

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

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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? 
- How often do we hear “**insurers take the premium, but don't pay claims**”
- Do we really think about service to the insured as we go about our work?

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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.



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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?
- A **reasonable (but safe) interim payment** made quickly creates an atmosphere of goodwill. The positive affect on the insured (and on future negotiations) cannot be overestimated.
- 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.












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Under-insurance

- A major service challenge for the entire market.
- Natural catastrophes bring home to us all the problems of under-insurance.
- 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**.

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Under-insurance

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.

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Under-insurance

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.



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Under-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.



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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?



