maintain Broadly Stable Yet Moderate Growth)
- Vulnerable Countries, (The Outlook Remain Challenging As Limited Economic Diversification)
- Climate (Related Shocks and High Debt Levels Will Continue to Weigh On Prospects for Vulnerable Nations)
- Trade Tensions (Have Intensified But Global Impacts Remain Contained)
- Sharp Increases In US Tariffs In 2025 (Introduced New Trade Frictions and Unsettled The Global Trade)
- Bilateral Agreements Between The US and Key Trading Partners (Helped Prevent a Broader Escalation of Tensions)
- Global Inflation (Is Cooling Though Risks are Still Present)
- Disinflation Is Likely to Continue (Through 2026 Allowing Central

Banks to Gradually Ease Monetary Policy)

- Artificial Intelligence (Offers Promised Productivity – But Uncertainty Remains)
- Advances in Artificial Intelligence (Could Boost Productivity Growth But The Scale And Timing are Uncertain)

These themes bear watching this year as well as for the years ahead.

2026 Global Reinsurance Outlook

The US based rating agency, AM Best & Company's outlook for the 2026 global reinsurance sector has been revised to stable from positive, citing an acceleration of reductions in property reinsurance pricing and continuing challenges in the US casualty space as being among its key considerations in its outlook.

While there has been some softening in terms and conditions, higher retention levels imposed upon seeding companies have largely been held in place, which the rating agency views as a favorable indication of sustained underwriting discipline, despite the declining rates for property exposures.

Apart from the California wildfires in the first quarter of 2025, there was an absence of higher magnitude

individual loss events for the remainder of the year. As a result, the reinsurance sector generated returns that exceeded its cost of capital for a third consecutive year.

The rating agency foresees continued strong operating performance as long as reinsurers stick to underwriting discipline and pricing.

World Economic Forum's Outlook

At the recently concluded World Economic Forum, the international brokerage firm (Marsh) and insurer (Zurich) highlighted deepening Geopolitical divides, alongside mounting technological and societal challenges, as key forces shaping the business landscape in the year ahead.

The Global Risks Advisory Board, of which both Marsh & Zurich are a part of, the Board's Global Risks Report foresee a turbulent upcoming year that could extend through the next ten years.

The risks include major governments moving away from established frameworks designed to tackle shared challenges which could lead to social instability and potential conflict. In addition, advancements in

artificial intelligence and quantum computing will greatly impact labor markets, societal structures, infrastructure and geopolitics which could contribute to widening global economic gaps.

Lastly, the report highlighted extreme weather, cyber attacks and disruptions to critical infrastructure are areas which need to be addressed and not ignored.

This bears watching during the course of this year and the years ahead.

2026 Marine Insurance Outlook

Shippers have been battered and bruised in 2024 and 2025 due to trade wars and geopolitical conflict. However, the tables are starting to turn in the shippers favor, so 2026 could be a year to reimage freight procurement and build greater resilience in supply chains.

In regard to the Red Sea Conflict, a majority of ships are still sailing around the Cape of Good Hope, with the disruption being stabilized in 2025, to the extent that freight rates are falling back to pre-Red Sea crisis levels of December 2023.

Potentially, the US-China Trade War has leveled off for the time being and while further tariff curveballs can be had in 2026, it is unlikely to reach the level scene in 2025.

The forecast for 2026 is for a 3% growth in ocean marine container shipping as market fundamentals are stacked against the carriers and freight rates are expected to continue to fall in 2026.

Carriers will do what they can to protect revenues whether that means slow-steaming, idling and blanked sailings. Shippers do not need to accept poor performance as carriers will be finding it hard for volumes in 2026, so shippers should use data to identify service providers that deliver on their promise of better reliability, transit times and network resilience.

Bermuda Market Report

The 2026 Bermuda Reinsurance Market is transitioning towards a softer, buyer-friendly environment with intense competition due to record capital levels exceeding 660 Billion (US). While property-catastrophe rates are declining, insurers maintain strong, mid-teen returns on equity due to disciplined underwriting and pricing.

