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2005 event year is "almost certain"

By Stephanie Denton

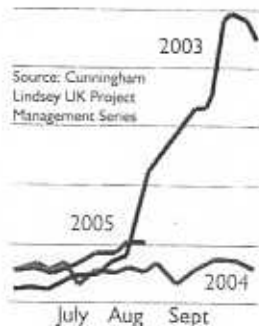
LOSS adjusters may fail to cope with subsidence claims if, as initial signs suggest, 2005 becomes an 'event year', according to one practitioner.

Frazer Fletcher, unit partner for the national subsidence unit at Ashworth Mairs Group, writes in this week's *Post Magazine*: "AMG site investigation results have revealed a persistent moisture deficit in clay sub soils at depth and monitoring results are indicating 40% of these properties have shown significant movement in excess of 0.5mm since May 2005."

He added that, given the weight of the evidence, it seems an 'event year' is certain

Subsidence claims

Number of notifications



after the rainfall for June measured 30mm, only 65% of the average, making it the eighth consecutive month with below average rainfall.

Mr Fletcher raised the concern that loss adjusters still dealing with claims from 2003 may struggle to cope with an

increase in claims this year: "2003 seems like a long time ago but where trees are involved repairs may still be ongoing. It is the tail-end of claims but some of the bigger players will be overstretched as they have the largest share of the market."

However, Nigel Barham, spokesman for Cunningham Lindsey UK Project Management Services, said that he did not expect claims to reach the same levels as 2003: "Our figures show that subsidence notifications, in our busiest areas, are up by around 33% on typical numbers for this time of year — but they are not continuing to rise sharply as they did in 2003, which was the last event year."

See pp12-18 for subsidence focus.

BDML bonuses for employees

BROKER BDML has set aside more than £500 000 in staff bonuses, following its takeover by Capita last month.

The company will reward its 400 employees, by paying them £55 per unit of service. A unit is defined as a year of service and their position in the company, meaning more senior positions accrue a greater number of units.

BDML would not disclose the pay-scale by rank, only adding that rewards are not performance-based. Chief operating officer Mark Townsend said most employees would receive a four-figure sum.

Lindsay Hyde, BDML HR manager, commented: "The payment represents an excellent windfall for each member of the team. I am delighted that the shareholders of BDML took the opportunity to thank employees for their hard work, commitment and loyalty."

FSA mystery shopper verdict by end of year

THE Financial Services Authority will reveal whether it can give the payment protection insurance market a clean bill of health by the end of the year.

The regulator is conducting mystery-shopper investigations into PPI and it said further sections of the insurance market could come under similar scrutiny if it received tip-offs to suggest mis-selling or non-compliance was occurring.

The news comes after the FSA found that many mortgage firms were not yet complying with FSA regulations on the provision of disclosure documents to customers after a similar survey.

The FSA did not say when the work on PPI started, or give any further details of the firms under the spotlight, adding that it did not want to give any clues



■ FSA: PPI market verdict.

results of the PPI investigation later this year."

In April, the FSA put the mis-selling of PPI top of its list of emerging financial services market risks.

News in brief

■ The regulator has signed a deal with the police to co-operate on the arrest and questioning, and the execution of search warrants in Financial Services Authority investigations. The agreement takes the form of a memorandum of understanding between the FSA and the Association of Chief Police Officers. It replaces a more limited MOU between the FSA and the Police on 23 July 2003. The MOU sets out, among other things, the circumstances in which the police will assist the FSA, how requests for assistance should be made, confidentiality provisions, and the respective roles of the FSA and the police.



■ Canopus has appointed Manning, pictured, to its new role of risk officer. Mr Manning will join the company in September. He was previously head of risk management at Canopus, where he was also a member of the senior management team.

