

What's Next on the Mega Catastrophe Event Front? Inundation, Litigation & Politicization

DRI Insurance Coverage and Practice Symposium
New York, NY
December 12, 2013

Download at www.iii.org/presentations

Robert P. Hartwig, Ph.D., CPCU, President & Economist Insurance Information Institute ◆ 110 William Street ◆ New York, NY 10038

Tel: 212.346.5520 ♦ Cell: 917.453.1885 ♦ bobh@iii.org ♦ www.iii.org

Presentation Outline



- U.S. Insured Catastrophe Loss Trends
 - More CATs, More Disputes?
- Hurricane Sandy
 - Overview
 - Issues and Concerns
- Public Opinion Survey: Catastrophes and Insurance
- Terrorism and TRIA
 - Terrorism Risk Insurance Program expires 12/31/14
- Tort Trends
 - BP and the Deepwater Horizon Litigation



U.S. Insured Catastrophe Loss Update

Catastrophe Losses in Recent Years
Have Been Very High
Events Like Sandy Attract Trial Lawyers

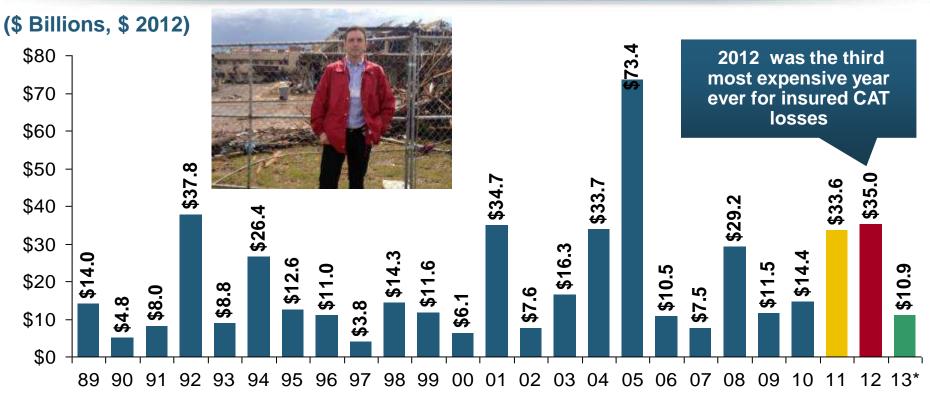
Catastrophe Loss Summary



- The Number and Cost of Natural Catastrophes is Generally Rising
 - Flooding events in particular may increase even more quickly
- Disasters Have Become Highly Politicized Events
- Media Attention to Disasters Is Rising Increasing
- "Storm Chasing" Not Just for Meteorologists Anymore
 - Becoming a Trial Bar Practice Area
- Density of Population in CAT-Prone Area is Increasing
- State/Federal Government Still Subsidize Coastal Living
 - Some improvements w/ FL Citizens depop and BW-12
 - Biggert-Waters NFIP reform is under siege
- Large Gaps Between Insured and Economic Loss Persist for Some Types of CATs
 - Breeding ground for disputes and litigation

U.S. Insured Catastrophe Losses





2012 Was the 3rd Highest Year on Record for Insured Losses in U.S. History on an Inflation-Adj. Basis. 2011 Losses Were the 6th Highest. YTD 2013 Running Well Below 2011 and 2012 YTD Totals.

Record tornado losses caused 2011 CAT losses to surge

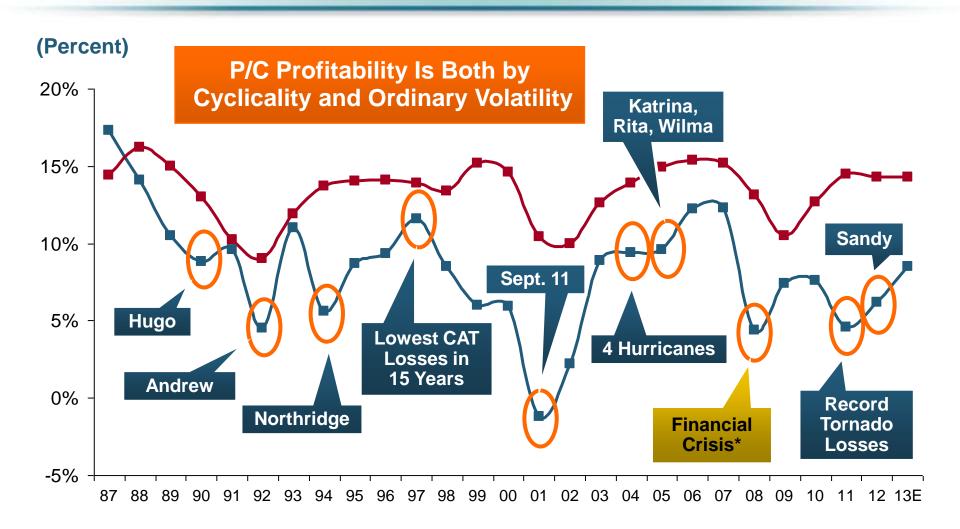
Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

^{*}Through 8/31/13. Includes \$9.7B for 2013:H1 (PCS) and \$1.2B I.I.I. estimate for the period 7/1 – 8/31/13.

ROE: Property/Casualty Insurance vs. Fortune 500, 1987–2013E*

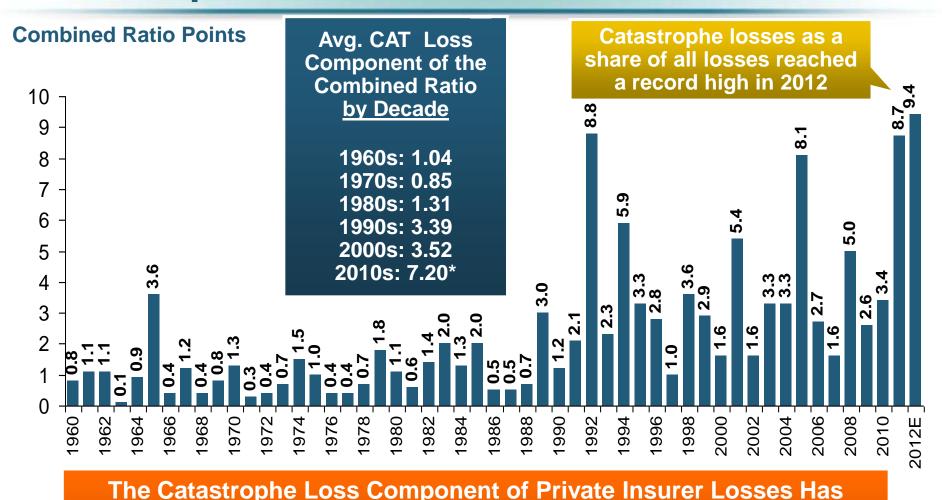




^{*} Excludes Mortgage & Financial Guarantee in 2008 – 2013E. 2013 P/C ROE is through 2013:Q2. Sources: ISO, *Fortune*; Insurance Information Institute.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2012*





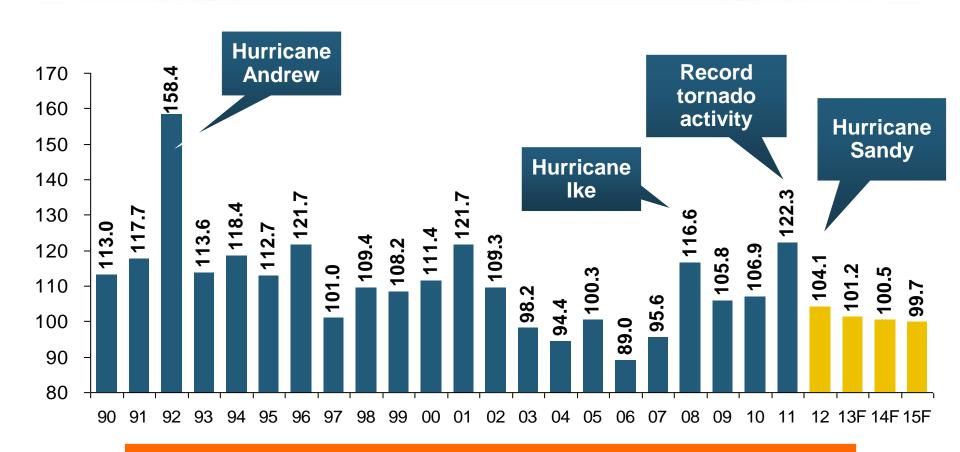
Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Increased Sharply in Recent Decades

Source: ISO (1960-2011); A.M. Best (2012E) Insurance Information Institute.

Homeowners Insurance Combined Ratio: 1990–2015F





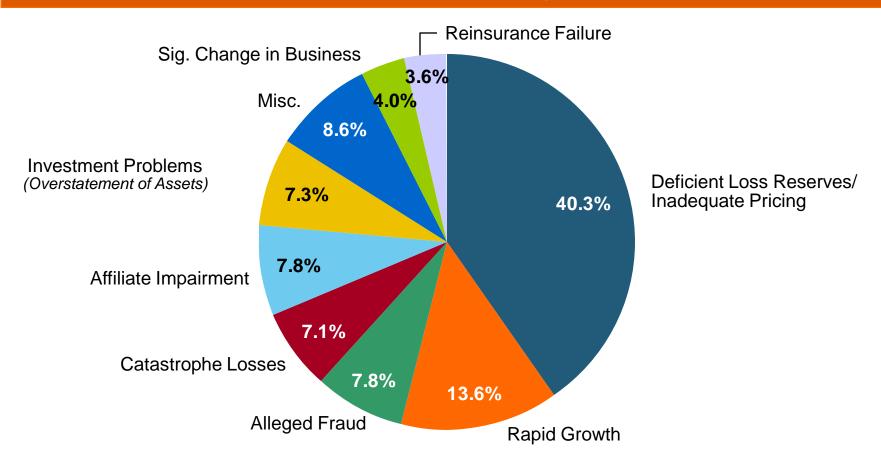
Homeowners Performance in 2011/12 Impacted by Large Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

Reasons for US P/C Insurer Impairments, 1969–2010



Historically, Deficient Loss Reserves and Inadequate Pricing Are By Far the Leading Cause of P-C Insurer Impairments.

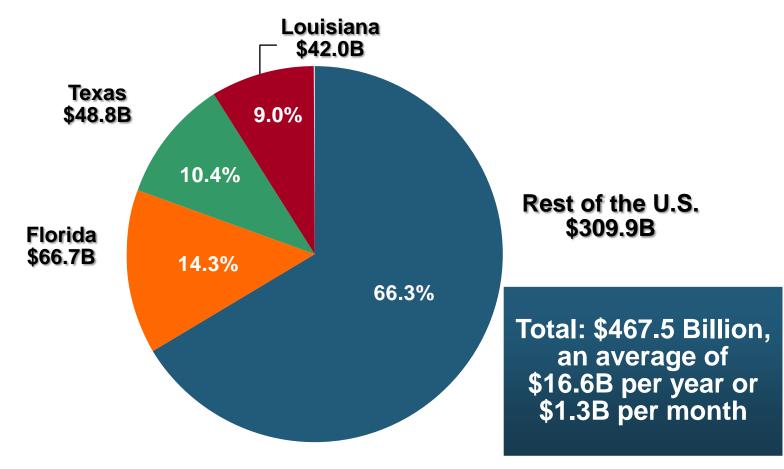
Investment and Catastrophe Losses Play a Much Smaller Role



Top States by Inflation-Adjusted Insured Catastrophe Losses, 1983–2012

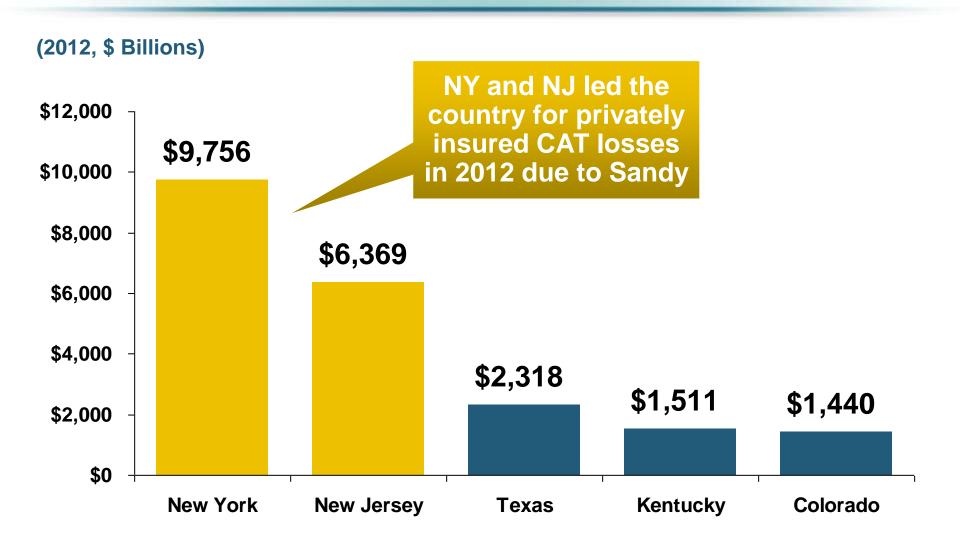


Over the Past 30 Years Florida Has Accounted for the Largest Share of Catastrophe Losses in the U.S., Followed by Texas and Louisiana



