



CASE STUDY

Continental Airlines



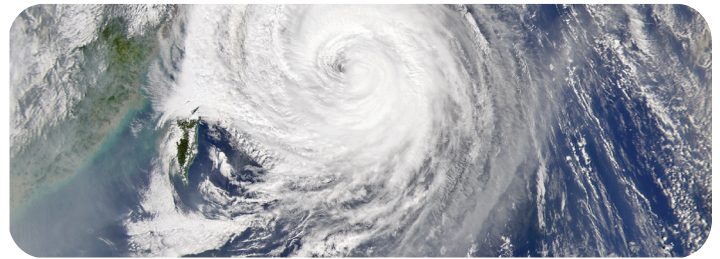
In late 1997, Typhoon Paka hit the island of Guam with at times, sustained winds in excess of 200 miles per hour. At that time, Continental Micronesia, a subsidiary of Continental Airlines, maintained its home base on Guam. From the forces exerted by Paka, Continental sustained damages to its facilities resulting in severe disruption in the schedule of flights into and out of Guam as well as to neighboring islands and countries then being serviced by Continental. In addition to affecting these flights, planes which were operating, often carried passenger loads well below budgeted capacities.

Issues:

- Continental and its insurance company harbored major differences of opinion as to both the cause and extent of its business income loss.
- Was Continental's income loss a result of the physical damage to its Guam facilities or a result of a general decline in area tourism?
- Was Continental's loss affected by widely varying currency exchange rates?
- How was the loss to be measured?

"Paul and Sandy assisted Continental Airlines, Inc. for several months on a business interruption claim. The claim was quite intricate for it involved a hub station that had been damaged by a typhoon. I found Paul and Sandy to be professional and easy to work with. They exhibited experience in the claims process and provided Continental with the tools needed to finalize the claim."

*Monica Ho, Manager
Property & Casualty Insurance Risk Management
Continental Airlines, Inc.*



Strategies for Resolution:

- Adjusters International's forensic accountant proceeded to meet with various Continental personnel in Guam and at Continental's headquarters in Houston to discuss and obtain rebuttal information for the causation issues being promulgated by the carrier.
- Publications and statistics relating to area tourism for several periods preceding Paka were obtained from Continental's marketing department. As a result of the data and material collected, Adjusters International was able to demonstrate to the carrier's adjuster and consulting accountant that, while tourism was indeed declining, such a decline was not the major component of Continental's loss.
- Adjusters International established that the demonstrable reduction in Continental's earnings was not affected by varying yen/dollar exchange rates.
- The primary cause of the loss was shown to be the scheduling problems directly flowing from the physical damage to Continental's facilities and as the result, a multi-million dollar settlement was paid to the satisfaction of the insured.