

The CHRONICLES Newsletter

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Week Ending Friday, December 3, 2004

Volume 2 – Issue 39

Subscription: 1,860 Readers

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1. REDUCING COSTS OF FIRE CLAIMS (Part 1)

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

After many years working in law enforcement, as an independent adjuster, insurance fraud investigator and private fire investigator I started noticing that different Insurers have different methods and policies for handling fire claims. Some of these methods and policies were obviously costly to Insurers and so after much frustration and head shaking I began writing these things down. I eventually developed a power point presentation, complete with actual photos, of the things Insurers could be doing different that could save them a lot of money. It is my opinion that Insurers could collectively save millions of dollars if they just did things more consistently and in some cases quite differently.

In the next several issues of TGIF Chronicles, I will be presenting segments of my instructional material from the seminar “Reducing Costs of Fire Claims”. This seminar is available to Insurers and their independent adjusters and generally takes 1 ½ to 2 hours to present. If you are interested in having us put on this seminar for your company please contact us.

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.

SEGMENT 1: WHY INSURERS NEED TO KNOW THE CAUSE OF THE FIRE

There are three basic reasons why Insurers need to know the origin and cause of the fire.

1. Ensure there are no coverage issues

Examples of Coverage Issues:

- Illegal activity such as marihuana grow ops
- Material fact violations of policy
- Evidence of arson and by whom
- Exaggerated Schedule of Loss

2. Obtain evidence to be used for subrogation or defence

Examples of Subrogation Issues:

- A contractor or third party caused the fire
- Faulty appliances or products caused fire
- Faulty construction, installation or code violation

3. Develop information for underwriting future risks and exposures

Examples of Future Risk Issues:

- Insured may be conducting illegal activity, such as illicit drugs or illegal suite.
- Doing business from a residence without advising broker at time of contract
- History of suspicious losses
- Commercial operation not being properly managed, secured, or may not provide adequate safety procedures or training
- Moral risk issues

REASONS FOR INCREASES IN FIRE CLAIMS COSTS:

Having reminded you of the reasons why Insurers need to know the origin and cause of a fire, let's now examine the reasons for increased costs of fire claims.

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

Reasons for Inadequate Statements

- Inability or inexperience of the interviewer.
- To cut costs to the Insurer by taking a quick statement (often the adjuster is told to *"keep the costs down on this one"*).

Example of a poor statement: (actual statement by claims examiner)

"I was driving along and looked in my mirror. I saw smoke behind me so I pulled to the side of the road. When I stopped there was smoke in the cab. I grabbed the fire extinguisher and tried to put out the fire but couldn't. Someone else stopped and we threw gravel on the fire. It continued to burn till there was nothing left."

Why is this statement inadequate?

- It does not help in the determination of the point of origin or area of origin because it lacks explicit detail about observations made by the driver.
- The details recorded are very general, making it necessary for the driver to be tracked down and re-questioned about the details. (\$\$\$\$)

Example of more detailed statement after driver was tracked down: (\$\$\$\$)

“I was driving along the highway at about 90 kph. I looked in my left side view mirror and saw dark coloured smoke behind me, which appeared to be coming from my truck. I pulled to the side of the road and stopped. When I stopped the cab began to fill with smoke. I exited the driver’s door and did not close it behind me. I noticed fire coming from under the hood on the driver’s side and there were no flames anywhere else. I grabbed the fire extinguisher from the storage rack behind the driver’s seat and emptied it in the area where I saw the flames. After I emptied the fire extinguisher, which did not seem to slow down the fire, I ran back to the battery box which is located on the driver’s side below the cab. I removed the aluminum cover of the battery box and disconnected the battery cables to see if this would help stop the fire. The fire continued to spread from the engine compartment to the cab. The first tire to catch fire was the left front tire.”

Why is this statement better? It contains explicit detail which helps determine the origin and cause of the fire (colour of smoke, location of the first visible flames, driver’s door left open, he emptied the fire extinguisher on the flames on the driver’s side of the engine, removed cover from battery box, disconnected cables, etc).

IT IS IMPORTANT....

....that witness evidence matches the physical evidence. If it does not, we have a red flag that must be reconciled before the investigation can be complete. In this case, my investigation concluded that in fact that driver’s door had been open during the fire, the battery cables had been cut and the fire originated in the engine compartment on the driver’s side. If the driver’s statement had been in conflict with the physical evidence we would have had a red flag that may have suggested that this was not an accidental fire.

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

Many adjusters shudder when they are advised the fire is an arson because they often aren’t familiar with what to do next. Their relationship with the Insured may now be compromised. This unfamiliarity with arson related claims sometimes leads to costly mistakes.

Misinformation from others can also result in costly mistakes, including information from more “experienced” adjusters, SIU investigators and other claims examiners.

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

Many Insurers settle claims based on incorrect conclusions by fire departments and their investigators. Also, we are often told by claims examiners and adjusters that since the fire department’s investigators failed to find the cause, there is no point having a private fire investigator examine the scene. About 50% of the time we find a different cause and origin for the fire than the fire dept. or find a cause that they did not find, so settling a claim based on their findings is the single most costly mistake made by Insurers.

