



Mr Skillin, Redington, Lloyd: concerned about the 'Yellow Pages lottery' some customers are forced to endure.

At pictures: by Eyer

# Building a good reputation

With the traditional emphasis on price alone finally starting to be confined to history, insurers are trying to break new ground in improving every stage of the property claims service, as Jonathan Swift discovered.

THE ISSUE OF customer service with regards to property claims is never far from the headlines and the recent earthquake in Kent again put the issue of insurance claims, and how they are dealt with, to the top of the agenda.

So, how important are policyholders when it comes to procuring property claims services? Is cost the main driver or are other factors equally as important, if not more so? How are these services procured now, and how much freedom do consumers have to choose their own suppliers?

With these issues in mind, *Post* recently gathered a wide range of experts together, in conjunction with Imperial Consultants, to debate the latest developments.

Martin Ashfield, head of commercial property claims at Axa, kicked off proceedings with the assertion that the procurement process has evolved over the past couple of years: "When we perform a tender there are a number of factors and features that have weightings and I would suggest that they have probably shifted somewhat.

"Service is now, certainly from the operational perspective, our number one priority and carries the heaviest weighting in scores and I would have thought that is pretty common around the market."

Jon Cawley, UK property claims operation manager at Zurich, concurred, adding: "We have a very evolved process in our supplier management team within the claims organisation. It is not all about fees and price. We rarely select the cheapest, but if the winner happens to be the cheapest then that is fine because other factors would have been considered. But the key driver is customer satisfaction. There is a need to drive the cost down as well, but the main priority is to service the customer."

Offering a loss adjuster's perspective, Garry Lloyd, head of customer services at AMG, said that his firm recognises the link between a delighted customer and business retention. "And perhaps more importantly, the fact that a delighted customer is likely to recommend the service that they have received to other people, which is a key marketing point. It is very difficult to retrieve a lost customer — it is far easier to hang on to them."

Marshall King, commercial director, Homeserve Property Repairs, interjected: "From a supplier perspective, service is very important and within Homeserve it is probably now the number one metric that all businesses are measured on — certainly, it will be this year — and that is coming down right from the top across all the businesses.

"And I think it is important to point out that service and cost are not two parts of a balancing act, if you like. You can get service and costs down because the cost of the failures in service generally are the ones that drive up the overall cost of supplier and insurer profitability. So, I think it can be done together if you do it right."

## Take it or leave it

Jeremy Baker, property claims supply manager at Allianz Insurance, admitted that if a customer receives an adverse service, then that is going to be a key driver in them moving their business elsewhere. "I think there are other drivers in the market as far as retention is concerned, but actually having a claim and receiving a quality service may keep your business there and encourage further business from recommendations," he conceded.

Mr Ashfield noted that, while price may still be an important factor when it came to renewals, the commercial side is probably not as price sensitive as personal lines, and that

intermediaries had to be won over regarding service that their clients received.

"Brokers do not have a great opinion of insurers in terms of our consistency of service as a market at the moment," he added. "We need to give them the confidence to actually hand their customers over and convince them we are going to look after them correctly and help to retain that business."

At this point, the chair asked the assembled experts how many policyholders decide to source their own suppliers, rather than use those approved by an insurer?

Imperial Consultants chief executive officer Kevin Skillin said, in his experience — which is predominantly in personal lines — 90% chose cash and to use their own supplier.

Graham Fitzpatrick, Crawford's head of general insurance, added: "I would say there is certainly a shift towards customer choice. And any supplier or insurer has to agree to offer that choice and not force the customer down any particular single route."

"That said, our experience is that, more than ever, customers tend to welcome the fact that a procured building repairer can be made available," continued Mr Lloyd. "Because it saves them the hassle of trying to source a contractor, who is probably unknown to them, and whose quality is perhaps unknown as well. I think it really is an added value benefit

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## Guest list

- Martin Ashfield, head of commercial property claims, Axa
- Jeremy Baker, property claims supply manager, Allianz Insurance
- Jon Cawley, UK property claims operations manager, Zurich
- Graeme Fitzpatrick, head of general insurance, Crawford and Co
- James Grant, managing director, Multiassistance
- Marshall King, commercial director, Homeserve Property Repairs
- Colin Lewis, director, contractor management, Cunningham Lindsey UK
- Garry Lloyd, head of customer services, AMG
- Paul Redington, property claims manager, Norwich Union
- Kevin Skillin, chief executive officer, Imperial Consultants
- Jonathan Swift, editor, *Post*
- Ed Vinales, senior reporter, *Post*

to be able to say that you can offer a properly validated quality repair service to assist the customer to fix their building."