■ Michael Pavey Westinsure, whose head office is in Torquay, has won a three-year agreement with the National Trust. The broker has opened an office in Exeter to service the Trust's insurance arrangements, which covers all the Trust's insurance arrangements throughout England, Wales and Northern Ireland. The Trust is the largest insurance charity accounts in the country, protecting property to the value of £4.6bn, and employing 13.6 million volunteers and 13.6 million visitors each year.

■ Lloyd's insurer SVB's shares fell by as much as 10% on Tuesday, off the back of its latest trading update. The company said that as a result of favourable trading in its continuing business, profit before tax for the year is expected to be in the region of £20m. "This does not meet the board's current expectations for the year ending 31 December," an SVB statement said.

■ Heath Lambert has appointed Donald Munn as managing director of its Leeds branch. Mr Munn is moving from Marsh, where he was head of its corporate client practice in Leeds. Prior to that, he was at Willis in both Leeds and London.

■ Standard Life Healthcare announced an excellent performance in the first half of the year, with a forecast pre tax profit of £0.2m (half-year 2004: £0.2m). However, sales were down at £10.8m (half-year 2004: £11.2m) and annual overall premium income in force stood at £201m (half-year 2004: £208m).

■ The British Insurance Brokers' Association has re-launched its high net worth scheme 'exclusive home', in league with Sterling, the exclusive private trade body's home insurance products for 11 years. The elements of cover include reinstatement of data, inner limits and new optional cover elements, such as travel, second homes, overseas homes and pleasure boats.

Setting the standards

SUBSIDENCE IS ARGUABLY the most complex peril damage that insurers have to remediate on domestic properties. Not only does it require a string of specialists, from loss adjusters to structural engineers, and arboricultural consultants to contractors to be co-ordinated, but issues of causation and liability also have to be contended with. This complexity is challenging enough for insurers but, more importantly, such a process inevitably throws up numerous opportunities for communication with policyholders to break down, leading to misunderstandings.

In a bid to ensure professional and technical competence is demonstrated throughout the process, and communication with customers is improved, the Subsidence Forum was launched last year. Now nearly 18 months old, the forum has established an increased breadth and depth of membership. Present chair John Parvin, subsidence claims manager at Zurich Insurance, seems happy with the progress that is being made across the wide remit of action the forum has set itself.

From an initial base of 15 members when it held its first meeting in May last year, Mr Parvin reports that this list has grown to number 60 individuals, representing more than 40 companies. He states that interest in the forum's aims continues to grow: "We recently attracted several practitioners from the small consulting engineers as a result of an article published in *The Structural Engineer* magazine," explains Mr Parvin. "It generated quite a lot of interest and we are welcoming members from there."

In addition to the representation from major insurers and loss adjusters, interest has emerged from smaller insurance companies and Lloyd's syndicates. He says this is important, bearing in mind the forum's intention to be wholly inclusive and genuinely representative of the industry.

Many suppliers in the complex subsidence chain are also adding their voices to the debates, with specialist contractors — through the Association of Specialist Underpinning Contractors — as well as site investigation com-

The Subsidence Forum was launched 18 months ago, to ensure professional and technical competence and to improve communication with customers. Lynn Rouse talks to chairman John Parvin about its progress to date.

Box one: Subsidence Forum Sub-groups

Liability and Recovery — chaired by John Parvin, Zurich Insurance

Customer Care and Focus — chaired by Jill Hunt, Lloyds TSB Insurance

Process, Protocol and Technical Innovations (interaction between project engineer and contractors) — chaired by Bob Walker, Cunningham Lindsey

Risk Management, Data-share and Cash Settlement — chaired by Garry Stone, Marishal Thompson

Education and Subsidence Qualifications — chaired by Tony Boobier, Capita Insurance Services

panies and arboricultural consultants all appearing in the membership list.

"We've also got solicitors from legal departments involved with recoveries and actions further down the line," adds Mr Parvin, before highlighting the one group of specialists that the forum is still targeting for participation: "What we haven't really got yet is the brokers."

