CILA

CLAIMS FOCUS

THE CHARTERED INSTITUTE OF LOSS ADJUSTERS — 'THE CLAIMS INSTITUTE' SPRING 2008

CILA AWARDED EUROPEAN FUNDING

The Chartered Institute of Loss Adjusters has been awarded funding to develop an education and training programme for the use of loss adjusting experts throughout Europe.

The funding comes from the EU's Lifelong Learning programme which is designed to build a skilled workforce through European partnerships. The Leonardo Da Vinci programme funds the development of training materials and work placements with the objective of improving the provision of Vocational Education and Training (VET) across Europe.

The project will involve the CILA, as lead partner, working with partners from Denmark (DALAX), the Netherlands (NIVRE), Germany (BTE), Austria (AFILA), Portugal (CNPR) and Poland (SNELS). The *ifs School of Finance* will also join the project as the academic partner to assist in evaluating the programmes and material that are developed.

President, Malcolm Edwards said: "The availability of this funding will enable the CILA to build on its position as The Claims Institute and develop resources for use by loss adjusting experts throughout Europe".

NOTICES

Construction, Energy & Engineering SIG is hosting a Question Time event on 16th April at 4pm at Balls Brothers, Minster Court London EC3. The event is free of charge to all members & their guests. Members will qualify for CPD. Places are going fast so please book now!
E-mail info@cila.co.uk

International Members — What do you want from your Institute?
Please respond to your International SIG Chairman so that we can help you.
Just e-mail your requests to alastair.whiteside@teceris.co.uk

See Paul May's TV interview on the CILA website http://www.cila.co.uk/news-events/news/risk-channel-interview-paul-may

Why not visit the website Forums?
To register contact Rob.Didcock@cila.co.uk

Dates for your Diary
SIG Conference & AGM
Will take place on
23rd & 24th September
Details to follow shortly

This year's CILA Annual Lunch will take place at the Hilton Park Lane Hotel, London W1 on Friday, 17th October.

CONTENTS

Natural catastrophe figures for 2007

"Higher losses despite absence of mega-catastrophes, very many loss events / Overall economic losses of US$ 75bn/The insurance industry had to cope with far higher natural catastrophe losses in 2007 than in 2006, with its unusually low loss figures."

Despite the general absence of extreme events, overall economic losses had reached US$ 75bn by the end of December — an increase of 50% on 2006 (US$ 50bn). However, the loss figures were — well short of 2005's record US$ 220bn. At just under US$ 30bn, insured losses were almost double those of 2006 (US$ 15bn). The number of natural catastrophes recorded in 2007 was 950 (compared with 850 in 2006), the highest figure since 1974, when Munich Re began keeping systematic records in its NatCatService database.

Munich Re board member Dr. Torsten Jeworrek: "The figures confirm our expectations and endorse our insistence that risks be consistently written at adequate prices, despite years with comparatively low losses as in 2006. The trend in respect of weather extremes shows that climate change is already taking effect and that more such extremes are to be expected in the future. We should not be misled by the absence of megacatastrophes in 2007."

The worst human catastrophes of 2007 occurred, as so often the case, in developing and emerging countries. Storms, floods and landslides in various parts of Asia caused more than 11,000 deaths, and around 3,300 alone attributable to Cyclone Sidr, which struck Bangladesh in November.

The most severe events in terms of insured losses occurred in Europe. The insurance industry's costliest natural catastrophe was Winter Storm Kyrill, the climax of an above-average winter storm season, which developed on 17 January from a low-pressure system over the mid Atlantic. With wind speeds far exceeding 100 km/h — and peak gusts of over 200 km/h — it wrought havoc as far as Poland, the Czech Republic and Austria on 18 and 19 January. Kyrill caused overall economic losses of some US$ 10bn, with insured losses of around US$ 5.8bn. It was the second most expensive such event in Europe after Winter Storm Lothar (December 1999), which had higher wind speeds but at the same time involved a much more limited geographical area. A noticeable feature of Kyrill was that widespread areas of Europe which experienced sustained high wind speeds.

