


Breakout Session

# Lessons Learned: AEGIS Claims and Loss Control


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## Introduction

- **Claim Value**
  - Values are going up
    - o Reptile Theory
    - o Plaintiff's Bar Communication
    - o Anti-Corporate Bias and Scientific Skepticism
    - o Social Inflation v. Inflation
    - o Desensitized to large numbers
- **Changing Expectations**
  - Hindsight bias, confirmation bias and "magic thinking"
  - If technology is available, the expectation is utilities should make use of it

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## Technology advances and utility operations

- Electric Operations
  - Remote line de-energization
  - Falling conductor technology
  - Downed wire sensing
- Natural Gas Operations
  - In home methane detectors
  - Gas flow monitoring and alarms

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## Natural Gas Explosion

### Facts and Damages

- A natural gas explosion destroyed a home and killed one occupant and badly burned another
- 27 surrounding homes sustained damage
- Source of gas was an open fuel line (non-jurisdictional) in the basement of the home
- Prior to the explosion, the homeowner who died had attempted repair work on a gas fed appliance in the basement and left the gas line uncapped
- Neither the surviving occupant, the neighbors, nor the fire marshal reported smelling gas, despite evidence that it was leaking for about 14 hours

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## Natural Gas Explosion

### Liability and Resolution

- Plaintiff's Case

- Utility had a system that improperly and inconsistently odorized gas
  - 400 cubic feet per hour for 14 hours and no one smelled it
  - Neighbors and First Responders did not smell it
  - Utility witness testimony – “They should’ve been able to smell it. Why they didn’t, I don’t know.”
  - No evidence of plaintiffs having any issue with their sense of smell.
  
- Utility had notice of odorant issues for years
  - Plaintiff expert claims Utility failed to provide acceptable odorization to the distribution system” based on notations on system odorant tests that were recorded years prior to the explosion.
  - Plaintiff expert claims changes in the Utility’s system odorant test records show “wide variation” in the recordings and “unrealistically low values.”

## Natural Gas Explosion

### Liability and Resolution

- Utility Defenses

- Non-Jurisdictional
  - State agency confirmed that the leak was on the customer side
- Responsibility Ends at the Meter
  - Tariff says the customer shall furnish, install and maintain all necessary piping beyond the meter
  - Common law says the Utility not responsible for lines it does not own or control
- The Gas Was Odorized
  - Odorator confirmed acceptable levels of odorant at neighboring properties
  - State agency investigators could smell gas at neighbors
  - Records show odorant was injected into the system
  - Excess flow valve stopped gas flow after explosion

## Natural Gas Explosion

### Liability and Resolution

- Mock Jury
  - How to explain the fact that no one smelled gas for 14 hours, including first responders and neighbors
    - 1 / 3 believe it was not properly odorized
    - 2 / 3 made excuses for the plaintiffs to absolve them.
  - Utility collects gas usage data
    - Believe it should be collected in real time and used to warn the homeowner
    - Must have outdated meter reading protocol
- Sympathetic plaintiffs
  - Spouse died and survivor badly burned
- Settled at mediation

## Natural Gas Explosion

### Lessons Learned and Challenges

- Lessons Learned
  - Odorization
    - Fuel line was open for 14 hours - no one reported an odor of natural gas
  - Customer and Public Safety Awareness
- Challenges
  - Mock Jury – *the utility should be able to create technology which allows it to monitor usage in real time and inform the homeowner if there is a potential leak*
  - AMR versus AMI

## Electric Contact with Downed Wire

### Facts and Damages

- 22 year old man was electrocuted when he went behind the detached garage of his parents' home to investigate a loud sound and smoke
- A large, decayed branch from an oak tree fell during heavy rain and created phase to phase fault
- Two conductors broke, fell to the ground and remained energized
- Responding Fire & Rescue squad had to wait for the electric utility to de-energize the line before it could render aid to the victim. The young man remained in contact with the energized wire for approximately 30 minutes
- Rescue personnel had to physically restrain the man's father who was attempting to intervene and save his son

