

PCS Catastrophe Compensation Report

August 2015



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ABOUT THE REPORT

As part of the PCS® mission, we're providing a baseline of catastrophe compensation and staffing information to assist with catastrophe compensation, management, and decision making. This report contains the findings from an extensive survey designed to help companies refine or develop a comprehensive catastrophe plan.

The PCS Catastrophe Compensation Report is the first report of the PCS Benchmarking Series. PCS asked a broad range of insurance companies across the United States to complete the 57-question survey, which explored the details of catastrophe pay, bonuses, compensatory time off, staff expectations, catastrophe pay policy decisions, and logistics.

Currently, there is no other known benchmark related to catastrophe compensation for insurance companies to reference when creating or evaluating catastrophe compensation plans. This report will help companies remain competitive with their catastrophe compensation and attract and retain talent.

REPORT HIGHLIGHTS

- Most companies compensate adjusters through a daily catastrophe pay rate; the average is approximately \$155 per day.
- Most companies increase the amount each adjuster is paid for weekends.
- An unexpected finding was that 30 percent of companies relate catastrophe duty compensation directly to catastrophe duty performance.
- The Northeast had the highest compensation for weekend catastrophe compensation and tied with the South for highest weekday compensation.

REPORT OBSERVATIONS

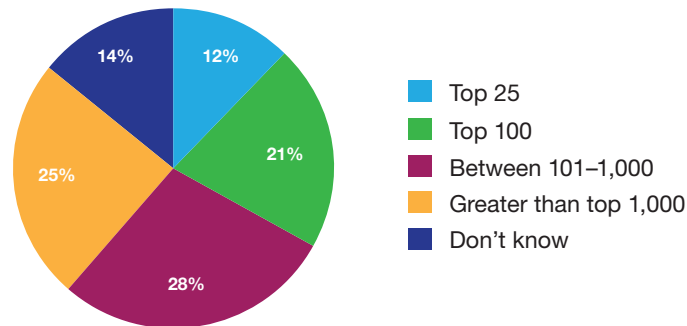
- **Wide variations in how to reward employees for catastrophe duty:** It's significant that 32 percent of companies that participated do not pay exempt adjusters catastrophe pay. Within this 32 percent, 8 percent give only a bonus, 8 percent give only compensatory time off, and 25 percent give both a bonus and compensatory time off. Of all participating companies, 18 percent offer no benefits for catastrophe duty (no catastrophe pay, bonuses, or compensatory time off).
- **Catastrophe pay eligibility for managers:** Managers are not eligible for catastrophe pay at most companies, and any additional compensation is either through paid time off or an increased bonus. We can assume that the reasoning behind this decision is that managers are already compensated at a higher level than adjusters. However, companies may wish to evaluate if management is being fairly compensated in the event that catastrophe duty lasts beyond several months or puts hardship on managers above and beyond normal expectations.
- **Pay rates by company size:** The top 25 property/casualty companies have the highest weekend rate, but their average weekday rates are below the top 100 companies. The top 100 companies pay the highest weekday rate; they're also the largest percentage of companies that offer bonuses and compensatory time off, at 42 percent and 40 percent, respectively.
- **Other rewards for catastrophe duty:** Sixty-four (64) percent of companies that offer catastrophe pay do not compensate with additional bonuses or time off. Of the companies that offer additional benefits, 9 percent award a bonus, 14 percent provide compensatory time off, and 14 percent will give both a bonus and compensatory time off. Although 34 percent of companies offer a paid trip home, only 11 percent of companies offer a spousal visit.
- **Weekday rates:** Sixty-one (61) percent of companies pay a daily catastrophe pay rate between \$100 and \$199 dollars. Fifty (50) percent of the companies that fall in the \$100–\$199 range are companies ranked between 100 and 1,000 based on net written premium (NWP). It's also noteworthy that 67 percent of companies within the \$0–\$99 range are companies ranked smaller than the 1,000 based on NWP.

