

# National Underwriter

THE LEADER IN PROPERTY & CASUALTY NEWS

## Hurricane Katrina Puts New Orleans Agency To The Ultimate Test On Service

Strategic recovery plan keeps Gillis, Ellis & Baker in business to help clients

BY ARTHUR D. POSTAL

**T**HE UNEXPECTED PROVIDES opportunity as well as challenges, as W. Anderson Baker III can attest firsthand. The president of Gillis, Ellis & Baker Inc.—an independent agency in New Orleans founded in 1933—went fishing on Friday afternoon, Aug. 26, 2005, after hearing a National Weather Service report that Hurricane Katrina was heading for Tallahassee, Fla.

When the eye of the hurricane hit the Louisiana and Mississippi coasts and then New Orleans on Monday, Aug. 29, Mr. Baker was at his new country home in Poplarville, Miss., with his extended family of 14 people as the eye of the hurricane flew right past.

While his new home didn't lose a screen, it wasn't until Tuesday that he learned the levees in New Orleans had broken, and some parts of the city were inundated by up to 20 feet of water. His office, directly across from the Superdome, had taken enough water to damage the basic workings of the building—a fact Mr. Baker said he didn't learn for two weeks.

However, by Wednesday—thanks to the creation of a strategic recovery plan a year earlier—Mr. Baker's agency was up and running in a trailer in Baton Rouge through emergency services companies his agency had begun contracting with only a few weeks earlier. His office was able to take claims from clients, "even though most of our 40-odd employees had not even found each other," he noted.

Two years later, despite the difficulties still

### TIP SHEET

#### GEB MAINTAINS RM FOCUS

Despite the mad scramble for coverage in New Orleans following Hurricane Katrina, Gillis, Ellis & Baker Inc. did not succumb to pressure to simply shop for the lowest price, keeping risk management at the top of their agenda. In the words of its president, W. Anderson Baker III, from his award essay:

▶ **"OUR TIME, TALENT AND RESOURCES** are scarce, [so] we cannot devote any time or talent to someone simply looking for cheaper insurance. There are many agents up to that task."

▶ **"RISK MANAGEMENT** is what we lead with when talking to a prospect. During an initial meeting...we don't even talk about insurance. The discussion deals more with the insured's philosophy of business..."

▶ **"IF THE PROSPECT'S RESPONSE IS,** 'I never looked at it that way before. Tell me more,' we are almost always successful."

▶ **"IF INSURANCE IS SEEN** as simply a necessary evil, we work to enlighten the insured as to how a broader view of risk management can impact the total cost of risk."

▶ **"OUR PRODUCERS** do not use the word 'quote' when talking with prospects. If there is nothing the prospect wants besides a quotation for insurance at a cheaper price, we are not a good fit for each other."

▶ **"WE AVOID WASTING** valuable resources on prospects that will not subscribe to our [risk management] philosophy."

faced by New Orleans residents, Mr. Baker has managed to grow his commercial lines premium volume from \$36 million in 2004 to \$58 million last year.

GEB's ability to not only remain open for business but to keep growing and helping clients under the worst possible conditions earned the firm an Honorable Mention in the sixth annual "National Underwriter Commercial Insurance Agency of the Year" award program.

Mr. Baker and his staff did not return to their Superdome-area offices until November. Many companies and families are still struggling to make their way, if they returned to New Orleans at all. "The critical components of our recent success were disaster planning and prudent management of capital," said Mr. Baker.

While "most of our employees stayed with us...some people just moved away," he noted, explaining that "returning to New Orleans was not an option emotionally for some." However, despite the personal and professional problems faced by his hardy staff, his head count is only down by five.

"It was draining to work in New Orleans because of the atmosphere," he said. "It is a big challenge to look at your flooded house and the hundreds around it and say, 'I want to live in there again.'"

Most of the agency's clients returned to New Orleans, he noted, "but there are plenty of businesses that, if their business model was mobile, they decided to move on."

Mr. Baker said a number of oil businesses have moved to Houston, taking their employees with them. "Despite this attrition, we have been able to build the business and to put the agency in a position to grow even further," he said, adding commercial clients in electronics, health care, education and personal lines.

"Our credo for right now is that we haven't turned many people or companies down," he said. "If you are going to employ somebody, we are going to insure you."

Mr. Baker said GEB maintained its business "by 70 years of prudence," noting that when the insurance commissioner put out an edict that no one had to pay premiums after Katrina, "we had reserves to handle this."



Honorable  
Mention

However, he noted, some “underwriters didn’t respond the same way. Some were kind, but others didn’t see it the same way. To maintain policies, we had to pay for them and then collect from the clients.” He estimated that his outlays to keep clients current exceeded revenues by hundreds of thousands of dollars.

