

ADDITIONAL COMMENTS ON THE INTERIM CONCLUSIONS TO THE PITT REVIEW BY THE CHARTERED INSTITUTE OF LOSS ADJUSTERS

OPERATIONAL ISSUES

- The loss adjusting profession was severely stretched but not overwhelmed. Most adjusters were handling significantly more claims after the flooding than before. It is widely acknowledged that flood claims require greater attention over longer periods than almost any other claims.
- It often takes a day or two for Loss Adjusters to gain a proper appreciation of the scale of any event. This leads to delays in mobilising out of area adjusters. Better and early local information would improve performance.
- Because of the scale of the flooding all available adjusters were utilised together with some brought out of retirement and some from overseas. Because adjusters were allocated losses by post code it sometimes meant that less experienced adjusters were initially exposed to large losses which might normally be viewed as outside their competency. This meant some claims had to be transferred after the first visit.
- Most adjusters established central co-ordination centres to monitor claims received and to match this with the necessary adjuster resource required. Visits were generally co-ordinated by post code as the most efficient method of making most visits in any one day. In one weekend shortly after the floods in Yorkshire it was estimated that 6000 adjuster visits were made.
- Adjusters expect to work extended hours when these types of events happen.
- Adjusters worked extended hours and weekends but fatigue and long absences from home affected performance.
- Satellite navigation systems were invaluable to adjusters working out of area.
- The existence of delegated authority arrangements with Insurers was invaluable and enabled adjusters to make immediate decisions without the need for referral.
- Our members are grateful to Local Authorities for quickly agreeing to allow caravans and mobile homes to be sited on driveways and grass verges. Because of the scale of the flooding there was an inadequate supply of the usual temporary accommodation.
- There was some media criticism about local contractors being unable to secure repair and reinstatement work because of Insurer and Loss Adjuster contractor panel arrangements. We believe this was exaggerated. However, flood repairs require contractors with all appropriate skills and adequate trade resources. Over-commitment, over-pricing and inadequate evidence of CDM compliance disqualified many.
- Very few households expressed concerns over potential health risks as a result of contaminated flooding. Practical advice and clean-up arrangements at an early stage overcame such concerns.

SERVICE ISSUES

- The first visit by an adjuster sets the tone for the progression of any claim. Good soft skills are essential and understanding the impact of the event on the household. Although the flooding may be the same in adjacent homes the effects are often very different – the needs of a young couple may be very different from those of an elderly or infirm couple. The adjuster must look for individual solutions whilst at the same time having regard to policy coverage and any issues arising. For these reasons adjusters cannot be over committed in terms of the number of visits each day.
- Individual claim triage was vital but takes time. Telling policyholders what they can and cannot do, organising visits by service providers, explaining the claim process, giving reassurance, prioritising the vulnerable, and finding individual claim solutions was the main aim.
- At the time of the visit or shortly thereafter most adjusters will produce claim plans so the policyholder will know the way the claim is expected to proceed and who will be doing what and when. These plans will be regularly revisited and amended. Regular contact with policyholders, particularly in the early stages is of potential value. This is generally regarded as standard practice by adjusters.
- Information from our members suggests that on average first visits took place within 4 days.
- It was particularly important that building owners understood the importance of properly drying out flood affected properties before commencing permanent repairs.
- As the flooding occurred in the summer months there was extended daylight and this increased the number of visits that adjusters could complete in a day. The situation would have been worse had the flooding occurred in the winter.
- Accurate policy information from Insurers was vital. Generally this was good.
- Some areas were cut off by the flood waters for a period of time. Whilst claims had been notified it was not always possible to visit immediately – this gave a perception of delays which were unavoidable.
- The value of Insurers and Loss Adjusters having access to supply chains, i.e., adjusters, contractors, disaster management contractors, surveyors etc cannot be over-emphasised. Without these progress on many claims would have been very much slower.
- Insurers increased delegated authority limits very quickly thereby improving adjuster performance in the decision making process.
- Insurers quickly agreed to amend reporting procedures for adjusters which significantly freed up on the ground activity.
- The CILA has had only a handful of enquiries from householders about the floods and no complaints about member activities.
- There was little evidence of loss adjusting firms seeking to gain competitive advantage from the floods.
- We believe that the response by adjusters was exceptional with very few claims giving rise to complaints. This is because adjusters have set procedures and have worked hard with Insurers to refine and develop very successful responses to all major incidents, including flooding. We see very little

evidence of government making positive comments about the excellent adjuster performance in relation to the floods.

