First Response
Can a telephone call reduce claims costs?

As Chartered Loss Adjusters we see new jobs across our desk on a weekly basis. The speed at which we respond to these new instructions, be they for commercial property or liability cases, can have a significant impact on future case management.

The first few days or weeks of a claim are often critical. Thus the Loss Adjusters’ guiding hand is of paramount importance.

In many cases the people that are responsible for submitting / lodging the claims are under considerable pressure; be it at board level, from third parties or personally if they have been directly impacted by a loss or particular event.

There often tends to be an element of upset, disbelief, and even prevailing uncertainty regarding policy response. The manner in which the Loss Adjuster responds to and approaches these parties is critical in establishing trust and ultimately building a relationship that can sometimes last beyond the life cycle of the claim.
Case Study

By way of examples, let us consider a third party loss where an engineering fabrication company has had its recently built factory damaged by a negligent contractor, and a first party matter where critical commercial property has been damaged by fire.

Sometimes the claim lands on the desk of the Insurer’s Claims Officer accompanied with a significant degree of emotion and expectation on behalf of the third party and in some cases the Insured itself. The Claims Officer then appoints who they consider to be the appropriate Loss Adjuster based on the Adjuster’s technical qualifications and/or experience. The Loss Adjuster should therefore be able to address issues associated with legal liability, policy indemnity and, of equal importance, display the requisite amount of empathy while implementing process management.

The reason that the Claims Officer has assigned the claim to the Loss Adjuster, is also on occasion due to the pressure that the Claims Officer / Insurer is under from the parties mentioned to ‘Do something’. The reason that they have appointed the Loss Adjuster is to do just that, and in effect take the pressure off them, provide high level claims expertise and on some occasions to protect the Insurer. It is of paramount importance to acknowledge the instruction, verify the precise extent of the brief and agree a strategy with the instructing principal immediately. Executing those fundamental tasks quickly and correctly will be respected, appreciated and bed down the first critical relationship. The pressure is temporarily off the Claims Officer and the Insurer.

Third Party situation

The Insured or third party has often not dealt with a situation like this. In respect of the commercial liability situation the factory owner can be emotionally devastated by the destruction occasioned to what is in effect the centrepiece of its business and the culmination of many years hard work. The accompanying emotional fury is often directed towards the alleged wrong doer (say contractor) who in turn re-directs that to the Insurer. Both these parties require the immediate input of an experienced guiding hand. If the Loss Adjuster delays disclosing his or her identity, and the nature of the appointment, he or she may prejudice their own ability to manage the claim successfully and in turn the Insurer’s position.

Loss Adjusters know that there are going to be a lot of issues to work through in the coming days and throughout the life of the claim. However, if immediate contact is not made with the involved individuals, and time taken to listen to their respective stories with display of the requisite amount of professionalism and empathy, the Loss Adjuster will potentially miss the opportunity to earn trust. Getting to know the involved parties immediately establishes a degree of professional confidence and better enables the Loss Adjuster to work through the multitude of issues that have to be addressed as part of the extensive investigation that he or she has been commissioned to undertake on behalf of their principals.

It cannot be stressed enough just how important this first communication is. Remember the Loss Adjuster is not giving these people a definitive response in regards to liability or policy indemnity. Indeed that may ultimately be for the instructing principals or their legal advisors to determine separately or in conjunction with the Loss Adjuster as the facts involved come to light. However the Loss Adjuster has given the involved parties what is most important and that is an understanding that someone is going to
listen to their concerns and follow due process to work towards a solution. The Loss Adjuster is bringing them in as, in essence, collaborative partners to the process. If the Loss Adjuster does not do this, they potentially spend the first week or two in a defensive position (more so than normal) and going forward they may always be treated as the opposition as opposed to a collaborative partner striving to achieve the appropriate response within the bounds of the subject policy.

In respect of liability cases there are certain important issues that must be addressed in order to determine issues associated with negligence and/or breach of duty such as:

- Did the Insured own a duty of care?
- Did the Insured fail to observe the required standard of care?
- Was there a breach in the standard of care causing the damage or injury alleged by the claimants?
- Should the Insured reasonably have foreseen that the particular damage or injury suffered would result from their conduct?

As an aid to the above, it may also be critical to obtain witness statements, which it is always better to do at an early stage whilst the information is recent and personnel available.

If delays occur in making early contact then this can create a more challenging adjusting assignment and one that may ultimately take time and not realise the optimum outcome all of which has negative connotations as far as the Insurer is concerned in regard to their reputation (on occasion in front of their client) settlement money paid and ultimately the Loss Adjusters own fee which may be more than had been anticipated due to the adversarial situation that arose as a consequence of their late approach. Quite simply, the best opportunity that a Loss Adjuster has to manage a claim successfully is by, as far as reasonably possible, obtaining the trust and confidence of the involved parties at the outset. If they delay ten days (irrespective of when the loss occurred) they may find themselves playing catch up from the get go and in that scenario they are making the situation more difficult than it needs to be.

