

# Confessions of a loss adjuster

Nicholas Kelly, who formerly worked in loss adjusting and contentious claims in the insurance industry, demystifies the dark art of loss adjusting



The annual Kings Arms flood at York



The destructive force of flood waters at Boscastle in 2004



Potential loss from impact damage (steel kegs) at Lewes in 2000 (photograph courtesy of East Sussex County Council)

The increasing regularity of flood events is widely accepted. Major damage events (Boscastle, Prague, Saxony to name a few), remain mercifully rare, though York floods annually, London lives under constant threat, and communities nationwide gradually colour in flood-risk maps. As a significant element of the building stock, historic buildings are increasingly threatened by flooding. When floods occur, we call our insurers, but what can we expect from them?

## What is insurance and what should it cover?

Insurance is a financial guarantee, providing recompense for financial loss against specified risks ('perils'), to restore the building and certain ancillary structures to their pre-loss state. It does not cover repair of the cause of the damage. For listed and historic buildings, total reinstatement cover is recommended to allow for sympathetic repair.

Compensation is limited to the maximum payment value covered ('sum insured'), which should be based on total replacement costs, recalculated annually for premium assessment. The BCIS Rebuilding Cost Tables acknowledge limitations relating to historic buildings, and specialist advice should be obtained.

With flooding as a primary (proximate) cause, related erosion, subsidence, debris impact and contamination damage can also be considered.

## In the event of a loss

Flood water will leak through gaps, cracks, service points and vents, and seep through porous materials into a building. After a loss has been discovered and reported to insurers, a loss adjuster is appointed to reach a fair and economic settlement, with some licence for amenable settlement.

Historic materials and finishes are particularly vulnerable to flood inundations, unfamiliarity with traditional buildings, and targets for early claim settlement, leading to future decay and fabric loss. Sensitive 'alternative' repair schemes can be agreed with loss adjusters, involving less intervention over extended durations, often eased through by showing comparative financial costs.

All reasonable building fabric loss costs attributable to the flood, either directly or subsequently, should be met. For example, impact damage caused by steel kegs mobilised by flood water following the overtopping of flood defences in 2000, should be covered, whereas unrelated structural problems elsewhere, revealed only by the removal of flood-damaged materials, was not.

## Claim administration

Policyholders are required where reasonable, with costs available, to limit the damage (mitigate their loss), either by controlling the inundation, or by relocation of undamaged items to safe storage areas.

Reasonable 'specialist (historic) professional' fees are payable to assist the loss adjuster in administering the claim. Briefs received might include:

- ensuring safe access into and around the building
- assessing further or future inundation risks, and necessary precautionary works
- maintaining building security and site facilities
- investigating inundation sequencing, indicative of unseen damage and saturation levels
- appraising the building; structure, materials and weaknesses; its breathability and damage susceptibility, including stabilisation, and capacity for recovery
- recording resultant damage, notation of cause, and maintaining ongoing records
- preparing a scheme for clearance, sanitisation, material recovery, and drying out, including temporary sumps, opening up, stabilisation, environmental controls, assisted ventilation, dehumidification, and exhaust points, including realistic programmes
- advising on appointments to treat specialist finishes and valued architectural elements
- advising on archaeological investigation and recording for enabling and repair works
- advising on the need for statutory consents and to administer applications
- developing, supervising and administering a scheme for repair
- advising on potential secondary effects (e.g. cracking, bulging, staining).