Top 5 States by Insured Catastrophe Losses in 2012*

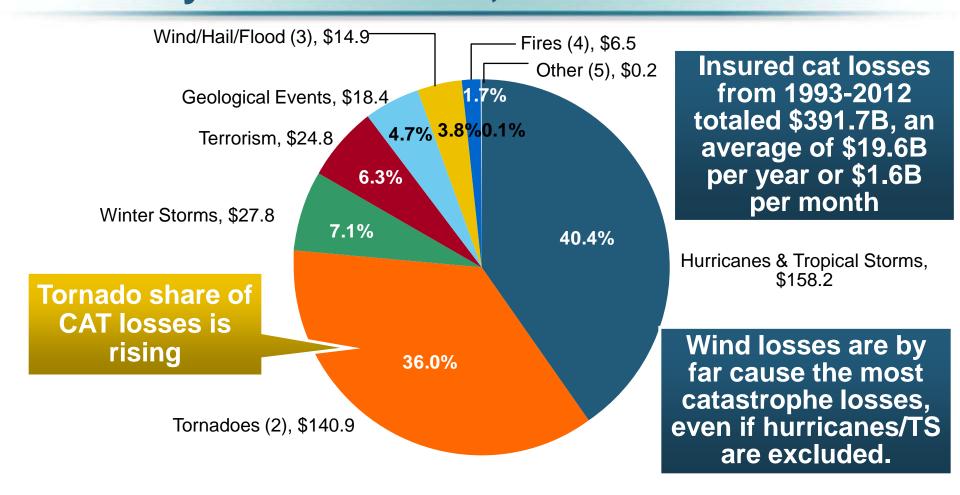




^{*}Includes catastrophe losses of at least \$25 million. Sources: PCS unit of ISO; Insurance Information Institute.

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1993–2012¹





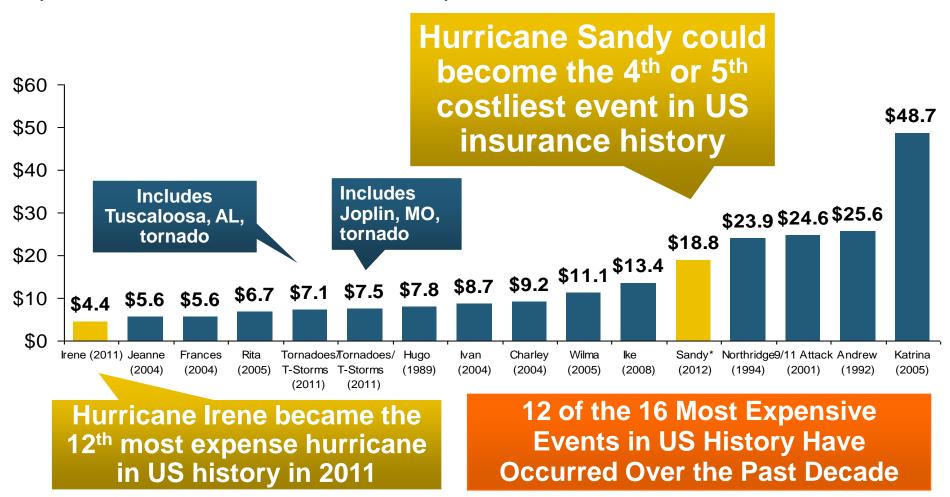
- 1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2012 dollars.
- Excludes snow.
- 3. Does not include NFIP flood losses
- 4. Includes wildland fires
- 5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Top 16 Most Costly Disasters in U.S. History



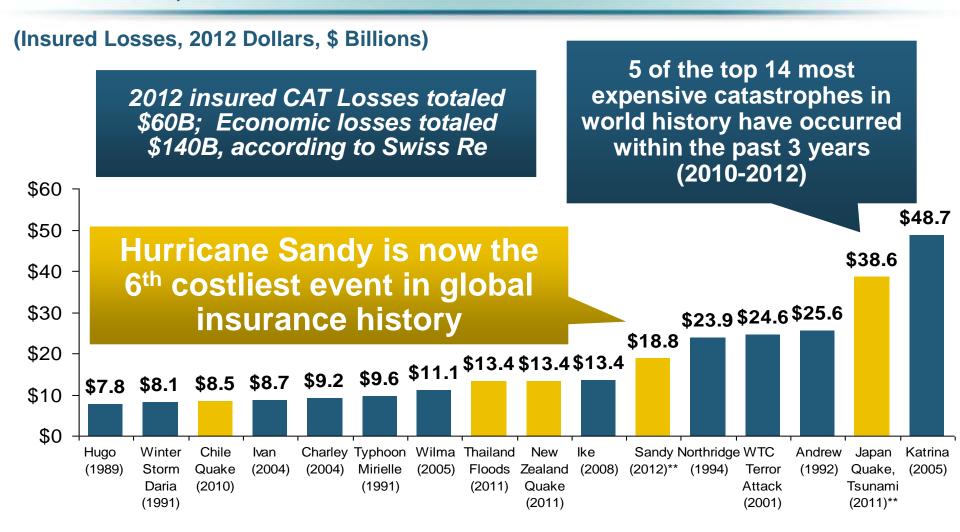
(Insured Losses, 2012 Dollars, \$ Billions)



^{*}PCS estimate as of 4/12/13.

Top 16 Most Costly World Insurance Losses, 1970-2012*





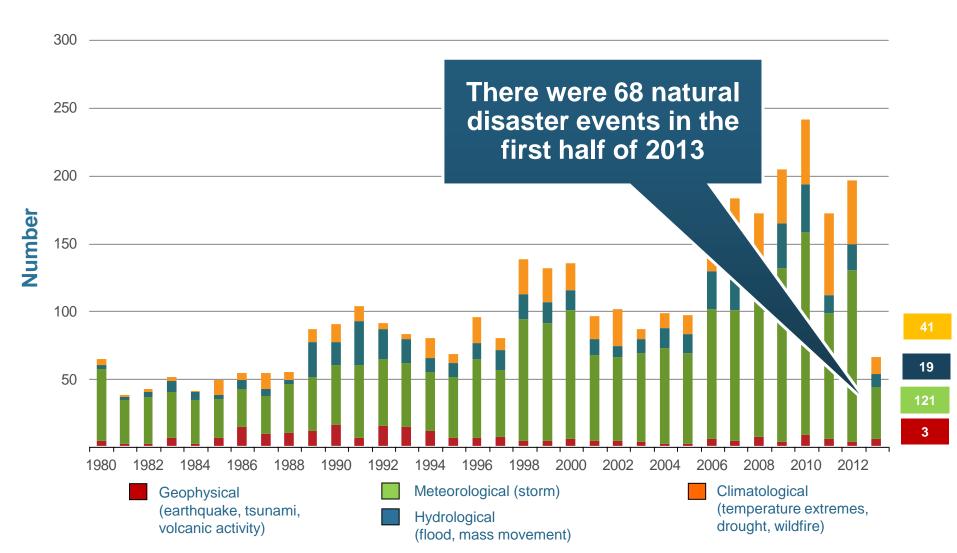
^{*}Figures do not include federally insured flood losses.

^{**}Estimate based on PCS value of \$18.75B as of 4/12/13.
Sources: Munich Re; Swiss Re; Insurance Information Institute research.

Natural Disasters in the United States, 1980 – June 2013*



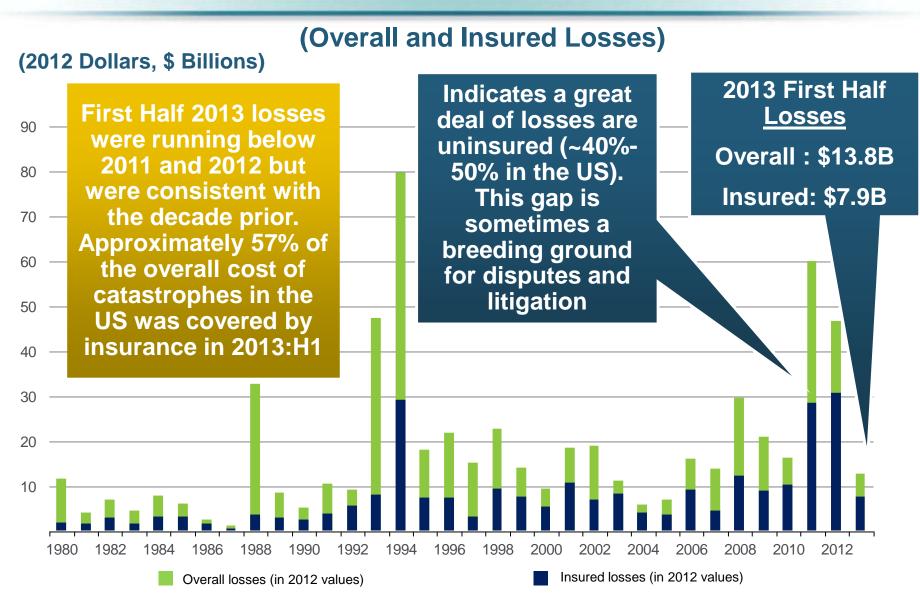
Number of Events (Annual Totals 1980 – June 2013*)



*Through June 30, 2013. Source: MR NatCatSERVICE

Losses Due to Natural Disasters in the US, 1980–2013 (Jan.-June Only)

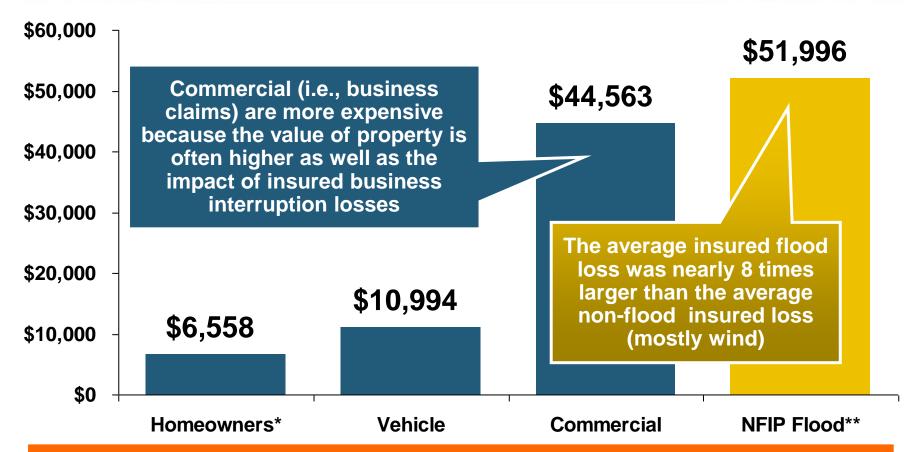




Source: MR NatCatSERVICE

Hurricane Sandy: Average Claim Payment by Type of Claim





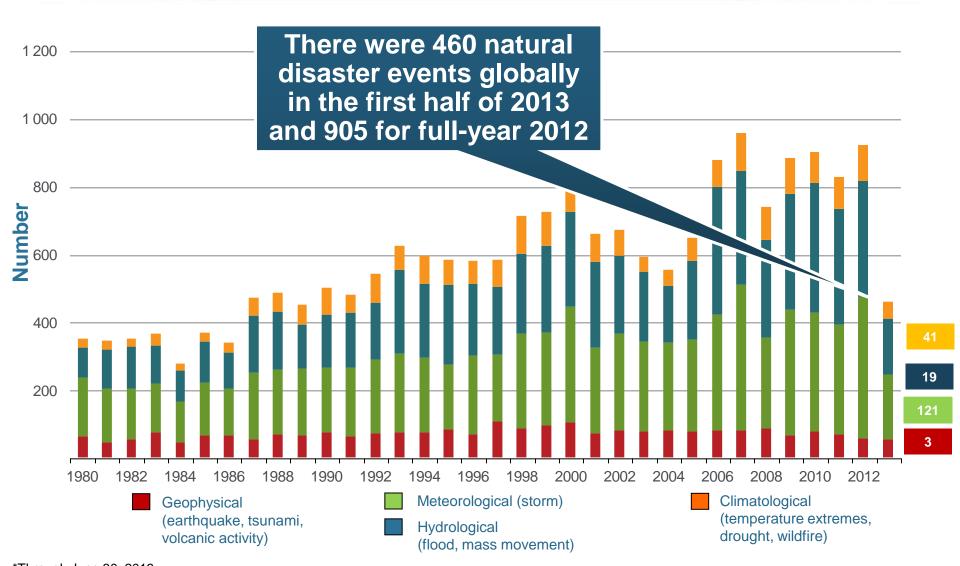
Commercial (Business) Claims Were Nearly Seven Times More Expensive than Homeowners Claims; Vehicle Claims Were Unusually Expensive Due to Extensive Flooding

^{*}Includes rental and condo policies (excludes NFIP flood). **Preliminary as of May 14, 2013.