SURVEY RESULTS AND ANALYSIS*

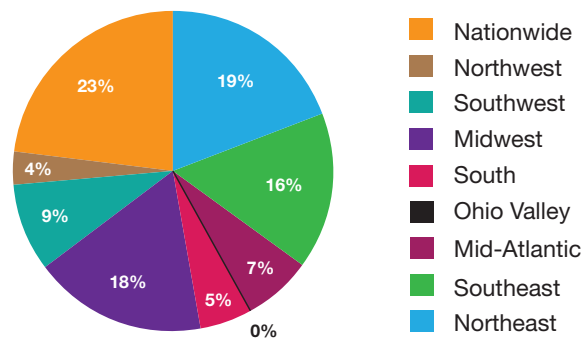
1. Survey Participants

Responses

1.1. How would you describe the size of your company, based on net written premium?



1.2. In what region of the country do you conduct most of your business?



Analysis

PCS received survey responses from 76 companies with representation throughout the United States. Our survey participants included members of companies of various sizes — from top 25 firms to small companies. We sought responses from a wide range of companies to develop insights that could serve the widest possible industry audience.

**Figures may not total 100 percent due to rounding.*

2. Catastrophe Staffing

Responses

2.1. How does your company handle catastrophe staffing?

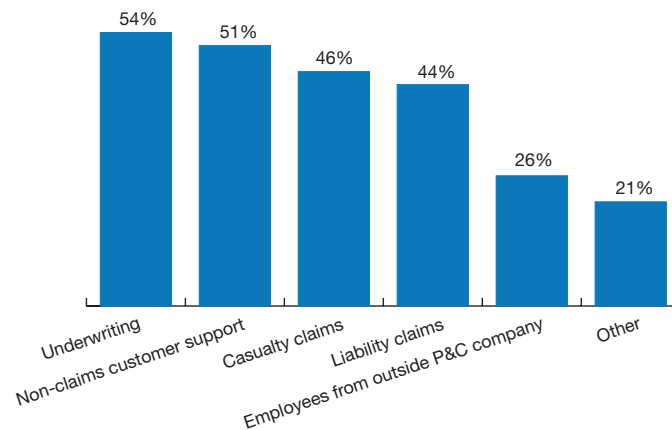
We have a full-time dedicated team of inside adjusters for catastrophe claims	18%
We have a full-time dedicated team of field adjusters for catastrophe claims	13%
Catastrophe duty is voluntary for inside property claims adjusters	14%
Catastrophe duty is voluntary for field property claims adjusters	16%
We use independent claims adjusters to handle overflow inside catastrophe claims	70%
Other	29%

2.2. Does your company draw support staff from departments other than property claims for catastrophe duty?

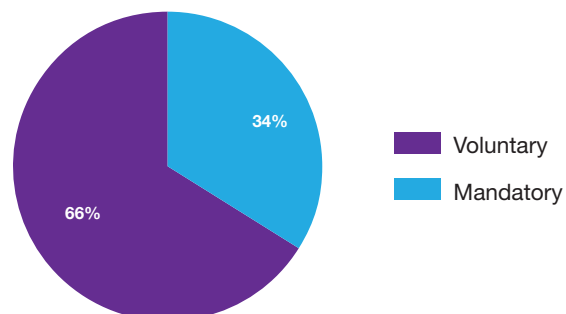
Yes 70 percent

No 30 percent

2.2a. If yes, which departments other than property claims do you draw support staff from for catastrophe duty?



2.3. When a call for resources goes out to non-property claims staff, is it mandatory?



Analysis

Catastrophe events can put a significant strain on a company's resources. How to staff up when a catastrophe strikes is a key decision point, and survey participants had a wide range of ways to handle this challenge. Using independent claims adjusters to handle inside claims is a common approach to staffing, with 70 percent of respondents choosing this method (2.1).

The data confirmed that catastrophes can stress insurers in many areas of the organization, not just in property claims. Seventy (70) percent of respondents draw support staff from departments other than property claims for catastrophe duty (2.2), with underwriting, non-claims customer support, and the casualty claims department being the top three areas tapped (2.2a). Companies also source from employees who handle liability claims; employees from outside the property/casualty company; and those working in other areas, including auto appraisers, consultants, and clerical claims staff. Some companies may use the entire company to assist with catastrophe responsibilities.