FINANCIAL ISSUES

- Flood resilient repairs have been an issue for CILA members. Whilst we see the benefit of advocating such repairs it presents difficulties as Insurers will generally not meet the extra costs. The potential for disputes with policyholders over costs which will not be covered is significant and can easily damage the prospects of a smooth conclusion of any claim. Also when building contractors are very heavily pressed in visiting and estimating it is an extra burden to have to price separately for resilient repairs, many of which will not be pursued. Many householders are against resilient repairs on aesthetic grounds and some did not see the value in the investment if they were planning to move home at some future point. Some cannot understand why Insurers will not pay the extra.
- Despite the pressures loss adjusters were still very mindful of their responsibilities to ensure that serious over-pricing did not occur and to be fraud aware. Building prices did rise as a result of contractors having higher overheads and some material prices did increase due to extra demand.
- Some building contractors complained of delays in payment. Many were incurring substantially increased labour and material costs and cash flow was a significant issue. Improved payment processes are required and loss adjusters could be fund holders which would improve the position in future.
- Adjusting companies experienced extra costs by way of overtime, travel and accommodation costs and much was not recoverable. Some set up local contact centres.

LIAISON WITH OTHERS

- The CILA found early and regular contact with the ABI paid dividends. Consistent messages are important and both bodies were very visible in the media and by visits to the flood affected areas including householder visits, meeting with Local Authorities, Chambers of Commerce and MPs.
- At an early stage the CILA attended a meeting with the Property Claims Forum (a group of leading Insurance Claims Managers). As there was general consensus on many claims issues the CILA was able to update its members and provide guidance.
- The CILA did not have pre-established lines of communication with Local Authorities. We are now working with the National Forum for Risk Management in the Public Sector to find ways of working more closely together in future events.
- The CILA is working with the British Damage Management Association to improve working relationships and have a better understanding between our respective members.
- The CILA has given verbal evidence to the All Party Parliamentary Group on Insurance and Financial Services about the floods.
- The CILA is working with the ABI on a major catastrophe initiative to improve the response by our respective members. We are also liaising on the

production of publicity material giving advice on and what policyholders should do in the event of flooding. We are also working on similar documents relevant to other types of loss.

FUTURE ISSUES

- There should be greater publicity about the need for insurance and to have insurance at an adequate level.
- We are uncertain where the public would look for flood or other loss type advice. Perhaps Insurer's policies could contain that information. We believe that timely advice given to the local media can be most beneficial but needs co-ordination to avoid conflicting messages.
- Much comment had been made about inconsistencies in adjuster performance. This seems to be primarily about the time taken to visit and different technical advice given regarding disposal or otherwise of damaged items etc. This has led to the suggestion that adjusting firms should be allocated streets or areas to overcome this. The CILA is happy to explore this but it requires an industry-wide initiative. We are not convinced that it would result in quicker visits and inconsistencies could still arise as Insurers have different policies, processes and practices. Similar co-ordination would also be required with disaster management companies, building contractors etc. It will be a major challenge to find a workable solution that delivers a better result.
- The ABI and CILA are working on a joint initiative for any future major catastrophe response.
- The CILA and the ABI are now party to the Civil Emergency Protocol which will allow early access to 'event' sites to gather information for our respective members and the wider insurance community.
- We are not sure of the extent to which the public may be aware of those of our members who offer a claims presentation service.
- Insurers could provide contact details within their policies and / or when issuing renewal notices and provide generic information about different types of loss on their websites. Recorded phone line information could be available after major incidents. Many households were reliant on mobile phones which ran out of charge whilst waiting for calls to be answered. Insurers could have a text message service for customers to request a call back.
- Loss Adjusters could act as advocates of resilient repairs and have fact sheets available to explain the benefits. Presently the additional cost of such repairs will fall to the homeowner and this can be unattractive for financial and sometimes aesthetic reasons. It would be valuable to fund a project to compare costs of flood resilient repairs as against normal repairs for different types of property. We understand ABI is talking to a major firm of Loss Adjusters about this. Once known, Insurers could set premiums accordingly or offer discounts for householders where flood resilient repairs were carried out. An alternative might be to offer policies at higher premiums for flood-resistant repairs to be carried out as standard.
- Many loss adjusters have noticed an increased demand for MI and claims data generally. This proved difficult as some data was not traditionally recorded and had to be obtained manually thus impacting on individual adjuster performance.

- Insurers and Loss Adjusters will have to consider any potential recovery actions against Local Authorities, or others, who may have failed in their duty of care to homeowners or businesses in they have inadequately invested in flood schemes.
- The CILA was able to provide very early data about the number of flood claims and average reserves. This was thought to be a valuable service. Some adjusting practices were concerned about releasing information, even on a non-attributable basis because of existing confidentiality agreements with their Insurer clients.
- The CILA was disappointed at early and incorrect criticism of our members by MPs. Other media coverage had been generally positive.

Version 270308