Among the countries worst hit was Germany, with more than half the insured losses. Over 1.5 million individual losses were reported — many relatively small in scale, such as roof damage. The east of Germany suffered particularly heavy losses in the area where hailstorms and tornadoes formed along the cold front associated with the storm. The insurance industry faced an even greater aggregate loss — albeit from consecutive events — as a result of two floods in England during the summer. From June to August, precipitation levels in England and Wales were the highest since records began in 1914. Central and northeast England experienced twice

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INSPIRATION CAUSES DAMAGE

- 750,000 Brits cause £350 million worth of home damage copying DIY TV shows
- Changing Rooms inspires most home makeovers
- Nick Knowles is named as Britain's Home Idol
- Should DIY stand for Don't Involve Yourself?

Three quarters of a million Britons have wreaked havoc in their homes after trying to emulate something that they had seen on a home improvement TV show, according to latest research from Halifax Home Insurance. And at an average cost of £484 per time to rectify the damage, these bungling Brits have had to shell out over £350 million for repairs.

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the normal rainfall. Losses from the events in June were comparable to those sustained three weeks later in July, some counties being affected on both occasions.

Overall economic losses were around US$ 4bn for each event, of which US$ 3bn were insured in each case.

Prof. Peter Höppe, Head of Munich Re's Geo Risks Research Department: "These events cannot, of course, be attributed solely to climate change, but they are in line with the pattern that we can expect in the long term; severe storms, more heavy rainfall and a greater tendency towards flooding, including in Germany." In view of the steadily rising losses, Munich Re has, for some considerable time, been calling for firm action to address the causes of climate change and adapt to changes that cannot be avoided. Prof. Höppe noted that "the Bali Roadmap, which launched negotiations to find a successor to the Kyoto Protocol by 2009 and also indirectly established the corresponding parameter data, is a welcome and positive step".

The year 2007 also numbers among the warmest years since routine measurements began. According to data published by the Hadley Centre in the UK for the period up to December, 2007 was the seventh warmest year on record worldwide and the second warmest in the northern hemisphere. This means that the 11 warmest years worldwide have been recorded during the last 13 years.

Losses due to the North Atlantic hurricane season were relatively low, although the general situation had initially indicated the likelihood of a more severe course of events. Despite 15 named storms in all, in keeping with the average for the current warm phase that goes back to 1995, the number of hurricane-force storms (five) was below the average (eight). This is due to lower-than-expected water surface temperatures in the tropical Atlantic and the counteracting effects of air-current conditions in the upper layers of the atmosphere. The relatively low losses can be explained by the tracks of the hurricanes, with none reaching the US mainland. The most severe, Hurricane Dean, made landfall as a Category 5 hurricane (the highest category) on

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Mexico's Yucatan peninsula. With wind speeds of up to 270 km/h, it was comparable to Hurricanes Rita and Wilma in 2005. Dean caused severe damage in Yucatan and on the islands of the Caribbean, although the main tourist areas were not as seriously affected.

Torsten Jeworrek: "All the facts indicate that losses caused by weather-related natural catastrophes will continue to rise. As a leading re-insurer, we are ready to deal with this. Ultimately, however, it is society as a whole which bears the cost — in the form of higher insurance premiums or infrastructure repairs financed by taxes.

That is why speedy international action is needed. In addition, climate protection can bring huge economic opportunities, thanks to new technologies and increased energy efficiency. This will primarily benefit companies that are swift to act. As we have proved by years of research and new insurance products for renewable energy plants, for instance, we are determined to be among them". In terms of overall economic losses, the most expensive event in 2007 was the earthquake that struck the Niigata prefecture in Japan on 16 July. Insured losses from the medium-strength (magnitude 6.6) quake were not significant, but economic losses were in the order of US$ 12.5bn. The world's largest nuclear power plant, close to the city of Kashiwazaki, was damaged, with small quantities of radioactive material escaping into the environment. The earthquake also affected a major automotive component supplier, resulting in a production shortfall of 120,000 vehicles for car manufacturers. The heavy losses show the economy's susceptibility when natural catastrophes strike.