Catastrophe duty can cause a major upheaval in employees' lives. In sensitivity to this, 66 percent of responding companies make catastrophe duty voluntary for their non-property claims staff (2.3). Companies that have voluntary participation in catastrophe duty may incur more overtime costs due to extended staff hours. Additional costs may be incurred from hiring vendors if not enough internal employees volunteer for catastrophe duty.

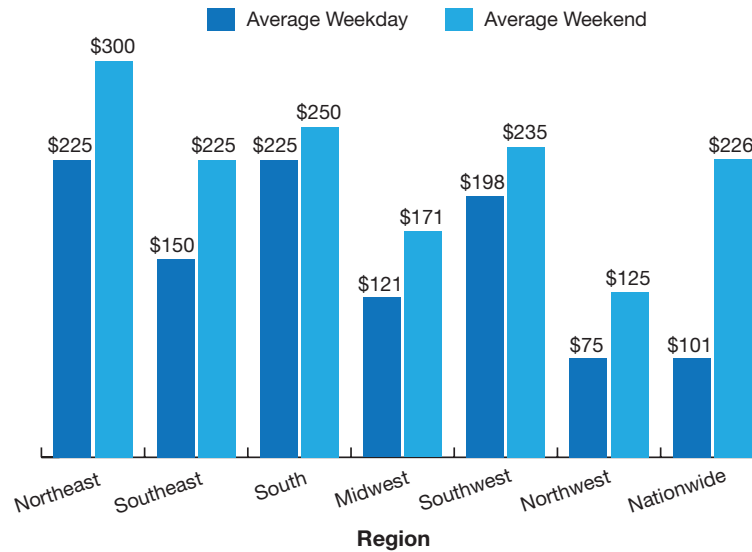
Anecdotal comments on catastrophe staffing:

- One respondent hired retired claim adjusters to assist temporarily with the inside handling of claims, including review of adjuster reports, payment, declination, and so forth.
- Another developed an expandable catastrophe team that is considered a strategic advantage.
- Another proactively created a "preseason" roster with defined date ranges for each adjuster to be on catastrophe duty.
- Another called upon non-claims staff to perform basic claim entry and to assist with the inevitable backlog of clerical duties that follow the initial surge of new claims.

3. Catastrophe Pay Figures

Responses

3.1. Exempt Adjuster Catastrophe Pay Rate by Region

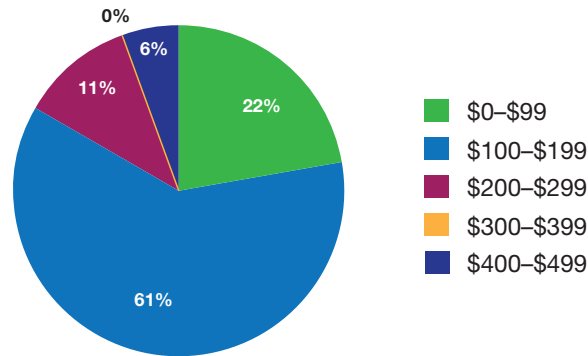


Note: The Ohio Valley and Mid-Atlantic regions are not included due to insufficient data.

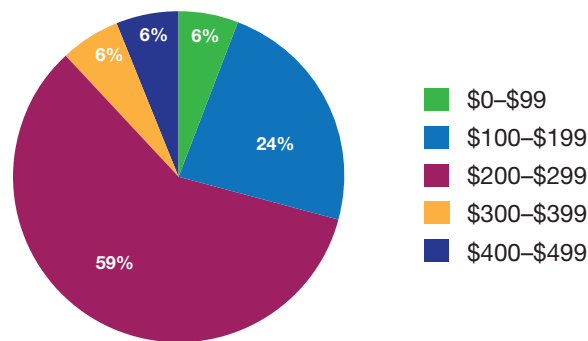
3.2. Catastrophe Pay Rate by Property/Casualty Company Size



