

Benedict Burke, CEO of Crawford & Company - UK & Ireland, offers his thoughts on the summer floods of 2007 and the subsequent Pitt Review.

The UK saw the worst floods in living memory during June and July 2007. These catastrophic events severely tested us but were an opportunity for the loss adjusting industry as a whole to demonstrate its broad expertise and bespoke response. Some key learnings have now been shared with our client base which will enable us to work with them, and their supply chain companies, even better in the future.

Overall, I feel the industry performed well during the floods and we should not be too modest about our achievements. Sir Michael Pitt himself reported the industry “generally responded well”. However, his Review also heard accounts of poor experiences relating to a range of issues including: information provision, the length of time to deal with claims and lack of communication and clarity within the claims process. This reflects a confusion which emerged within the customer journey, caused by conflicting delegated authorities within these supply chains.

For me, one key question has emerged: who is in overall control of surge management? Historically, this was very much a key component of the adjusting process; to determine peril liability, to set scope and validate cost and to determine the critical path management of repair/restoration, i.e. to control the contributing parties. This was the process I was brought up on and, within commercial claims loss adjusting, remains largely undisturbed. However, this effective claims process within personal lines has, to some extent, become “confused” over recent years with the advent of delegated authority to others within the supply chain at strictly prescribed financial thresholds.

A key lesson should be for the adjuster (company or outsourced) to, once again, be placed at the centre of the management of the personal lines claim where the function value is best evident and the customer gain most secure. Surely, we now have the empirical evidence, supported by Pitt, that the argument put forward by some that “where is the value to the customer” can be laid to rest. It has always been flawed.

Our own response to Pitt entailed a complete review of CAT planning including:

- detailed internal analysis of our surge Key Performance Indicators
- research with our own staff, including overseas adjusters who attended for up to six months, establishing the “good, bad and ugly” from their perspective

- research with our client base and their policyholders
- research and a workshop with the National Flood Forum
- research gained from hosting our “flood surgeries” in effected areas
- workshops with our clients extended supply chain - especially the drying companies - to better understand issues around authorisation and scoping
- comparison and contrasting with our management of hurricane Katrina, identifying methodologies which translate effectively.

Our approach has been to use these findings to develop best practice procedures. Most importantly, we have not been defensive in challenging our performance and in having a candid dialogue with our clients and their policyholders. We merely seek methodologies to either refine or adopt which will take us forward. Our findings indicated that the following improvements could be made:

- Communication - internal, between supply chain members, with our client base and most importantly their customers. There is a clear need to create greater clarity and certainty in the claims process which in part will come from a commitment (by all) to pursue a “culture of candour”.
- Management Information – establishing the most relevant Key Performance Indicators within the surge, ensuring accuracy in a fast moving environment, understanding and managing the trending therein, to predict and get ahead of the service ‘hot spots’. The thirst for performance management information following the 2007 events was significant, way beyond our historical experiences. This reflected our clients’ requirement to understand their financial and brand exposures. We need to arrive at the right surge module through deciding what suites of Management Information are really required and what will add real value?
- First Notification of Loss and appointment-making – skill set management aligned to requisite time and date of visit service standards and productivity levels.
- Lifecycle Management - In particular, there are issues which need to be resolved around co-ordination of contractors in respect of strip out, drying, restoration and re-occupation/alternative accommodation. Our call for the adjuster to be placed at the centre of the project management, to ensure traction and performance within the customer journey, comes with accountability and we need to ensure consistency and robustness in our performance.
- Alternative Accommodation – we are working on refinement of what were effective solutions executed around sourcing, triaging customer need and cost control. Vitaly, we also need to be able to track the “emotional impact” on family life caused by extended

use of alternative accommodation. Our clients aim to create brand strength by differentiation of service and this challenge has proven to be a key battle ground.

- Technical Management – file standards, cost control, scoping, productivity management and complaint management.
- Financial Management. The floods created real P&L risk issues for the adjusting community, especially around the unknown i.e. non-contracted ability to pass exceptional surge management costs on to our client base. Ultimately, adjusting companies are SMEs and operate within very tight margins. Without predefined agreement on measurement of the value added, there remains a potential that serious financial losses could be sustained. In future, there needs to be clarity and certainty of contract on this issue.
- Staff welfare and resourcing. Quite frankly, many adjusters were heroes in their own right during the floods. A number of them even had their own homes' flooded. Going forward, we need to understand better how best to deploy adjusting resource, how to train in advance, how to reward and recognise effective effort aligned to a balance performance scorecard.

In the spirit of a joint industry approach to such events, I welcome further dialogue with other stakeholders in order to improve our surge management response.