Sources: Catastrophe loss data is for Catastrophe Serial No. 90 (Oct. 28 – 31, 2012) from PCS as of March 2013; Insurance Information Institute.

Natural Disasters Worldwide, 1980 – 2013* (Number of Events)

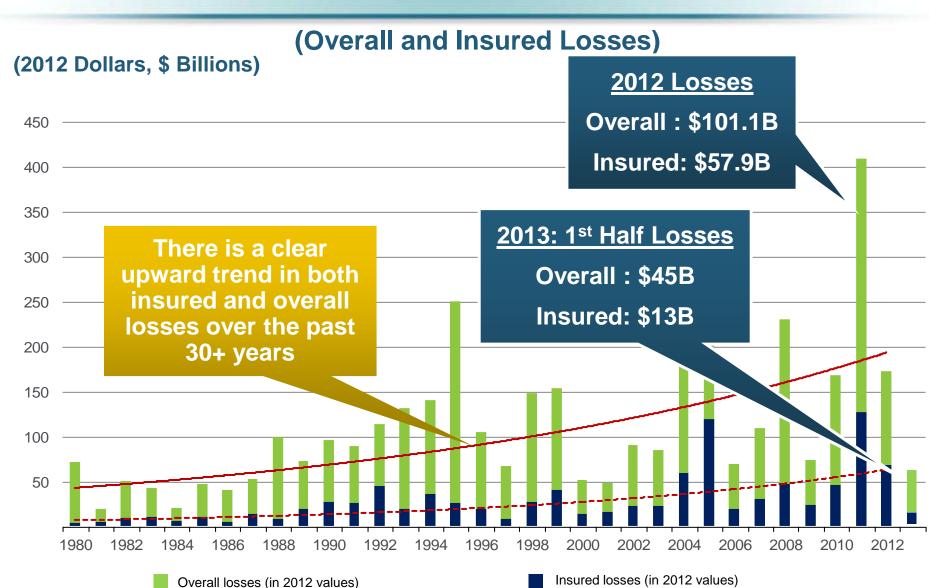




*Through June 30, 2013. Source: MR NatCatSERVICE

Losses Due to Natural Disasters Worldwide, 1980–2013* (Overall & Insured Losses)





*Through June 30, 2013. Source: MR NatCatSERVICE

Natural Disaster Losses in the United States: 2012



As of January 1, 2013	Number of Events	Fatalities	Estimated Overall Losses (US \$m)	Estimated Insured Losses (US \$m)
Tropical Cyclone	4	143	52,240	26,360
Severe Thunderstorm	115	118	27,688	14,914
Drought	2	0	20,000	16,000 [†]
Wildfire	38	13	1,112	595
Winter Storm	2	7	81	38
Flood	19	3	13	0 ††
TOTALS	184	284	\$101,134	\$57,907

Natural Disaster Losses in the United States: First Half 2013



As of July 1, 2013	Number of Events	Fatalities	Estimated Overall Losses (US \$m)	Estimated Insured Losses (US \$m)
Severe Thunderstorm	29	66	10,180	6,325
Winter Storm	13	17	2,434	1,255
Flood	10	9	500	Minor
Earthquake & Geophysical	5	0	Minor	Minor
Tropical Cyclone	1	1	Minor	Minor
Wildfire, Heat, & Drought	11	23	700	365
Totals	68	116	13,814	7,945

Source: MR NatCatSERVICE 21

Significant Natural Catastrophes, 2012



(Events with \$1 billion economic loss and/or 50 fatalities)

Date	Event	Estimated Economic Losses (US \$m)	Estimated Insured Losses (US \$m)
June – Sept 2012	Central US Drought	20,000	16,000 [†]
March 2 - 3	Thunderstorms	5,000	2,500
April 2 – 4	Thunderstorms	1,550	775
April 13- 15	Thunderstorms	1,800	910
April 28 – 29	Thunderstorms	4,500	2,500
May 25 – 30	Thunderstorms	3,400	1,700
June 6 – 7	Thunderstorms	1,400	1,000
June 11 – 13	Thunderstorms	1,900	950
June 28 – July 2	Thunderstorms	4,000	2,000
August 26 - 30	Hurricane Isaac	2,000	1,220
October 28 - 30	Hurricane Sandy	50,000	25,000 ^{††}

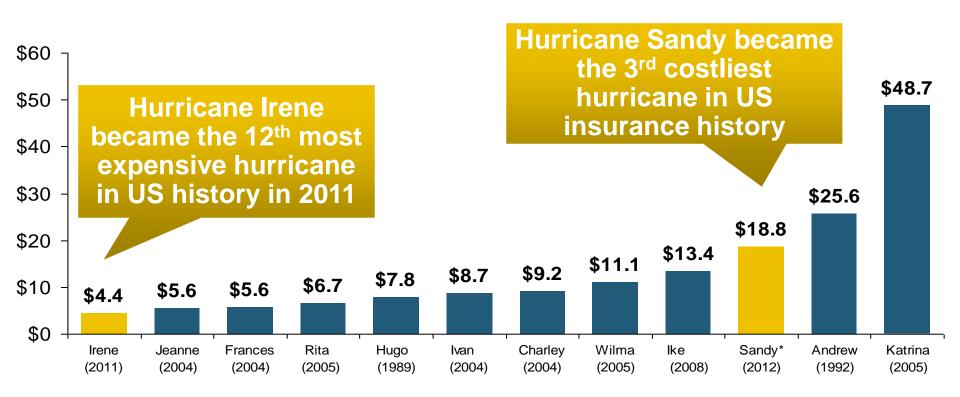
Source: MR NatCatSERVICE

Top 12 Most Costly Hurricanes in U.S. History



(Insured Losses, 2012 Dollars, \$ Billions)

10 of the 12 most costly hurricanes in insurance history occurred over the past 9 years (2004—2012)



^{*}PCS estimate as of 4/12/13.

Total Value of Insured Coastal Exposure in 2012



(2012, \$ Billions)

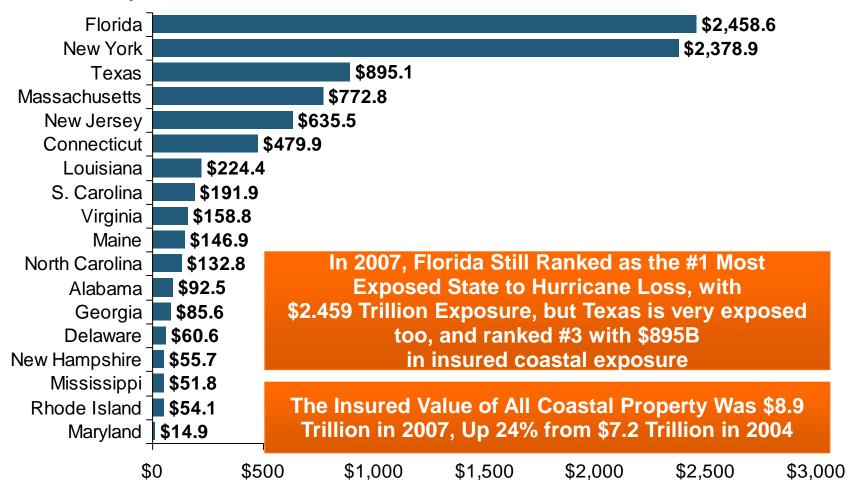


Source: AIR Worldwide

Total Value of Insured Coastal Exposure in 2007



(2007, \$ Billions)

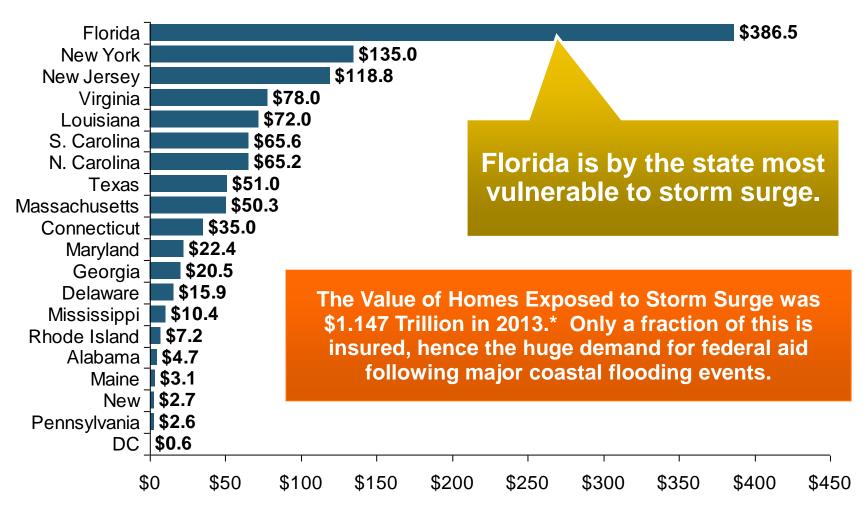


Source: AIR Worldwide

Total Potential Home Value Exposure to Storm Surge Risk in 2013*

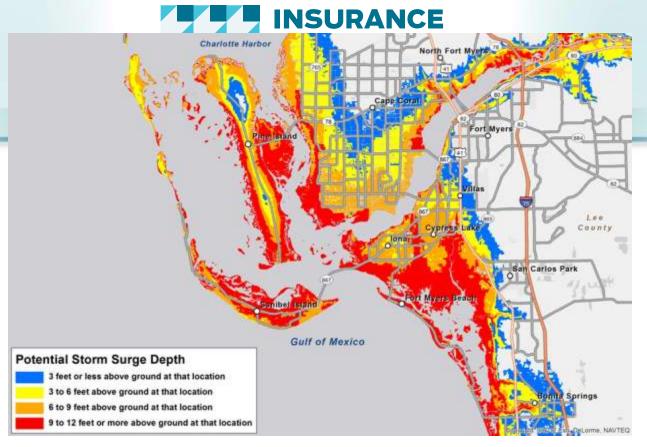


(\$ Billions)



^{*}Insured and uninsured property. Based on estimated property values as of April 2013. Source: *Storm Surge Report 2013*, CoreLogic.

Storm Surge Inundation Graphic

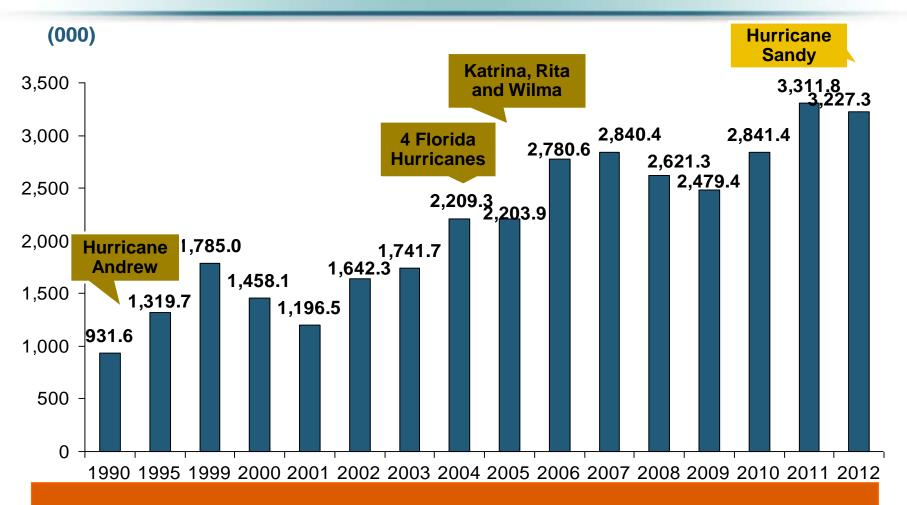


■ NHC shooting for mid-season for deployment.
 First of many ways of distributing storm-surge forecasts.