The Bermuda Market is expected to remain highly profitable by historical standards, despite the softening market, with insurers benefiting from strong capital positions and solid investment income.

The US rating agency Fitch Ratings

have noted record high capital levels which are pushing a softer renewal market, although profitability will remain favorable by historical standards. The group of Bermuda based reinsurers followed by Fitch **Ratings are projecting a combined ratio of 92% for the full year of 2025 which is an increase from the combined ratio of 90.7% in 2024.**

Fitch Ratings is also forecasting more capital Mergers & Acquisitions activity in the marketplace.

Bermuda's implementation of a 15% corporate tax rate will marginally reduce its economic advantage but the Island's established position in the global reinsurance marketplace will continue to endure.

Lloyd's/London Market Report

Lloyds, the world's leading marketplace for insurance and reinsurance, is reporting several pressure points that are emerging for the 2026 business cycle. Those pressure points include a softening property market with a potential squeeze on underwriting margins. Casualty rates appear inadequate while rapid cyber expansion maybe outstripping the market's ability to absorb risk. These areas are putting pressure on the ability for the

market to sustain long term return thresholds.

For 2026, Lloyds business plan projects 67.4 Billion pounds in gross written premium with a 91.2% net combined ratio. This compares with the latest 2025 forecast of 59.8 billion pounds in GWP with an 88.7% combined ratio.

The US based rating agency, Fitch Ratings outlook for Lloyds and the London Market is to be experiencing heightened pricing competition from the very high standards set in 2023. Reinsurers are more willing to provide protection at lower attachment points for treaties while coverage has expanded moderately. Competition is likely to remain price driven throughout 2026, but Fitch expects policy terms to loosen somewhat further at forthcoming renewals, absent a major macro or sector specific shock.

Lastly, the rating agency expects combined ratios and return on the equity to deteriorate slightly in 2026, assuming major losses stay within budgets, driven by lower pricing and rising loss costs. This will be mitigated by preserved pricing adequacy, still-tight terms relative to historical norms, and supportive investment returns.

Latin American Market Report

The 2026 outlook for Latin American property & casualty insurance is generally stable, supported by a steady macro-economic environment and moderating inflation. While the region remains highly profitable with returns on equity significantly above the global average, insurers are navigating a period of strategic adaptation.

REGIONAL OUTLOOK & GROWTH DRIVERS

- **MARKET GROWTH:**
Total insurance premiums in Latin America are projected to grow by 4% in real terms to 2026, outperforming global averages.
- **KEY GROWTH SEGMENTS:**
The personal lines area (Auto & Housing) are expected to lead the P & C sector. In Brazil, housing insurance is expected to grow by 10.2% due to booming real estate market, while the broader P & C segment is expected to rise by 8.5%.
- **PROFITABILITY TRENDS:**
The Latin American region continues to show strong resilience, with historical Return on Equity around 16.6% compared to roughly 8.8% globally. Argentina, Brazil & Columbia are expected to see strong property

insurance growth in 2026. Mexico on the other hand is an outlier with a deteriorating outlook for 2026, due to the impact of recent tax reforms, despite being a major market for property insurance growth.

The critical challenges and trends for this region include the following;

- **CLIMATE & NATURAL RISKS:**
Increasing frequency of secondary perils (storms, floods & wildfires) is driving a shift toward active risk mitigation rather than just pricing.
- **DIGITAL TRANSFORMATION:**
Insurers are moving from simple digitalization to executing AI use cases at scale and leveraging a broader distribution platform.
- **EMERGING RISKS:**
There is a sharp rise in demand for cyber security and climate protection coverage as businesses face evolving threats and stricter regional data privacy laws in countries like Brazil & Chile.

The US banking giant J.P. Morgan & Chase Bank is of the opinion and belief that because of the regions' rich resources in agriculture, mining, oil production and supply chain diversification along with demographics are converging to create a new narrative. Global dynamics are shifting in ways that

play directly to Latin America's strengths. Optionality is emerging on the political front, with the regional pendulum possible swinging from extreme left to administrations that are friendlier to institutional reforms, improved macroeconomic management with greater private participation.