3.3. Weekday Catastrophe Pay Rate Per Day



3.4. Weekend Catastrophe Pay Rate Per Day



3.5. Fifty-five (55) percent of polled companies pay exempt adjusters (see 4.3) daily catastrophe pay at the following rates:

	Average	Low	High
Weekday	\$155 per day	\$ 60 per day	\$400 per day
Weekend	\$228 per day	\$125 per day	\$400 per day

3.6. Twenty-eight (28) percent of polled companies provide catastrophe pay to exempt managers (see 4.4) at the following rates:

Average	\$255 per day
Low	\$150 per day
High	\$500 per day

Analysis

Graph 3.1 shows that the northeast United States has the highest average weekend catastrophe pay (\$300/day) and ties with the South for the highest weekday catastrophe pay (\$225/day). The Northwest reported the lowest averages, with only \$75 on weekdays and \$125 on weekends. For companies that operate nationally, the widest discrepancy was between weekday and weekend daily pay rates.

In graph 3.2, we see there are minor variations for weekend catastrophe pay among the top 25, top 100, and top 1,000 companies, with averages of \$250, \$235, and \$238, respectively. Companies that do not rank in the top 1,000 have significantly lower weekday (\$95) and weekend (\$183) rates.

Chart 3.3 shows that 61 percent of responding companies pay \$100 to \$199 for weekday catastrophe pay, while chart 3.4 shows that 59 percent of responding companies paid \$200 to \$299 for weekend catastrophe pay.

Exempt adjusters get paid an average of \$155 per weekday and \$228 per weekend when given extra catastrophe compensation (3.5). When exempt managers are offered catastrophe pay, it averages \$255 per day (3.6).

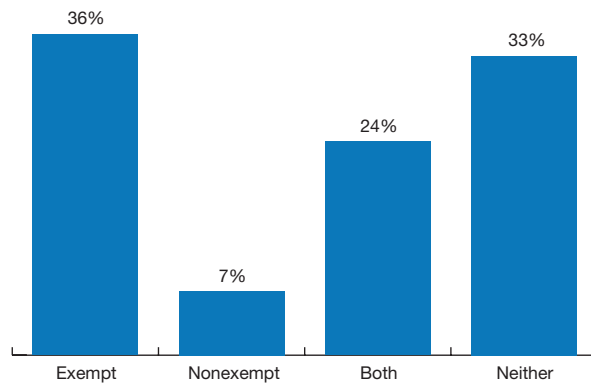
4. Catastrophe Pay — Exempt vs. Nonexempt

Responses

4.1. Which employees are classified as exempt or nonexempt?

	Exempt	Nonexempt	Both
Field general adjusters/appraisers	73%	19%	8%
Field adjusters/appraisers	69%	23%	8%
Inside examiners	77%	21%	2%
Inside claims adjusters/appraisers	70%	20%	10%
Claims managers/supervisors	96%	4%	0%

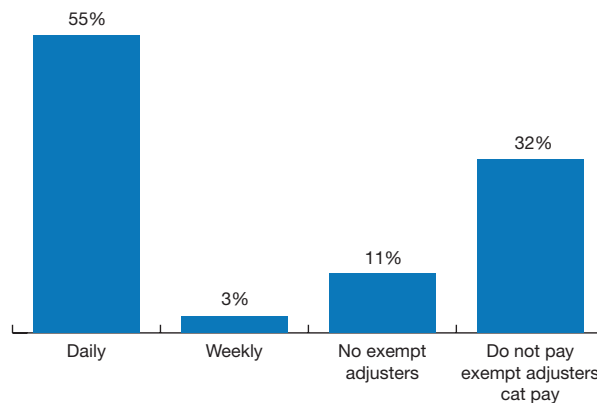
4.2. Which adjusters working catastrophe claims in their own territories are eligible to receive catastrophe pay?



4.2a. For companies that provide catastrophe pay to adjusters at home, is there any difference in catastrophe pay compared with that of deployed staff?