U.S. Residual Market: Total Policies In-Force (1990-2012) (000)

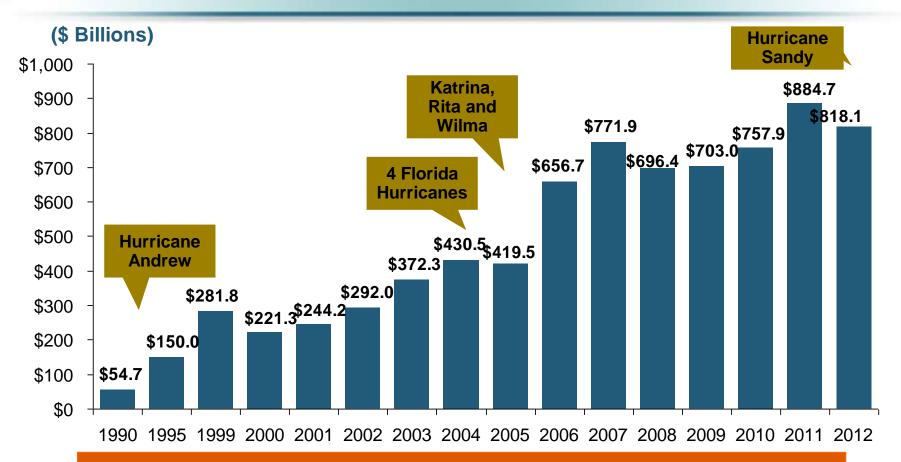




In the 23-year period between 1990 and 2012, the total number of policies in-force in the residual market (FAIR & Beach/Windstorm) Plans has more than tripled.

U.S. Residual Market Exposure to Loss (1990-2012) (\$ Billions)





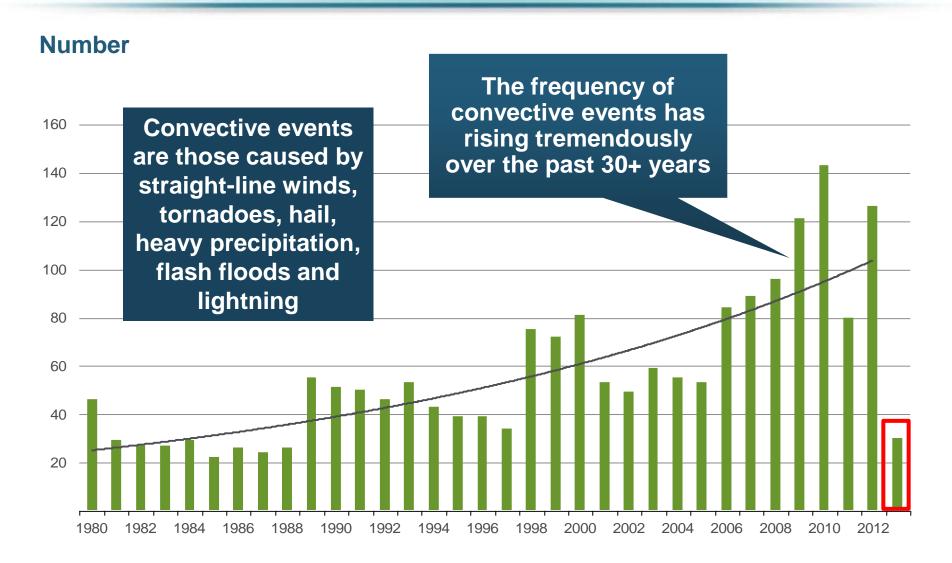
In the 23-year period between 1990 and 2012, total exposure to loss in the residual market (FAIR & Beach/Windstorm) Plans has surged from \$54.7 billion in 1990 to \$818.1 billion in 2012.

Source: PIPSO; Insurance Information Institute (I.I.I.).

Convective Loss Events in the U.S.

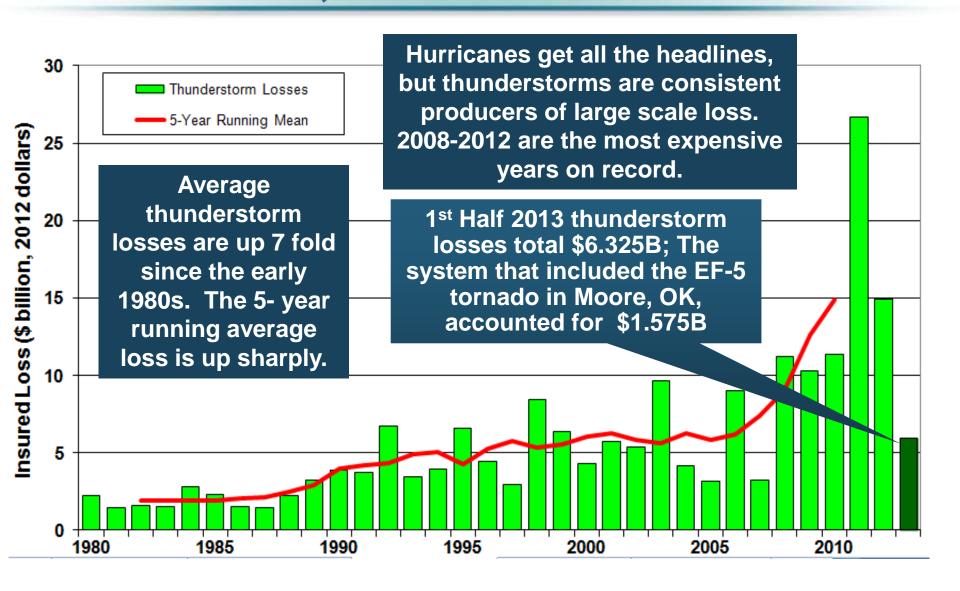


Number of events 1980 – 2012 and First Half 2013



U.S. Thunderstorm Loss Trends, 1980 – June 30, 2013

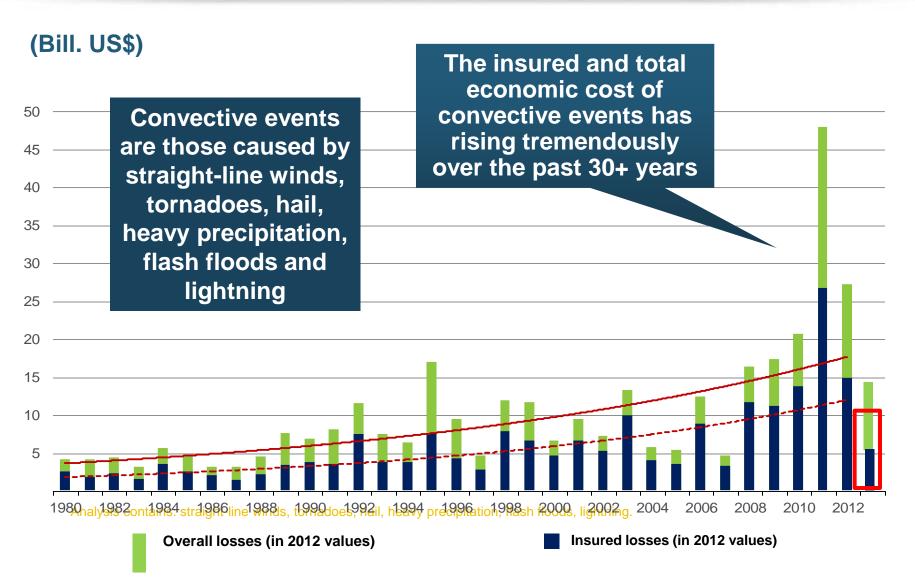




Convective Loss Events in the U.S.





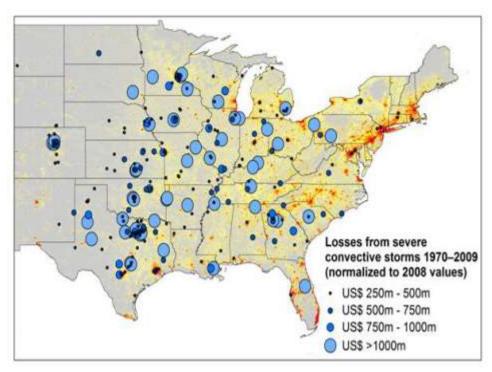


New Research Suggests Increase in Convective Activity Is Costly for Insurers



- Study examines convective (hail, tornado, thundersquall and heavy rainfall) events in the US with losses exceeding US\$ 250m in the period 1970–2009 (80% of all losses)
- Past losses are normalized (i.e., adjusted) to currently exposed values
- After normalization there are still increases of losses
- Increases are correlated with the increase in the meteorological potential for severe thunderstorms and its variability

For the first time research shows that climatic changes have already influenced US thunderstorm losses





Hurricane Sandy Summary

Sandy Became One of the Most Expensive Events in Insurance History

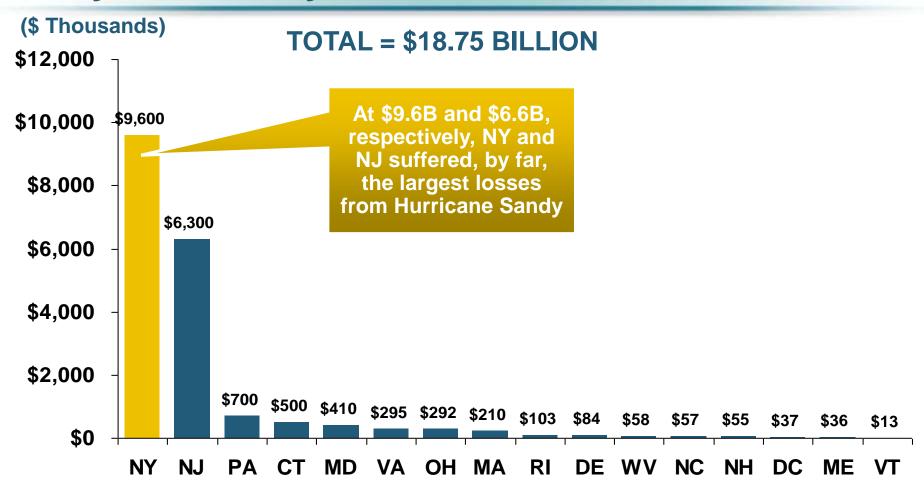
Sandy Summary



- Issues Related to Hurricane Deductible Triggers
 - Situation was quickly politicized as governors in several states declared that Sandy was not a hurricane and therefore hurricane deductibles did not apply
 - Many reporting requirements; Sometimes conflicting; Short timelines
 - Publishing of data online that was intended for internal DOI use
- Possible Future Emulation of NY/NJ Actions in Other States
- Wind vs. Water Issue Resurfaced
- Dissatisfaction with FEMA/NFIP
- Adjuster Deadlines Shortened
- High Profile of Politicians and Promises of Massive Government Aid Are Deterring Purchases of Private Sector Insurance
 - Overreliance on government aid frequently results in frustration, disappointment and can contribute litigation

Hurricane Sandy: Claim Payments to Policyholders, by State

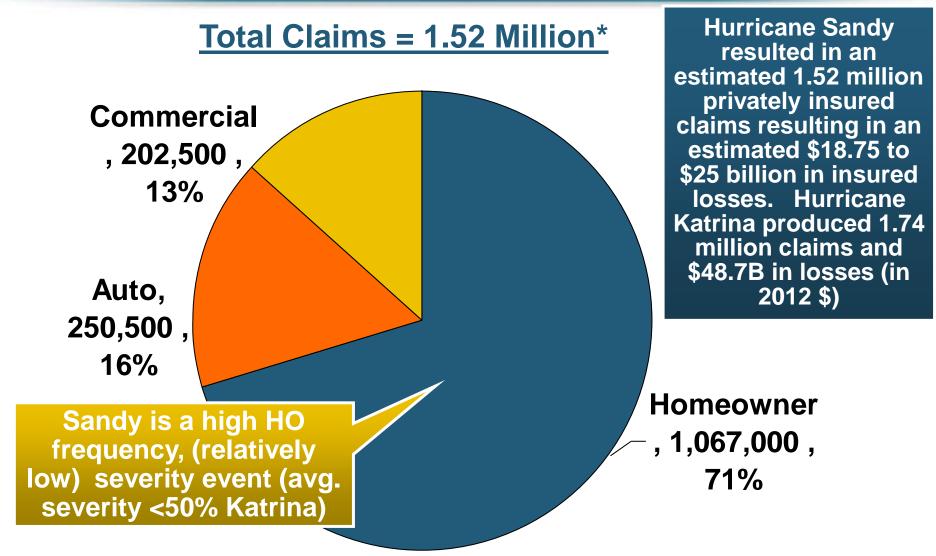




Insurers Will Pay at Least \$18.75 Billion to 1.52 Million Policyholders Across 15 States and DC in the Wake of Hurricane Sandy

