

# An Investigator's Report From Sri Lanka & The Maldives



**Mr Paul May**, Chairman of international loss adjusters Concordia Consultancy, is assisting insurers in Sri Lanka and the Maldives in dealing with claims and disaster management. He has been there with a team of adjusters since Dec 28, 2004, two days after the tsunami killed more than 30,000 in these South Asian nations. He tells *Asia Insurance Review* of the losses involved, the challenges he faces assessing these losses, the need to improvise solutions, what recovery efforts should be put in place, and the risk management lessons learned from this catastrophe.

**W**ith news of death and destruction flooding the airwaves in the weeks after the earthquake and tsunami struck in the Indian Ocean on Dec 26, 2004, many have hazarded guesses as to how badly hit the insurance industry will be when the dust and water settle.

Teams of loss adjusters have since been deployed in the disaster zone bordered by Indonesia, Malaysia, Thailand, Myanmar, Bangladesh, India, Sri Lanka, the Maldives, Somalia, Kenya, Tanzania and the Seychelles.

Mr Paul May, who has been closely involved in the past 20 years with the adjustment of major losses in Sri Lanka involving fires, robberies, construction, and many of the losses from acts of terrorism in the country, has established disaster claims offices in the Maldives and Sri Lanka, staffed by chartered loss adjusters and Sri Lankan and Maldivian adjusters and surveyors. He and his colleagues expect that their presence will remain at the current staffing levels until April, at the earliest.

### What were the losses involved?

This is, first and foremost, one of the worst human tragedies in the world, let alone in this region. Destruction has been immense within the range of the tidal wave's incursion onto land. We are involved with claims for major hotels, resorts, construction projects, and power and telecom organisations. We are also acting as claims management consultants to insurers to assist in their response approach and resource allocation.

### What were the key problems in assessing the losses?

Because of the terrible loss of life and destruction, the first reaction of all businesses was to attend to their own personnel and family concerns. Most businesses did not have business recovery plans, and therefore found themselves in a state of corporate shock. As a result, not all insured losses were reported quickly, and so we have had instances of having to travel back to an affected area to look at other damaged locations.

### What are the business interruption considerations?

Unlike a fire or other insured loss at one individual location, this disaster has affected the markets nationally. Tourism levels will reduce, in addition to the interruption at the insured premises. The disaster has hit multiple locations so some insured businesses have had all their locations affected. We are encouraging hotels to offer accommodation and catering services, albeit not at usual standards of operation, to the growing numbers of aid and relief workers, journalists and other visitors such as overseas military personnel. This will assist to maintain turnover, which is especially important for hotels that do not have business interruption coverage.

### How different are they from the usual investigations?

We are following the usual business interruption approach. The absence of personnel, as a result of the disaster, is a sad and unavoidable problem. We are seeking to establish the extent of insured damage, and assist businesses to plan for an efficient programme of rebuilding and repairs. Some site visits



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have involved arduous and circuitous journeys, including by small boat for many hours.

#### What solutions did you have to improvise?

Lack of power has meant that some locations have had to adopt manual systems, and then have the data worked on at another location. The level of disaster planning by individual businesses was not as good as it might have been, and some businesses did not have records stored at different sites or data back-ups. Significant amounts of content and fittings have been washed away and verification is difficult, although that is not unusual in natural disasters and we have techniques to minimise the moral hazard associated with this issue.

#### What advice do you have for insurers, other loss adjusters and policyholders?

I expect insurers and reinsurers will look to further understand the ongoing risk before reaching any decisions as to future coverage and price. Earthquake is being considered as the proximate cause by many insurers, and therefore policies with earthquake cover are responding. There may be a modification of wordings over the next few months depending on how reinsurers view the longer term exposure.

#### What possible risk management lessons can we learn from these?

It is vital to have a business recovery plan which is regularly updated. A recovery drill is just as important as a fire alarm drill. Likewise, insurers should develop their own disaster response plans. Building users at locations at sea level should think carefully about using below-ground areas for storage, and for mechanical and electrical equipment.

#### What recovery efforts need to be put in place?

Contrary to the impression given in international media coverage, not all of Sri Lanka and the Maldives are disaster areas. Coverage has reached unbalanced propor-

tions, and gives the impression that everywhere is affected with severe cholera risk, and randomly located land mines. There is no doubt that in some areas this is true, but for countries that depend on tourism so much, the impression is being given that no one should visit at all.

The infrastructure in the areas not damaged by the tidal waves is OK. The cellular telephone system installed across both the Maldives and Sri Lanka was placed under serious overload usage after the event, but it only suffered damage to a handful of towers so mobile communication has been possible.

Sri Lanka and the Maldives need aid and tourists.

Our work in helping hotels and resorts begin to repair and rebuild will enable people to be re-employed and that will be a real help to the economy. There is a lot of discussion about creating a new infrastructure in the affected areas, and I hope that the aid that is earmarked for that will remain set aside for such medium-term improvements. We are going to be donating part of our fees to support an orphanage so that we can see the direct results of our support over the months and years ahead.

There is also a real concern among consumers as to the merits of eating fish. The governments have not given clear guidelines and external health organisations could do more to establish whether there is an issue of public health. Many fishermen lost their boats and livelihoods. However, I have seen at first hand the hard work that has gone into salvaging some fishing boats, most of which were not insured. Having worked hard to get back to the sea, these fishermen are now finding that there is a greatly reduced demand for their catch.

So tourism and the fishing industries are suffering, and need strategic management input by the governments, relevant ministries, overseas specialists and aid agencies. **A**

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