



## CLAIMS

# CONVERSATION

**The leaders of the Big Four national independent adjusting firms discuss the most pressing issues around loss activity**

>> BY SUZANNE SHARMA

Independent adjusting firms across Canada had their hands full in 2011, dealing with major issues including multi million-dollar catastrophes and severe weather events, the effects of the new SABS legislation in Ontario auto, consolidation, and a turbulent economy. Each of these issues had an effect on their business, just as they did with insurers and brokers.

Spencer Shusterman, senior vice president, claims at Aegis, a Lloyd's syndicate, said one of the biggest concerns in their business is the increase in suspicious claims, which he asserts is generally due to economic stress.

"We have seen a rise in the number of suspicious fires and claims on vacant, unoccupied or otherwise shutdown properties," he says. "A weak economy in the commercial sector may contribute to the number of vacant and/or unoccupied properties in the marketplace. We are finding that it has become increasingly difficult to establish the necessary site visits and monitoring required to avoid coverage problems."

Meanwhile, the increase in consolidations of adjusting firms has resulted in an increase in adjusting costs, according to Bob Grouchy, assistant vice president and head of claims Canada at Allianz.

"We are seeing more offerings from adjusters to provide all the needs of insurers and clients, creating both a positive and negative effect on the industry," says Grouchy. "There is a seamless approach to claims handling, which is good, but it also drives up the cost of handling the adjustment. This

consolidation leads to more program-type handling of claims and can lead to situations where necessary expertise is not available to handle more complex losses."

Technology has created its own challenges in loss activity, as online service delivery becomes the norm, says Darren Goldman, claims manager, QBE Services Inc.

"The implementation of online claims systems, notwithstanding the requirement for a significant capital investment, is being seen as a cost-efficient and effective way to better deal with claims globally and ensure an even better claims service locally," he says. "The management information potential is obviously huge and there seems to be a trend for many of the larger global insurers to move to online claims services."

In order to better understand the trends and challenges in loss activity and claims handling, *Canadian Insurance Top Broker* decided to investigate how independent adjusting firms fared over the last year, and what they predicted was in store for 2012. We held a "virtual roundtable" with senior-level executives at national independent adjusting firms. The roundtable participants were:

**John Sharoun**, CEO, Crawford Canada

**Michael Holden**, president & CEO, Granite Claims Solutions (GCS)

**Rob Seal**, president, claims services, Cunningham Lindsey

**Bob Fitzgerald**, president, ClaimsPro

<<< Clockwise from top left: Rob Seal, Cunningham Lindsey; Bob Fitzgerald, ClaimsPro; John Sharoun, Crawford Canada; Mike Holden, Granite Claims Solutions.

Jaime Hogge

A common prediction among these leaders is there is no relief yet on the horizon from many of the main issues, such as severe weather, consolidation and lack of skilled adjusters. In order to cope and more effectively serve customers and manage claims, it will require strategic partnerships between all major players, including adjusters, insurers and brokers.

### **What have been the most significant trends in loss activity that your company observed over the last year?**

**John Sharoun:** Catastrophe activity, including pocket storms. Weather events individually and collectively have had a significant impact on loss activity over the course of 2011,

whether it's the Slave Lake wildfires or heavy weather events in the west, Quebec or the Atlantic provinces. These events drive frequency and severity and require rapid response and a very high degree of customer touch. They are the essence of what claims people do—delivering the policy promise at the time most needed by the policyholder.

**Michael Holden:** Another significant trend we observed was the legislative changes in Ontario, which impacted automobile claims.

**Rob Seal:** The new SABS legislation made a significant impact on the number of Accident Benefit (AB) claims reported. When the legislation was first introduced in September

2010, we continued to receive a steady flow of AB claims right up until the second quarter of [2011] when the handling of pre-legislation AB claims was wrapping up. It was at that time that the lack of new AB claims became evident. We had anticipated seeing an increase in new Bodily Injury (BI) claims as a result of the new legislation but we have yet to see this happen. We also took note of the message insurers and brokers sent adjusters in regard to policyholder loyalty. Our customers expect transparency and evidence of our ability to meet their service expectations, such as contact times, reporting and cycle times. Meeting service benchmarks is critical and ultimately translates into controlled claims costs and policyholder satisfaction.

