



## SUBSIDENCE FORUM GETS TO WORK

Last year subsidence claims rose to nearly £500m in, what some claimed, was an event year. Even in a "good year" subsidence claims run at around £300m. It's big business and, given the disruption involved to individual householders, it's a controversial one.

Some predictions state one of the effects of global warming, resulting in regular long hot summers and dry winters, will be to double the severity of subsidence claims. In an attempt to raise standards to avoid

unnecessary and expensive confrontations between parties and get the industry to start singing from the same song sheet, earlier this year specialist builders, loss adjusters, lawyers, local council officers, surveyors, engineers and insurance companies got together to found the Subsidence Forum. Although the Forum has received widespread support, there is an appeal from its officers for more interested parties to become involved.

It is still early days but we publish below the results of the first committee meetings.

John Parvin of Zurich Insurance, a CILA member, chairman of the Liability and Recovery committee, says, "The first issue to tackle is that of handling tree root liability claims. Other areas such as policy liability interpretations will be covered in the future."

The background to this is that the Third Parties through ALARM and Berrymans Lane Mawer had

created a Special Interest Group, which is made up of a number of local authority risk managers and arboriculturists, claims handlers, loss adjusters, brokers and independent experts and solicitors. They had created their own protocol and needed to extend that to the Building insurers. It therefore seemed sensible for members of the ASUC forum on the liability and recovery section to meet with some of those representatives on the Specialist interest group.

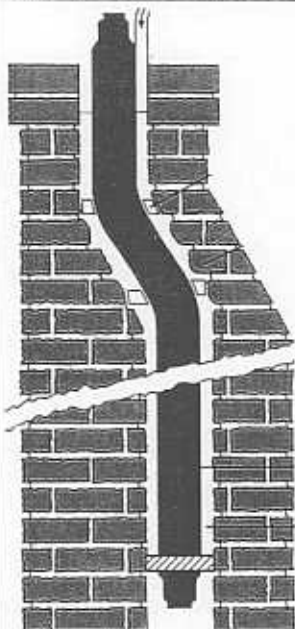
The initial meeting of parties from both sides took place at Zurich's Arlington Street office. Representatives of the following bodies attended:

*Building insurers:* Zurich, RSA, Halifax, Norwich Union, and RBS Insurance, LTSB;

*Liability Insurers/Claims Handlers:* Zurich Municipal, Gallagher Bassett, St Paul's and Royal SunAlliance;



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**Loss Adjusters:** Cunningham Lindsey, Capita, Crawford and Co and GAB Robins;

**Local Authority tree officers and Insurance officers:** Royal Borough of Kensington and Chelsea, Westminster and Barnet;

**Structural Engineers:** Barnet and independent engineer Pat Robson.

John Parvin, Subsidence Claims Manager of Zurich, chaired the meeting.

Chris Colwell, Principal Arboricultural Officer of Royal Borough of Kensington and at the time the Chairman of the London tree Officers, set out, in brief, the constraints, political, social and legal that the Local Authority (LA) Tree Officer may find themselves working to.

Jason Goodwin, Risk & Insurance Manager City of Westminster, put the view forward

of the Insurance and risk manager, where he outlined amongst other things the need for co-operation, not confrontation.

Peter Osborne of Tree Subs (Ex Zurich Municipal) outlined the position from a liability insurer. He outlined how Zurich had produced a draft protocol, the aims of which were to ensure that:

- both parties have provided sufficient information in support of the matter.
- each party has had the opportunity to consider the evidence and to accept or reject the claim at the earliest possible stage.
- pre-action contact and the exchange of information is encouraged.
- early mitigation is completed, where appropriate, to reduce overall costs.
- there is an opportunity for both parties to meet informally and resolve dispute cases.
- the issue of tree removal /

reduction / re-planting is completed on a non-adversarial and ecologically friendly basis.