## Electric Contact with Downed Wire

### Liability and Resolution

#### Plaintiff's Case

- Vegetation Management
  - Tree trimmed between November 2009 and May 2010
  - Given permission to go from a 3 year cycle to 4 year cycle
  - Still missed trimming this tree
  - Problematic Work Orders
- Delayed De-Energization of Downed Lines
  - Utility was notified by Fire Department of downed line
  - Took 28 minutes to de-energize
  - The decedent was being shocked with family watching

## Electric Contact with Downed Wire

### Liability and Resolution

#### Utility's Case

- Downed Lines were Visible
  - Dangers of downed lines are known by everyone
- Oversized Fuse Issue
- Response to Accident Site – Industry Practice
  - All lines considered energized until tested and grounded by qualified utility personnel
  - In this instance - “Eyes on” attendance required before line was remotely de-energized
- Compliance with Vegetation Management Practices
  - Utility uses an industry recognized software to identify circuits that need to be trimmed

## Electric Contact with Downed Wire

### Liability and Resolution

#### Resolution

- Early Mediation
- Audio recordings of calls to and from the utility call center
  - Utility troubleman's recorded description of the scene sounded uncaring
- Family Anger
  - General Counsel met separately with the father and mediator to apologize after openings

## Electric Contact with Downed Wire

### Lessons Learned and Challenges

- Lessons Learned

- Vegetation management
- Tree Wire
- Fuses and system protection settings
- Public Safety and Awareness programs for First Responders and the general public

- Challenges

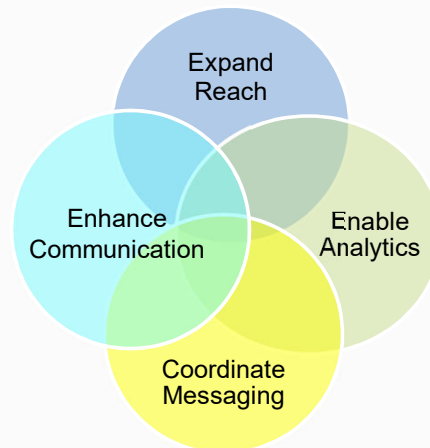
- Remote de-energization of lines
- Downed wire sensing
  - o EPRI: *if an energized conductor drops to the ground ..., the high-impedance fault will draw less than 50 amps of current. The current is so low that normal protection does not operate, potentially leaving the public exposed to the energized wire. **Despite decades of research, this has remained an unsolved problem***

<https://distribution.epri.com/technology-insights/downed-conductor-detection/>

## Loss Control Division

### Mission / Goals

To assist AEGIS Member companies in maintaining effective and safe operating systems while reducing their overall long-term cost of risk



## Loss Control Division

### Product & Services

- Risk Assessments
- Lessons Learned and Electric Hazard Awareness Videos
- Focused Services
- Investigating Incidents Workshops
- Quick Tips
- Webinars

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## Claims Division

### Mission

Our collaborative approach to claims has distinguished AEGIS from the commercial market since the beginning. It's one of the fundamental reasons AEGIS was created by its members in 1975.

**We work with our members** as partners to manage claims together.

**The process is collaborative**, open and amicable.

**We pay claims fairly and efficiently** in a way that's equitable for each member and the membership as a whole.

**With more than 40 years of experience** helping members manage losses, we are the "go-to" source for specialized litigation services and resources in the energy sector.

**We share information** and provide an industry-wide forum to discuss important energy claims issues through out Claims Roundtable seminars and our Biennial Claims Seminar.

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## Claims Division

### Product & Services

- Litigation Services
- The AEGIS Structured Settlement Company
- Roundtable Series
  - June 5, 2025: *WC Symposium: Structured Settlements, Case Law Update, and the Intersection of WC & GL*
  - October 9, 2025: *Cyber Resilience: Incident Response Tabletop Exercise and Litigation Update*
- Biennial Claims Seminar

### Upcoming Events

- AEGIS Claims Seminar
  - Scottsdale, AZ
  - September 30 to October 2, 2024

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