

## **INSURANCE SURVEYS**

### **VALUE - ADDED SERVICE OR NECESSARY EVIL?**

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In Industry, Insurance has a greater or lesser impact on the individual sites of a Corporation, and its management, depending on the company philosophy and its Insurance programme. This talk is to stress that the Insurance industry has a contribution to make, and that its comments are based on experience. It will focus on the Property, Construction and Business Interruption aspects, rather than those of the Environment, but even then the issues overlap.

Keywords: Topicality, confidentiality and information availability.

### **INTRODUCTION: WHY BOTHER WITH INSURANCE?**

Insurance is protection, in whole or part, by the Company for its shareholders. However, Insurance can never pay totally for a loss. Therefore, it is in our mutual interests to minimize the possibility. Sadly, there are times, when, no matter what you do, a loss is going to occur. If a client's Risk Manager has got it right, major losses are paid for by insurers, so protecting the company interests, and those of its shareholders. Having said that, Insurers do not consider themselves as charities, and the concept is that the premiums of the many, pay for the losses of the few. To protect themselves and their shareholders, underwriters take steps to take on the right business at the right rate. As part of this, Insurers employ engineers and specialists to assess the risks, and give feedback, but also to advise clients on how to reduce their risk, to themselves and to others.

By working with the client, we all have the opportunity to reduce, or even remove the likelihood of a loss. This takes time to implement, for some initiatives must be developed, and protections need time to be installed. This is why a number of insurers try to be long-term players in their relationship with the client and broker. If the Insurers' engineers have got it right, in an ideal world, then the losses do not happen, (or they happen to some other insurers client). In practice, this is not the case. Losses do occur, and they can happen to the best and worst run sites.

So, if good clients have losses, and good insurers want to be long term partners with clients, then Insurance surveys become important.

**BUT IF INSURANCE SURVEYS ARE IMPORTANT TO INSURERS,  
WHY DOES THAT MAKE THEM IMPORTANT TO US AS CLIENTS,  
OR CONTRACTORS?**

How many of you have been involved in a major fire, natural disaster, or similar serious incident?

How many of you have just missed having an accident, and thought " That was close"?

In either case, did you then think how it could have been avoided? What did you do then?

Major incidents are followed by post-mortems to find out what happened and what can be done to stop it recurring. In the second case, it is up to the individual, or the environment that they are in.

When we go in to a site, and point out a problem, we then explain why . If you get someone who has experience of that , then they can immediately grasp your reasoning, and that something should be done. The fact that it has not happened at this site before, then is not the issue, but, how do we minimise the risk?. For others , more explanation may be necessary, and this may involve more dialogue.

One of the fundamental areas is that Insurance is a financial issue, whereas Risk Management is a philosophy, as much as anything else. If the responsible people ( be they contractor or owner) have a loss, it is not just the deductible that is lost, or potentially higher premiums. There comes a lack of confidence/trust between :-

- Employee and employer
- Contractor and owner
- Company and shareholders
- Company and customers
- Site and local area neighbours
- Site and the Authorities

Other problems can occur:-

- A company may rebuild its process, but not in the same area.
- Customers may go elsewhere.
- Banks and shareholders may find other companies to spend their money on.
- Contractors who cause a loss may not be asked to tender for other work
- Regulatory bodies do not consider you "Flavour of the Month"

**On this basis, Insurers and clients have a common goal**

## SURVEYS

With us having this common goal, the true Insurance survey of any site is a Win/Win experience for the Insurance engineer and the client (I use the words "Insurance Engineer" because this could be the Engineer of an Insurer, or a Broker).

- Firstly, it is to obtain information
- Secondly, to analyse that information for strengths and weaknesses.
- Thirdly, to propose changes to remove the weaknesses and enhance the strengths.
- Fourthly, it is to provide a combination of fact and assessment on the site seen.
- Finally, to work with the client to implement changes in a "do it once, do it right" environment.

The engineer must have, or achieve an understanding of the business on which he or she is to comment, assess and advise on. Not necessarily of the specific production and process units in detail, or immediately, but of the broad principles, the chemistry, the actions and reactions. Of course, as more time is spent at any one site, then the level of understanding must increase, in this area. This also includes the hazards and controls in place, and what can be done to improve matters.

What do we look for?

Simply put, it is :-

- What do you do?
- Who does it, and how are they trained?
- How do you do it?
- How do you keep it doing what it needs to do?
- If things go wrong, what do you do (or, what did you do)?
- Can something or someone, over whom you have no control, hurt you?
- What have you done about it?

As you can see, the questions cover a wide range of a company's business, and it is unusual for one person to have this all at his or her fingertips. For this reason, the correct representatives of client must be involved in the discussions, since major sites such as Energy facilities (refineries, petrochemical plants) are too large for one person to have all the information at his or her fingertips. Because analysis is based on facts, valid information allows a client to be best represented. Would you, as clients, prefer to be judged on facts you know are correct, or on guesswork?

**But we have a Fire Certificate**

True. But, the Fire Service (rightly) has a prime responsibility for the saving of lives. Our perspective is to the wider Insurance issues at, and above this level. Our advice should not contradict, but compliment that of the Fire Brigade, in their inspections.