Pat Robson (Structural engineer) outlined the evidential requirements, in particular the benefits of level monitoring and the fact that too much emphasis is put on soil test results, rather than on identifying that movement was actually occurring as a result of the proximity of the vegetation.

In summary, it was considered that the professional opinion was sometimes not considered adequate, without being able to refer to supporting evidence. Inadequate and poorly-presented information is likely to result, at the very least, in delays to decisions being made and it simply enforces a defensive approach to decision making.

However, clear, concise, and relevant information helps not only the tree officer and insurance and risk manager, but helps persuade the merits of the case to the

elected members and the general public.

Action Points agreed:

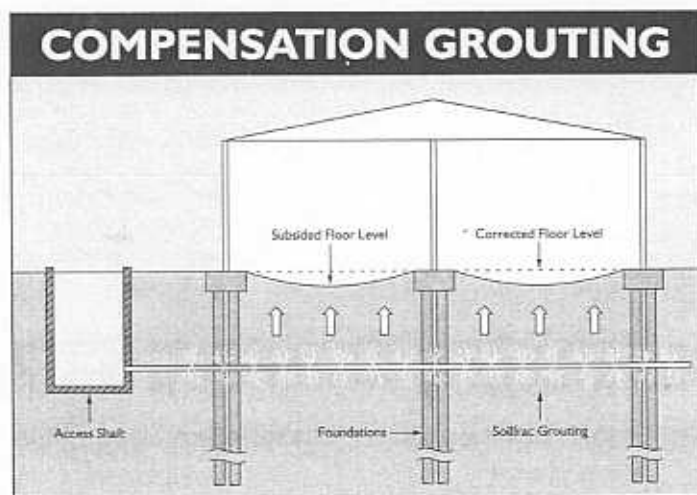
1. A sub committee of John Parvin (Zurich), Andrew Buckley (RSA), Mike Maddox (Cunningham Lindsey) and Jason Goodwin (Westminster Council) to review the existing Zurich protocol document and to circulate to members.
2. A simplified claim form summarising the key evidence so that all the relevant information is presented in a concise format.
3. The information will then be shared further with the claims community including other building insurers, liability adjusters and solicitors.

Gary Stone of the task force looking at Risk management, Data Share and Cash Settlement says, "At the inaugural meeting, we explored potential areas of common interest in practice and

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## subsidence forum

- ▶ process that would enhance our ability to perform as an industry.

"One of the strands picked out was the issue of common interest in data and intelligence sharing.

"The accessibility of Web technology, and the collection and use of valuable data is putting the industry on the threshold of 'next generation' approaches to managing both claims and risk as an integrated package. Data, that for years has remained in paper files, is all being brought together and delivered through data and mapping tools.

"Given the significant commercial advantages in being first to realise this potential, sharing between insurers and adjusters and specialist service providers is unlikely initially. However, we should, and can, track progress and seek out mutual opportunities, and also work together to encourage third parties to deliver datasets to the market on a commercial basis.

"The first practical scheme under discussion is a common database of properties that have not been directly repaired, but have

been settled by cash. Whilst these are a small percentage of the total, they often involve major repairs. A centrally shared database will act as a backstop in flagging up to underwriters at inception or renewal that there may be a risk – and appropriate checks carried out.

"There is currently no industry control in this area, and each case that may arise may be a significant loss. An outline proposal will be ready for the next Forum meeting for discussion."

Bob Walker of Cunningham Lindsey and Chair of the Process, Protocols and Technical Innovations Committee, says, "The committee has members from a variety of backgrounds: Loss Adjusters, Insurers, Contractors and Consulting organisations. It held its initial meeting on 2nd August at Cunningham Lindsey's office in Solent.

"Principal objectives were identified and a framework for future work and discussion was established.

"The group then agreed a list of items for consideration relating

to the various stages of the complete claim process, from initial intimation of the claim by the customer to insurers through to Initial Visit, Site Investigations, Repairs and Conclusion of the Claim.

