

New York insurance regulators respond to aftermath of WTC

by Scott Hooper
Special to *The Regulator*

Even if you don't live in a California earthquake zone, a hurricane-prone Gulf Coast state or the Midwest's tornado alley, a catastrophe could strike anyone at any time.

But no one could ever have anticipated the magnitude of the disaster that struck New York on Sept. 11.

All the same, the state's insurance department was probably about as well prepared as any agency could have been. As a matter of fact, Superintendent Gregory V. Serio said, the terrorist attack was the first test of the department's new Insurance Emergency Operations Center (IEOC).

The Sept. 11 attack in lower Manhattan wasn't just larger than could have been anticipated. It also had a direct impact on department operations — the people who the public needed available to help them recover from disaster were themselves smack dab in the midst of the horror.

Unlike most state agencies in New York, insurance regulators (along with their counterparts in banking), are headquartered in the Big Apple. The Department of Insurance's offices occupy four floors of an office building just five blocks south of the World Trade Center, and they lost power and telephone service along with everyone else in that part of town.

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REGULATOR photo by Wayne Cotter

Remembering September 11

by Wayne Cotter
Editor

It's been nearly seven weeks since the devastating attack. Those of us working in downtown Manhattan are trying very hard to live normal lives, do normal things. But normal doesn't come easy with the militia guarding your streets, with your favorite shops and restaurants shuttered, and with the stench of smoldering rubble just a wind shift away.

Early on the morning of Sept. 11, the New York Insurance Department was preparing for a day-long seminar. The session was to take place near the East River, a few blocks south of the Department's Manhattan headquarters. (The Department is about five blocks south of the Trade Center.) Speakers had arrived and registration was proceeding as planned when the first ominous sign came into view: thousands of pieces

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of paper, many singed, began swirling over the East River.

A few moments later we learned a plane had hit the North Tower. When news of the second attack arrived, the seminar was abruptly cancelled. I headed about two blocks northeast of the Department offices with a camera I had brought for the seminar. Having worked in and around the Trade Center for 25 years, I wanted to see the damage for myself. The photo on p. 1 shows the scene Insurance Department staffers witnessed that day.

About 15 minutes later, I made my way back to the street outside Department headquarters. No one at that point was anticipating the Trade Center's collapse, but within minutes the South Tower fell with an unearthly roar. A few seconds later, clouds of dust and debris were pushing their way through the narrow streets of New York's financial district. Many thought a bomb had exploded.

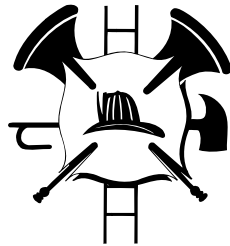
Along with thousands of others, I ran for the water while covering my mouth and shielding my eyes. At the East River, the dust clouds started to dissipate and I headed northward, picking up bits and pieces of information as I moved uptown.

Department offices closed for the next three days, but that didn't stop New York Insurance Department volunteers from helping in any way possible. On Monday, September 17, the Department's Manhattan office was once again open for business, a significant achievement given the obstacles that stood in our way.

In this issue, Scott Hooper looks at how the New York Department responded to September 11. It is must reading for those states rethinking their own disaster plans.

We are thankful that no Department personnel lost their lives that day, although many lost family and friends. Sadly, former New York Insurance Superintendent Neil Levin perished in the tragedy. Superintendent Levin left the Department earlier this year to head the Port Authority of New York and New Jersey, which was headquartered in the Twin Towers.

Our hearts go out to the victims and their families and we extend thanks to the brave firefighters, police officers and rescue workers who inspired us during our darkest hours. We are forever in your debt.



C.E. News

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N · I · C · E

New York regulators grapple with WTC tragedy

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But the department also has a major presence in Albany. Much of its response shifted upstate, where the department's people were active in the State Emergency Management Organization (SEMO) command post, as well as their own IEOC.

Redundancy

"We created redundant offices in New York and Albany in anticipation of the dislocation of one or the other of the offices," Serio told *The Regulator*.

In testimony before the U.S. House Committee on Financial Services in late September, the superintendent elaborated: "The IEOC was activated within one hour of the disaster, and within 24 hours senior executives from 15 major insurance companies were seated in our war room in Albany.

"The team began compiling information from the insurance community across the state," he added. "In addition, the team facilitated the provision of claims estimates and the payment of claims as they were presented to individual companies. Videoconferencing and remote satellite video links from the field connected SEMO, the department's command center and the Office of the Director of State Operations within the governor's office."

The IEOC took calls from consumers too, using its own personnel as well as company reps to answer questions and collect feedback. Serio's people also passed along information via the department Web site, both to the general public and, via a password-protected area of the site, to insurers.

As in any catastrophe, the department got involved in issues large and small, including tracking the insured damage, dealing with the press, keeping tabs on its own and insurers' catastrophe teams and vehicles and arranging for temporary offices, including office space in Midtown and walk-in service centers at Pier 94 in Manhattan and three others out in the suburbs. The consumer centers were open 12 hours a day, seven days a week — and the department's fraud people worked the same demanding schedule.