Norwich Union property claims manager Paul Redington said that, by offering policyholders approved suppliers, it helped them avoid what he described as "the Yellow Pages lottery", adding that quality contractors are at a premium. "There are obviously insurers like us who can provide a good quality contractor when the customer needs it, rather than let them loose on the market and possibly not even get a contractor at all."

So does it differ between commercial and personal lines as to whether a policyholder would rather use an approved contractor or somebody they know personally?

### There's an expectation we will provide quality contractors you will not get from the Yellow Pages lottery. Lloyd

Colin Lewis, contractor management director at Cunningham Lindsey, said that again there was a split between the two types of policyholders.

"I think on the commercial side they want to know that the work is being done by nominated contractors who know about construction design and management regulations, building regulations, asbestos and all the specialisms involved, whereas if you just go down the local builder route, you don't really know that. And I think commercial organisations want that reassurance, possibly more than a private householder."

Mr Baker continued the discussion on this point. "Also, I think it is possibly reflective that the repairer networks have not set their stall out to undertake commercial work. There are a number of skilled trades that commercial insurers require, particularly the small to medium-sized enterprises that are simply not out there in the market place. I think there is also a degree of broker reluctance on the use of networks, with a preference for allowing their policyholders greater customer choice and organising that themselves."

#### An issue of trust

Mr Lloyd added that policyholders often prefer to use an approved supplier because if something goes wrong, "they have got a better chance of having something put right because it is backed by an insurance company, rather than throwing themselves on the mercy of a high-street contractor".

Mr Cawley added: "There is definitely the expectation that we will provide quality contractors that you wouldn't get out of a Yellow Pages lottery. And I think that is where you have to work with your networking suppliers to totally validate that selection process. I think the selection process is so rigorous that many of our suppliers complain about it, but we have to do it."

As a senior member of staff at one such insurer Mr Kine said: "I think it would be

interesting to fast forward a bit and see in the future what we could do better. And one of the things I think customers would appreciate is the presence of a really strong branded repair service in the market. And insurers would appreciate that, because they know if a customer recognises that repair brand they will actually feel comfortable in taking that option if indeed they want to do that."

Mr Lloyd and Mr Lewis said they believed the size and nature of the repair probably had a bearing on whether someone would decide to use an approved network, and that, if it involved a few slates on a roof, a policyholder would be more likely to take the cash.

Mr Lewis added: "We specialise in subsidence repairs, and very rarely does anybody want the cash settlement. They may go for a cash settlement towards the end of the claim, once the engineer has specified what the problem is, has dealt with it and specified the repairs. But in most instances they want a *bona fide* contractor."

Mr Fitzpatrick summarised the discussion by reflecting: "The strong message that is coming out does seem to be about customer choice, but there is also an obligation on us as an industry to articulate the implications of those choices. So, if a policyholder does decide to go with their own contractor, they understand the risk of not having the protection of, say, a contractors' network."

Asked whether insurers and their suppliers have the impetus to treat customers fairly, and if the regulator was taking an interest in how property claims are settled, Mr Ashfield said: "I have not seen the Financial Services Authority getting interested in this at all. I think it is all about giving policyholders the right choice; it is about recognising the different segments that you are dealing with; and it is about giving them flexibility of choice within sensible confines. So, no, I don't see the FSA getting involved."

However, Mr Cawley said he could see the FSA looking more closely, as TCF becomes more of a concern. "I think we saw evidence last year of the Ombudsman getting interested in insurers/loss adjusters making a choice of a policyholder's contractor and then importing a duty on the adjuster/insurer because of a particular contractor being selected who did not fulfil what he needed to do."

#### Possible solutions

Asked whether a unified accreditation would help policyholders know whether a contractor was of a suitable standard and make them more comfortable using them, Mr Cawley said: "One of the things we are trying to do to get round this is to actually build the Zurich brand into the suppliers, to get them to take on the values of our brand, so we actually train some of our suppliers on specific Zurich values."

"We train our contractors to treat the customer in the same way that we would. And hopefully that is giving the customer a little bit of confidence in our networks as we are accepting responsibility for everything that they do as opposed to saying they have been deployed — now just go talk to them."

Mr Ashfield added: "We have great examples of suppliers who make sure their people take their shoes off before they go in the house, and put overalls on. That is the sort of attention to detail that makes a difference to the customer. And that is the kind of alignment to our customer ethos and value that we need."