Hurricane Sandy: Number of Claims by Type*

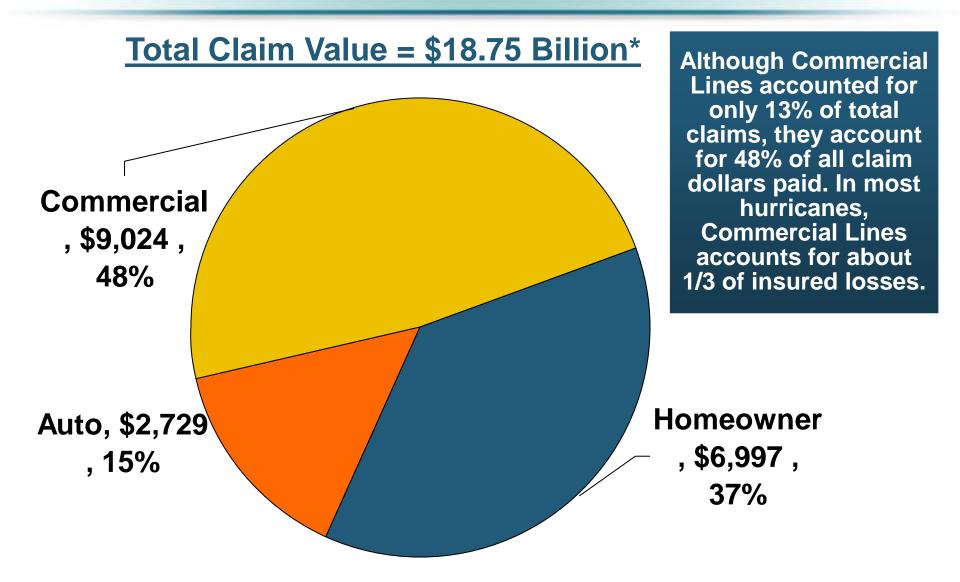




^{*}PCS claim count estimate s as of 1/18/13. Loss estimate represents PCS total (\$18.75B) and upper end of range estimates by risk modelers RMS. Egecat and AIR. All figures exclude losses paid by the NFIP.

Hurricane Sandy: Insured Loss by Claim Type* (\$ Millions)

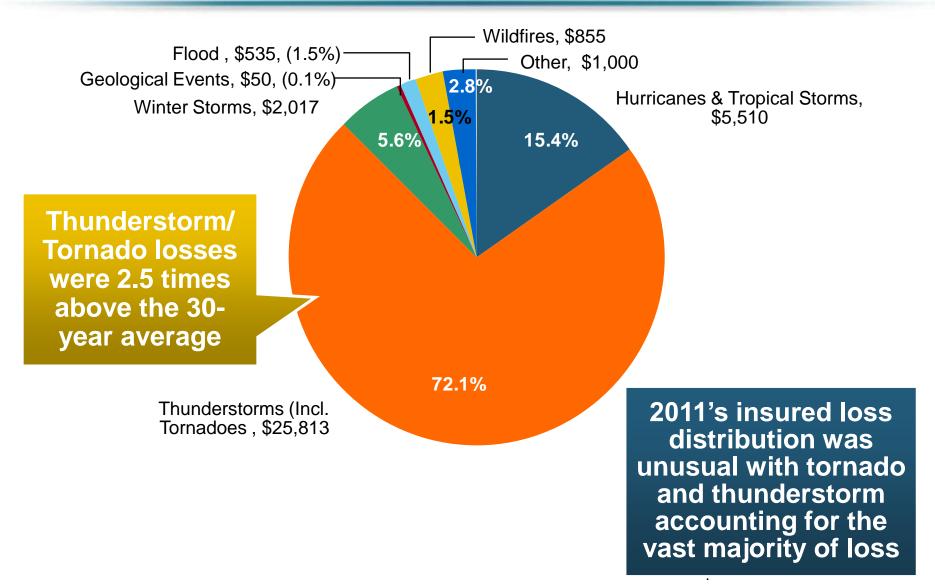




^{*}PCS insured loss estimates as of 1/18/13. Catastrophe modeler estimates range up to \$25 billion. All figures exclude losses paid by the NFIP. Source: PCS; Insurance Information Institute.

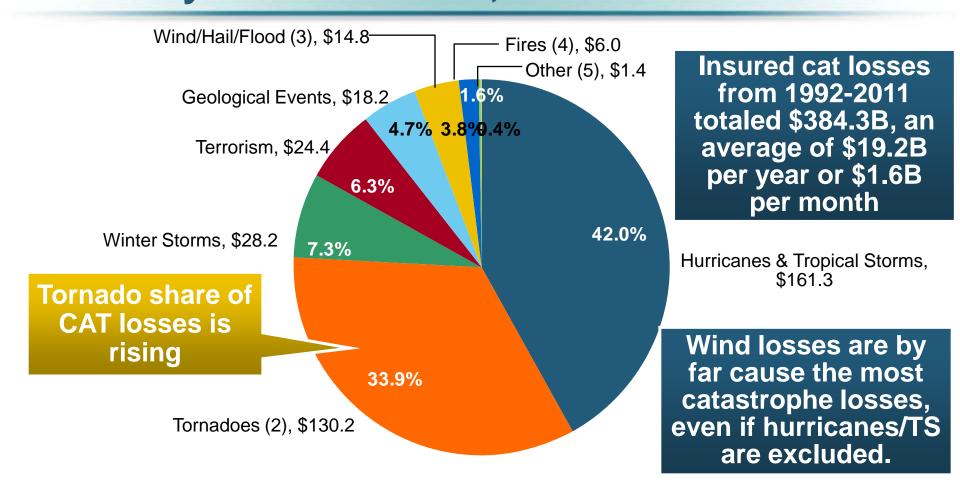
U.S. Insured Catastrophe Losses by Cause of Loss, 2011 (\$ Millions)





Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1992–2011¹



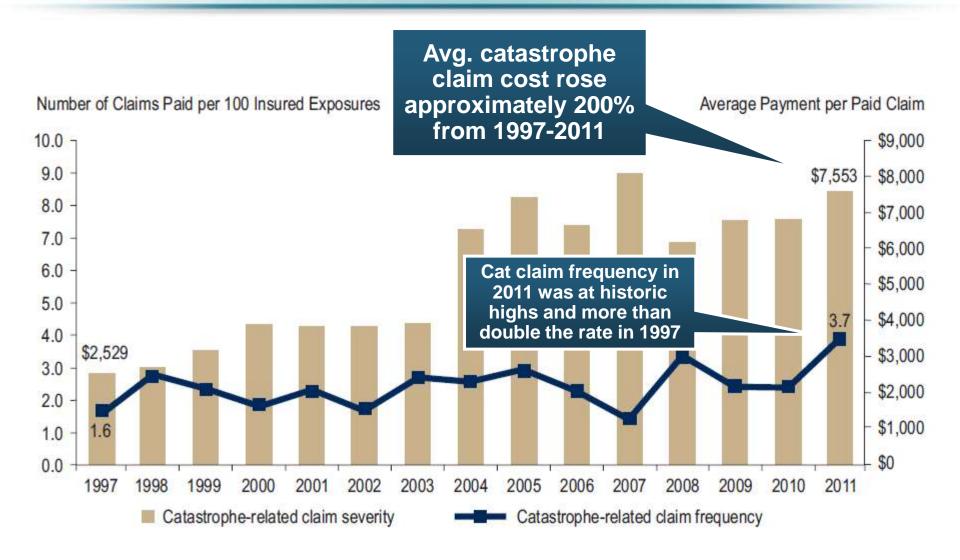


- 1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2009 dollars.
- 2. Excludes snow.
- 3. Does not include NFIP flood losses
- 4. Includes wildland fires
- 5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Homeowners Insurance Catastrophe-Related Claim Frequency and Severity, 1997—2012*

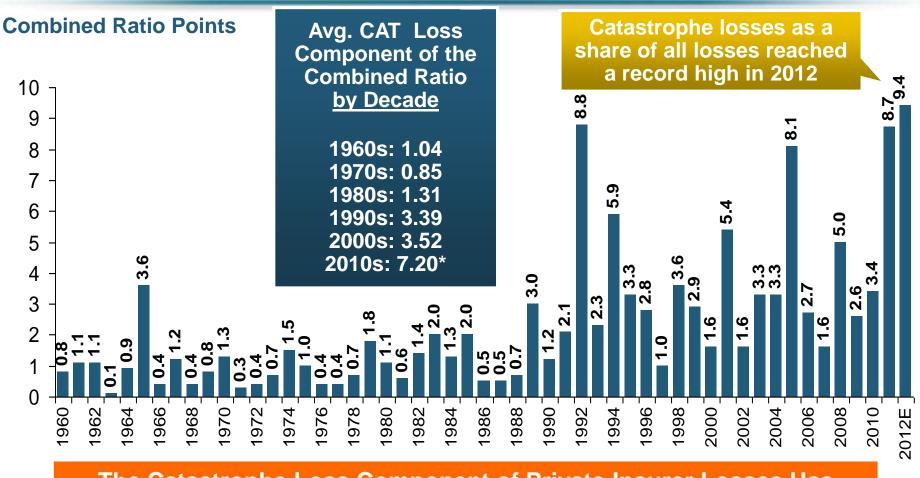




^{*}All policy forms combined, countrywide.
Source: Insurance Research Council, *Trends in Homeowners Insurance Claims*, Sept. 2012 from ISO Fast Track data.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2012*



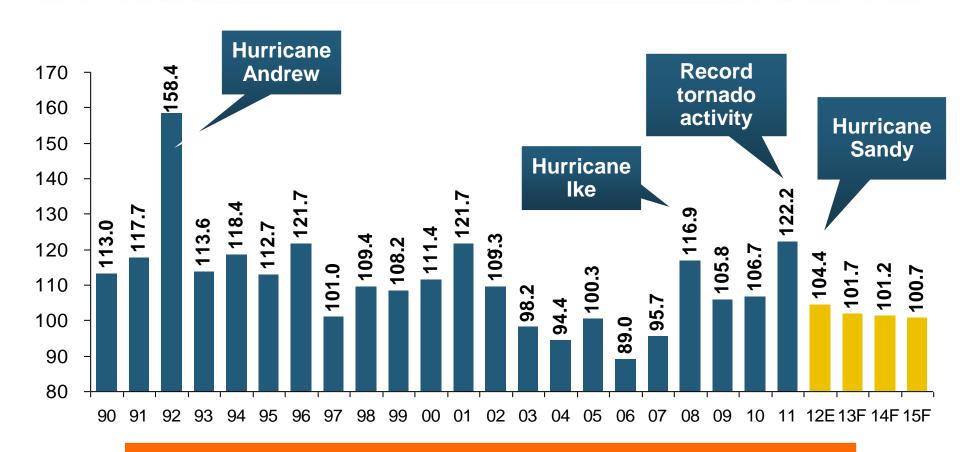


The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Homeowners Insurance Combined Ratio: 1990–2015F





Homeowners Performance in 2011/12 Impacted by Large Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