Asia-Pacific Market Report

The APAC market experienced several national catastrophes in 2025. Prolonged storms triggered floods and landslides in Indonesia, Thailand, Vietnam and Malasia in late November; severe tropical storm Wipha crossed the northern Philippines, Hong Kong and Macau in July; a massive earthquake in Myanmar damaged property in neighboring Thailand and Laos; and wildfires also broke out earlier in the year in South Korea and Japan. Australia also experienced multi natural catastrophes in 2025.

Despite ample capacity, catastrophe losses in the region continued to reveal significant levels of under insurance. Total economic losses from natural disasters in the APAC region reached at least 76 billion (US) in 2025. Yet just over 7 billion (US) of these losses were covered by insurance according to US international broker, Aon PLC's

latest Climate Catastrophe Insight Report.

In 2026, analysts are pointing out key issues facing APAC insurers, namely geopolitics, natural disasters, and Artificial Intelligence (AI).

Geopolitics will continue to be front and center due to the US administration's tariff policy which will continue to create uncertainty in global trade. The biggest issue insurers face in the APAC region is how to engage with China as a country, and within that, the individual organizations they want to do business with.

The US rating agencies S & P Global and Fitch Ratings are forecasting property premiums growth to slow as insurers need to navigate the geopolitical volatility that is looming large in this marketplace and bears watching.

North American Market Report

The 2026 North American property insurance market is shifting from a prolonged "hard" market into a period of moderating growth and increased competition. While standard risks are seeing rate stabilization, high-hazard zones risks continue to find strict underwriting and significant cost pressure.

MARKET TRENDS & PRICING

- **Decelerating Growth:**
The National Premium Growth for US Property & Casualty (P & C) is projected to slow to 3% to 4% in 2026, down from double-digit hikes of previous years.
- **Softening For "Clean" Risks:**
For well-maintained, non-catastrophe (non-cat) exposed properties, rates are stabilizing and sometimes trending slightly downward.
- **Persistent Firmness in CAT Zones:**
Areas that are exposed to hurricanes, wildfires and severe convective storms remain "firm", with high premiums and limited capacity as insurers manage extreme weather risks.
- **Reinsurance Relief:**
Property-Catastrophe reinsurance has entered a buyer's market with rate reductions of 10-15% expected to flow through to primary carriers.

Key segment outlooks for the market include the following;

- **Commercial Property:**
Underwriters are increasingly selective, rewarding "best-in-class" accounts with favorable terms while requiring higher retentions for complex or loss-prone risks.
- **Personal Lines:**
The market is stabilizing, but affordability remains a major

concern. Insurers are utilizing granular data, such as roof age, and drone imagery to refine pricing.

- **Alternative Solutions:**
The use of parametric insurance and captives is rising to address gaps in traditional coverage for high-risk assets.

The strategic differentiators for the property market for the US and Canada are as follows;

- **Documented mitigation:**
Proactive risk management (i.e., flood controls, fire protection) has become a core requirement for securing competitive quotes.
- **AI & Technology:**
Carriers are now moving beyond pilot programs to scale AI in underwriting for more precise risk evaluation and faster claims processing.
- **Regular Regulatory Scrutiny:**
Regulators are increasing their focus on AI governance, cyber security requirements along with investment status strategies on how carriers deploy their capital within the marketplace.

The US rating agency, Fitch Ratings outlook for the US and Canada is maintaining a neutral fundamental sector view for both commercial and personal lines. The property sector enters 2026 on solid footing, supported by strong overall statutory performance, continued

favorable personal auto insurance results, a benign hurricane season and higher reserve releases.

Fitch expects the industry combined ratio to improve by nearly three percentage points in 2025 reaching a figure of 93.7%. Looking ahead to 2026, the industry performance is likely to remain stable, achieving a slightly lower underwriting profit with a combined ratio between 96-97%. The rating agency also points out that this market will see increased competition, along with geopolitical uncertainty, along with difficult legal environment, which could produce challenges for pricing discipline, reserve adequacy, and claims management.