Mr. Baker was hesitant about entering the *NU* award program at first, when reading on the entry form that the topic for this year’s essay was “How My Agency Remains Competitive Selling Insurance and Risk Management Services in a Softening Market.” “It certainly isn’t softening down here,” he told *NU*.

AGENCY AT A GLANCE	
	<b>Gilliss, Ellis &amp; Baker, Inc.</b>
<b>GEB PROFILE</b>	
<b>LOCATION</b>	New Orleans, La.
<b>2006 COMMERCIAL PREMIUM VOLUME</b>	\$58 million
<b>PRINCIPALS</b>	6
<b>COMMERCIAL LINES PRODUCERS</b>	10
<b>TOTAL EMPLOYEES</b>	39

Indeed, Mr. Baker said his agency’s revenues have increased partly because property insurance rates have skyrocketed in New Orleans. But more importantly, the agency has landed a number of new clients.

“We did this by being there. Most agents are back, but many were unavailable for long periods of time,” he said. “The key was the disaster recovery program we established. It allowed us to increase penetration in the market. Certainly, that was not the design—the design was our survival—but it had that effect.”

Mr. Baker described the Post-Katrina environment as one that “has brought out the green eye shades of the actuaries and the knee-jerk reactions of the mercenary owners of fluid capital.”

Specifically, he said, prices are soaring. “It is not uncommon for commercial property premiums to be up five-times what they were two years ago,” said Mr. Baker, noting that homeowners’ rates were harder to increase because of regulatory restraints.

To demonstrate the magnitude of his task, Mr. Baker said his agency has been forced to re-

## ■ PRACTICE WHAT YOU PREACH

# Disaster Recovery Plan Seen As Critical To GEB’s Survival

BY ARTHUR D. POSTAL

**G**ILLIS, ELLIS & BAKER INC. PITCHES risk management as its overriding philosophy for clients, and by practicing what it preached, the New Orleans agency survived to serve battered clients and even kept growing after Hurricane Katrina in 2005.

“The key to that was the disaster recovery program we established,” said W. Anderson Baker III, president of the Big Easy firm. “It allowed us to increase our penetration in the market. Certainly, that was not the design—the design was our survival—but it had that effect.”

He said the agency landed a lot of new clients after Katrina “by being there. Most agents are back, but many were unavailable for long periods of time.”

GEB didn’t do it alone. Two key support providers were Agility Recovery Service, based in Charlotte, N.C. (which also played a key role in helping companies devastated by the World Trade Center disaster in September 2001), and Artizan Internet Services, based in Windsor, Conn.

“In the spring of 2005, we recognized that the disaster plan for our own office was little more than a telephone tree and a backup tape for our data—what coat pocket did I leave it in?” Mr. Baker said. The agency contracted with Agility in spring 2005, paying \$3,000 annually as a retainer.

Within two days of Hurricane Katrina hitting New Orleans on Monday, Aug. 29, 2005—damaging GEB’s offices across from the Superdome—Agility provided the agency with a trailer in Baton Rouge that contained computers, servers, satellite phones, fax machines, copiers, desks and chairs.

Ironically, the agency contracted with Artizan only several weeks before Hurricane Katrina hit. Mr. Baker recalled. They were hired as part of the firm’s contingency planning of what to do if dislocated.

“We asked, ‘If the building exploded, what would happen to our data?’ So, by coincidence, we

hired Artizan and uploaded data weekly to them beginning perhaps two weeks before [Katrina]. We uploaded our data to them just before the storm hit,” he said, noting the service cost only a few hundred dollars in advance.

Mr. Baker was at his country home in Mississippi when the storm hit Monday. The closest phone was in Jackson, Miss., two-and-a-half hours away in the office of Fox-Everett, another Assurex Global partner agency.



► **WITHIN TWO DAYS OF HURRICANE KATRINA HITTING NEW ORLEANS,** GEB was up and running in a Baton Rouge trailer provided by a recovery services firm—tight quarters, but at least they were back in business.

Mr. Baker got to Baton Rouge and the trailer provided by Agility on Thursday. Artizan, he said, was taking claims for them by Wednesday. “They were handling claims for you two days after the storm, automatically,” he said. “Then they started charging us pennies per call, plus phone time. The cost was insignificant and paid for by our insurers.”

Mr. Baker said the trailer was “nailed down” by Saturday, and his agency was back in business by Monday, with all electronics up and running. Employees started filtering in by Monday as well.

“There was no rhyme or reason to where they stayed,” Mr. Baker said. He estimated it was about a 10-hour drive from New Orleans to Baton Rouge because of storm damage to roads—normally a 90-minute trip.