### **Further to the SABS legislation in Ontario, how has it affected your business?**

**Bob Fitzgerald:** Initially we saw our clients turn to ClaimsPro to solve their needs prior to the September 2010 change. Through 2011 we saw many insurers continue to outsource significant portions of their AB activity, while others looked to internalize.

**Michael Holden:** GCS experienced a wide variety of requests from insurers and clients with respect to interpretation of the Minor Injury Guideline (MIG). With case law yet to be developed with regard to interpretational issues, our claims professionals have adapted to our clients' specific needs to ensure that appropriate documented determinations are both sound and demonstrated actions of good faith. It has become apparent that while AB claims are being adjusted within the contexts of the MIG, what is at risk is the BI component of a claim. We recognized this at the onset and have been proactive in our approach to investigate all aspects of these claims in order to be well prepared when tort claims are presented. This shift in adjustment process has required our adjusting force to be adaptable and focused on the future anticipation of claim presentations.

## **Q&A with Patti Kernaghan, president & CEO at a mid-sized adjusting firm, Kernaghan Adjusters**

### **Q. What have been the most significant claims trends your company experienced in 2011?**

**A.** Larger losses are being handled over the telephone instead of in person. Specialists are being hired in place of IAs and there is a general increase in unlicensed activities. Contractors are being given more authority, replacing IAs on the ground in the case of property claims. Smaller windstorm and hail claims are often being handled directly by contractors. I perceive these issues as creating financial leakage in the industry because proper controls over the loss are being abandoned and the insurance policy is becoming a matter of maintenance. The indemnity costs in the industry are increasing and this is related to the lack of on-the-ground control of the loss.

### **Q. What do you predict will be a significant trend in the next year?**

**A.** Satellite imaging of roofs for wind and hail claims will be a trend. Our staff is prepared with Xactimate training to perform on-the-ground analysis of damaged roofs once the satellite imaging has been done to measure the roof.

### **Q. How do different forms of consolidation affect your business?**

**A.** For KA it is a double-edged sword. We have fewer competitors in the marketplace, but the larger firms are claiming the lion's share of attention. This makes it challenging for a mid-sized firm like KA.

### **Q. What advice would you give to your broker partners?**

**A.** The irony regarding claims is that we are perceived as the back end of the product, yet this is what the industry is selling – claims service. My advice to our broker partners is to always remember that we are in business to effectively serve our clients. Ensure that clients are taken care of by creating relationships with your IAs, and ensure that after-hours services are in place.

## Hot Topic: SABS

**Rob Seal:** At first the influx of AB claims continued into mid-2011, but was quickly followed with a significant drop in AB claims. We have not seen the increase in BI claims as of yet, but we expect that we will in the months ahead and are preparing for it. We are training our AB adjusters on how to properly investigate TORT claims to ensure we have the right skill set to handle new BI losses.

**John Sharoun:** It takes time to realize the full impact of these changes and I believe as we enter the second quarter of 2012 things may start to become clearer.

### What do you predict will be a significant claims trend in the next year?

**Bob Fitzgerald:** The challenges within the Ontario auto product will likely continue. It will be important for the Ontario Anti-Fraud Task Force to bring forward meaningful recommendations that will allow for quick government action to stem the long-term cost pressures.

**John Sharoun:** While weather events used to be unpredictable, it seems weather and related catastrophes are becoming routine events. Event pre-planning, loss mitigation strategies and rapid response will remain key industry discussion points.

**Michael Holden:** For 2012, we expect to see even greater demands on resources as a result of extreme weather patterns. GCS is focusing on managing these resources.

**Rob Seal:** I think we will continue to see a trend towards the use of innovative processes and technology, which allows us to provide greater transparency and more in-depth and customized loss reporting. This in turn provides our customers with better risk management tools. It also allows us to automate certain front- and back-end services, like the ability to offer non-reporting, which are both time- and cost-efficient. We've also seen the

The Ontario SABS legislation that was implemented in September 2010 continues to affect loss activity, with some IAs experiencing a decline in the number of reported Accident Benefit (AB) claims. Adding another twist to the matter is that new legislation requires a learning curve in the way the courts handle claims.

According to Greg Dunn, executive vice president, claims and customer service operations at Aviva Canada, there is a disconnect between the judges and the juries when determining what qualifies as a "serious injury."

"Judges are showing a fairly liberal approach to the types of impairments/injuries that will qualify as serious and therefore pass the serious injury threshold, even in cases where juries' non-pecuniary damages awards make it clear that the juries see these impairments/injuries as minor," he says.