Middle East & India Report

The property insurance market in the Middle East and India is characterized by high-growth potential driven by infrastructure development and rapid digitalization, alongside a softening rate environment. While the Middle East sees robust expansion, India is set to be the fastest growing major market with a 6.9% annual growth rate projected through 2030. Property rates are forecasted to decline with India seeing anywhere between a 15-25% decrease and the Middle East seeing reductions between 5-15% upon renewal.

Reinsurance capacity it expected to expand in this region leading to increase competition and reduced premiums per US based broker Marsh.

Despite rate declines, this region faces rising natural catastrophe exposure with interested insurers using advanced risk assessment tools in their underwriting of property risks in both non-CAT and CAT areas.

Lastly, mid-sized insurers are expected to be facing operational strain due to increase competition which could drive carrier consolidation in this market.

European & Africa Market Outlook

The 2026 European Property Insurance Marketplace mirrors what is forecasted for the Lloyd's/London Marketplace, namely a shift towards a softer pricing environment with increased competition, due to an influx of capital and a softening of rates at the reinsurance level.

Insurers will be increasingly prioritizing the use of Artificial Intelligence (AI) to enhance underwriting precision and efficiency. No doubt that this will also be seen if not already in the property loss adjustment arena.

The African Insurance Market

is estimated to reach a market size of 1.65 (US) Trillion by 2034, growing at an approximate 11.7 percent rate from 2026 to 2036, by some economists. Currently, the marketplace is fragmented with low penetration and significant disparities.

Market drivers include rising urbanization and the expansion of mobile financial services. The proliferation of mobile financial services has emerged as a transformative enabler for insurance across this continent. This infrastructure has allowed insurers to bypass traditional distribution bottlenecks and offer pay-as-you-go micro insurance products via this platform.

Market restraints exist due to low financial literacy and trust issues along with regional instability and currency volatility.

The African reinsurance market remains highly concentrated with the top ten companies accounting for some seventy three percent of the total premiums.

The market is led by Africa Re, Munich Re, Atlantic Re, Compagnie Centrale de Reassurance (CCR), and Swiss Re Africa, together underwriting fifty one percent of the continents' reinsurance premiums.

Based upon premium volume, South Africa, ranks as the largest reinsurance market for reinsurers, accounting for approximately thirty four percent of the continent's written premium.

This market's projected growth bears watching as it offers opportunities both on the underwriting and loss adjustment side of the business.

Cybersecurity Trends Report

The 2026 cyber insurance market is characterized by a buyer-friendly environment with plentiful capacity, though signs of stricter underwriting are emerging due to AI-driven threats and systemic risk concerns. Global premiums are projected to reach approximately 16.4 Billion (US) by the end of 2026, continuing a steady growth trajectory towards a potential 30-50 Billion (US) by 2030.

Insurers are moving away from simple questionnaires towards continuous validation. Some carriers may soon require only API integrations with your security platforms (EDR, SIEM) to monitor posture in real-time.

Renewal policies may contain critical coverage changes such as;

- Non-Negotiable Controls; Identity Security (MFA), Privileged Access Management (PAM) and Proven Incident Response Plans are Now Basic requirements for Eligibility
- Tightening Language; Carriers are Narrowing Coverage for Social Engineering (Often Requiring Out-Of-Band Verification) and Unpatched Vulnerabilities (Claims May Be Denied if a Patch Was Available for 30-60 Days)
- Regulatory Pressure; Upcoming and Recently Introduced Cyber Security Control Requirements by Insurance Regulators and/or National Governmental Requirements

IILA Welcomes New Members

The Institute wishes to welcome its newest Full Members, namely, Casper (Cassie) Schmidt, along with Alfredo Landivar Suarez and Associate Member Brian Burns.