“Underwriters paid most of the claims submitted directly,” he said. “But no one had a permanent address anymore. People were staying in Houston, Memphis, even Atlanta. People just

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market 95 percent of its commercial accounts. "That is keeping us busy," he said. "We have to work harder to sustain our business. Every account is in play, and every account is going to receive news of a significant increase in premium. That is crippling to our recovery. It will take years for this environment to ease."

told us they were going to cut us off. We've all got a 'we are all in this together' mentality. Everybody's suffering from longer lines, bad roads. We are all in this pot together. So people are a little more patient with those still here. Everyone's impacted, regardless of what business they are in."



**“Our credo for right now is that we haven't turned many people or companies down. If you are going to employ somebody, we are going to insure you.”**

*W. Anderson Baker III, President  
Gillis, Ellis & Baker Inc.*

Explaining the "mercenary environment," Mr. Baker said those in the areas hit by Hurricanes Katrina and Rita are "making life decisions." He said there is a glut of houses on the market, especially with oil companies taking professionals to Houston.

However, he added, on the positive side there is a "lot of economic activity going on with reconstruction." And New Orleans itself is still a magnet for economic activity—and not just for tourism. "Oil exploration, if not employing the geologists, still employs the roustabouts," he said.

However, conceding that conventions are a prime source of business for the city, he noted the hospitality industry, if not back to pre-Katrina levels, "is recovering"—thanks in part to the insurance industry and its corporate clients sticking by The Big Easy.

"As a city, we were honored that [the Risk and Insurance Management Society] decided to come here for their convention [this past April], and Zurich continued its presence with the Zurich Classic golf tournament," he said.

Also encouraging for the city's recovery is the number of young people moving to New Orleans, he added, noting that "there is an opportunity to do something in New Orleans that has never existed anywhere in the country before."

At the same time, "most of our customers are still here," Mr. Baker said. "We made a decision to be here for them."

Mr. Baker said his agency luckily never had a cash-flow shortage, and that "our bank never

Regarding underwriters' response to Katrina, Mr. Baker said some personal lines companies catering to high-end clients "were enterprising in working to get money into their clients' hands. For instance, every client filled out a change of address card.

They said, 'Give us your bank details and we will wire you your \$5,000.' But those types of responses were sparse."

What did they do wrong? "The logistics of insurer claims adjusters seeing thousands of clients was staggering," he said. "I can give them a pass for the logistics they had to overcome—they were huge." However, he added, there were "problems because of multiple adjusters, with underwriters extremely slow in paying anything."

Still, he noted that insurers and adjusters "also had to deal with some uncharted territory regarding civil authority." This involved a clause in policies that mandated payment when evacuation had been ordered.

"To my knowledge, such an event has not triggered civil authority on this scale before in the history of the country," said Mr. Baker, explaining that "civil authority" provisions are wrapped up in business interruption clauses. "An isolated fire is a difficult claim to adjust. When a whole city is making claims under civil authority, it is a huge difficulty—overwhelming. It is for that I give companies a little bit of the benefit of the doubt, because just visiting these places was staggering, let alone doing the math."

However, he was extremely critical of the government's response. "Words can't describe the government ineptitude at all levels. There was a lack of leadership, lack of coordination, a lack of direction," he said.

"To suggest that the federal government has paid \$100 billion in 'aid' is just wrong," he

added. "People contracted for flood insurance. The fact that the government made a bad bet is not our fault. But it is not aid. It is an insurance contract. I get sick and tired of people calling it aid."

Regarding agents' reaction to the catastrophe, Mr. Baker noted that in some instances agents were not available for an extended period of time. In general, however, he said "independent agents were a positive influence in helping this community recover from this disaster."

"The agencies have seen some negative actions by some insurers, and have fought for their clients and their community under tremendously adverse conditions," he said. "At the same time, the Independent Insurance Agents and Brokers of Louisiana has been a significant organizer and player in those efforts."

"This is a city on the rebound, and we are part of it," he said. ■

## DISASTER RECOVERY

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went to various post offices and filled out change of address forms." Clients ranged from homeowners to multihospital systems, "and about 95 percent of them had claims," he noted.

The agency's evacuated offices in New Orleans contained 14,000 square feet, so it was also quite an adjustment to set up shop in Baton Rouge—working out of a 500-square foot trailer.

Subsequent to the trailer, Mr. Baker said, the agency found semi-permanent space of 1,500 feet, "class C space at best," in Baton Rouge. The agency returned to its own quarters in November 2005—not too bad considering the storm's massive destruction.

"What is important to note about this agency is that their employees are forward-looking," said W. Taylor Busby, marketing director of Agility, noting that GEB had two main concerns—getting up and running, and helping clients get back up to speed as well.

Both Mr. Busby and Mr. Baker cited a New Orleans law firm for which GEB did a presentation about how important it is to do advanced disaster planning for a potential recovery. Now, that client is saying, "If it were not for Gillis, Ellis & Baker, we do not know what we would have done [as a result of Katrina]," Mr. Busby said. ■

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