Dunn adds reform changes are performing well overall; however, some insurers have experienced an increase specifically in bodily injury claims at levels that were not anticipated.

To manage the changes to the SABS legislation, Aviva has reorganized its healthcare services team to ensure it is meeting the needs of its customers.

"Ontario results are favourable following the reforms; however, we expected a honeymoon period following their implementation," explains Dunn. "It remains to be seen whether the reforms will hold as intended or whether there will be deterioration once more claims work their way through the system."

industry be more selective in how they work with us. While some customers are looking for full one-stop claims solutions, others are looking to select only specific offerings.

### What were some of your company's main victories in 2011?

**John Sharoun:** Our customer service and quality scores improved significantly in 2011 through the joint efforts of our management team and the strength of our front-line employees. It's really our employees who have created the victory.

**Michael Holden:** We experienced tremendous organic growth, largely due to the success of our Quality Initiative Program (QIP). The program allowed the company to provide clients with measurable results through the ongoing evaluation of key performance indicators to ensure the service we provide is meeting and exceeding our clients' goals and objectives. For example, we have a new name [formerly McLarens Canada] and a new global alliance partner, VRS Adjusters, which provides us with a presence in more than 70 countries.

**Rob Seal:** One important step for us

was the significant investment made in what we call the next level of business intelligence. This sophisticated database and business intelligence software will allow both internal and external users to see real-time Key Performance Indicators (KPI) and Service Level Agreements (SLA) between the client and vendor. While many companies employ scorecards and dashboard management information, our solution is a completely interactive and integrated program that allows for instantaneous results with zero training necessary.

**Bob Fitzgerald:** ClaimsPro has new client-driven applications to our technology platform iAdjust. System integration and the resultant management information capabilities were very well received. In addition, we continue to add to our adjuster skill set via acquisitions. During the year, we were able to significantly scale up our team in the west and central regions of Canada with the acquisition of Brouwer Claims Canada.

**Speaking of acquisitions, M&A activity is heating up in all areas of the industry (insurers, brokers and adjusters). How do these different**

### forms of consolidation affect your business?

**Rob Seal:** As companies merge and grow, so too do their claims exposures, especially in high-concentration areas like the Greater Toronto Area (GTA). These new consolidated companies need to partner with several large national independent adjusting (IA) firms in order to meet their claims needs. This becomes increasingly important should they experience high volumes such as a CAT. Not one IA firm can handle all that volume, so the need to increase their panel of national adjusting service providers grows.

**Bob Fitzgerald:** Market consolidation provides access to additional skill sets, technology and potentially new business lines and services to offer to clients. We have a proven track record of successfully integrating firms we have acquired. This success has afforded us increased access to capital that in turn has allowed us to further enhance our technology and program develop-

ment. Our parent's (SCM Insurance Services) acquisition strategy has a two-pronged approach: not only are we looking to consolidate current business verticals, but we're also introducing new insurance services into the mix.

### What have been some of the main challenges your company has faced over the last year?

**John Sharoun:** The pace of change in technology is remarkable and the number of software/hardware solutions staggering. Our challenge is where to invest our dollars and once we choose, how do we make sure the technology delivers the results our clients want and need? A proliferation of relational databases makes it critical that our systems operate in real time with client and industry databases. Maybe someday we'll see a virtual industry-wide connectivity solution.

**Bob Fitzgerald:** The key challenge remains that of people. This is not strictly a ClaimsPro problem, but an

issue the industry as a whole faces. We must work to attract young people to insurance as a career, then work to mentor, develop, challenge and reward these individuals.

**Michael Holden:** We have developed various employee-engagement initiatives that assist colleagues in achieving a desirable work/life balance. For example, we have introduced flex hours, virtual offices, corporate share options, relocation packages, and we have placed a renewed focus on developing relevant education, training and mentoring programs.

### What innovations is your company implementing in the area of claims handling, and what has been driving these changes?

**Michael Holden:** We developed Granite Claims Solutions University, which will be formally introduced to both staff and clients over the next few months. We are fortunate to have many leading claims management



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## Hot Topic: Hiring and Retention

An ongoing issue in the industry is the hiring and retention of skilled staff. From a claims perspective, the issue is two-fold. First, many insurance companies do not have a resident claims handler, which leads to delays in the resolution of claims, according to Bob Grouchy, assistant vice president and head of claims Canada at Allianz.