Action plan

Essentially, the Forum's three-year, 10-point action plan of objectives is split down into four areas: customer, communication, process and risk. In addition, there are five separate working groups, charged with taking forward the specific issues that fall under their wings (see box one). One of the first tangible developments to emerge from these sub-groups is that of the recently agreed customer charter, which came out of the work led by Jill Hunt, senior claims handler at Lloyds TSB Insurance, in the customer care field.

The process group has also been busy of late, resulting in the forum's first training seminar for practitioners due to be held on 11 October, spon-

sored by the Building Research Establishment.

"This group has taken apart the process and produced an internal working document to analyse it," explains Mr Parvin, emphasising that it is not the forum's intention to be prescriptive and dictate methods of working, he adds: "We have agreed there should be minimum standards we are all adhering to."

At the October seminar, sessions will run on customer care, site investigation, diagnosis of the subsidence problem, health and safety, repair techniques and monitoring. The aim is that once the event is completed, a set of notes will be produced in a pack, which can then be updated as time goes on. They go towards meeting one of the forum's objectives — to produce a best practice guide for all practitioners. The notes that come out of the seminar will be the first step in creating that guide.

"We are also trying to make the seminar interactive with on-site demonstrations. There is quite a lot of open space at the BRE site, for example, we can bring in a piling rig to demonstrate how it works. We wanted to provide hands-on practical experience."

The work under way in the process group is complemented by that of the group on education and qualifications. In January, the forum issued a paper, proposing three options to issue bearing in mind the need to demonstrate competencies under the Financial Services Authority. Consultation took place in March

Box two: Customer Subsidence Charter

■ treat customers as individuals and, in all aspects, fairly, with respect and integrity.

■ Customers will be provided with an information guide, which will generally explain the claims process, including:

- guidance on payment of the policy excess, to whom it is payable and when;
- explanation of the various stages of the process, such as site investigations and monitoring and mitigation;
- provision of a likely timescale;
- provision of a contact name and number;
- customers will be offered competent professionals to diagnose and recommend the best technical solution for their home and to offer outline advice on damage not covered by their insurance policy;
- customers will be offered help with their questions and concerns;
- customers will be kept fully informed of the progress of their claim and every effort will be made to keep to mutually agreed timescales;
- customers will be made aware of all reasonable options for the repair and settlement of their claim;
- all parties will comply with all relevant regulations and legislation;
- all work will be done safely by vetted, approved contractors.

The aims laid out in this charter do not affect customers' rights to refer the claims to the Financial Ombudsman Service in the event that they are not satisfied with the service provided.



"We looked at whether there should be a registration of experts, a minimum training programme or, effectively, no fundamental change but the creation of a new informal community of experts," says Mr Parvin. "People came back with comments but there was no consensus on the best route to take. We, therefore, believe this is something that needs to be looked at in more detail to decide on what is best for the industry as a whole."

Progress here has proved more problematic than in some other areas, he explains, due to the fact that other groups, such as the institutes of civil and structural engineers, as well as chartered loss adjusters, are already addressing the issues of education and qualification. "So we feel it's important to work with these other bodies to a greater degree. What we have said, however, is that we want to be an active sponsor on minimum training requirements across the wider subsidence industry, embracing both technical and soft skills because there has always been a tendency to concentrate merely on the technical side."

Active co-operation is already a strong feature of the working group that Mr Parvin himself chairs — that on tree-root liability. The aim here is to establish an effective protocol with local authorities, particularly in regard to street trees on clay soils. As a result, he sits on two separate groups: one that was already up and running as a tree forum, part of Alarm — the national forum for risk management in the pub-

Box three: Aims and Objectives of the Subsidence Forum

The over-arching objective is to provide professional and technical competence in all aspects of subsidence practice. The forum's three-year, 10-point plan focuses on four areas: the customer, communication, process and risk. These four areas have been broken down to create the 10-point plan, further divided into individual objectives.