"Then you don't just look at whether we have sprinklers,  
or enough extinguishers?"

No. The business is more complex than that, these days. We are looking as much at interdependency, and contingency planning. Security and pollution following an insured peril, are just as big issues today, as fire.

Obviously, we are looking at physical separation, and control of fire potentials, but it is important for us to understand your business, and as part of the company, we need to pick your brains as well as other members of the company to get the overall picture. This can be looking at procedures, training of employees, permits to work and or self-audits. In a number of processes, foam is a more applicable extinguishing medium, and on bulk storage, or process areas, fixed systems are needed to do the job.

We are looking for the good features, and the acceptable compromises, not just the negative features. This balance is used in analysis.

**What do we do with the information ?**

The work is written up, and analysis provided (not always by the writer). This is then coordinated for an International, multi-location programme, to give the Underwriter the "Quality Assessment" of the whole company. The quality of a company allows an Underwriter to work out an acceptable premium level for his/her participation, or whether to participate at all.

By asking the questions in a consistent fashion, when we visit different sites, of the same company, we can provide a more objective view of which are the strongest sites in a programme, and where more effort can be best applied.

So what does the client get out of it?

Feedback? Yes. The "How am I doing?" method. In this way, the 'win/win' approach, mentioned earlier can be achieved. Where the site has good features, then these can be referred to, which gives a balance, and puts things in perspective, if any proposals to improve the risk are made.

Expensive Recommendations? Sometimes/more often not. ALARP and BATNEEC are also applicable to the concept of Risk Management, as long as the exposures are understood. Many proposals to improve the ability to control losses are people related, including where designs are not installed correctly, or where procedures are not followed properly.

Impractical Recommendations? No one is perfect, but those are the exception rather than the norm. The main issue is to highlight the problem, as we see it, and to explain our reasons for why we see it as a problem. Often, there is more than one solution, and whilst we give advice, dialogue can often allow you, the clients to address the issue, in a way acceptable to insurers and yourselves.

Where do the recommendations come from? As Insurers, we can often be, and be seen to be, a reactive business, where the losses drive our approach, and focus is placed on the most recent or largest losses.

However, in many cases, we try to be responsive, and even pro-active. The trick is to apply the knowledge that we have as professionals in our field, and correlate this with the information our companies have access to. To promote our case, Industry losses and latest reflections of good practice are cited.

Given the way technology changes over the years, from when a process is first installed, significant differences in what is needed to adequately protect it, can occur.

But we have our own company Standards and Procedures That is a valid point, but all such documents must be regularly reviewed, and updated, to reflect the changes that are needed. Even more important, is that these need to be applied.

One of the best methods is to work with the company, using the Design Standards, so that compliance can be related to reviewed and approved systems, consistent with the companies overall approach to Risk control and reduction. In this way, the insurers' input is focused on the "big picture", on systems and procedures.

So how much premium do we save if we spend money to carry out a recommendation?

Companies approach this in different ways. Some insurers juggle the premium so that a 'rebate' can be given to the client. Some clients work on the basis that what needs to be done, is done.

In the end, for a Corporation, the main issue is not necessarily how the insurance premium is split out to the sites, and business centres. For others it is. A method we can apply, on behalf of a client, is to use the quality of the site, and the hazardous nature of its operations to allow a nominal 'apportioning' of premium.

In this way, higher quality sites, for the same occupancy, and size, would pay a lower proportion of the Group premium. However, other Corporations do not feel the need for this, with budgets for loss prevention being based on the overall purse, and internal submissions for capital.

What then, can Insurance Engineers contribute to us as clients?

Loss Prevention, and Risk Management experience and expertise.

By the nature of our work, we see the best and the worst. Naturally, we are bound by confidentiality, but safety features, and Risk reduction techniques are rarely secret, and the lessons learnt from losses can be circulated.

By means of the Proposals to improve risk, or recommendations, which we give, these can provide opportunities to pass on our experience of these losses, and latest good practice.

It has been said that Corporations have short memories. As we know, it is people who make up these Corporations. Our input is most effective, if it is right at the start of a construction project:- 'Do it once, do it right'. With Property which exists, we look at what is needed, and what protections are in place. We then must work with the Client to improve the risk, assessing which sites have the most needs, and therefore prioritizing effort, if necessary.

In doing so, we can make use of information available to both you as clients, and us as insurers.

How do we access this information?

Just ask. Our job is to advise and protect our clients. For Insurers , our clients are the Underwriters who write the policies, and the companies whose insurance programmes the Underwriters lead.

Your insurer and/or broker can give input on the company needs

- How am I doing?
- protection systems
- on relevant losses (where confidentiality permits)
- Risk control and management
- Contingency planning

What is the key word?

Communication Site surveys may be once or twice per year, but this is not the only opportunity, (if you consider it worthwhile), to have ongoing dialogue.

**Remember, Insurance surveys are looking at the present situation, and future potentials, by applying the lessons of the past, and techniques for the future.**