STUDENT BIKE THEFTS

Direct Line Home Insurance state that student bike theft accounts for:-

- £18.7 million - the cost of students' stolen bikes
- 106 student bicycles stolen per day
- 80,000 stolen bikes are at risk of not being insured

Bike thieves are leaving university students with a whopping bill for stolen bikes according to research from Direct Line. The findings reveal that 106 bicycles are stolen each day from university students across the UK. With the average bike costing £160 to replace, careless students are leaving opportunist thieves with rich pickings.

Despite the number of bikes that are stolen, many students are failing to protect themselves. Only a third of the students who owned a bike had cover in place themselves or were covered under their parents insurance. As a result almost 80,000 bikes are at risk with no insurance.

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INTERNATIONAL

Stewart Ponton Elected President of the International Institute of Loss Adjusters

Stewart Ponton, chairman of McLarens Canada, has been elected President of the International Institute of Loss Adjusters (IILA).

"As former national president of the Canadian Independent Adjusters' Association (CIAA), and with McLarens, Stewart has certainly proven his leadership and commitment to the independent adjusting profession in this country over the years," said Fred Plant, CIAA President and Treasurer of the IILA. "It is fitting he has now been elected to preside over the prestigious IILA, an unique body of top-ranked adjusters from around the globe. The IILA will be well served and its membership will benefit greatly from Stewart's experience and ability".

Ponton, the 40th President of the Institute said "it's a great honour to be elected President. We're an organisation that is meant to promote relations and interchange of information of loss adjusters around the world. I'm going to focus on that, as we have in the past, and promote a code of ethics suitable for the adoption and enforcement in all countries".

OBITUARY
Terry W.R. Hallet FCILA - 1938 - 2008

Terry was born in 1938 and his earliest days were spent in the Hanham district of Bristol from where Terry attended Kingswood Grammar School until, at age 16, he joined Cunningham and Gibaud , the Bristol firm of Surveyors, Valuers and Loss Adjusters, initially as a trainee surveyor at which he cheerfully contended he "failed with flying colours".

He served most of his National Service with the Royal Engineers in Germany trying to pass his driving test in heavy military trucks to which he admitted he was not idealogically suited. He was suited to loss adjusting however, into which he switched upon his return to Bristol. There he first met and married Greer, and was then asked to open Cunninghams new office in Swindon.

Those were busy days when you made your own success and Terry's caring and obliging manner earned him many friends among clients, colleagues and competitors alike and eventually a transfer to Cunningham's well established office in Taunton where Terry stayed until his retirement as an Associate Director in 1993.

Apart from watching his beloved Bristol FC where both Greer and he were long time season ticket holders Terry found time to research and write his history of West Country theatre and vaudeville called "Bristol's Forgotten Empire" named after the famous old Empire Theatre in Bristol. He was well into his next book, an autobiography of the actress Kay Kendall, which work was sadly interrupted by his death on 2nd March.

Terry is survived by Greer, their daughter Rachel and Family to whom our condolences are sent.

Grant Hayward
Past President, CILA

OBITUARY
Gordon H. Edwards
PhD FRICS FCILA FCI Arb 1933 — 2008

Gordon Edwards was born in Bristol in 1933 and spent his boyhood in North Somerset. After leaving school he joined Cunningham & Gibaud at their Bristol office in 1950 and trained under Leslie Everett, firstly as a surveyor and subsequently as a loss adjuster. The professional examinations of the Royal Institution of Chartered Surveyors were undertaken with the aid of a correspondence course, supplemented by occasional lectures at the Bristol Technical College. In 1960 he qualified as an Associate of the Royal Institution of Chartered Surveyors and was later elected a Fellow in 1969.

He qualified as an Associate of the Chartered Institute of Loss Adjusters in 1967 and was later elected a Fellow of the Institute in 1972. In 1979 he was elected an Associate and then a Fellow of the Chartered Institute of Arbitrators.

In 1962 he left Bristol to open and manage a new office for Cunningham Gibaud at Gloucester and obtained a partnership in the firm whilst at that office in 1966. Subsequently he returned to Bristol.