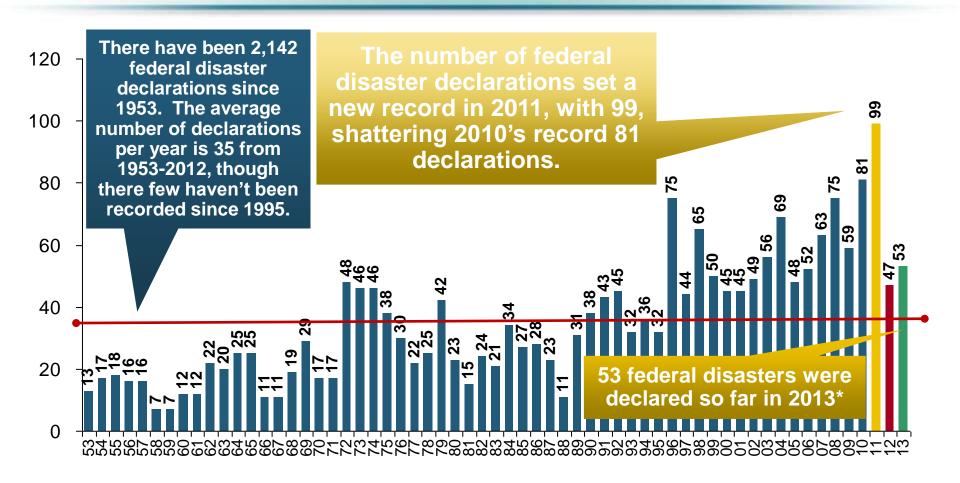


Federal Disaster Declarations Patterns: 1953-2013

Disaster Declarations Set New Records in Recent Years

Number of Federal Disaster Declarations, 1953-2013*



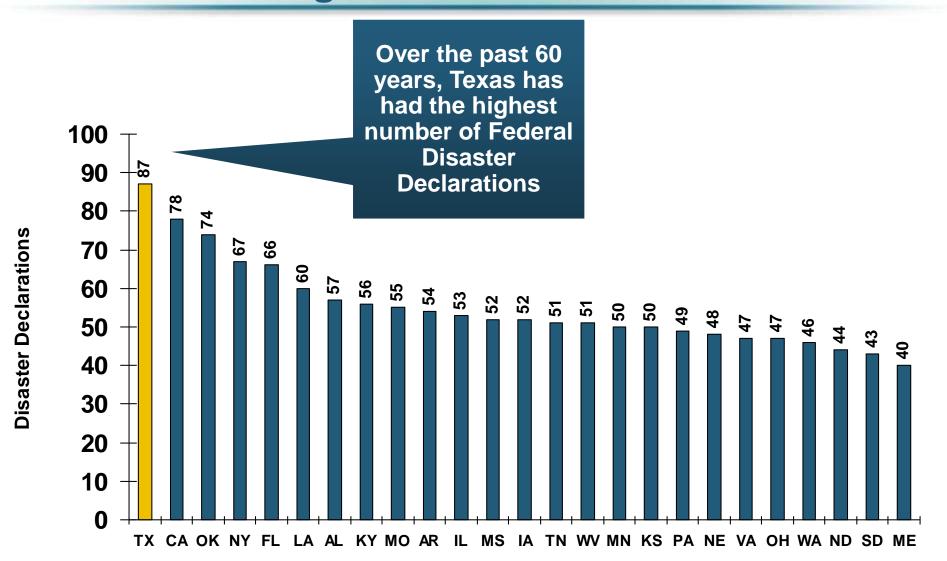


The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 *and* 2011. Hurricane Sandy Produced 13 Declarations in 2012/13.

^{*}Through December 4, 2013.

Federal Disasters Declarations by State, 1953 – 2013: Highest 25 States*



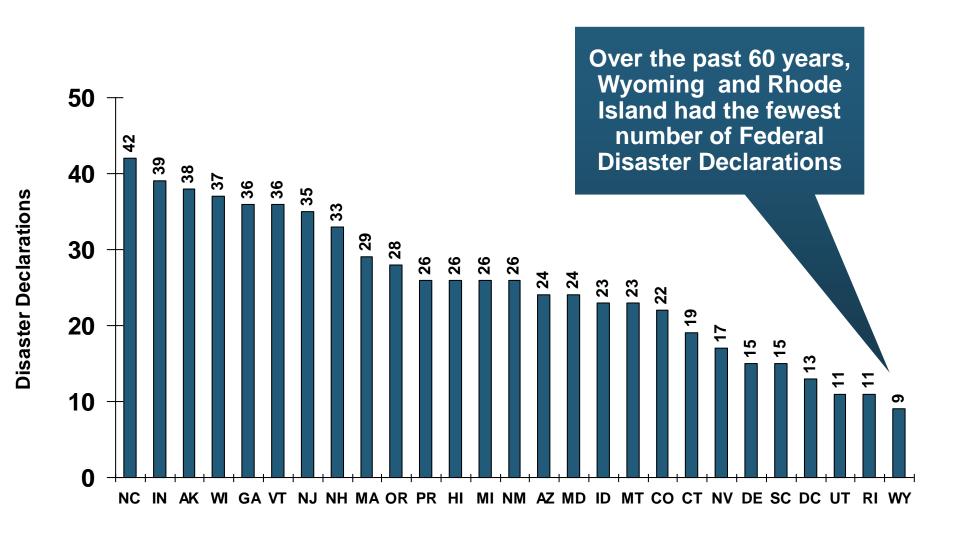


^{*}Through Dec. 4, 2013. Includes Puerto Rico and the District of Columbia.

Source: FEMA: http://www.fema.gov/news/disaster totals annual.fema; Insurance Information Institute.

Federal Disasters Declarations by State, 1953 – 2013: Lowest 25 States*





^{*}Through Dec. 4, 2013. Includes Puerto Rico and the District of Columbia.

Source: FEMA: http://www.fema.gov/news/disaster totals annual.fema; Insurance Information Institute.

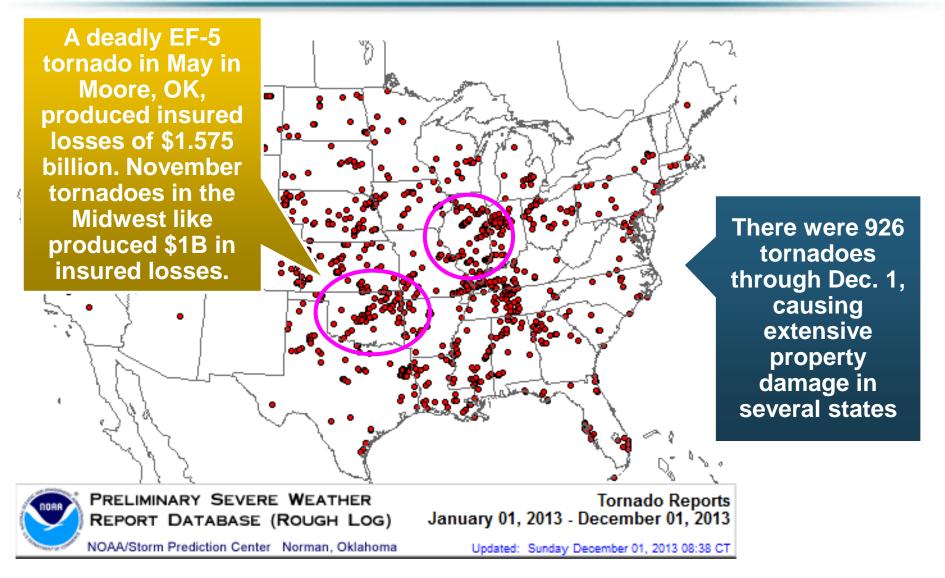


SEVERE WEATHER REPORT UPDATE: 2013

Damage from Tornadoes, Large Hail and High Winds Keep Insurers Busy

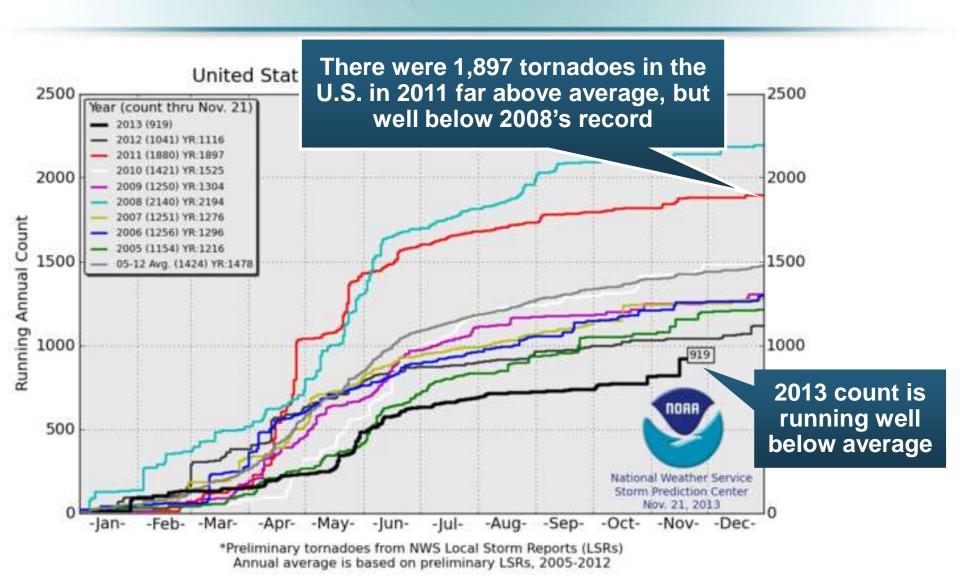
Location of Tornado Reports: Through December 1, 2013





U.S. Tornado Count, 2005-2013*



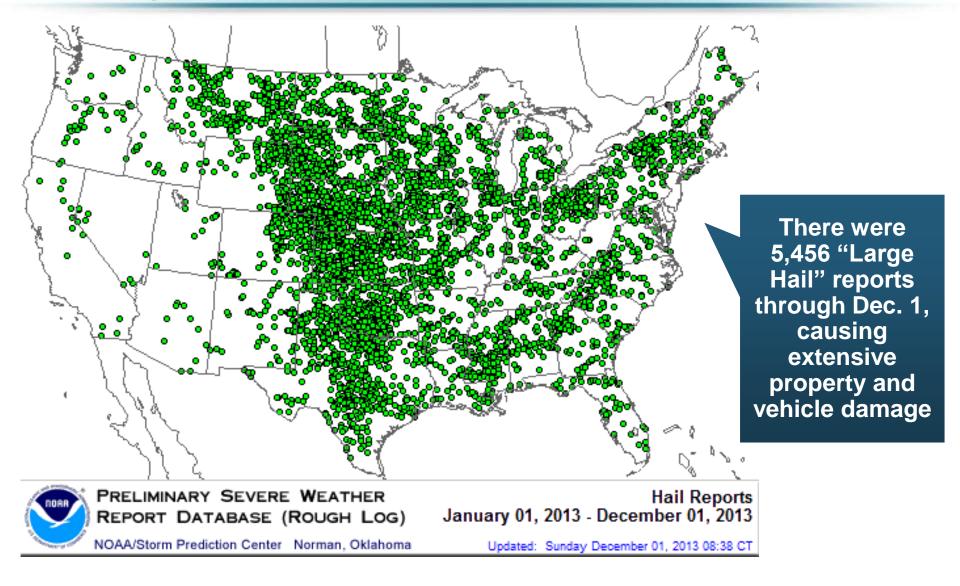


*Through November 21, 2013.

Source: http://www.spc.noaa.gov/wcm/.

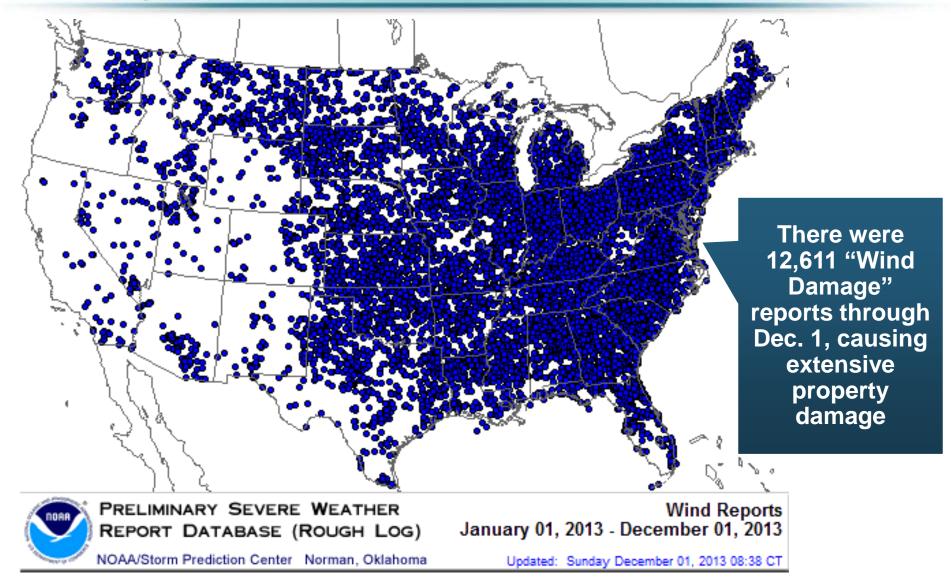
Location of Large Hail Reports: Through December 1, 2013