"More detailed consideration was then given to the items listed for each stage, this exercise making full use of the diverse backgrounds and differing perspectives of the committee members, which will assist in establishing 'best practice' solutions.

"Further individual consideration to remaining process issues is now taking place on a 'task' basis, with views being fed back and collated.

"These preliminary findings will be shared with the Forum at its next meeting.

"Our initial discussions have highlighted the benefits of the industry developing a more cohesive framework for dealing with subsidence claims. A challenge will be for all parties involved to integrate more effectively.

"The work being carried out should provide a useful blueprint for the Forum."

Jill Hunt of Lloyds TSB says, "The initial meeting of the Customer Care Focus Group took place at the Millennium Stadium, Cardiff on 3rd August. I am pleased to report that this group is one of the best-attended groups and has recently advised of two new members.

"This is a clear indication of the desire within the industry to improve customer care, at a time when the customer feels his home and most expensive asset is threatened.

"The general consensus from the group was that a standard of care should operate throughout the life of the claim from underwriting through to final repairs, with buy-in from all parties including site investigation teams and sub-contractors.

"It is our intention to put forward for discussion at the next Forum meeting the idea of a Customer Care Charter and also an Independent Review Panel, made up of Forum members, where disputes can be brought by interested parties for arbitration."



Richard Aytton-Robinson thinks you should be.

By late July 2003, when the 'are we, aren't we' question was buzzing though the industry, the stage was set and the audience hushed in anticipation. On 10th August the 100 degree F barrier was finally broken. By the end of September subsidence claim notifications into the UK market had risen dramatically from a pre-event weekly average of 550 to a peak of nearly 3,000. According to the climate experts WeatherNet Ltd, 2003 was the third driest and sunniest summer in 45 years.

There is some evidence from past records of a pattern with very warm or hot summers occurring in consecutive years as with 1975/1976 and 1989/1990, but this 'double whammy' correlation is too unreliable to predict with any certainty. However, even the more normal summers that follow an extreme year produce a lot of claims. August 2004 was one of the wettest on record but the damage of the previous year had still been done and in many cases the remedial work is still in hand.

Dealing with such peaks and troughs has major implications for all those involved in the industry. High on the list of implications for insurers is the increase in claim costs that results from the inefficient way suppliers are forced to run their businesses to respond to the fluctuations in demand. But what is the bigger picture? According to the ABI, the effects of

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# Event year? Now the sequel...

It is almost a full year into what was expected to be another event year for subsidence - following 2003 where claims reached some £500m. Yet claims to date have only reached about a third of the anticipated volume because there have been delays in reaching the contract stage.

Contractors have been expected to be ready to meet the anticipated deluge of contracts to ensure that service criteria are met for insurance clients.

However, it appears that although major efforts have been made to keep to the "front end" criteria, that is: initial visits and reports, the work has not followed through.

In order to fully utilize and maintain well-trained and specialist operatives Contractors need a regular and consistent stream of work to utilize this highly-skilled work-force efficiently. In addition it follows that a steady cash-flow is also necessary to fund a successful operation, neither of which is happening in the present culture and climate of the subsidence industry. Although adjusting houses and insurers are under great pressure with the volume of work derived from 2003, little or none of this work has yet been sent on to the contracting world.

ASUCplus members are particularly willing and able to provide their services to insurers, but do not have unlimited resources in hand to sit and wait for insurers' instructions. They have made every effort to retain trained staff and operatives to carry out this work but require support from Insurers.

The recently formed Subsidence Forum, of which ASUC is a founder member, may well help in speeding up the overall claims process, but ASUCplus members are seeking action now to protect the future of the industry and to ensure it does not fall prey to cowboy operators if the backlog of claims becomes overwhelming. This would be detrimental to the whole industry and not least the policyholder, who is after all its ultimate paymaster.

For further information on ASUCplus, its members and publications go to the website at [www.asuc.org.uk](http://www.asuc.org.uk) or call 01252 739143.

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