One of the key elements to the management of risk is to understand the risks that are facing a business. Whilst it is possible to map risk using a variety of approaches, there is little doubt that an organisation that can most effectively learn from incidents and claims that face it is one that can most effectively manage risk. Thus the role of the loss adjuster must, above all else in the risk equation, be one of integration into the risk management programme so that the company can gain the most efficient use of its resources when disaster occurs by both managing the incident and learning from it. It can be said that claims and incidents are but one element of complex risk management programmes where risk financing initiatives are developed every day but there is no doubt that a company which integrates its claims management programme fully into its risk management and risk transfer programme can reap the benefit.

The DTI figures which looked at personal injury claims arising from employment liabilities suggest that for every £1 spent following a claim for which there is insurance, between £8 and £32 of uninsured loss is accrued. Thus the obvious benefit of integrating incident management and claims management with the overall risk management programme can be readily determined.

It is said that the role of the loss adjuster is to investigate claims and advise on quantum and mitigation issues. This role of the loss adjuster is defined by the Chartered Institute of Loss Adjusters and, as often seen, the contribution that loss adjusters can make to the risk management equation is easily overlooked. Whilst loss adjusters may not be experts in the design and implementation of risk management programmes, they bring a diverse array of skills to a comprehensive risk programme as has already been hinted.

The core competence of a loss adjusting practice, and hence of its members, is claims handling and it is this competence which gives rise to two key areas of contribution to risk programmes - firstly, the key skill of mitigation of the impact of any incident and secondly, the analysis of an incident to allow the lessons to be learned from it. As Trevor Kletz, the eminent commentator and academic has written in ‘Lessons from Disaster’, ‘… organisations do not learn from the past…. individuals learn but they leave the organisation taking their knowledge with them’. This is the arena that has already been hinted at in this article and it is worth stating again that the vital element of the risk management equation that the adjuster brings to the table is the ability to close the loop between the theoretical risk management programmes, the claims it produces, and the need to amend the risk management programme in the light of these. A final element of the loss adjusters’ skill to be considered is pre-incident planning that reflects some of the features already identified.

Both mitigation and incident analysis require investigation on site or by telephone and here the adjuster is very much on home territory. There is a broad understanding that investigation is a skill that has developed rapidly in the last few years. Investigative skills are being constantly refined but significant work in this arena has been carried out by the Institution of Chemical Engineers and others. A key to investigative skills now is that interviews are conducted in a way that does not pre-judge what is deemed to have occurred. Fault is not being tested and there is an understanding of the need to interview promptly. Memory degrades rapidly and talking with colleagues and
others can allow observations to be rationalised and, in many respects, to be re-assessed. The pattern of investigation is established which considers direct causes, root causes and management system failures.

The key of these investigative programmes is to detect the root causes of an incident so that any key areas of management system failures can be addressed. For example, following a merger a fire may occur at a new site and a hose disconnects during an unloading procedure. At first blush what has occurred is a fire. However, the direct cause may well be an unsafe act such as failure to connect a hose correctly or an unsafe condition such as inadequate connectors in any event. Investigation reveals that the fire involves a first time operator and that there are no fail-safes on the pump or the systems being used during the unloading process. Poor engineering standards applied during the unloading process. Poor engineering standards applied to the overall systems. As the interview progresses it becomes clear that the operative has received no training and furthermore that he is unaware of any maintenance or engineering standards that apply to confirm whether the supply contractor has adequate equipment for the unloading process. In due course it becomes apparent that the management systems failed. There are no programmes for supplier audit and although there are instructions that no operator should be involved in a hazardous unloading process without training, this has not been confirmed or checked in the last three years.

A relatively minor incident, properly and fully investigated reveals the need for a major overhaul of management systems and controls on site and this is plugged into the risk management programme.

It is important to find out what caused an incident and to draw proper conclusions from this. The search for management systems and controls underpins the vast majority of investigations in these times. This is itself is key in the shift of risk management in focus from the physical, for example sprinklers within buildings, to the operational issues of managing and running the business day to day, a consideration of management systems, programmes and controls is an essential. If the right conclusions are reached, they can be dealt with. Taking this a bit further, it is possible for skilled adjusters using the right claims management software to analyse claims, for example for employers’ liability, looking for underlying trends which may be otherwise hidden. An array of back injuries within a business may not be significant until it becomes apparent that they are only occurring in one location. Further investigation reveals that lifting gear and training is inadequate and furthermore the systems of work have not been examined for many years. The absence of a risk assessment on these premises again reveals inadequate management systems and procedures. The investigation of root cause is thus a vital element in the writer’s view in the risk management equation.

Moving now from investigation to mitigation, two key thoughts arise. Firstly, a detailed investigation allows an organisation to learn from incidents and put in preventative measures to mitigate against further incidents. The second arena of mitigation is perhaps more germane. It is that of brand and business protection. Opinions vary as to the potential for the recovery of a business following a major incident, however, it has been the author’s experience that businesses with adequate business interruption cover who manage an incident promptly and effectively using pre-rehearsed disaster planning scenarios can recover market share rapidly and protect their brand.

The skill post-claim is to get the disaster recovery plan into action quickly and effectively. If the writer were to highlight one defect in the majority of disaster recovery plans that he has inspected, it is that these deal predominantly with the macro. That is to say that most disaster recovery plans readily embrace the loss of a complete building or production line but
do not identify that smaller levels of material damage can be critical to a business. A good example is the loss of a quality control department, or the loss of, say, twelve PCs in an accounts department at a critical stage for the business. These smaller material damage exposures can impact the business substantially.

The role of the loss adjuster is to participate as a skilled practitioner in business recovery. This can embrace both fast tracking the acquisition of alternative premises or alternative means of production, as well as working with the policyholder and insurer using prudent spending of sums as increases in cost of working to mitigate a business interruption exposure.

This is best achieved where post-incident some form of real life business impact analysis is completed. Once models of the loss are available and understood and perhaps referenced to pre-existing models, mitigation can be properly planned.

Loss adjusters have good access to proven sub-contractors, experienced in reclaiming machinery, cleaning premises and sourcing machinery and premises rapidly. These skills are vital elements.

To look at one specific arena which can cause widespread risk exposure, product recall. Here the loss adjuster can bring to the party the ability to marshal resource to allow the loss to be mitigated by providing claims management facilities to manage a recall. Loss adjusters have field forces based around the world and these can be put into third party sites to establish the extent of a claim and its viability. All the while at the centre the cause of the incident is investigated and the relevant batches isolated wherever possible. This is a particular arena where pre-planning and dry runs of responses to recalls have been staged with corporate entities. Testing systems for recall, tracing of goods and categorisation of recall is a specialist skill that adjusters with industry knowledge can provide to the insurance market.

Pre-planning is the last of the skills to be discussed here and there is no doubt that adjusters can work with their risk management colleagues to provide disaster recovery planning skills based around real life scenarios. If it can happen, adjusters have probably seen it happen and the practical approach to disaster recovery that adjusters can bring is, without doubt, a vital element in an integrated risk management programme.

To sum up, adjusters offer high level investigative skills in the claims arena. They are practised at providing ‘consultant’ skills to help business recover from any incident, major or minor, that comes their way. Finally, their knowledge of claims and particular industry skills can be a vital and probably essential element in a comprehensive risk management programme.