A recent example: A fire destroys a storage building on a golf course in a small town. The loss, including contents was estimated to be about \$225,000.00. There were two Insurers, one for the building and one for the contents. Both Insurers assigned independent adjusters. I just happened to be arriving in the community where this loss occurred on other business. Since I do work for at least one of these Insurers I contacted the independent adjuster to let him know that I was going to be in town anyway if he needed the scene examined. He stated that the Fire Marshall’s Office Investigator had been to the scene and decided that the origin of the fire was undeterminable. His time at the scene was reported to be less than two hours. The independent adjuster therefore recommended to the Insurer that there was no point in having me look at the scene. This decision was most likely based on a lack of experience with fire losses, perhaps on the part of the adjuster, the claims examiner and even the Fire Marshall’s investigator. One would think that since the costs would be extremely reduced since I was in town anyway, that both of these Insureds would have liked to know if they could subro against the other, especially if the costs of the investigation could be split two ways. The decision not to investigate may have just cost one of these Insurers enough money to pay for many years of fire investigations.

It is important to understand that public fire investigators have a different mandate than a private investigator representing an Insurer. Public investigators are investigating under the authority of a provincial statute, usually called the Fire Act. This authorizes them to investigate the cause of a fire from both a public safety perspective and a statistical perspective. If they fail to determine the cause or their conclusions are wrong or fail to withstand scrutiny in a court of law, they don’t lose any business because they still get called to the next fire. Public fire investigators cannot be expected to care whether or not one Insurer is successful in covering costs from a third party because of a fire loss. An independent fire investigator investigates on behalf of an Insurer or building owner. If they fail to determine the cause or their conclusions are wrong or fail to withstand scrutiny in a court of law, this may adversely affect their future

business. Unfortunately, some Insurers and adjusters consider fire departments to be THE authority on fire origin and cause and although there are some very good public investigators in the field, this misconception generally costs Insurers piles of money.

NEXT ISSUE: REASONS # 4,5,6 & 7 FOR INCREASED COSTS OF FIRE CLAIMS

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

2. LETTERS TO THE EDITOR

Myers Bennett – Envision Financial – Terrace, BC

Keep up the good work !

It is very useful information and is enjoyed by all our staff in Kitimat

Myers Bennett
Envision Insurance
Manager, Insurance Services
Kitimat Branch

***Editors Note:** Thanks Myers.....What can I say, it's people like you that make it all worthwhile.*

3. 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.

“You probably do not want to know what that odour is.”

4. NATIONAL FRIENDSHIP WEEK

Mary-Ellen Killick, AVIVA Insurance Company

Editors Note: Although National Friendship Week was the week of November 14th, we received this that Monday but could not publish it until this week. It is so profound; we think it applies all year round, not just one week. Read it slowly and keep the love flowing.

Too many people put off something that brings them joy just because they haven't thought about it, don't have it on their schedule, didn't know it was coming or are too rigid to depart from their routine.

I got to thinking one day about all those women on the Titanic who passed up dessert at dinner that fateful night in an effort to cut back. From then on, I've tried to be a little more flexible.

How many women out there will eat at home because their husband didn't suggest going out to dinner until after something had been thawed? Does the word "refrigeration" mean nothing to you?

How often have your kids dropped in to talk and sat in silence while you watched 'Jeopardy' on television?

I cannot count the times I called my sister and said, "How about going to lunch in a half hour?" She would gas up and stammer, "I can't. I have clothes on the line. My hair is dirty. I wish I had known yesterday, I had a late breakfast, It looks like rain." And my personal favorite: "It's Monday." ...She died a few years ago... We never did have lunch together.

Because Americans cram so much into their lives, we tend to schedule our headaches.. We live on a sparse diet of promises we make to ourselves when all the conditions are perfect!

We'll go back and visit the grandparents when we get Stevie toilet-trained. We'll entertain when we replace the living-room carpet. We'll go on a second honeymoon when we get two more kids out of college.

Life has a way of accelerating as we get older. The days get shorter, and the list of promises to ourselves gets longer. One morning, we awaken, and all we have to show for our lives is a litany of "I'm going to," "I plan on," and "Someday, when things are settled down a bit."

When anyone calls my 'seize the moment' friend, she is open to adventure and available for trips. She keeps an open mind on new ideas. Her enthusiasm for life is contagious. You talk with her for five minutes, and you're ready to trade your bad feet for a pair of

Rollerblades and skip an elevator for a bungee cord.

My lips have not touched ice cream in 10 years. I love ice cream. It's just that I might as well apply it directly to my stomach with a spatula and eliminate the digestive process. The other day, I stopped the car and bought a triple-decker. If my car had hit an iceberg on the way home, I would have died happy.

Now...go on and have a nice day. Do something you WANT to.....not something on your SHOULD DO list. If you were going to die soon and had only one phone call you could make, who would you call and what would you say? And why are you waiting?

Make sure you read this to the end; you will understand why I sent this to you.

Have you ever watched kids playing on a merry go round or listened to the rain lapping on the ground? Ever followed a butterfly's erratic flight or gazed at the sun into the fading night? Do you run through each day on the fly? When you ask "How are you?" Do you hear the reply?

When the day is done, do you lie in your bed with the next hundred chores running through your head? Ever told your child, "We'll do it tomorrow." And in your haste, not see his sorrow? Ever lost touch? Let a good friendship die? Just call to say "Hi"?

When you worry and hurry through your day, it is like an unopened gift....Thrown away... Life is not a race. Take it slower. Hear the music before the song is over.

It's National Friendship Week. Show your friends how much you care... Send this to everyone you consider a FRIEND. If it comes back to you, then you'll know you have a circle of friends.

To those I have sent this to... I love you & cherish our friendship.

"Life may not be the party we hoped for... but while we are here we might as well dance!

5. WE LEAVE YOU WITH THIS THOUGHT

“The trouble with being an optimist is that people think you don’t know what’s going on.”

See ya on the flip side!

PLEASE SUPPORT THE FOLLOWING SPONSORS OF OUR NEWSLETTER.

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