

Continental Airlines Suffers Damage, Disruption from Typhoon

Super Typhoon Paka, as the storm came to be called, was a 12-hour session of destruction for the island of Guam. Stirring up winds in excess of 200 miles per hour, the tropical cyclone tossed buildings, planes and ships across the island like discarded toys. Among these was the headquarters of Continental Micronesia, a subsidiary of Continental Airlines. The main offices, the marketing buildings and the planes were damaged by the powerful typhoon.



DESCRIPTION

Continental Micronesia maintained its home base on Guam, and the storm caused direct damage to the facilities there, which led to a severe and complicated disruption in the scheduling of flights into and out of Guam, and to and from neighboring islands and other countries being serviced by Continental. In addition to affecting these flights, Continental's fleet of undamaged airplanes was overused to accommodate the out-of-commission crafts, carrying passengers loads far beyond budgeted capacities and creating excessive wear on those planes.

ISSUES

Continental and its insurance carrier had major differences of opinion regarding the cause and extent of its business income loss.

Was Continental's loss affected by a widely varying currency exchange rate?

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?

CONTINUED ...

Continental Airlines Suffers Damage, Disruption from Typhoon

SOLUTIONS APPLIED

Adjusters International's team, including forensic accountants, traveled to Guam to meet with various Continental personnel, and also to Houston, Texas, to the corporate headquarters in order to formulate the airline's careful and precise rebuttal to the insurance carrier's denials of cause and scope.

Continental provided publications and statistics relating to area tourism for several economic quarters preceding Paka. With this material, Adjusters International was able to demonstrate to the insurance carrier that the general decline in tourism was not a major component of Continental's business income loss.

Adjusters International's accountants also were able to show that another macro trend — the varying yen/dollar exchange rate — was not the cause of the loss of earnings Continental experienced post-Paka, keeping at the forefront the details of the typhoon's impact on Continental's Guam holdings.

OUTCOME

The multimillion-dollar settlement was granted when the Adjusters International team fully demonstrated that the airline's scheduling problems stemmed directly from the physical damage to the Continental facilities as a result of Typhoon Paka and that these caused their loss of income.

“... I found Adjusters International 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. I appreciate their service to Continental, and it has been a pleasure working with them.”



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