When he joined Cunningham Gibaud back in 1950, the firm had three offices and an associate firm, Cunningham & Powell at Cardiff. During his partnership mergers were achieved with A. H. Bryant & co of Bristol in 1967, C. H. Dean & Son of Cardiff and Swansea in 1968 and Hart & Co in 1971, from which time the firm operated as Cunningham Hart & Co.

In 1974 Gordon was elected to the Council of the CILA and was a member of various Committees. In 1979 he was elected Deputy President and became President in 1980.

As a Chartered Surveyor and Loss Adjuster he had submitted papers on "Subsidence and Landslip" to seminars organised throughout the country by the Centre for Advanced Land Use Studies and had a paper published on this subject by the Royal Institute of Chartered Surveyors. He also lectured on agricultural losses to the County Land Agents on the insurance of farm buildings and submitted a paper on Farm Insurance Claims to the Chartered Insurance Institute.

His book entitled "*Subsidence, Landslip and Ground Heave*" was first published in 1988 and subsequently revised and updated to include current specimen policy wordings.

Whilst he was working hard in his professional career he managed to find time to play some golf and badminton and was for many years a keen campanologist both at home and elsewhere in the country.

He was an active churchman and was a member of the Diocesan Synod in the Bristol Diocese and was also a member of the Diocesan Education Committee as well as Malmesbury Deanery Synod. By way of an academic/vocational education he studied for the office of Reader in the Church of England.

Gordon was happily married to Mary with whom he pursued many joint interests. He also leaves three sons.

PROFILE

To create the foundations of any solid structure it is best to build on rock. So Clive Nicholls believes his new role is the perfect opportunity to create the model to meet the future needs of the claims market.

Clive has a track record in terms of innovation in the claims sector but feels that his new role as Customer Director for Rok Maintenance has given him the opportunity to shape a service which mirrors the needs of both insurers and policyholders in the 21st Century.

"I have long felt there has been a real need to deal with building claims in a different way," he explains.

Indeed as CEO of GAB Robins UK Group he sought to change the approach to claims with the formation of Sergon BRM in 1994, a building repair management company, which was sold to Homeserve in 2004 for £11.4m.

At the end of 2006 Arthur Rackstraw, the man Clive had recruited to operate Sergon, joined Clive at Aquilo to develop Aquilo Inspection & Reinstatement Services (AIRS), a quality building repair service for insurers which uniquely separated validation from building repair supply. In September 2007, Rok plc acquired AIRS for £2.1m.

That chain of events has seen Clive now responsible for Business Development and National Customers within the maintenance stream at Rok plc, a role which he believes has created the conditions to drive the dream he started 14 years ago.

At the heart of the issue is the ability to shorten the chain between the adjusting of the claim and the completion of the work, particularly on the household and SME claims which are traditionally high volume but under £5,000 in value.

Clive believes the future will see a new focus where the policyholder is contacted immediately, their claim is assessed, and more importantly they are told whether their insurance covers the damage they have suffered.

"For so many people the first thing they want to know is whether their claim is covered and secondly how long it will take to repair or restore," he adds.

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"In the past if companies sent a builder round, they knew little if anything about insurance and certainly could not give a clear indication of whether the claim would be met."

The use of IT has changed the face of the claims market and Clive says the model he is building at Rok is one where the client will be informed on the first visit of whether the claim is covered and also a date for when the work will begin. The system also enables the work to be properly priced and checks and balances are in place to ensure that the work is not over scoped.

"We have done our own research in conjunction with a leading UK insurer which allowed us access to a broad selection of their claims post-estimate but pre-repair. Approximately 30% of the claims weren't covered by a policy of insurance," he adds. "We took a tolerance of plus or minus 10 percent and found 80 percent of those claims to be over scoped with an average saving to be had of £300 to £500."

Another key driver is the need to have staff on site in towns and cities around the country, another benefit of working with a firm such as Rok which currently has 54 offices across the country with continued expansion planned.

"There will be some policyholders who know a builder they trust but many others do not and the days when insurers would ask the policyholder to obtain three different quotes are in the past," adds Clive.

"The future will see insurers demanding a greater degree of certainty in their claims costs and policyholders demanding a more streamlined service. I have been in this industry for many years and I really believe we are at a stage where the combination of technology and a new approach to the way we address building claims will create a new model which delivers service and value to both sides of the insurance policy."