Yes 44 percent
No 56 percent

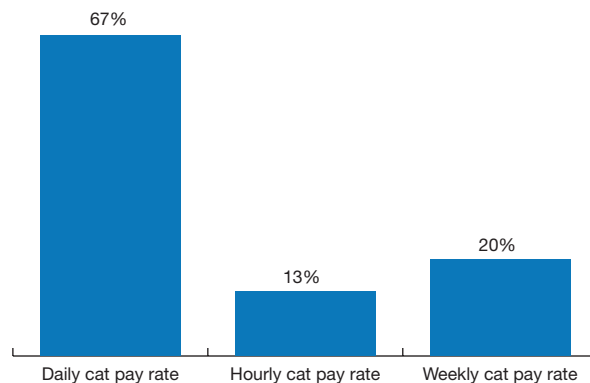
4.3. Are your exempt adjusters paid a daily catastrophe pay rate or a weekly cat pay rate?



4.4. Do managers receive catastrophe pay?

Exempt	28 percent
Nonexempt	3 percent
Both	10 percent
None	60 percent

4.4a. For companies offering catastrophe pay to exempt managers, is catastrophe pay allotted per day, per hour, or per week?



Analysis

Overall, the majority of companies offer catastrophe pay to adjusters handling catastrophe claims who are not deployed (4.2), and 56 percent of companies do not have a difference in catastrophe pay compared with deployed staff (4.2a); however, deployed staff may receive additional compensation such as bonuses or time off.

The majority of companies choose to pay daily rather than weekly to better manage costs of catastrophes (4.3, 4.4a). The range of time working a catastrophe can vary from a few days to months.

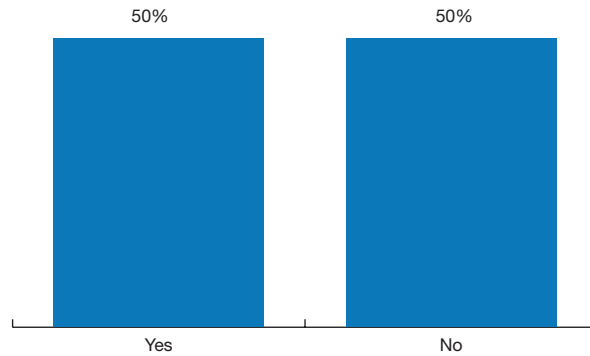
Sixty (60) percent of respondents do not offer catastrophe pay to managers (4.4). We asked if management is offered any other benefits in the companies that do not offer catastrophe pay. Here are some of the responses:

- “Cat duty is part of the job. A bonus has been given and is generally based upon the salary.”
- “Nothing”
- “Additional time off”
- “We pick up ground expenses if out of their normal territory”

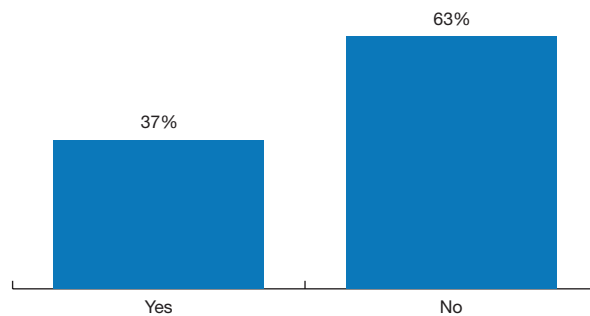
5. Catastrophe Pay — Additional Considerations

Responses

- 5.1. Are field adjusters who work extra hours to handle noncatastrophe claims for deployed staff also provided catastrophe pay or any additional incentive?



- 5.2. Are claims personnel deployed for catastrophe duty (whether in field or inside) required to work a minimum number of days to qualify for catastrophe pay?



- 5.3. Is catastrophe pay retrospective to day one or only going forward from the qualifying day?

Retrospective	68 percent
Not retrospective	32 percent

- 5.4. Must the minimum number of days required to qualify for catastrophe pay be consecutive, or does catastrophe pay apply even when there are gaps between catastrophe duty days?

