



Insurance Lessons Learned from the 9/11 Tragedy: A Q&A with Greg Serio
By Marjorie Musick

Gregory V. Serio, former superintendent of insurance for New York who oversaw the department after the September 11 tragedy a decade ago, will be the keynote speaker at FPCC 2011. His presentation will focus on his management of what is arguably one of the most complicated claims events of the century.

Serio spoke to FPCC about his experience during that tragic event and the lessons that were learned by the insurance industry as they helped to rebuild lower Manhattan.

Q: You became superintendent in May 2001, only a few months before 9/11. How did you manage such an unprecedented tragedy?

A: The first priority was making sure that everyone in the insurance department was okay. The second priority was recognizing that this was going to be an event in which the insurance department would play a huge role. This was the largest property insurance event in history and we were dealing with a matter of unequal magnitude. We knew that insurance regulators were going to be major participants in the event. It was also personal. Our office was located only three blocks away from the towers so it was a) in our backyard, b) a national catastrophe and c) a day that we lost loved ones. My predecessor died in the attacks. We were forced out of our building after the first collapse. Our 700 staff members ended up walking out of lower Manhattan together or taking boats. We first regrouped at the MetLife building and then worked out of the governor's office for six days. By September 16, we were back in our offices.

Q. Did you have a process in place for handling this type of event?

A: Just that spring, we had created an insurance emergency operations center which was a place to house all of the carriers and put them together in order to get real time information on claims development. The goal was to have a sense of what was happening out in the marketplace using the most reliable information by having all of the carriers in one place. We set it up after a series of previous disasters including an ice storm in northern New York, wildfires, etc., so that we would be able to get more timely information. Federal disaster declarations are predicated on the amount of uninsured losses. This new center allowed us to provide the federal government with real-time information about how much they would have to cover and pay for after 9/11. As you can imagine, the insurance industry had to work quickly on this.

Q: Were people able to immediately file claims after the attacks?

A: Yes, because part of our whole emergency planning process called for the industry to get their catastrophe vans into affected areas much more quickly than in the past by coordinating with local authorities. By the September 13, industry vans were near the affected sites. We worked through the issue of getting access and licenses for the carriers so that they could be more responsive to the public.

Q: What did you learn from this experience?

A: A couple of things. There has to be cooperation throughout the process. It can't be the regulator dictating every move. The industry can't be reluctant to do things out of the ordinary. Claimants need to be patient but, at the same time, need to be reassured that they are being looked after. Claimants get understandably upset when they feel that they're not being heard. But there was a widespread appreciation for the role that the insurance companies played. Previously, a lot of people were not really appreciative of the critical role that insurance plays in our economy and the crucial need for insurance dollars to flow as quickly as possible into an affected area after a disaster.

Q: Did it consume all of your staff members' time?

A: For me, it changed my job overnight. Prior to that, I spent most of the first four months in my new role working on federal relations because they were becoming more important. My staff and I were on Capitol Hill developing federal relationships with members of Congress and the Bush Administration. It turned out to be fortuitous that we did that because after 9/11, we ended up having regular discussions with the Feds. Their insurance knowledge wasn't great because they don't routinely work in that realm. I found myself at the Treasury and Federal Reserve educating them about insurance as much as about the disaster. I think that they learned a lot during this process. They don't regulate insurance and hadn't learned about it before this. In the end, I think that some of the 9/11 experiences served as a basis for new laws.

Q: How much did 9/11 cost?

A: The total cost of 9/11, when everything was said and done, turned out to be more than \$50 billion to state and federal governments for infrastructure repair and uninsured loss. You almost couldn't estimate loss of value, lost time, businesses, lives and those other values that don't fit neatly into insurance calculations. The toll of 9/11 would have been far worse if we did not consider dust and dirt to be physical damage. There would have been a much deeper economic crisis because billions of dollars in damages would not have flowed into economy.

Q: Can you expand on that?

A: When the towers came down, everything on the 16-acre site was destroyed. But the immediate community didn't sustain any real structural damage. Two blocks away, there was no structural damage. There were wires down and police in the street, but no structural damage to premises so physical loss damages would not have triggered. However, we made a determination that dust and dirt could be considered physical damage. That essentially saved lower Manhattan. It also pointed up some significant deficiencies in the way that insurance policy is written. Loss of income and physical coverage are currently predicated on physical damage. There needs to be modernization of how this is determined. What 9/11 showed is that civil authority coverage -- which provides compensation when the street is taken over by government -- is woefully inaccurate. You only get two weeks of coverage. We need to rethink that as well. Many streets were inactive because of construction, danger, etc. Well, we've seen some improvements on the claims side, but we haven't seen modernization of coverage on the underwriting side.

Q: Did you find that insurance professionals handled themselves well during the crisis?

A: I think what people have to know is that the adjusting process together with the regulatory process not only brought a lot of relief to people, but it also prevented the opportunizing of the disaster by people looking to make money. I did not see the adjuster community trying to opportunistize or take advantage of the situation. The adjusting community acted very responsibly and patriotically. We get caught up in the adversarial relationships between adjusters and carriers, but the great story of 9/11 is that they both did what they needed to do to save the day.