First Party situation

Consider now an Insured corporation that suffers a significant fire loss posing a significant threat to its business and representing a considerable material damage financial loss and associated business interruption. Depending on the magnitude, the Loss Adjuster could be working with this firm for three months, or several years. While they may be more commercially orientated with contingency plans / strategies by which to deal with these situations, either in conjunction with or independently of Adjusters, the Insured’s principal contacts have their own reporting pressures be it to management or, in many cases, board level. If it has taken the Loss Adjuster five days after the instruction to establish contact with these people, let alone agree the strategy for future conduct, they may potentially have already lost the Insured’s confidence as a temporary working partner, and if the Adjuster is unable to restore that, then again the entire claims process is going to be more difficult and more challenging than it ought really to have been.
Typical things that can get off track quickly in cases of slow response by a Loss Adjuster along with the CTA solution or pre-emptive action include:

- The Insured proceeds with repairs in a manner which prejudices their claim – for example the unintended destruction of evidence associated with the root cause of loss. This will also impact Insurers ability to determine suitable recovery avenues by way of subrogation. At CTA we meet with the Insured at the outset of our involvement and provide advice on likely policy coverage and those deviations in reinstatement which are potentially not covered.

- The Insured agrees a ‘commercial’ settlement or deal with a third party without the consent of Insurers which again can prejudice their ability to claim under a policy. If this has occurred before CTA involvement then there is little that can be done but to work with the broker to reset the Insured’s expectations regarding policy response.

- Time and expense recording is not set up logically and in detail thus leading to adjustment difficulties towards the end of the claim. The Insured may struggle to support their claim and Insurers may limit payment accordingly. To prevent such issues CTA spends time with the Insured and their broker outlining the necessary support documents required such as invoices, timesheets, site diaries, scopes of work etc.

- The Insured may assume certain policy coverage items incorrectly and this could lead to them reinstating in a certain way believing that all costs are claimable when in fact they are not. This situation can be avoided by the adjuster explaining the workings of the policy and the cover afforded.

- The opportunity to mitigate the magnitude of the claim might be impeded because the Insured does not know the ‘right’ consultants to engage. An experienced Loss Adjuster will have certain ‘go to’ consultants. Possibly one of the most important exercises is mitigation, particularly in respect of property claims. CTA has a suite of consultants who have experience in large loss mitigation.

- Lack of early engagement with the Insured’s broker may lead to incomplete policy information being determined such as critical endorsements which might be quite relevant to the claim at hand. CTA seeks copies of all policy documentation from both the broker and Insurer to ensure a complete policy coverage picture is determined such that misunderstandings are avoided.

- Finally delays in early contact will have a possible knock-on delay towards any request for a progress payment for the claim. CTA ascertains the cash-flow requirements of the Insured at an early time such that their business can be protected by way of progress payments.

The above is intended to illustrate that at the outset of a claim there are opportunities that are important to how a claim runs and its success.

To avoid and reduce the risk of the above challenges it is important that the ‘right’ Loss Adjuster is selected. Depending on the complexity of the loss this may necessitate specialist niche Adjusters like Charles Taylor Adjusting.
Conclusion

Managing commercial property, business interruption and liability insurance claims is a challenging proposition involving considerable emotion, commercial pressure and expectation.

Loss Adjusters are often dealing with people who find themselves in a perceived or actual disaster situation and, understandably, they are at their lowest ebb. The manner and speed with which a skilled Loss Adjuster engages with these parties immediately post instruction will have a direct impact on how successful the claim management will be going forward. The repercussions of that are relatively self-evident. If the Loss Adjuster establishes an early professional relationship they will be able to better manage the claim which has a greater chance of a successful and satisfactory resolution to all parties.

This discussion is not about the implementation of the fundamental skills of the Loss Adjuster in the claim process. It is about how much easier the individual Loss Adjuster can potentially make the matter (but still with its usual challenges) by contacting the respective parties immediately on receipt of the instructions as opposed to doing so several days later when an element of trust is diminished or cannot be established.

So can a phone call reduce claim costs? On occasion, yes.

About Us
Charles Taylor Adjusting (CTA) is one of the leading loss adjusting businesses in the market. We provide loss adjusting services across energy, marine, aviation, property, casualty and special risks along with average adjusting services for ship owners. The business primarily focuses on larger and more complex commercial losses arising from major insured incidents and claims. CTA is a business of Charles Taylor Plc (www.ctplc.com) which is quoted on the London Stock Exchange (CTF).

Charles Taylor plc is a leading provider of professional services to clients across the global insurance market. The Group has been providing services since 1884 and today employs over 1,800 staff in 71 offices spread across 28 countries in the UK, the Americas, Asia Pacific, Europe the Middle East and Africa.

The Group offers services, principally on a fee-based model and operates through three businesses – Management, Adjusting and Insurance Support Services. It also own insurers in run-off. Charles Taylor’s vision is to become the professional services provider of choice to the global insurance market.