

New Solutions to Old Problems – Handling Exposure Claims In Today's Insurance Market

September 22, 2009

Introduction

Lois Fuchs,
Honeywell International

For nearly a century, Honeywell and its legacy companies have been at the forefront of both military and civilian aviation. Some of Honeywell's legacy companies are shown below.

Honeywell's aviation asbestos exposure arises from the Bendix and Garrett legacy entities.

Bendix – braking materials

Garrett – high temperature air gaskets





Overview

- The Problem
- Consequences
- In Search of a Solution
- Goals
- The Solution



The Problem

- Honeywell has experienced an increased number of exposure claims
 - Predominantly asbestos
 - Also include radar
 - Potentially others?
- The Aviation Insurance Market is not properly equipped to respond to long-tail claims involving multiple policy years.

Consequences

- Honeywell found itself responding financially to defend/settle these claims despite having significant insurance available
- Out of pocket millions of dollars – timing of recovery uncertain
- Limited coordination amongst the interested parties (Assured, Insurers, Brokers, etc.)

In Search of a Solution

- Worked with Leader (Global Aerospace) to frame problem correctly
 - Realization that this is an asbestos problem - not aviation
- Instructed Richard Milazzo at Mendes
 - Aviation background – 10 years (1980 – 1990)
 - Handled asbestos claims and coverage regarding asbestos for almost 20 years (1990 – 2009).
- Worked to identify the actual problem and move towards addressing it

Goals

- Improve overall insurance recoveries
- Improve handling and reporting of claims
- Improve document management
- Improve transparency/flexibility
- Results
 - Insurers attuned to claim developments (Efficient defense)
 - Reserve, compliance and audit data (SOX, FSA, etc.)
 - Cooperative effort with Insurers (Good will)
 - Save money/time
 - Reduce/eliminate paper files

The Solution

- Create process to address the needs of all parties to address the relevant issues
 - Protocol
 - Exposure Fund
 - Database

Claims Handling and Fund Protocol

- Guidelines: flexible / adaptable
- Addresses:
 - Defense of Claims
 - Notice
 - Reserves
 - Settlements
 - Allocation Methodology
 - Billing

Exposure Fund

- Central repository for all funds collected
- Ensures prompt payment of settlements and expenses (Full Accountability)
- Allows immediate analysis of status of all payments (Transparent)
- Exposure fund – not limited to Asbestos

Database

- 24/7 Access to:
 - Claimant Information
 - Policy Information
 - Reserve Detail
 - Financial Detail
- Data and relevant documents available to all interested, authorized parties (Assured, Insurers, etc.)

DATABASE PRESENTATION



Conclusion

- Flexibility
- Transparency
- Cost efficiency
- It works