When it came to issuing temporary licenses to the 125 adjusters who came in from out of state, the New York department outdid itself, issuing the licenses

within an hour. Some of that efficiency came through use of the Web site.

Serio, who routinely divides his time between the Albany and New York offices, also reached out to major companies and brokers involved in the disaster, including Marsh USA and Aon, two of the nation's largest brokerages.



The view from the FDR Drive, on Manhattan's East Side, about 10:20 a.m. One tower had fallen and, in another 10 minutes, the other would crumble.

Though the firms had lost key employees in the collapse of the World Trade Center, "I was pleased that both companies' disaster-preparedness plans allowed them to continue operations," he said.

Serio and his people helped in a variety of ways, including assisting in finding office space for displaced insurers so they could meet consumers' needs. But their focus was on the long term as well.

"I had three objectives," the superintendent said. "First I wanted to open the lines of communications between the department and each impacted insurance

entity relating specifically to the disaster. Second, I wanted to determine the financial impact on each insurance entity and obtain a general sense of the ability of the industry to pay the expected claims. Finally, I wanted to have the opportunity to remind each individual company, and the industry collectively, of their obligation to the consumer and the expectation of the department that they would pay claims expeditiously and without raising non-applicable exclusions.”

Anticipating disaster

Much of the department’s work was behind the scenes. But in one specific, well-publicized move, life insurers were urged to use a standardized affidavit in lieu of a death certificate — greatly speeding up payment to bereaved survivors.

“That’s a perfect example of how both the government, which has to to authorize this, works right along with the city and the insurance industry to make sure that these people get their money as quickly as possible,” said Robert Hartwig, vice president and senior economist with the Insurance Information Institute.

“For insurers, that’s a claims-handling homerun,” he added. “I mean, technically, under the law, the insurers could have waited three years.”

The circular letter on proof of death was one of six the department issued in the aftermath of the disaster.

Hartwig pointed out that an event of this magnitude is impossible to fully plan for, but state regulators can still come through after the fact to meet consumers’ and companies’ needs.

“Clearly there’s nothing state insurance regulators could have done to prevent this,” he said.

“Yet in some sense their job was done beforehand: It seems as though insurers were appropriately capitalized, so we don’t see a rash of insolvencies — at least not immediately. So far, so good.”

By some measures, the Sept. 11 attack wasn’t the largest catastrophe ever to hit the U.S. In 1992, following Hurricane Andrew, fully 17,000 adjusters converged on south Florida, ultimately settling 700,000 claims. The number of claims in lower Manhattan is likely to be only a fraction of that. But since they’ll be mostly largely commercial claims, rather than individual homes, apartments and small businesses, as in a hurricane or other natural catastrophe, the total insurance payout is likely to be at least twice as large as it was following Andrew.

On top of that, while Hurricane Andrew certainly captured the attention of the media, the Sept. 11 attack occurred next door to Wall Street — and down the street from the headquarters of the major broadcast networks and the nation’s business press.

The Wall Street Journal may have moved its newsroom across the river to New Jersey after the tragedy, but there was no reduction in its reporters’ day-to-day scrutiny of state government’s role in the recovery.

The department has already begun to scrutinize itself, reviewing how well its disaster plan worked in the real world. Even though everything didn’t go perfectly, the idea isn’t to criticize anyone, Serio said. Even when things go perfectly, he said, “you can always

nuance or tweak your system” to see that it works still better next time.

Human reaction

Beyond doing their regular jobs, department employees also had to deal with their own emotions — beginning with the death of Neil Levin, Serio’s predecessor, who had been appointed executive

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— New York Insurance Supt. Gregory V. Serio



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Serio praises the WTC response by New York regulators

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director of the Port Authority of New York and New Jersey not long before.

After the disaster, after the office was hurriedly evacuated, department officials contacted every employee, either by phone or in person. A number of people headed for the Operations Center in Albany.

The Department decided it would be appropriate to get its headquarters back in operation on Sept. 17, the same day the New York Stock Exchange planned to be back in business. Though attendance was voluntary, a great many department people came to work that day — walking through dust and debris, past National Guardsmen in uniform. For the first few days, the building was still filled with the smell of the dust that had covered everything in the vicinity of Ground Zero.

“While the date and horrors associated with Sept. 11 will be forever etched in our minds,” Serio said, “the department will also remember another date — Sept. 17. It was on Sept. 17, less than one week after the disaster, that the department opened its Manhattan office.

“On that day, more than half of the department staff voluntarily reported to work.”

Despite horrendous commutes and all the disruption in the streets leading up to their building, staffers showed up, ready to work.

“We were the first agency to be back in our offices,” said Serio.

“Our staff managed all those challenges with real dignity and real strength,” he added. “They were heroic.” ■