For example, the Risk section details the following:

To improve awareness and practice through the greater understanding of the causes and management of the subsidence risk. To establish a common base of shared knowledge and, where practicable, data resources:

(i) Establish workshops and contact sharing around key topic, for example:

- satellite ground movement
- current assessments of the impact of climate change
- sources and uses of tree/weather/soils data
- practical applications of electronic mapping and other tools
- sharing of underwriting/risk modelling and claims understanding

(ii) Exploration of co-operative initiatives to bring new databases to the market — either from established commercial suppliers or as new initiatives, where the investment, effort and risk would be shared and the resulting data held as a commonly accessible database. For example:

- soils/soil surveys
- trees
- building stock
- underpinned properties

(iii) Ensure maximum awareness and common understanding across directly involved professionals. For example, underwriting, claims, modelling and data suppliers, industry and research bodies — providing a common focus and facilitating contact and interaction.

(iv) Ensure understanding and potential is shared across other groups within the forum and, wherever possible, contribute to their understanding and progress.

including representatives from the London Tree Officers Association. The second group is the Property Claims Forum, populated by the UK's main building insurers, which also has representatives on the subsidence forum.

"We are working together to try and decide and agree on common issues from both sides. What we all need to recognise is that, while building insurers don't want to spend disproportionate sums of money in trying to prove a claim, local authorities can't just remove a tree without some evidence that it has caused a problem. The authorities, after all, face a dichotomy in that they are subject to local planning obligations and are trying to keep trees in urban environments.

"What we have certainly seen is a real willingness to move forward. The first aspect we are trying to reach agreement on is the level of evidence that will apply to each side to move. The local authorities are then trying to link this together with their risk management processes and introduce a new concept of looking at the value of the tree — referred to as asset value management."

Tree valuation

One local authority is already trialling this concept and the aim is for trees to eventually fall into one of three categories: "You can consider lots of different factors when it comes to a tree — its species, location, size, amenity value. If a tree is deemed to have a high value, the authority would expect a higher level of evidence to implicate that tree. They are looking to be objective rather than subjective about this process.

"Final details are yet to be agreed but there is evident goodwill on both sides to develop such a scheme. That's important to note — it is not an adversarial relationship at all. We are also beginning to look at other possible elements of a protocol, which might include the introduction of some form of mediation process on disputes, although that's a bit further down the line."

Expanding on the idea of mediation, he says: "If you could deal with 80% of cases through a protocol, you'd be doing well.

process to catch all those that fall outside of it, that would be great.

"By mid-September, the authorities will have established whether the asset value element works and we are certainly close to agreeing what the levels of evidence should be. It's about trying to lay the process down to a greater degree. That's been part of the problem, a lot has previously hinged on communication or a lack of it."

Group assessment

September also marks the date of the forum's next meeting — a meeting at which the various working groups will be reassessed, particularly in relation to the personnel involved. "We recognised that some individuals, especially the sole practitioners, find it hard to devote time to attend and contribute. If they give up a day, that's a day they can't earn money. It is much easier for those of us who work for large companies with support networks enabling us to take the time to do this. So we have welcomed people who have been actively corresponding and contributing."

When it comes to the provision of guidance to policyholders, new issues are emerging as a result of developments external to the subsidence industry. As Mr Parvin explains, insurers and loss adjusters typically leave customers with a pack giving basic guidance but he adds: "This is more important now with the advent of the home-sellers pack — I believe that particular initiative could have implications for the industry as a whole. We are currently trying to establish with underwriters exactly what impact it will have on how claims are presented and believe this needs to be looked at in detail."

This time next year, Mr Parvin will hand over the chairmanship. So what does he hope the Subsidence Forum will have achieved by then? "We will certainly have gone some way to completing the guidance notes, which I'm sure will happen, bearing in mind we have already started this process. We also need to enhance the customer and communications issues during this period and we hope to have the protocol for