Casper Schmidt is the President of Schmidt Loss Adjusters which is based in Namibia, Africa. His firm was established in 2000 and serves both the non-marine and marine areas of the insurance industry. Mr. Schmidt's areas of expertise is the handling of commercial and

industrial fire and theft along with business interruption and heavy equipment losses. He is also an Associate Member of the Institute of Loss Adjusters of Southern Africa. Mr. Schmidt looks forward to being an active and contributing member of the Institute.

Alfred Landivar Suarez is associated with the International Inspection Services Chile S. A. of Santiago Chile, where is the Deputy Manager of Operations for his firm.

He is a licensed loss adjuster/surveyor in Chile and has over 20 years experience in the marine and non-marine aspects of the insurance claims industry. Mr. Landivar received his engineering and business degree from Gabriela Mistral University. He also looks forward to being a contributing member of the Institute and keeping up the family tradition.

The IILA's newest Associate Member is Brian Burns who is associate with the Peter J. Crosa & Company of St. Petersburg, Florida USA. Mr. Burns is associated with his company's property loss adjustment division and specializes in commercial property loss adjustments.



2026 FIFA World Cup

The 2026 FIFA World Cup will be the 23rd World Cup football event. The tournament will consist of (48) national teams of the member associations and will take place from June 11th to July 19, 2026. It will be jointly hosted by sixteen cities, eleven in the United States, three in Mexico and two in Canada. The tournament will be the first to be hosted by three nations. The host nations, Canada, Mexico and the United States all automatically qualified. Cape Verde, Curacao, Jordan and Uzbekistan will all make their World Cup debuts. Argentina is the defending champion, having won its third World Cup title in 2022. The (48) qualifying teams have been drawn to fill (12) groups of four for group play with the top two teams from each group proceeding to the knockout round of the tournament. Europe, the Middle East and Latin America lead the regions with the

most teams qualifying for this event. The tournament will be broadcast worldwide commencing with the various group stage matches until the championship match in New York USA.

The FIFA prize money for this event totals 655 million (US). Each qualifying team will receive a guaranteed minimum of 10.5 million (US) in prize money with the champions receiving a 50 million US Dollar payout.

This event expects to be the most viewed sporting event on the planet and will be keenly followed by our members and their families.



2026 WINTER OLYMPIC GAMES

The 2026 Winter Olympic Games in Milan/Cortina were exceptionally well-received, drawing the largest worldwide audience since 2014 and boasting a 96% increase in average daily viewership over the 2022 Beijing Games.

A total of 93 countries participated,

including neutral athletes from Belarus and Russia. The games saw a significant rebound in popularity, with the opening ceremony being the most-watched in twelve years. Assisting in that rebound, were the choices viewers from around the world had in accessing the games by both television and digital properties.

Norway topped the final 2026 Winter Olympics medal count with a total of 41 medals (18 gold, 12 silver, 11 bronze), followed by the United States with 33 medals (12 gold, 12 silver, 9 bronze) and Italy with 30 medals (10 gold, 6 silver, 14 bronze).

The 2030 Winter Olympics will be held in the French Alps, and are scheduled for February 1st through the 17th, spanning the Provence-Alpes-Cote d'Azur and the Auvergne-Rhone-Alpes regions. This marks the seventh time that France will host the Winter Olympic Games.

Editor's Note

As has been indicated previously, the International Monitor will be featuring articles that effect the property loss adjustment field.

This issue will be featuring a contribution from Adam Masef, Esq. a Senior Associate with the US based legal firm of Butler Weihmuller Katz & Craig, a US based firm which specializes in property loss related matters for interested insurers and underwriters.

If It Ain't Broke, Don't Fix It: When An Equipment Breakdown Isn't Actually A "Breakdown"

By **Adam Masef, ESQ.**
Butler Weihmuller Katz Craig LLP



Many industrial companies often purchase commercial insurance policies with equipment breakdown coverage to guard against damage to their valuable equipment and protect against the associated loss of business income. However, as one steel producer recently discovered, not every incident amounts to a covered "breakdown."