"There are fewer individuals entering the claims field and those who do, tend to find the job extremely difficult," he says. "Therefore, attrition is high and adequate staff training becomes a key issue."

Second, the lack of skilled adjusters is an issue for insurers because it's difficult for insurers to obtain clear, concise reporting to enable quality and timely decision-making, according to Spencer Shusterman, senior vice president, claims at Aegis, a Lloyd's syndicate.

"It appears the industry has not done a good job in training and developing adjusting talent to succeed current senior, technically proficient personnel," says Shusterman. "The number of qualified adjusters who can properly investigate and report with clear recommendations are relatively few in number and we do not see a systematic effort or investment on the part of the national firms to address this."

He adds the decline in the number of skilled adjusters is only further driven by the consolidation of adjusting firms.

"We think that what is a somewhat limited field has shrunk even further, limiting the choice of service partners," says Shusterman.

experts in-house and we are working with these individuals to develop a unique campus that will provide virtual and traditional classroom learning opportunities. As IAs, we must be large enough to service our clients but be flexible enough to quickly and effi-

ciently customize solutions. Whether it's measuring the quality of our service, developing new ways to report and manage claims data, or providing seminars and workshops for their staff, clients look to IAs to provide tangible cost-savings and efficiencies.

**John Sharoun:** We've been focused on process improvement technologies designed to reduce cycle times and claim handling expense while managing indemnity and improving the customer service experience. In 2011, our Property Claim Advantage mobile field adjuster technology won an Insurance-Canada.ca Technology Award (ICTA), and we are working on delivering the same functionality to other lines of business, allowing adjusters more time in the field doing what they do best—helping people.

**Rob Seal:** Our technological innovations include centralized transcription and possibly centralized claims set-up. These types of technology-dependent solutions allow us to better support our field operations to help them meet their service benchmarks but also to better support our one-person, typically home-based operations to become more efficient.

**Bob Fitzgerald:** We've been introducing business intelligence into our process flows. We believe this is critical for evolving how we provide our services

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and for enhancing the quality of information that is exchanged between the clients and ourselves. Moreover, a disciplined use of IT solutions leads to both cost and operational efficiencies, which benefits our clients. These changes are being driven internally as we strive to differentiate ourselves from our competition.

**How has your business been impacted by the series of major CATs that took place in Canada in 2011, and how have they affected staffing and operational requirements?**

**Michael Holden:** We prioritized the completion of our CAT Plan QIP module. This process has enabled us to recruit and train multi-provincial licensed adjusters as members of the GCS CAT Team so that we can respond immediately to a CAT event. Once deployed, all adjusters adhere to the QIP module, ensuring that best practices are maintained even in the most extreme environments.

**Rob Seal:** The overall decline of claims activity this year gave us

the additional adjusting resources that we needed to respond to CAT events, and prevented us from having to make any significant staffing adjustments. Also on our side was our global network. Earlier this year we were able to deploy a number of Canadian adjusters to help out in New Zealand and Australia. When the deployment of our team ended there, our adjusters returned home just in time to help out with the CATs that occurred in Canada, preventing any resourcing issues or service disruptions. In addition to solving staffing issues here and abroad, the deployments also gave our adjusters tremendous learning experiences.

**How would you like your broker partners to better work with you to handle claims more efficiently?**

**John Sharoun:** The broker is the voice of the customer. When it comes time for the sales promise to transform into claim service delivery, the most important "must have" is regular and effective communication. Any delays in claim handling can lead to customer

service issues, which translate into difficult customer discussions on renewal. We all want the customer experience in a claim situation to be positive and to reinforce the value of the insurance purchase, so get the claim reported quickly (with all coverage details), speak to the adjuster, stay in touch with the policyholder, and keep an open line of communication.

**Bob Fitzgerald:** The key is to truly see the relationship as a strategic partnership. Our Client Engagement Survey, conducted fall 2011, told us the vast majority of clients want this. Having said that, there are numerous parties to an insurance transaction, and the complexities of programs or accounts that require special adjusting services are better managed when the broker and underwriter bring the claims department and/or the independent adjuster into the transaction at the onset, as soon as possible. This type of early involvement provides all parties with the knowledge they need to handle the account, and helps set clear expectations so that everyone can respond appropriately. **TE**

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