Catastrophe pay applies for all days worked on catastrophe duty,
even if there is a gap in catastrophe duty 80 percent

Catastrophe pay applies only if the minimum days working
to qualify for catastrophe pay are consecutive 20 percent

- 5.5. When extended hours due to a catastrophe are only necessary for one weekend or a few days, does catastrophe pay apply for those days?

Yes 43 percent
No 57 percent

- 5.6. Do deployed catastrophe adjusters receive a per diem in addition to catastrophe pay?

Yes 34 percent
No 66 percent

- 5.6a. If you pay a per diem, does your company use the U.S. General Services Administration (GSA) per diem guidelines?

Yes 36 percent
No 64 percent

- 5.6b. Per diem rates for companies that do not use the GSA guidelines:

Average	\$ 79 per day
Low	\$ 36 per day
High	\$125 per day

- 5.7. Is catastrophe pay tied directly to catastrophe duty performance?

Yes 30 percent
No 70 percent

Analysis

Sometimes companies' resources are stretched thin to complete claims from a catastrophe in addition to everyday responsibilities. The workload may increase for those adjusters not working catastrophe duty who are responsible for completing normal workloads with fewer resources, but only 50 percent of companies increase compensation due to this added work (5.1).

There are specific logistics and authorizations to approve catastrophe duty and catastrophe pay for those working longer hours with heavier workloads after a catastrophe. One is determining when an employee is initially compensated at catastrophe pay rates. Thirty-seven (37) percent of companies require adjusters to work a minimum number of days before being eligible for catastrophe pay (5.2), but despite this, approximately 98 percent of all responding companies compensate adjusters for each day of catastrophe duty they work.

As for expenses on the road, 34 percent reimburse per diem (5.6). For those companies not using GSA guidelines, reimbursement averages \$79 per day (5.6b). Surprisingly, 30 percent of companies link catastrophe pay to performance (5.7). Respondents made the following comments about this practice:

- "We obviously would observe closure rate, reopens, supplements, customer service responses. If we identify a problem, the individual is likely to be ineligible for future catastrophe duty until a comfort level exists that the 'problems' have been corrected."
- "We pay \$14 per property reserve completed. Only reserves for storm events with a \$1 million expected incurred loss are eligible."
- "Quality and production are measured to determine who receives work on a priority basis."
- "The adjuster must be doing 'satisfactory work' in the eyes of the cat coordinator."
- "Time must be solely for cat claims and handled in accordance with company requirements and state laws."

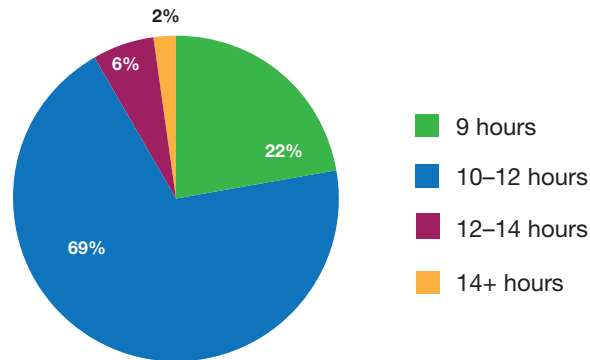
6. Catastrophe Duty Hours for Inside Claims and Support Staff

Responses

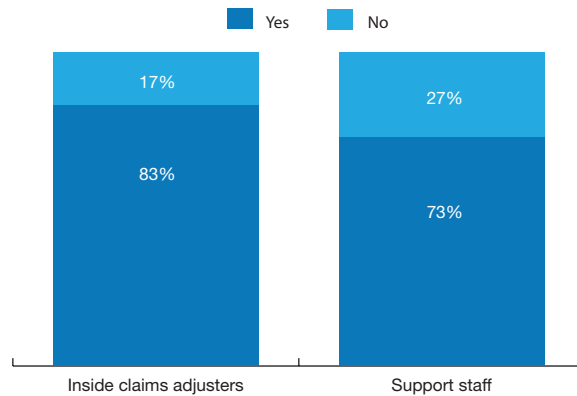
- 6.1. Claims adjusters on catastrophe duty generally have their expected hours expanded to 10- or 12-hour days. Are normal office hours also extended for inside claims adjusters and support staff not working catastrophe claims?

