

In order to properly discuss the panel system which operates in this country it is necessary to consider the position in the U.K. from where the system has been imported and replicated.

The panel arrangement operated by most of the larger personal lines insurers in the U.K. was the brainchild of accountants and was seen as a cost saving benefit. Ill-conceived cuts had a knock on effect resulting in the emergence of small claims schemes and contracts for low value, high volume claims. Almost ten years down the road there is a struggle amongst the larger U.K. adjusting firms to capture work from an ever decreasing number of insurance companies. These companies restrict their panels to two or three adjusting firms and redundancies inevitably follow when one of the firms is knocked off a particular panel.

However the panel system in the U.K. appears to have come under threat. Market research indicates that almost universally insurers have expressed disappointment with the larger adjusting firms and this disappointment centres around an inability to deliver on service. This decline was inevitable on the basis that fees were restricted to a level that would not guarantee good service. The fact of the matter is that anyone can make contact with a policyholder within 24 hours, visit within two days and report within five days. Insurers are slowly recognising that the successful modern loss adjuster must combine speed with quality and the discriminating insurer requiring specialist expertise on individual cases will identify the firm or individual most capable of handling the assignment. The panel system is process rather than quality driven and there is a re-emergence of smaller niche adjusting firms who focus on customer satisfaction offering high expertise not so unlike the band of individuals who pioneered the profession at the start of the 20th Century.

In this country adjusters have traditionally paid lip service to the panel system each expressing confidence of meeting the various criteria. This merely represents jostling for position and does not do the profession any good. Instead adjusters should be independent, which indeed is one of our main claims and form one voice to lobby for a more equitable situation – alas in an ideal world! Each of course is worried about compromising their own position and there is the fear of a rogue breaking rank. The end result is a profession without sufficient influence.

We should question the need for the existence of panels in Ireland. As suggested we can thank the U.K. for the concept where insurers sought uniformity and standard service criteria for large volume claims. Unfortunately the system spilled over into commercial lines and now some insurers apply the system rigidly to all classes of business. The concept has worked to an extent in the U.K. where you

# PANELS

## A loss adjuster's view

By Alan FitzGerald

have large adjusting firms with experienced and qualified representation in all areas. The premise which operates is that the particular branch of an adjusting firm will be able to handle any loss that arrives to their office. However this logic does not translate particularly well here because of the inflexibility of the system and the limited numbers of qualified and experienced adjusters. A particular adjuster may be highly regarded, experienced and qualified to deal with a specific type of claim. He might have built up a tremendous working relationship with a broker handling the account in respect of which such a claim arises. The broker notifies the insurer who state that they cannot engage the adjuster because his firm are not on their panel. Instead the adjuster who ends up dealing with the claim may have limited experience in that area and does not have a good working relationship with the broker. Surely there is an argument for "horses for courses". It is of course entirely their prerogative whom they instruct but unfortunately some insurers are completely inflexible in such cases. Unusually this, on balance, applies to the larger dominant players as there is recognition amongst the specialist or niche insurers for the need for quality as a priority as opposed to process.

Of course the panel system has everything to do with price and volume – insurers can control price and in some cases establish their commitment on fees at the outset of a financial year. Its proponents are accountants who in reality are divorced from claims philosophy and its associated human element. Inevitably due to restrictions in fees, adjusters will use less qualified staff to handle claims. This creates a perception that claims handling is de-skilled which may in turn have the opposite effect and cause an increase in cost. When the emphasis is on speed of response rather than quality and claims are handled by relatively inexperienced staff, it is inevitable that the levels of leakage will increase. The insurance

industry must realise that a saving of 10% in claims is preferable to a savings of 10% in adjuster's fees and if so there will be a continuing role for loss adjusters. However in its present format, insurers are restricting themselves to an already small pool of available talent which will inevitably lead to loss of goodwill.

So what of the future? It is certain that there will be casualties before any major changes are made. It is unrealistic to expect non-panel adjusters to be available for the next major weather event when insurers find it necessary to expand their panels for a temporary period. It is likely, similar to their instructing principals, that some adjusting firms will merge. It is also likely that individual adjusters will not consider the profession as attractive and independent as it once was. A recent change in the C.I.L.A. Charter now allows portability of C.I.L.A. qualifications and in the U.K. there is a trend towards qualified loss adjusters being employed by insurers, brokers and indeed by and on behalf of policyholders. It has always been possible for a loss adjuster to act for a policyholder. Traditionally the larger adjusting practices were fearful of repercussions and reaction from insurers. However this attitude is outmoded and insurers now recognise they will derive comfort from the knowledge that adjusters are involved at the outset and the claim will be considered objectively within the framework of the policy by qualified and experienced staff. Again if we are to follow the lead of our U.K. neighbours there will be a trend towards mixed practices with adjusters acting for both insurers and policyholders. Indeed this might be born out of necessity for some firms due to the increasing imposition of the panel system and the frequency of insurance company mergers.

This should be good news for brokers. As suggested in last month's 'Irish Broker' insurers should not have sole access to the skills and services provided by adjusters and indeed such a move may go a long way to mending divisions and the apparent mistrust some brokers have of adjusters. The IBA has requested an input in the appointment of loss adjusters. Surely this is a reasonable request and should be taken on board by insurers. Some insurers regard such requests with suspicion but any suggestion of favouritism goes both ways. Open competition is healthy and weather emergencies do arise so it is therefore in insurers interests to maintain a broad experienced band of available adjusters. One hopes the debate will open and commence a move to change, flexibility and pragmatism.

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