INJURY CLAIMS UP UP UP

The story told by figures in the Fourth UK Bodily Injury Awards Study show that for bodily injury claims paid by motor insurers over the past decade the only way is up. The total cost of such claims rose at 9.5% a year between 1996 and 2006.

This was more than double the growth in average earnings and, read alongside previous editions of the study, shows that costs have jumped by 840% over the last 20 years.

For full details please visit the website at
www.cila.co.uk/cila-black

*********WARNING*********

ACETYLENE CYLINDERS

Norwich Union warns businesses of the catastrophic dangers of using acetylene cylinders. Businesses should be aware of the hazards of working with acetylene and the importance of risk management when using such a flammable gas.

Phil Grace, casualty risk manager at Norwich Union, said: "Acetylene is inherently dangerous, and can cause asphyxiation, but the greatest risks are those of fire and explosion".

*********WARNING*********

MONITORING

Is it all it's cracked up to be?

Generally extraneous causes such as trees or drains are firstly dealt with and then monitoring is undertaken. It is as if monitoring is the panacea for success. Whilst monitoring is usually a scientific method with factual results the period of monitoring and the interpretation of the results are subjective. As an ingredient to subsidence claims, monitoring is not a true the litmus test. With monitoring being subjective a rule book on interpretation of monitoring results is impossible.

The principle of indemnity is to return a policyholder to the same position as existed prior to the loss. It is assumed that prior to the damage stability existed and therefore an acceptable indemnity results where the repairs leave the policyholder with a stable property.

Monitoring is accordingly to establish whether stability has returned or a position of unacceptable instability exists. Both of these are subjective decisions. As most subsidence claims involve cracks of minor widths so interpretation of monitoring results is inherently difficult. Engineers have often argued that 0.1mm of movement is proof of ongoing instability and accordingly underpinning is warranted. The loss adjuster will usually resist such an argument despite the monitoring. If the monitoring is by a levelling survey similar arguments can still arise over minor movements and the need or not for underpinning.

BRE Digest 251 is often taken as the bible in the context of crack measurements and commonly adjusters in their reports to insurers categorise the cracks per the Digest as follows:

Category	0	Up to 0.1mmm in width
	1	Up to 1.0mm in width
	2	Between 1.0mm and 5.0mm
	3	Between 5.0mm and 15.0mm
	4	Between 15.0mm and 25.0mm
	5	Over 25mm in width

The Digest suggests that if a crack moves up a category then instability exists and sub-structural works are justified. Whether such instability is unacceptable is not addressed.

Monitoring compares the crack widths to the widths at commencement. A crack of 0.95mm increasing by 0.15mm to 1.1mm represents an increase of 14% but by moving from Category 0 to 1 the property is unstable. 1.0mm of movement to an original 5.0mm crack, elevating the crack from Category 2 to 3 represents an increase of 20% yet again the Digest would suggest underpinning is required. However 1.0mm increase to an original crack of 1.0mm represents an increase of 100% but the crack still remains within Category 2 and no underpinning would be considered. On face value an increase of 100% appears far more dramatic than 14% or 20% yet the outcome on repairs may be far different. Should therefore the Digest be disregarded?

With increases in crack width the question is whether the degree of movement would have caused a crack in the absence of the one under monitor. If the answer is yes then the question is whether the degree of movement causing the hypothetical new crack would render the property intrinsically unstable. We are then back to subjective arguments.

Where a crack under monitor is wider than at the commencement of the monitoring then on a year in/year out basis the damage is worsening and the property could be said to be unacceptably unstable. However the increase in width following the above examples of 20% to 100% gives no clear determination on instability.

In 2005 CIRIA released a book on climate change risks to buildings. It was aimed inter alia at adjusters and the insurance industry with specific regard to the future risks of principally storm and subsidence.

"Minor" movement is not defined and certainty on no worsening of the situation cannot be possible. Reference to "cosmetic cracks" implies cracks within the finishes. Again interpretation is open to dispute.

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Have you got that sinking feeling?

