

The CHRONICLES Newsletter

Please email all articles, letters to the editor, subscription enquires etc. to our new email address which is effective November 15, 2004. On behalf of all our volunteer editors thank you for your subscription and input into this property insurance newsletter.

thechronicles@shaw.ca



Week Ending Friday, December 17, 2004

Volume 2 – Issue 41

Subscription: 1,860 Readers

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On behalf of all the editors of this newsletter warm wishes for a happy holiday season and a wonderful new year.

This is the last edition of the Chronicles Newsletter for 2004 and we will return next year on a semi monthly basis. The next newsletter will be January 15, 2005.

1. REDUCING COSTS OF FIRE CLAIMS

**-Robert Eyford, CFEI, CCFI-C, CFII
Rae-Tech Investigations Ltd.**

If any questions or comments come to mind as you are reading the segments of this presentation in the Chronicles, please email our office at reyford@goldcity.net. Unless you specify otherwise, your question and the answers to them will be published in the following issue of TGIF for the benefit of the readership.

Let's review what we've covered so far.
In segment #1 we covered the following points:

WHY INSURERS NEED TO KNOW THE CAUSE OF THE FIRE

1. Ensure there are no coverage issues
2. Obtain evidence to be used for subrogation or defence
3. Develop information for underwriting future risks and exposures

We then presented the first 3 reasons for increased costs as follows:

REASON # 1 FOR HIGHER COSTS: Inadequate initial interviews from Insured and other witnesses, especially poor statement taking.

REASON # 2 FOR HIGHER COSTS: Assigning independent adjusters who may be unfamiliar with fire claims, specifically fire claims where arson is the suspected cause.

REASON # 3 FOR HIGHER COSTS: Determination of cause and origin by unqualified persons, or inexperienced persons, including fire fighters, adjusters and engineers.

In segment # 2 we covered:

REASON # 4 FOR HIGHER COSTS:

Calling specialists like electrical engineers before calling a fire investigator because the fire department, or Insured or independent adjuster said it's an electrical fire. It is more economical to leave it to the fire investigator to decide whether or not an electrical engineer is required.

REASON # 5 FOR HIGHER COSTS:

An Insurer not having a specific policy with regards to principal fire losses or not following Insurer's policy on principal fire losses. This leads to not knowing if and when to:

1. Call a private fire investigator
2. Call an additional expert such as an electrical engineer
3. Believe public investigators and fire departments.
4. Plus not recognizing red flags during initial interviews and subsequent investigation.

REASON # 6 FOR HIGHER COSTS:

Withholding valuable information from your fire investigator to prevent that information from influencing his findings.

REASON # 7 FOR HIGHER COSTS:

Requesting a partial investigation. In other words, *"just confirm or deny the fire department's opinion without examining the whole scene"*.

The Danger.....is that it exposes the Insurer to potentially extremely high costs if the matter goes to litigation because any evidence as to other causes put forward by other parties will normally be accepted by the courts if they have not been properly eliminated in a thorough scientific investigation. An investigator must be able to say not only that he found the cause of the fire but eliminated all other causes.

Now for the last segment covering the final three reasons for higher costs of fire claims:

REASON #8 FOR HIGHER COSTS: Spoliation of Evidence

Spoliation is defined as "The loss, destruction or material alteration of an object or document that is evidence or potential evidence in a legal proceeding by one who has the responsibility to preserve it."

Spoliation is something that Insurers and their contractors are frequently sued for in the USA. This type of litigation is becoming more familiar to us in Canada as Insurers begin to become aware of its' importance. If a fire department or public investigator destroys evidence that may be of importance in the investigation by others who have a right to investigate, this can and may result in litigation for spoliation of evidence. This applies to all of us as investigators and this is the reason we take such care to photograph all evidence or potential evidence before it is moved or examined or taken from the scene. To not do so, is to expose our clients to much greater risk. When evidence has been destroyed, it takes longer to complete our investigation which in turn results in higher costs.

