



The Chartered Institute of Loss Adjusters

Supplier Network Guidance Note

The Professional Conduct Committee has been requested to issue guidance as to the implications upon the impartiality of adjusting firms which own, operate, manage or administer supplier or contractor networks. Many such arrangements are operated on the basis that the firms receive a fee or commission from the supplier as part of their business arrangement. Such arrangements have increased over the last few years as firms adapt their business models to keep abreast of insurer requirements and the changing landscape of claims handling processes. It is recognised by the CIL A that in the very competitive commerciality of the open market, many firms have seen these services as a way to diversify and differentiate their services.

The receipt of income from sources other than instructing principals needs to be considered in terms of the Charter, the Code of Conduct and FSA regulation as part of the claims handling activities for Insurers. The particular areas to be dealt with are ethics, integrity, independence, treating the customer fairly and conflicts of interest.

As firms do not hold a recognised status relative to our Royal Charter, and as we are an institute of members, the Chartered Institute of Loss Adjusters must review such activity as to how it might adversely influence the professional conduct of our members.

It is the view of the Professional Conduct Committee that a member whose firm or employer enters into any financial arrangements is not acting unethically, provided the existence of such arrangements is disclosed to any parties who may be involved in the claims process, including policyholders and that any such arrangements are only entered into after a vetting process for quality and suitability of the service has been carried out. The overall cost of the service will be governed by the usual test of reasonableness and will be subject to scrutiny by insurers.

Members are still impartial insofar as they are purely influenced by the suitability of the service provided.

Members need to be able to demonstrate that they are treating customers fairly. This applies to insurers and policyholders. Policyholders have the right to be aware that parties may have financial links to adjusters. Insurers need to be satisfied that any costs to be met as part of the settlement are reasonable and such cost structures should be transparent as they form part of the claims spend. The ability of adjusters to appoint suitably qualified contractors who provide a quality controlled service can add to the customer service provided.

In order to assist our members in compliance with our professional conduct standards the CILA recommends that a suitably worded letter which explains the claims process and outlines the relationships of any parties that may be involved in this be given to the policyholder as soon as possible in the process.

The prime concern of a policyholder who has suffered a loss is for urgent rectification of the damage, and often they will be looking to the insurer and their suppliers to undertake this. The motor claims market has operated on this basis for many years and the property market has evolved to meet such customer requirement. However, such services should not be imposed upon a policyholder and members must ensure that they are fully transparent in disclosing sources of income where there is any possibility of a conflict.

If any party becomes aware of any circumstances which might give rise to a breach of the Code of Conduct, these should be notified to The CILA as a complaint against the member involved for the allegation to be investigated in accordance with current procedures.