Yes 58 percent
No 27 percent
Other 15 percent

- 6.2. How many extended hours do inside claims adjusters and support staff typically work?



- 6.3. Are inside claims adjusters and support staff expected to work weekends when called to do so to help with increased claim volume?



Analysis

Long hours are expected to cover the crush of claims when catastrophes strike. Field catastrophe staff are accustomed to this demand, but what about inside adjusters and support staff?

Survey results demonstrated that, in terms of the hours worked for catastrophe duty, inside adjusters and support staff are held to similar standards compared with those of staff working at field catastrophe sites. For example, 58 percent of companies require inside staff to work extended hours (6.1), and of those companies that require this, 69 percent require inside staff to work 10- to 12-hour days, while 6 percent require 12- to 14-hour days (6.2). Weekend duty is required for the majority of these employees as well, as shown in graph 6.3.

7. Time Considerations for Catastrophe Duty

7.1. Does your company require employees who work catastrophe duty to work on holidays?

Yes 53 percent

No 47 percent

7.2. Are all employees deployed on catastrophe duty, regardless of title, expected to work the same hours?

Yes 48 percent

No 39 percent

Other* 12 percent

***Note:** Comments from participants who selected “other” included:

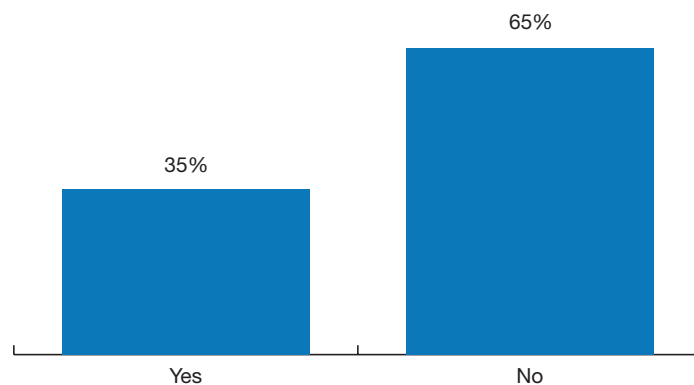
- Case-by-case basis
- Not deployed, but all work same hours
- They manage their own workload
- No deployed employees

7.3. For deployed staff, does catastrophe duty compensation span the full time when adjusters are traveling to the catastrophe site and leave/arrive at their home site, or only for time at the catastrophe site?

Time to and from home site 71 percent

Only while at catastrophe site 29 percent

7.4. Does your company rotate desk adjusters and field adjusters working catastrophe to noncatastrophe roles after a specific period of time?



7.4a. Of those that rotate desk adjusters, how many days before rotating?

Average	22 consecutive days
Low	10 consecutive days
High	56 consecutive days

Note: This average is similar to the maximum amount of time that field adjusters are deployed, but the range of values is greater than the maximum days of deployment range.

7.5. What is the maximum number of days catastrophe and noncatastrophe team adjusters can be deployed?

	Average	Low	High
Maximum number of days a non-cat team adjuster can be deployed	19	5	30
Maximum number of days a cat team adjuster can be deployed	21	5	30

Note: Unlike expectations for inside staff, it's assumed that field property adjusters are working extended 10- to 12-hour days. Therefore, the survey requested information that focused on adjusters deployed to the work site for extended periods of time.

Analysis

There's no question that catastrophe duty impinges on many employees' plans and family time; that is especially true when they're required to work holidays. Fifty-three (53) percent of the participating companies require employees to work holidays while on catastrophe duty (7.1), although some companies reported that this did not apply to every holiday. For example, some companies allowed staff time off for Thanksgiving and Christmas during the response to Superstorm Sandy in 2012. Only 30 percent of companies increase pay for holidays, on average to \$219 per day.