## Repair costs

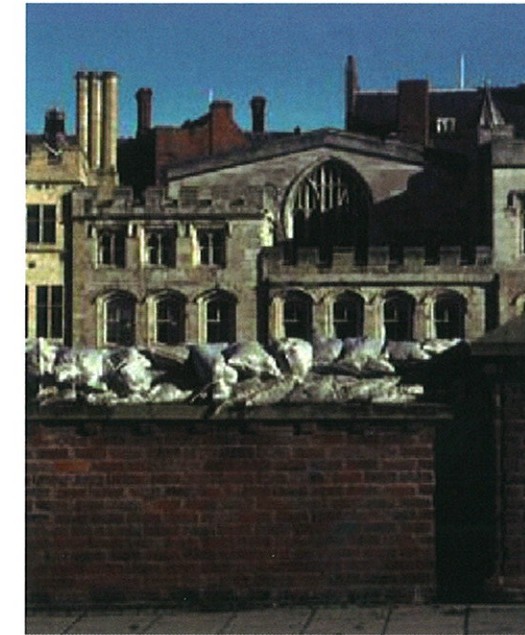
Historic building reinstatement costs are generally higher than for new build, but by understanding the traditional materials used, fabric interventions and financial losses can be minimised, allowing cost-effective repair.

Lime plaster, for example, softens and swells if soaked, absorbing large amounts of water without collapse, and drying hard as moisture is removed. It dries more quickly than gypsum.

It can be re-fixed, provides a sacrificial layer to absorb damaging salts, and is mildly self-disinfecting. These benefits reduce recovery times, a key benefit at Buscott & Coleshill when 50 National Trust buildings were deluged in 2007 by flash flooding from land-water runoff.

Similarly, porous historic masonry rapidly absorbs floodwater, but with controlled drying of moisture reservoirs, corrosion risks for embedded ties and cramps, salt and frost damage can be reduced and allow earlier reoccupation.

Historic hardwood timber, air-dried in humidity-controlled conditions, assisted by discreet low-level



Preparing for the flood waters – lifting the level of flood walls to protect the medieval Guildhall at York

drainage holes, securely fixed open doors and windows to allow airflow and localised floorboard lifting, usually recovers from single flood events. Through extending drying times, fabric retention is improved and expensive craftsmen (replacement) costs are avoided.

Historic decorative finishes by contrast, whether painted, wallpapered, or as wall-paintings inevitably increase reinstatement costs, extending drying times to avoid decay, and necessitating specialist conservator involvement both in repairs, and to assess and monitor, throughout reinstatements.

## Claim settlement

In calculating settlement values, loss adjusters will first complete a 'value at risk' (complete reinstatement cost) calculation, which, if significantly different from the 'sum insured', will determine cost apportionment – e.g. if a building is insured to 75% of its rebuilding cost (value at risk), settlement will be paid out to 75% of the claim value. Further 'indemnity' reductions are made for pre-loss wear and tear, and any deemed 'betterment' (improvement introduced at the policyholder's behest). Insurers may also deduct the value of any grants paid out relating to the reinstatement works.

In rare instances, insurers may decline settlement or withdraw cover completely if material facts were not disclosed when the policy was taken out or renewed.

Claim settlement minus policy excesses can be paid to the policyholder, enabling account settlement, or directly to consultants and contractors. Settlement, at insurer's option, is normally against repair value, but occasionally a 'diminution of market value' (reduction in property value caused by the loss) is applied, which may be less than the repair cost.

## Reducing future risks

Unless flood risks are eliminated, recurrence is possible. Policyholders and insurers may wish to incorporate measures to reduce future fabric loss, costs and inconvenience.

Various measures can be implemented, making the building:

- 1. Flood proof:** to prevent water reaching the building (flood walls and gates, sealed and backflow-resistant drainage systems)
- 2. Flood resilient:** accepting modest ingress using damage-resistant materials (demountable door and window barriers, pressure fixed or in sensitively located channels, removable airbrick covers, hydraulic-lime 'breathable' building skirts)
- 3. Flood repairable:** accepting repair following drainage.

The choice of measures will balance the building's structural, historic and aesthetic capability to accommodate the measures, cost, recurrence risk, and the need to minimise future fabric loss and disturbance.

The frequency and severity of inundations at the Kings Arms in York justified the relocation of living accommodation to upper floors and the creation of a flood-resilient riverside bar to minimise disruption. It also regrettably accepted the inevitability of flooding and, excepting the structure, that most historic fabric of value has already been lost.

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