The issue of forming long-term relationships against a background where insurers chop and change suppliers was raised, to which Mr Lewis said: "I think we are changing in relation to the network that we have. A couple of years ago there were about 25 contractors, now it is down to 14."

"And these contractors have got long-term contracts with us specialising in insurance work, and they can see a future in insurance

Cawley, left, and Lewis: heartened by improving claims service standards.



I-r Baker, Fitzpatrick, Swift: is a unified accreditation a possible solution?

work. And don't forget, when you have surges or you have major events, all these rates are agreed."

Mr Lloyd added: "There has been a sea change in the last two or three years. Insurers are looking to build long-term relationships and working partnerships rather than have this three-year turnover just for the sake of it because the procurement process says so."

"And I think from our perspective, we welcome it. You can't see real benefits from a relationship unless it has run its course over a reasonable length of time. And we are seeing with the longer-term relationships that we have got, the benefits almost magnify."

"Historically," said Mr King, "insurers have been nervous handing out longer contracts because of the worry suppliers will end up in the comfort zone and not look after costs. I think from an aspiring long-term supplier's viewpoint, we know very clearly that it is our duty to be competitive and, in fact, be the lowest cost provider in the industry. And we are working very hard to do that. But we are not naive enough to think that our customers do not realise that, if we don't look after those cost factors, they can just go elsewhere."

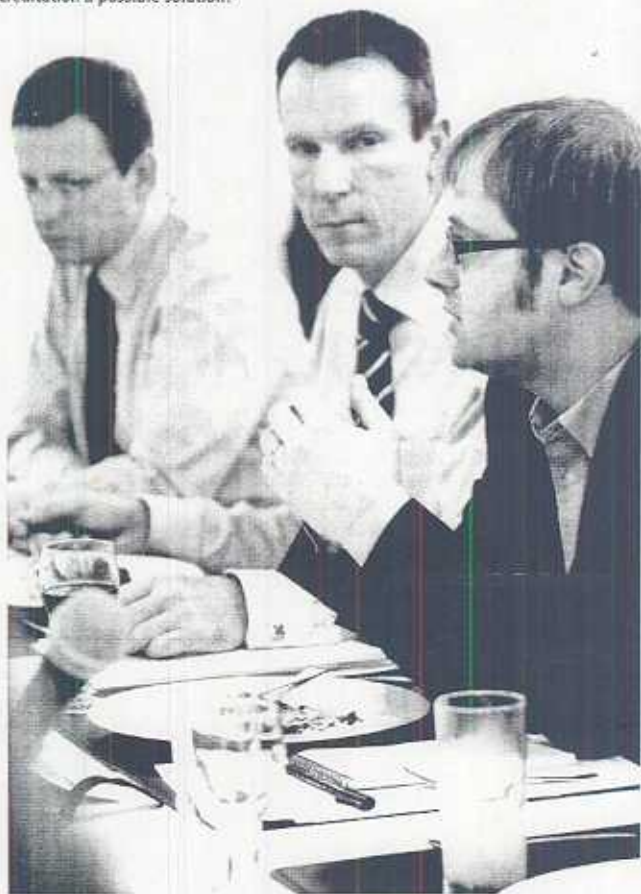
Mr Ashfield continued: "I think it goes back to the start of the conversation. Remember, we

are talking about how insurers have actually caught on to the fact that service is a little bit more important than cost now. As a result, we are giving different sorts of steers to the suppliers to say this is actually what we want. And if you are really going to drive service, you don't do that with a two-year programme."

"Once you have agreed a contract, it takes six months to settle on the SLAs and the KPIs, so you can start your performance management, which you then run for a year and a half. But during the last six months of the contract, the supplier will be thinking, 'are we going to be kept on, or face a beauty parade again?' So you have only got about 12 months of good solid work in there, which is just of no value."

"One of the consequences of building up these relationship is that both parties can be honest and upfront about what they can and cannot do."

Mr Lloyd concluded: "One of the things suppliers do not do as well as they might is to be honest when capacity is stretched. And there is a logical reason for that. The benefit of a long-term relationship is that there will perhaps be more of a willingness to say, 'hang on a minute, just turn the tap off for a while because we are getting a bit buried here.'"



For correct evaluation of breakdown: Providing Cover on legitimate perils only

# your MOVE

- ON SITE:**
- Establish reinstatement specification
  - Calculate realistic market rate for works
  - Relay to the insured's full understanding
  - Cash settle or instruct repairer
  - Provide **REAL CHOICE** where cover exists

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