REASON #9 FOR HIGHER COSTS: Giving independent adjusters carte blanche permission to hire whoever they wish as a fire origin & cause investigator sometimes causes Insurers to lose control over costs and quality.

There are times when the adjuster may have someone in particular in mind to do the fire investigation. If another investigator is closer to the scene and can do

just as good a job, then it may be prudent to give consideration to that investigator. I have seen many incidents when an Insurer has insisted on a particular investigator and although they may have specific reasons for having a preference, sometimes this can cost four or five times as much money. I am aware of one adjuster in particular who when he had a fire in BC would bring in a fire investigator from Alberta because the investigator was his friend. This practice ended up costing the Insurer about \$4,000 when it should have cost about \$1000. The important factor to consider in choosing a private fire investigator is the quality of the investigation plus the quality of the report. A responsible investigator will conduct his investigation and complete the report as if the matter is going to end up in a court room. Therefore, ensure that the investigator you use will best serve your needs in the courtroom. If the investigation and report cannot withstand the scrutiny of a jury plus other experts it may end up being very costly.

REASON #10 FOR HIGHER COSTS: The exclusive use of engineers as fire investigators simply because they are university educated.

Some Insurers have been led to believe that a university educated fire investigator is more knowledgeable than a non university educated investigator. This is not necessarily so and in fact at some fire scenes I have attended where university educated investigators have been present for other Insurers, their inexperience has been obvious. Regardless of what has been learned in university, they don't leave university with investigation experience. I have seen them forget exhibits at the scene and other similar acts that indicate a lack of investigational experience. They usually charge more money for their services and when the matter ends up in court it will often be clear that this policy of hiring only university educated investigators has turned out to be a costly mistake.

Any questions or comments on the preceding material can be directly sent to Robert Eyford at reyford@goldcity.net

2. STATEMENTS FROM THE CLAIMS FILE

Here is an excerpt from a statement in a claims file for you to analyze and determine what the insured is talking about.

"The spin cycle on the washing machine does not make earth worms dizzy. It will, however, make cats dizzy. Cats throw up twice their weight when dizzy."

3. A MESSAGE FROM THE OUTGOING EDITORS

We have a new executive editor that we will introduce to you next month.

Watch for our new look starting January 15th next year. We have dropped the TGIF and it is coming out during the week instead of Fridays because our subscription is now too large to do it every Friday. Starting next year we will publish bi monthly.

Have a great holiday and thanks for your support this past year. We have enjoyed serving you.

Robert & Ron

4. AN UNDERWRITERS FIRST COMPUTER

Insurance Archives



Scientists from the RAND Corporation have created this model to illustrate how a "home computer" could look like in the year 2004. However the needed technology will not be economically feasible for the average home. Also the scientists readily admit that the computer will require not yet invented technology to actually work, but 30 years from now scientific progress is expected to solve these problems. With teletype interface and the Fortran language, the computer will be easy to use.

Editors Note: So you think you have it rough now, try it back then. You would only be able to process a file a week! ---- or two!

5. WE LEAVE YOU WITH THIS THOUGHT

"Your neighbour's party is never too noisy if you're there."

See ya on the flip side!

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**Rae-Tech Investigations
Ltd.**

Robert Eyford, CFEI, CCFI, CFII

123 McLeod Ave. 1607 Ernst Rd.
Spruce Grove, AB T7X 2K6 Quesnel, BC V2J 6H6
Ph: 780-910-4424 **Ph: 250-992-7079**
Fax: 780-960-0418 Fax: 250-992-7141

FIRE ORIGIN & CAUSE

RON WILKES

Consultants for the Grimshaw tornado, the Northern Alberta hailstorm, and the Barrriere/Kelowna fires in 2003

INTEGRAL PROPERTY LOSS SERVICES

APPRAISERS CONSULTANTS MANAGERS

Integral Enterprises Inc. **Office: 604.820.9450**
32150 Eagle Crescent **Toll Free: 888.880.2181**
Mission, BC **Fax: 604.826.9807**
V2V 5C8 **Email: integral@shaw.ca**



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