There's no difference in the hours of work expected on catastrophe duty by title at 48 percent of responding companies (7.2). Catastrophe pay was found to go into effect as soon as deployed staff left for the site in 71 percent of cases (7.3), and only 35 percent of survey participants rotated staff back to noncatastrophe duty after a number of days (7.4).

8. Additional Incentives and Rewards for Catastrophe Duty

Responses

8.1. Does your company offer compensatory time off?

Yes 39 percent

No 61 percent

8.1a. Does your company offer compensatory time off to:

Claims managers/supervisors	92%
Inside examiners	67%
No compensatory time off given	61%
Inside claims adjusters	58%
Support staff	58%
Field general adjusters	50%
Field adjusters	50%
Dedicated catastrophe team employees	25%

8.2. Does your company provide a fully funded trip home?

Yes 34 percent

No 66 percent

8.2a. How many days must be worked on catastrophe duty before a company pays for a trip home? How many days are allowed for the trip?

	Days worked before trip home	Days of trip
Average	17	3
Low	5	2
High	28	5

8.3. Does your company offer paid spouse/family visitation as an option, rather than a trip home?

Yes 11 percent

No 89 percent

Analysis

Recognizing the extraordinary efforts that catastrophe duty can sometimes require of employees, some companies choose to provide additional incentives and rewards, including bonuses, paid trips home, and compensatory days off.

Of the 31 percent of companies that offer compensatory time off (8.1), 92 percent provide it to managers and supervisors, while only 25 percent provide it to dedicated catastrophe team employees (8.1a).

Paid trips home are provided by only 34 percent of respondents (8.2), on average after 17 days worked at the catastrophe site (8.2a). Paid spouse/family visits are even less prevalent, with only 11 percent of respondents rewarding employees this benefit (8.3).

9. Managing Catastrophe Compensation

Responses

- 9.1. Do you have a formal compensation plan for catastrophe duty that is clearly understood by claims management and used consistently with each event?

Yes 70 percent

No 30 percent

- 9.2. Do individual claims managers/directors have the ability to approve someone for catastrophe pay, or is that determined at a higher level?

Centralized authority 67 percent

Individual manager authority 33 percent

- 9.3. Do regional claims executives have authority to authorize catastrophe pay, or is that centrally determined?

Home office decides 70 percent

Regional authority for cat pay to apply 30 percent

Analysis

Of the companies that participated in the survey, 70 percent have a formal compensation plan for catastrophe duty (9.1). One component of compensating employees is to determine who has the authority to approve catastrophe pay. Sixty-seven (67) percent of companies determine catastrophe pay approval through centralized authority (9.2). Regional claims executives have authority to approve catastrophe pay in only 30 percent of responding companies, while the home office makes the call on catastrophe pay 70 percent of the time (9.3).

CONCLUSIONS FROM SURVEY FINDINGS

The PCS Catastrophe Compensation Survey found a wide variation in the way U.S. insurance companies manage catastrophes and compensate their employees. Understanding regional and national trends in these areas can help executives better plan how they deploy and pay the staff who will process claims at catastrophe sites.

Looking at regional differences in catastrophe pay, insurers can get a good idea whether their employees are being compensated at the low or high end of the pay scale compared with other insurers in the area — which could be an important factor in retaining experienced claims staff.

When noncatastrophe claims adjusters worked extra hours to cover for staff deployed to a catastrophe, they were also offered catastrophe pay or other incentives in 50 percent of responding companies. Executives in companies that choose not to reimburse adjusters who are working harder to cover for staff in the field may wish to consider other benefits to reward those adjusters' extra efforts.

Because catastrophe duty is often linked to compensation benefits, it can be viewed as a desirable assignment. Some claims managers indicated that higher-performing adjusters are given first priority for catastrophe duty.

There's no question that catastrophes put a strain on insurers and their employees. Handling these challenges and creating workable plans for deployment and compensation can create efficient catastrophe management systems, help retain employees, and prevent burnout.

PCS MISSION STATEMENT

Property Claim Services is committed to serving our customers and supporting the global insurance industry through catastrophe identification and the provision of reliable, accurate, objective, and timely catastrophe loss estimates.

For more information, please contact:

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