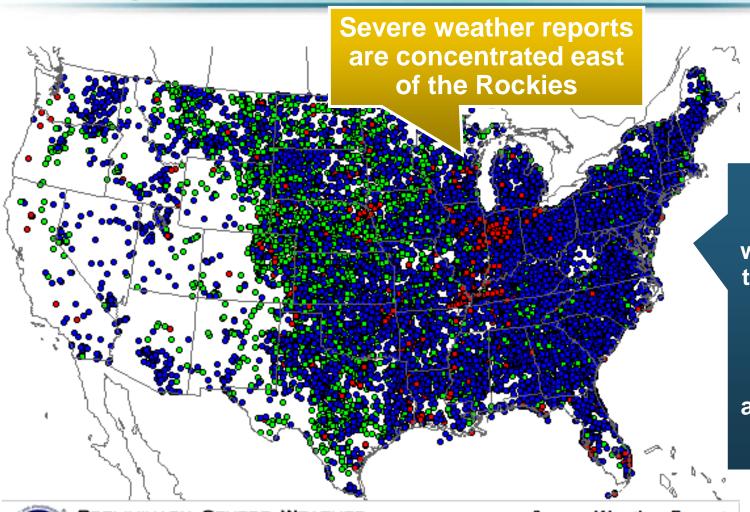
Location of High Wind Reports: Through December 1, 2013





Severe Weather Reports: Through December 1, 2013





There were
18,994 severe
weather reports
through Dec. 1;
including 926
tornadoes;
5,456 "Large
Hail" reports
and 12,611 high
wind events

PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)
NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports January 01, 2013 - December 01, 2013

Updated: Sunday December 01, 2013 08:38 CT



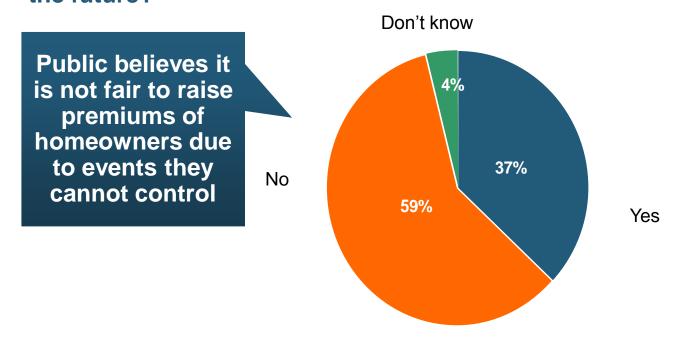
Public Opinion Survey

Disaster Preparedness Issues

I.I.I. Poll: Homeowners Insurance



Q. Do you think that it is fair that people who live in areas affected by record storms in 2011 and 2012 should pay more for their homeowners insurance in the future?

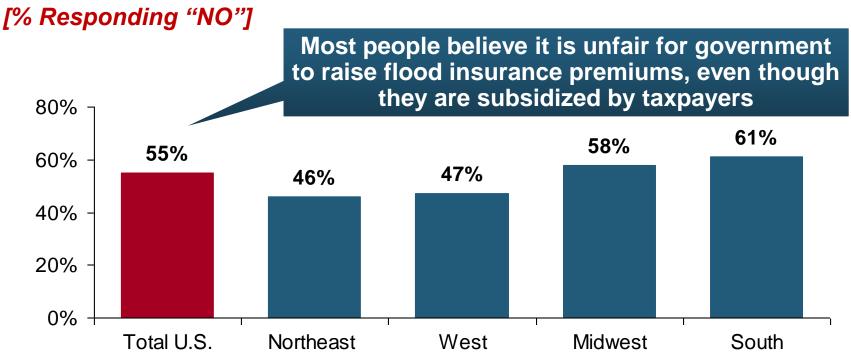


Nearly 60 percent of Americans believe that homeowners insurance premiums should not be raised as a result of recent storms in their areas.

I.I.I. Poll: Flood Insurance



Q. The federal government plans to raise the price of flood insurance so it reflects the costs of paying claims. Do you believe this is fair?

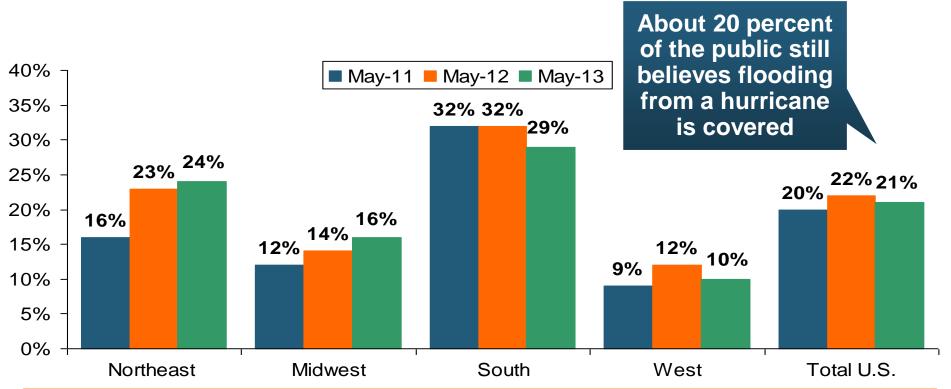


More than one-half of Americans do not think it is fair for the federal government to raise its flood insurance premiums to better reflect claims payouts.

I.I.I. Poll: Disaster Preparedness



Q. Does your homeowners policy cover damage from flooding during a hurricane?¹



The proportion of homeowners who believe their homeowners policy covers damage from flooding during a hurricane stands at 21 percent. This proportion rises eight percentage points in the South, to 29 percent.

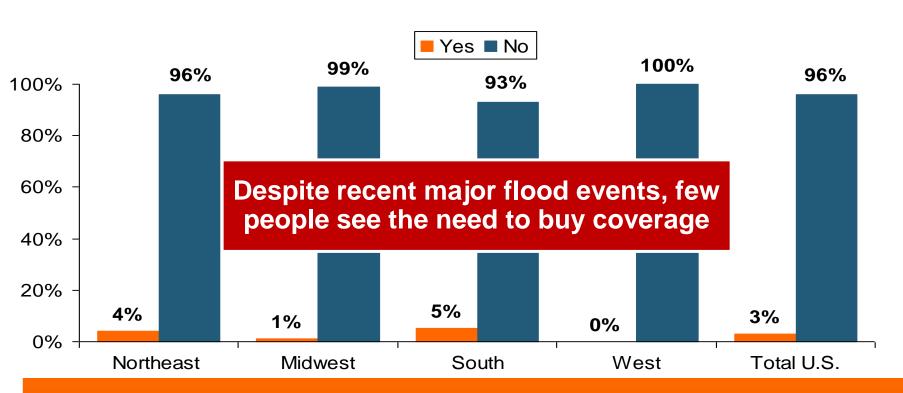
Source: Insurance Information Institute Annual *Pulse* Survey.

¹Asked of those who have homeowners insurance and who responded "yes".

I.I.I. Poll: Disaster Preparedness



Q. Have recent flooding events such as Hurricane Sandy or Hurricane Irene motivated you to buy flood coverage?¹



Recent storms have not motivated people to buy flood insurance coverag.e

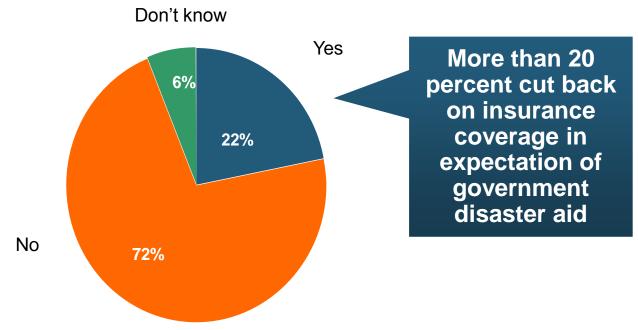
Source: Insurance Information Institute Annual *Pulse* Survey.

¹Asked of those who have homeowners insurance but not flood insurance.

I.I.I. Poll: Disaster Preparedness



Q. If you expect some relief from the government, do you purchase less insurance coverage against these natural disasters than you would have otherwise?



Seventy-two percent of Americans would not purchase less insurance if they expect some relief from the government—but 22% would.



Terrorism Update

Boston Marathon Bombings Underscore the Need for Extension of the Terrorism Risk Insurance Program

Download III's Terrorism Insurance Report at: http://www.iii.org/white_papers/terrorism-risk-a-constant-threat-2013.html

Terrorism Risk Insurance Program



- Reauthorization Was a Major Industry Initiative for 2013 Even Before Boston
- I.I.I. Testified at First Congressional Hearing on 9/11/12
 - Provided testimony at NYC hearing on 6/17/13
- I.I.I. Accelerated Planned Study on Terrorism Risk and Insurance in the Wake of Boston and Was Well Received
 - Terrorism: A Constant Threat issued in June 2013







Terrorism Risk Insurance Program



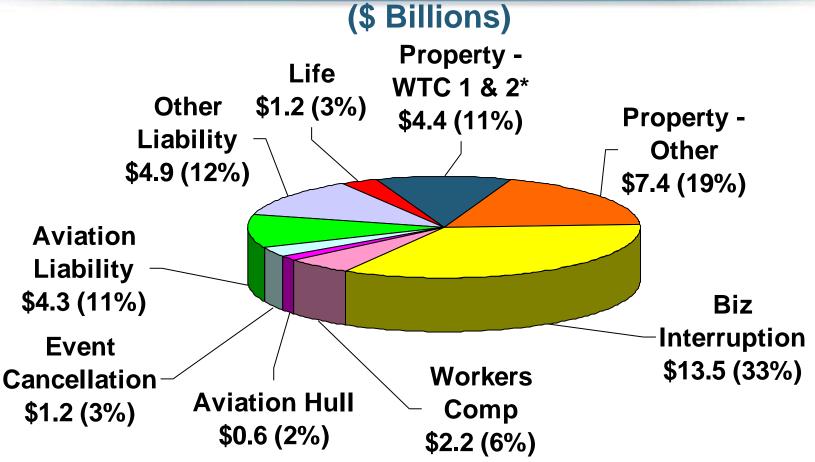
- Boston Marathon Bombing Has Helped Focus Attention in Congress on TRIPRA and its Looming Expiration
 - Act expires 12/31/14
 - Exclusionary language will likely be inserted for post-1/1/2014 renewals and will likely lead to significant media interest (educational opportunity)
 - Numerous headwinds; not a priority issue in 2013 in Congress
 - 3 extension bills introduced in 2013—2 since Boston

Media Interest Soared

- I.I.I. was conducting its first interviews within minutes after live-tweeting (nearly) from the scene; TV interest was high
- Local, national and international media focused on this topic for the first time in any significant way since TRIA's inception in late 2002
- Inquiries revealed very little/no understanding (or even awareness) outside insurance industry and business owners
- Certification process caused confusion

Loss Distribution by Type of Insurance from Sept. 11 Terrorist Attack (\$ 2011)





Total Insured Losses Estimate: \$40.0B**

*Loss total does not include March 2010 New York City settlement of up to \$657.5 million to compensate approximately 10,000 Ground Zero workers or any subsequent settlements.

Source: Insurance Information Institute.

^{**\$32.5} billion in 2001 dollars.

TRIA Outlook



- Difficult Reauthorization Battle Ahead
 - Very difficult to overcome antigovernment/small government, Tea
 Party forces in the House
 - Most Committee members in both houses weren't around in 2007
- House Hearings in 2012; House and Senate in late 2013
- If Reauthorized, Insurer Participation Likely Increased
- Some Have Attacked TRIA as "Corporate Welfare"
 - In reality the taxpayer is 100% protected
 - NFIP, Crop programs have led to miscomprehensions
- Emphasizing Benefits to Employees Under WC is Key
- Misperception by Some that Terrorism is Urban Issue
- Growth Opportunity: Standalone Cover if No Reauthorization
 - Though limited capacity will not be sufficient to meet need

I.I.I. TRIA Testimony Before US Senate Banking Committee (Sept. 25, 2013)

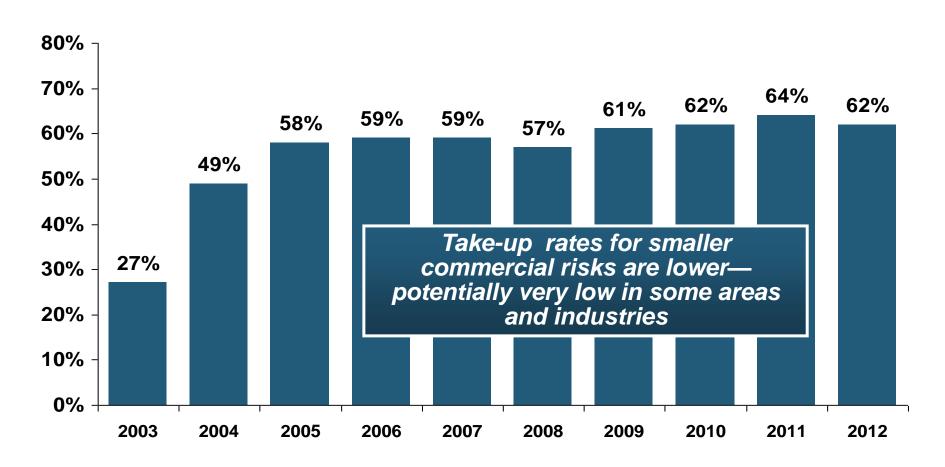


Robert Hartwig, Future of TRIA Program, U.S. Senate Banking Committee



Terrorism Insurance Take-up Rates, By Year, 2003-2012





In 2003, the first year TRIA was in effect, the terrorism take-up rate was 27 percent. Since then, it has increased steadily, remaining in the low 60 percent range since 2009.