High levels of rainfall, flooding etc. can cause ground subsidence, often in chalk soils by triggering the opening up of dissolution features or in mining areas the opening up of poorly capped shafts.

Solution features that have lain dormant and undetected over many years may suddenly manifest themselves as ground depressions or deep cavities often with disastrous consequences.

The subsidence can occur virtually anywhere from the roadway outside the property or as frequently in driveways, gardens or under existing properties.

Dealing with this deep form of subsidence can be a technically difficult challenge particularly when it happens below an existing property.

Remedial options can involve piling to bypass the problem, however they tend to be highly disruptive and frequently involve construction of a new substructure.

A more positive, less disruptive approach offered by Keller Ground Engineering is provided by the use of compaction or compensation grouting systems to treat the soil insitu and thereby effectively remove the problem.

These specialist forms of grouting are ideal as they create the minimum amount of site disturbance and can be installed from the outside of a property as well as within.

The Compaction Grouting system uses the high pressure injection of a thick grout to compact the loosely in filled dissolution feature or disturbed soil to provide a permanent solution.

Grout injection is highly controlled and flows are limited by the nature of the 'mortar like' grout.

A further advantage of compaction and compensation grouting in particular, is the ability to reverse the settlement that has already occurred to the building, floor slab or roadway.

Case Histories

Whereas most buildings on disused landfills are piled to avoid future settlement problems less concern is given to the surrounding hard standings and garden areas.

Unfortunately these are the very areas that are used for service runs etc., and although covered by household insurance service failures can be expensive and highly disruptive to correct. On a recent case in question up to six houses were affected by excessive settlement to drains driveways etc. Underlain by an old landfill the ground conditions comprised up to 6 metres of very loose ash and rubble fill.

The solution proposed by Keller Ground Engineering was to compact the soils in the external areas insitu using Compaction Grouting to permit the reinstatement of the services on stabilised soil.

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This book identified appropriate action with subsidence damage as follows:

Remedy	*Appropriate when*
Do nothing	Damage is minor ie. cosmetic cracks If cause is well established, such as tree issues in times of extreme weather If situation will not worsen
Tree removal/topping	When advised by a qualified arboriculturist When foundations have already been deepened by underpinning
Underpinning	To stabilise the building
Structural repair	Repairing damage at point of weakness

The CIRIA book also addressed global warning and its affects on buildings. Data showed changing weather patterns. With global warming, which is clearly occurring, the seasons are now blurring into each other. However it is common for monitoring to be advocated over a period of at least three seasons. The water content of cohesive soils, the common trigger for subsidence, increases in winter due to a reduction in leafage and therefore water demand from the roots of trees and foliage and decreases in the summer months when shrinkage is at its greatest. Trees are often now keeping their leafage right into December and as witnessed this year buds are appearing in January and plants are leafing already. Summer months are in fact showing an increase in rain fall. In some current cases monitoring over the winter has in fact shown an increase in crack widths following a dry winter after the wet summer of 2007. The rationale for monitoring over winter/summer months is therefore rapidly fading.

The Building Research Establishment has shown epoxy resin crack repairs are stronger than the wall itself and more resilient to the tension stresses such that subsidence induces. Further movement is therefore more likely to cause new fractures in different locations than the previously repaired cracks. This is a far more definite proof of ongoing movement and unacceptable instability.

With seasons blurring and the interpretation of monitoring results open to question it may therefore be better to dispense with monitoring altogether, deal with any extraneous causes and simply then proceed straight to superstructural works with proper crack repairs. With no engineering proof that such an approach is failing to provide indemnity under the policy this would resolve the majority of claims. The life cycle of the claim is reduced substantially and policyholders are back with the original property much quicker and can resume normal occupation without an extended monitoring period hanging over their heads, often lasting well over a year, before repairs are considered and then with the potential of argument over the nature of such works.

Some properties may well move again in the future and in such case insurers, where new cracks have appeared in the structural fabric, will then be faced with underpinning. Obviously a time scale will attach if no new excess is to be applied but insurers are already giving such terms of assurance.

Chris Miller FRICS FCILA FBEng MCIArb