

Adjusting to Shadow of the Bomb

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Paul May looking at bomb damage claims in Colombo's business district. Here he reports on what he found

Adjusters are used to walking into scenes of destruction and mayhem. But when the insured's representative is heavily bandaged and his dead colleague's blood is still visible on the office walls it becomes extremely difficult to focus anyone's mind on insurance.

In Colombo, the ever-present threat of further violence makes the situation even worse.

With 100 deaths and 1,500 people injured, mostly by flying glass, the scale of the personal impact was far greater than the bombs in the City of London.

The job of a loss adjuster is by its nature stressful. This normally stems from the difficulties of trying to get several parties whose interests all differ all to agree to the settlement of a claim when considerable sums of money are involved.

In Sri Lanka's capital, where so many people died, sensitivity and support had to be the top priority. In such a situation, the professional adjuster has to remain detached so that he can report dispassionately to the insurer and relate the devastation to the coverage under the insured's policy.

Insurers are always keen to discover as much detail as possible because they know that they are likely to face inquiries for more cover. They need rapidly to assess the level of threat for the future.

In addition, they will often welcome discreet inquiries to confirm details of the incident which may not be available publicly even with extensive media coverage.

For most businesses in Colombo the only terrorism cover they had was provided by the government and was very limited. This has left many of those that suffered damage with an uncertain future. No doubt many businesses will now be looking for terrorism cover, although obviously the price will be high.

A few international businesses, however, were able to rely on their global programmes. These require adjusters to respond on a worldwide basis. This time the claim came from Sri Lanka. It is not unusual for the insurers/reinsurers to be in London and the insured's head office and broker to be in different parts of the United States. All these parties rightly expect to be closely involved in the claims process.

As normal for the adjuster, the most urgent task is to begin collecting and disseminating the information necessary to adjust the claims. Insureds who are having to deal with very heavy workloads, often in unfamiliar surroundings, need help in setting up systems to capture the data that will be used to determine the loss.

With large company claims, addressing the ongoing business interruption exposure has to be given a high priority. In this case, many companies' offices and communication systems were totally devastated and will take months to repair. In the immediate aftermath some businesses have had to move their operations into nearby hotels and are now looking for temporary offices.

Swift re-establishment of normal business operations is always vital if the eventual cost of the claim is to be kept down. Following the attack in Colombo, access to the central business area has been tightly restricted as a security cordon has been imposed in an attempt to avoid further terrorism.

Indeed several days after the incident another lorry packed with explosives was discovered. Such a tense and volatile atmosphere does nothing to assist a return to normality.

Loss adjusters do not normally attract so much press interest, but in Colombo, media attention extended even to the adjuster, in this case as the sole representative of the London market.

This added a new dimension to the workload. When devastation is so widespread and extensive a wide range of skills have to be brought to bear on the numerous aspects of the losses that affect insurer's exposure. Material damage to complex buildings included the basic structure, the building's systems, suspended ceilings, glazing, internal partitions and curtain walling.

In at least one of the buildings in Colombo, fire following the main explosion produced many times more damage than that caused by the bomb's blast. The structural skeleton of the building has in places been severely weakened, with the concrete cover to reinforcing bars completely destroyed.

The final extent of damage will not be known until full structural testing has been carried out. It remains to be seen whether the damage is so severe that the building will have to be demolished.

Numerous office systems have been destroyed, as has the data they contained. Reconstituting records is obviously vital for businesses to continue and so that business interruption losses can be determined.

This is where the services of a forensic accountant can prove invaluable, not only to help the adjuster ensure that the amount claimed is correct but also to assist the insured with an unfamiliar task.

As with many large losses everything has to be done in a hurry immediately after the incident. After some time order returns and work takes on a more measured pace. At this stage, the knowledge and experience of a good local adjuster combined with the international lead adjuster's own experience in that market comes into its own.

Building repairs are likely to be undertaken mostly by local contracting firms and supply orders placed with manufacturers or importers. Local authority involvement with building repairs is inevitable and knowing the appropriate official channels and the correct procedures can significantly save on time and money.

The Colombo bomb caused human distress and suffering on a huge scale. Because of the limited number of policies which included terrorism cover, insurers have only been involved in a relatively small number of cases.

This starkly contrasts with the bombs in the City of London where thankfully casualties have so far been few, although property damage and insured losses have been massive. From experience adjusters know how to cope with property devastation. It is hoped that they will never become experience in terrorist cases where there is such a high loss of life and limb.