

*The Chartered Institute  
of Loss Adjusters*

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Making Hay when the wind blows....

*A lesson on camouflaged  
fraud*



# Learning Objectives of This Session

- know when to expect the unexpected
- know how to identify fraud
- understand the benefits of Broker/Insurer and Loss Adjuster communication
- understand the importance of attention to detail
- know how to spot claim exaggeration

# The Advanced Warning (Or not)

- The evening before Michael Fish joked that a lady had 'phoned the BBC to say that there was going to be a hurricane...
- I can assure you.....

## The stars of the show

Michael Fish – Famous for dismissing the risk of a hurricane

Dr X – We'll keep him anonymous

Building Partnership – Best keep them anonymous

Chartered Surveyors -Ditto

His Manager

The Director of the Firm of Loss Adjusters

The Insurer

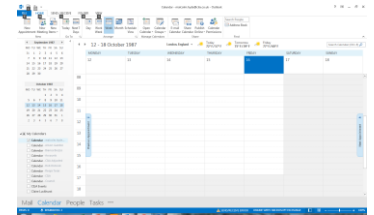
The Brokers

School Governors

The Young Adjuster

## The story

- Between 03:00 and 05:00 hours on Friday 16<sup>th</sup> October 1987 wind speeds over 80 mph (133KM/H) or **Force 12**  
Strength: Hurricane  
Speed: 75 mph or greater, 120 kph or greater  
Observations: Severe and extensive damage
- A Private school suffered extensive damage consistent with hurricane force winds
- Loss Adjusters and Claims Departments inundated (8-10 claims a day 7 days a week for 6 months)
- Tools:
  - Paper Diary
  - Blank lined paper
  - Pen
  - Shared camera
  - Own binoculars
  - Desk and hand Dictaphone
  - Company Car! Vauxhall Astra red



# Catastrophe Situation

- Huge increase in losses presented to Insurers
- Huge increase in losses allocated to Loss Adjusters
- 1987 Technology:
  - No Mobile phones
  - No PCs
  - No Laptops
  - No online maps
  - Considerable local knowledge – Loss Adjusters generally worked much smaller areas than today



## The visit

- Meeting with School Head Master Dr X
- The premises:
  - Large Victorian building with classrooms, dormitories , science labs, offices etc.
  - Numerous out buildings
  - Widespread damage consistent with storm
- Initial Reserve set at £35,000 £100,000 at today's prices



# The Headache

- Estimate for scaffolding arrived £25,000 about £69,000 today – remember reserve was only £35,000
- Significant works included:
  - Main roof
  - Six large chimney stacks
  - External classrooms
  - Garages
  - Clearing of fallen trees from buildings





# Progression of Claim

- Increasing reserve from £35,000 to £300,000
- New damage to property discovered weekly
- Appointment by Policyholder of Builders and Surveyors
- Involvement of Loss Adjuster Board members, Brokers, Insurers



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# Fraud in plain site

- Collusion
  - Exaggeration
  - Complaints
  - “Urgent works”
  - Time & Materials
- 
- Fraud Indicators such as:
  - Reluctance to obtain competitive estimates
  - Complaint when competitive estimates required



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# Outcome

- Large parts of the claim proved to be fraud
- Head Master was not in fact a Dr.....
- Broker accepted the actions were fraudulent
- School governors accepted elements of fraud
- Claim £300,000 made £200,000 paid
- The school had similar damage in 1990 – the claim was very different



# Project Management resolving a mess

- Involvement of a Chartered Surveyor from our office
- Preparation of schedule of works
- Process to validation damage and costs
- Time scales set
- Each component dealt with independently
- Agreeing need with Broker and Policyholder for validation



# How this might work today

- Historic aerial views
- Immediate digital photographs to record damage
- Drone to examine damage
- Analytics to calculate costs
- Instant reporting to underwriters





# Thoughts for the victims



# Thoughts for the victims



# Thoughts for the victims





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