In *Aspen Specialty Insurance Company v. Nucor Corporation*, No. 19CVS019887-590, 2025 WL 3048981 (N.C. Sup. Ct. Oct. 31, 2025), a group of property insurers, including two equipment breakdown insurers, claimed that their policies did not cover losses sustained by a Nucor subsidiary because of an industrial accident at its steel manufacturing facility in Convent, Louisiana.

The Convent facility processes iron ore that is then shipped to another facility for use in steel production. During the production process, raw iron ore pellets are transported on conveyor belts, coated with cement, and then fed

into a reactor, where they are heated to produce direct reduced iron. The production process is managed by a computerized distributed control system (DCS) that consists of computers, servers, and software, as well as field devices, including encoders, communication cabling, and hardware. The DCS is monitored by Nucor personnel.

On November 7, 2017, Nucor personnel identified an issue with a conveyor belt, leading them to replace one encoder with another encoder on the line that was not in use. While Nucor personnel were able to bring the system back online, the use of the replacement encoder resulted in the DCS receiving a "bad status" signal, causing the cement coating system to switch to manual mode. Nucor personnel did not realize this until seven hours later.

At the same time, the cement coating system was shut down for regular maintenance, which caused the system's programming to set the amount of cement coating to zero.

When the cement coating system was restarted, the bad status signal caused the system to remain in manual mode at the last setting (which was zero). As a result, iron ore pellets entering the reactor were not coated with cement before being heated, causing approximately 2,400 metric tons of uncoated iron ore pellets to melt and cluster inside the reactor.

In the litigation, the equipment-breakdown insurers argued that the loss was not covered because no equipment "Breakdown," as defined by the policy, occurred. The Policy covered "direct damage to 'Covered Property' resulting from a 'Breakdown' to 'Covered Equipment.'" "Breakdown" was defined as "direct physical loss that causes damage to ... 'Covered Equipment' and necessitates its repair or replacement." The Policy specified that "Without 'Breakdown,' there is no Equipment Breakdown coverage."

The court concluded that there was

If It Ain't Broke, Don't Fix It: When An Equipment Breakdown Isn't Actually A "Breakdown" - Cont'd

By Adam Masef, ESQ.
Butler Weihmuller Katz Craig LLP



no coverage under the Equipment Breakdown policies. First, it recognized that the Nucor personnel decided to replace the problem encoder with another encoder from the line (not a spare) and to shut down the system for regular maintenance without appreciating the impact of their decisions. Additionally, when the line restarted, and the cement system did not automatically revert to the proper setting, the DCS operator failed to interpret multiple indications on his screen, signaling a problem, for more than seven hours. Thus, even if the original encoder experienced a breakdown or its replacement caused one in the DCS, it was not the direct cause of the claimed damage.

Second, the court found that for coverage to exist in this case, a fortuitous event involving electronic circuitry must have caused the DCS to lose its ability to function, as it had been functioning immediately before the incident. The parties agreed that the removal of the replacement encoder caused the DCS to shift from automatic to manual mode, and that shutting down the cement system for maintenance effectively caused the system to set the amount of cement coating to zero. Both actions were intentional and within the control of Nucor personnel. Moreover, the events did not cause the DCS to lose its ability to function as it had been. Both before and after the events, the

DCS operated in accordance with its programming. Accordingly, the court held that the evidence did not support Nucor's argument that the DCS suffered a covered Breakdown.

The case serves as a reminder to insurers that claims for equipment breakdown are fact-intensive and should be thoroughly investigated as part of a loss investigation.

Treasurer's Note

Our Treasurer, Tom Erhardt advises that the 2026 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

The **INTERNATIONAL MONITOR** is produced by the IILA Publication and Publicity Committee. The IILA and its members are not responsible for the accuracy of any information produced or statements or claims made by authors or articles or any other information printed in this publication. The views contained within this publication are not necessarily those of the IILA and no liability will be accepted.

Charles J. Reilly, Jr.

Editor

Tom Moss

Chairman - Publication/Publicity

[Visit iila.com for more information](http://www.iila.com)

