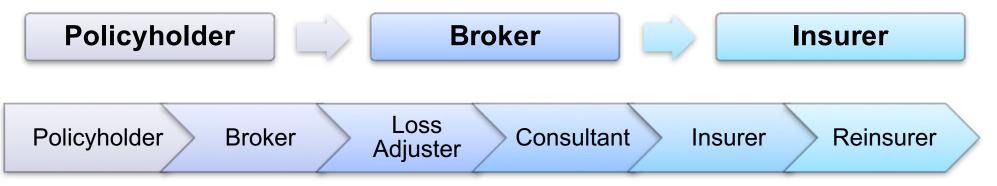
#### A Broker's Perspective on Claims Matters Introduction

- "A Broker's Perspective......"
- Carte Blanche
- "The Interconnected World of Claims"



### How connected are we?



## **All interconnected**

#### A Broker's Perspective on Claims Matters Service

- The common denominator is "service"
- Look where it starts: "Policyholder"
- Payment for "service": "Policyholder"
- Everyone in the chain depends on the Policyholders'
- So, what level of service does the insured receive?



 Do we really think about service to the insured as we go about our work?

#### A Broker's Perspective on Claims Matters Loss Adjusters

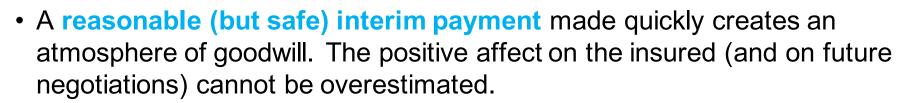
- Huge responsibility on loss adjusters to honour the promise contained in the policy.
- As members of AICLA that responsibility goes a little further.
- "A Member must always use the **utmost care** and **diligence** in discharging his/her duties to his/her principals and Clients."



- CILA's Guide to Professional Conduct: "a member shall act fairly and justly"; "members should be objective in considering the facts in an impartial way"; "a member should behave ethically and with integrity in all professional and business relationships".
- It's an onerous responsibility and seniors in the profession must ensure that young adjusters do not simply reduce claims to please their paymasters.

#### A Broker's Perspective on Claims Matters Interim Payments

- The Claims Promise various global agreements; insurers promise to pay, say, 50% of the claim estimate, within 7 days.
- No reference to insured's costs to-date.
- Why can't we break the link between the interim payment and insured's costs; for all claims/all insurers?



- Senior adjusters know the value of an interim payment.
- I encourage brokers, adjusters and insurers to work together on interim payments, to increase that level of service to policyholders.











- A major service challenge for the entire market.
- Natural catastrophes bring home to us all the problems of underinsurance.
- The under-insurance losses to policyholders at these times run into the millions of \$\$ \$\$

#### What can we do?

- Perhaps brokers should urge greater use by the market of average relief clauses. These provide the insured with some leeway, typically 20% 30%, before average is applied. Experience, however, tells us that those % may not be sufficient.
- Data, for example, from the disastrous floods in Thailand in 2011 reveal many cases of under-insurance levels of 50% or more.

#### **Valuations**

- Professional valuations a relatively small investment by an insured to obtain a professional valuation could avoid those substantial losses due to under-insurance.
- To bring more premium dollars into the market, shouldn't the major broking houses work closer with valuation companies to ensure more accurate sums insured?
- And what about insurers? In the current "soft" market and the search for premium, wouldn't it be sensible to focus more on adequacy of sum insured, perhaps by offering a valuation service.
- Relying on the pro-rata average clause is not exactly great customer service.

#### **Brokers**

- huge responsibility to advise clients on the calculation of sums insured.
- Too many young, inexperienced brokers think that insuring assets on the basis of the client's fixed asset list at original cost price is the way to go.
- Too many do not realise that written-down values have nothing to do with insurance.
- And too many think that using the gross profit from the annual accounts is the correct method for BI insurance.



#### Arbory Group v. West Craven Insurance Services (2007)

• Due to poor advice, the broker was found liable to meet the amount properly deducted from the claim through the application of average, plus an additional amount.



- In "Arbory", the judge said: "Insurable "gross profit" is a term of art which means something very different from what an experienced businessman might expect."
- The judge added: "A broker owes a duty to his client to ensure that he fully understands that term of art."
- Like the loss adjuster, the broker must offer high levels of service and expertise in depth not either, but both.

#### A Broker's Perspective on Claim Matters Conclusion

- The roles of the broker and the loss adjuster in a claim situation are not adversarial.
- I support and urge a collaborative approach, with the aim of producing a fair and reasonable settlement in the shortest possible time – to the benefit of all parties involved.
- Insurers, loss adjusters, brokers are, in fact, interconnected, and all have critical roles to play in providing policyholders with the service they expect for the premium they pay.



# Any Questions?





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