Pyramid of Taxpayer Protection: Strong, Stable, Sound and Secure



Hard Cap \$100 Bill

Government Recoupment

Industry Aggregate Retention: \$27.5 Bill

Insurer Co-Payments
15% Above Retention

Individual Insurer Retention 20% of Premiums Earned

Program Dollar Threshold \$100 Million

Certification Dollar Threshold \$5 Million

Certification of Terrorist Act: Definition Must Be Met

If TRIA is reauthorized, it is highly likely insurer retentions will be increased

Summary of Terrorism Risk Insurance Program Extension Bills Introduced in 2013

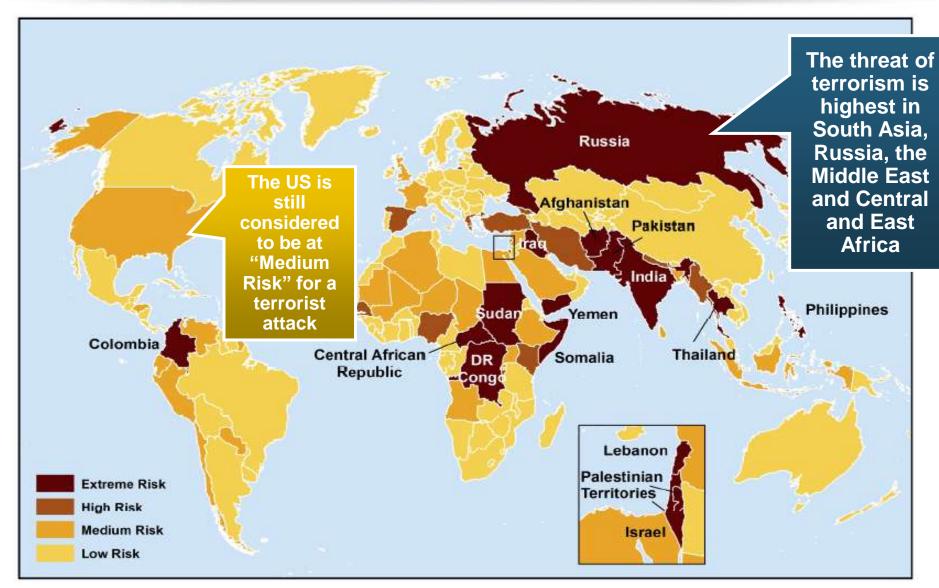


Bill	Summary
•H.R. 508: "Terrorism Risk Insurance Act of 2002 Reauthorization Act of 2013" •Introduced Feb. 5 by Rep. Michael Grimm (D-NY)	●5-Year Extension (through 2019) ●Extend recoupment period for any TRIA assistance from 2017 to 2019
•H.R. 2146: "Terrorism Risk Insurance Program Reauthorization Act of 2013" •Introduced May 23 by Rep. Michael Capuano (D-MA)	 10-Year Extension (through 2024) Extend recoupment period for any TRIA assistance from 2017 to 2024 Requires President's Working Group on Financial Markets (PWGFM) to issue reports on long-term availability and affordability of terrorism insurance in 2017, 2020 and 2023 Reports to be drafted with consultation from NAIC and representatives of the insurance and securities industries and policyholders
•H.R. 1945: "Fostering Resilience to Terrorism Act of 2013" •Introduced May 9 by Rep. Benny Thompson (D-MS)	 10-Year Extension (through 2024) Recoupment period changed to 2024 Would transfer responsibility for certification of a "act of terrorism" to the Secretary of Homeland Security from Secretary of Treasury. PWGFM to issue reports in 2017, 2020 and 2023 Requires Sec. of DHS to provide insureds with "timely homeland security information, including terrorism risk information, at the appropriate level of classification and information on best practices to foster resilience to an act of terrorism."

Source: Nelson, Levine, de Luca & Hamilton, FIO Focus, June 10, 2013; Insurance Information Institute.

Terrorist Risk Index





Terrorism Violates Traditional Requirements for Insurability



Requirement	Definition	Violation
Estimable Frequency	•Insurance requires large number of observations to develop predictive rate- making models (an actuarial concept known as credibility)	 Very few data points Terror modeling still in infancy, untested. Inconsistent assessment of threat
Estimable Severity	•Maximum possible/ probable loss must be at least estimable in order to minimize "risk of ruin" (insurer cannot run an unreasonable risk of insolvency though assumption of the risk)	 Potential loss is virtually unbounded. Losses can easily exceed insurer capital resources for paying claims. Extreme risk in workers compensation and statute forbids exclusions.

Source: Insurance Information Institute

Terrorism Violates Traditional Requirements for Insurability (cont'd)



Requirement	Definition	Violation		
Diversifiable Risk	 Must be able to spread/distribute risk across large number of risks "Law of Large Numbers" helps makes losses manageable and less volatile 	concentrated geographically or		
Random Loss Distribution/ Fortuity Source: Insurance Information Institute	 Probability of loss occurring must be purely random and fortuitous Events are individually unpredictable in terms of time, location and magnitude 	of destruction •Dynamic target shifting from "hardened targets" to "soft		

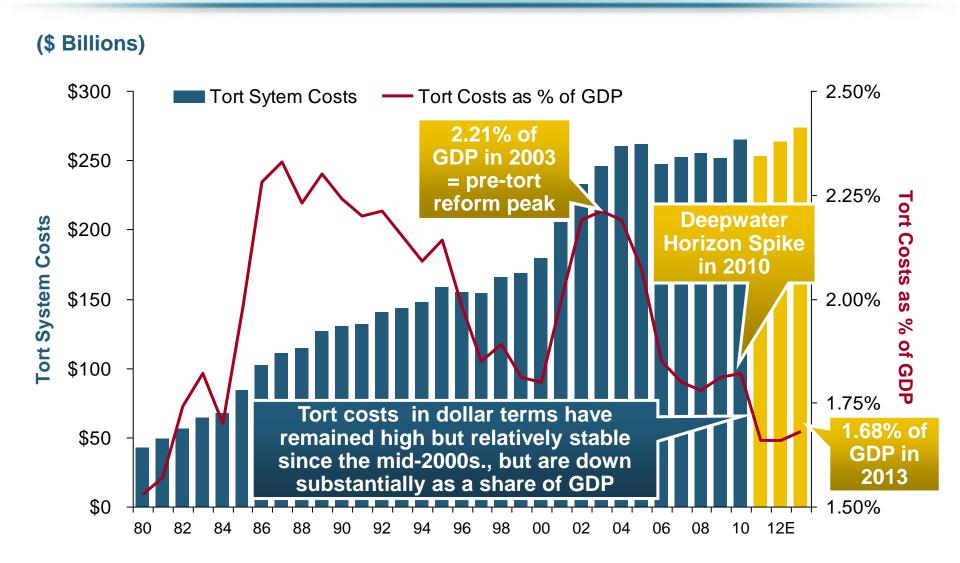


Manmade Disasters & The Tort Environment

The Lessons of Deepwater Horizon

Over the Last Three Decades, Total Tort Costs as a % of GDP Appear Somewhat Cyclical, 1980-2013E





Business Leaders Ranking of Liability Systems in 2012



Best States

- Delaware
- Nebraska
- 3. Wyoming
- 4. Minnesota
- 5. Kansas
- 6. Idaho
- 7. Virginia
- 8. North Dakota
- 9. Utah

10. lowa

New in 2012

- Wyoming
- Minnesota
- Kansas
- Idaho

Drop-offs

- Indiana
- Colorado
- Massachusetts
- South Dakota

Worst States

- 41. Florida
- 42. Oklahoma
- 43. Alabama
- 44. New Mexico
- 45. Montana
- 46. Illinois
- 47. California
- 48. Mississippi
- 49. Louisiana
- 50. West Virginia

Newly Notorious

Oklahoma

Rising Above

Arkansas

BP: Deepwater Settlement Process is Rife with Fraud and Abuse



Would you pay this claim?

The Gulf Settlement Program did.

Claim XXXX89: A global nuclear consultant submitted a claim for lost income to the Gulf Settlement Program. The business has clients all over the world and performs services that could not possibly have been affected by the spill. The claim submitted also showed the company's revenue and profits were higher in the year of the spill than any other year from 2007 to 2011. The claimant was awarded more than \$510,000.

A claim from a company with a global business. For alleged losses in the company's most profitable period in years. With no apparent connection to the soil. Paid in full.

How could this happen?

Despite these obvious red flags, the Gulf Settlement Program pushed this claim through to payment. Without adequate investigation or sufficient backup documentation. Indeed, the claimant even argued that whether it was affected by the spill is irrelevant. The fact is that thousands of undeserving claims like this – totaling over half a billion dollars – have already been paid.

We'll continue fighting to stop all abuses of the settlement and return the claims process to doing what it was intended to do: paying the legitimate claims of people and businesses who suffered real financial losses from the spill.

For more, go to the State of the Gulf.com.



Sources: Full page ads in the Wall Street Journal and New York Times, Dec. 11, 2013.

US legal proceedings

This page reflects the status of the legal proceedings as communicated in our second quarter results issued on 29 October 2013.

Federal multi-district litigation proceeding in New Orleans (MDL 2179)

As disclosed in BP Annual Report and Form 20-F 2012, on 25 February 2013 the first phase (Phase 1) of a Trial of Liability, Limitation, Exoneration and Fault Allocation in MDL 2179 commenced in the federal district court in New Orleans (the District Court). The presentation of evidence in Phase 1, which completed on 17 April 2013, addressed issues arising out of the conduct of various parties allegedly relevant to the loss of well control at the Macondo well, the ensuing fire and explosion on the Deepwater Horizon on 20 April 2010, the sinking of the vessel on 22 April 2010 and the initiation of the release of oil from the Deepwater Horizon or the Macondo well during those time periods, including whether BP or any other party was grossly negligent. The parties completed post-trial briefing in respect of Phase 1 on 12

BP is sparing no expense to fight what they view as fraud and abuse in Deepwater Horizon settlement litigation.

se 1 record to include Halliburton's agreement ination of the Incident and the US e US government, the Plaintiffs' Steering cations of Halliburton's plea agreement. The the timing of the court's ruling in respect of

13, addressed the amount of oil that was leted on 18 October 2013. Post-trial briefing is is not currently aware of the timing of the

The District Court has wide discretion in its determination as to whether a defendant's conduct involved gross negligence as well as in its determinations on the volume of oil spilled and the application of penalty factors.

For further information, see page 164 of BP Annual Report and Form 20-F 2012.

US Environmental Protection Agency (EPA) matters

On 28 November 2012, the EPA notified BP that it had temporarily suspended BP p.l.c., BP Exploration & Production Inc. (BPXP) and a number of other BP subsidiaries from participating in new federal contracts. In addition, as a result of BP's agreement with the Department of Justice to resolve all federal criminal charges against BP, on 1 February 2013 the EPA issued a notice that BPXP was mandatorily debarred at its Houston headquarters. For further information, see page 163 of BP Annual Report and Form 20-F 2012. On 15 February 2013, BP filed an administrative challenge with the EPA seeking to lift the 28 November 2012 suspension of 22 BP entities and the 1 February 2013 statutory debarrent of BPXP at its Houston headquarters. On 19 July 2013, the EPA affirmed its suspension and debarment decisions. BP maintains that the EPA's actions do not have an adequate legal basis and do not reflect BP's present status as a responsible government contractor. On 12 August 2013, BP filed a lawsuit in the US District Court for the Southern District of Texas

Sources: http://www.bp.com/en/global/corporate/gulf-of-mexicorestoration/investigations-and-legal-proceedings/US-legal-proceedings.html extracted Dec. 11, 2013: Insurance Information Institute.



Insurance Information Institute Online:

www.iii.org

Thank you for your time and your attention!

Twitter: twitter.com/bob_hartwig

Download at www.iii.org/presentations