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Independent property and casualty claims adjusters provide a high level of specialized expertise and accessibility during larger, complex losses that involve an interruption of business. Can an independent adjuster help you? Here's how to find out.

BY WILLIAM KRAMER



The Claims Specialists

Storms blew part of the roof off Whirlpool Corp.'s 300,000 square foot warehouse in Holland. Several thousand refrigerators sat in two inches of water. The good news was that the boxes were damaged and the refrigerators weren't.

The bad news was that the facility was just a distribution point for appliances manufactured in Italy. With no facility to re-box the refrigerators, the company's managers faced a very costly business interruption period.

But, an independent property and casualty claims adjuster was able to help.

After getting the appliance maker's approval, the independent adjuster rented a spare warehouse about 25 miles away in Germany. The independent adjuster hired work crews and a salvage company. Working from 5 p.m. to 7 a.m., the crews transported 10,000 refrigerators to the German facility and re-boxed them.

When the storms first hit, the company estimated the damage, including business interruption, would top \$12 million. By keeping the refrigerators moving to market and avoiding business interruption, the independent claims adjuster settled the loss for \$2 million. Both Whirlpool and

the insurance company were elated.

Who Needs An Independent

The case above illustrates one of the main reasons some companies rely on independent property and casualty claims adjusters. Independents excel at larger, complex losses. They often handle property and business interruption losses caused by natural and man-made disasters, other catastrophic losses, and environmental contamination.

These types of cases demand a high level of expertise and great blocks of time.

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Independent executive property/casualty adjusters tend to have at least 20 years of experience. They also service a relatively small number of clients so they can dedicate more time to the companies they represent. And, independent adjusters tend to specialize.

But, what exactly is a complex claim? Complex claims, like the one Whirlpool's warehouse in Holland suffered, usually involve business interruption. The bulk of the cost in these claims is in the lost stream of revenue the company suffers. Whirlpool anticipated 18 weeks to 22 weeks in which they would not be able to ship any refrigerators from their damaged warehouse. Each week represented \$600,000 in lost revenue. After several days, the independent claims adjuster got the warehouse back on track and the revenue stream continued.

Industries and manufacturing plants tend to work with independent adjusters. Industrial claims are more technical than claims from professional service businesses. For example, an investment company with real estate holdings across the country has risk exposure to fire and natural disasters, but that exposure is fairly easy to define. A chemical plant, however, that deals with hazardous or dangerous materials and processes represents a much higher, more complicated risk. An accident could close the chemical plant down and cut off its revenue for as long as the plant stays closed.

Having an adjuster who is knowledgeable about the chemical business in general, knowledgeable about that particular plant's operation, and knowledgeable about the facility and location oftentimes proves invaluable.

Such a plant needs a plan in place to keep capital flowing through any shut down and to get the claim and damage taken care of quickly. An independent adjuster is much more likely to have the experience and the time necessary to work closely with such a company.

Companies with significant liability such as school bus companies or major environmental concerns (oil, gas, mining, etc.) often turn to independent property/casualty claims adjusters.

For example, a utility company in Indiana uses an independent adjuster. Just one of the company's transformers costs \$5 million to replace. Knowing how to investigate the loss of costly electrical equipment and get the pertinent information is critical to the financial viability of this utility.

Companies who have frequent claims, perhaps 20 to 30 a year, may also benefit from using an independent property and

casualty claims adjuster. In such cases, the insurance company or the insurance broker often nominates an independent as the adjuster of record in the insurance policy. The frequency and magnitude of projected claims may be more than the insurer wants to handle.

Companies that feel a need to evaluate their claim procedures, seek efficiencies, or build a more proactive relationship with their claims adjuster, often call on an independent adjuster.

Independents can help tailor-make the kind of claims procedures and services a particular company needs or wants. They frequently develop claim programs directly with the company's risk manager covering all the potential areas of concern (what will our reporting procedures be? what happens if we have a loss on New Year's Eve? etc.)

Many independent adjusters sit down with the risk manager and the company's insurance broker to discuss where they're likely to have their larger losses and how to devote the appropriate resources to those areas.

The independent will usually appoint an account coordinator who will be available to the company virtually 24 hours a day. Companies develop more of a personal relationship with the claims adjuster this way.

No Conflict With Insurers

Although every insurance company has a claims staff, there is little overlap or conflict between those internal staffs and independents. Sometimes internal staffs offer specialized claims services, but there are always special circumstances, outside the realm of an internal insurance company claims staff, where insurance companies may rely on and recommend independent adjusters.

Independents are fiduciary agents of the insurer. They help protect the rights of the insurer. They also depend on insurers for recommendations and must establish good working relationships with insurers so they can provide good service to their client companies.

How To Hire Independents

If you think your company should consider an independent, ask your property/casualty insurance broker for a short list that will pass muster with the insurer. Your insurance company may or may not be in the selection process, but the insurer always has the first right of refusal if he or she feels the independent is not right for the situation.

Call in several independents for face-to-face interviews. One important criteria

is the relationship. Your company should feel comfortable with and communicate easily with the independent. If you talk with a large independent, find out who your claims adjuster will be.

You shouldn't choose an independent adjuster based on the experience and the demeanor of just one person in the company and later discover that person will not be involved in the day-to-day activities of your account.

Things you should ask an independent adjuster include:

- Experience in adjusting claims;
- Knowledge of industry;
- Knowledge of company;
- Who is the lead adjuster;
- How many accounts does this person handle;
- How are claims processed;
- Tell us about your current clients;
- What insurance companies do you deal with.

When Not To Use An Independent

For many companies the insurer's internal claims adjuster is the best choice. Insurance company adjusters know their company's claims procedures, they may have ready access to training, and can get things done quickly because they are part of the insurer's internal staff.

If a business has infrequent claims, has no special needs and receives good service from the insurer's claims adjuster there's probably no need to involve an independent adjuster.

Multi-location clients are not good clients for an independent. No independent can handle a company like McDonald's well. Such companies, with hundreds or thousands of outlets distributed over a wide geographic area, are best left to the large insurers who have offices throughout the country.

Professional businesses—a law firm, a real estate company, a medical care organization—often have few claims and those they do have are relatively standard. The chances a professional business needs an independent claims adjuster are slim.

Independent property/casualty claims adjusters work well with companies that have complex claims, frequent claims, or special needs.

They can provide a high level of expertise and accessibility to companies that desire a close working relationship. Ask your insurer or your insurance broker about independent adjusters and whether one might be right for you.

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