

While the subsidence industry has enjoyed a quiet time, history teaches that this is unlikely to continue for much longer, so now is the time to start preparing for harder times ahead with a water-tight succession plan, as Jill Maclean explains.



THE SUBSIDENCE industry has enjoyed a period of relative tranquillity but if it is to avoid being overcome during the next claims surge, there needs to be a training and end-to-end process in place to ensure capacity is not overstretched.

Concerns have been expressed over the lack of succession planning within the subsidence industry. The question is, how far has the problem escalated and is it now so late to effectively deal with the next surge—or has the industry spent the quiet period of the last few years consolidating its action plan?

Over a number of years the subsidence industry has seen fee levels for specialists at least stabilise, but more generally decline, due to commercial pressures. As a consequence, during the subsidence surges of 2003 and 2006, the only way to cope with demand was for adjusters to overload existing staff. This led to growing disenchantment—and experienced, competent staff exited the industry.

The problems were compounded in the double flood events of 2007, when technical staff were utilised by their employers and, as a reaction to these catastrophes, subsidence was placed lower on the list of priorities.

To some degree, the reality is that the recession now affecting the construction industry could give loss adjusters and engineers an opportunity to recruit new staff and to train them in preparation for the next surge. However, in the present commercial environment of low subsidence claims volumes, this is unrealistic.

Association of British Insurers' figures suggest that subsidence notifications are dropping steadily, with 15 132 claims estimated in the first half of 2008 against 60 600 over the same period in 2006. Therefore, there is a clear danger that if we move from low subsidence volumes into a surge, rather than seeing steady growth before a surge occurs, then capacity problems will be

far more significant than those seen in 2006, potentially leading to a meltdown.

However, it is probably true to say that some of the better quality subsidence staff who left the employment of the major practices still had a desire to undertake subsidence work but under a different ethos. There are now a significantly greater number of small engineering or claims handling practices that have the experience and ability to handle high volumes in surge conditions; one of the key issues in the next surge may well be the ability of the larger practices to effectively sub-contract this capacity.

New concept

While insurers will probably accept this concept, the loss adjusting practices will need to make sure that relationships and processes agreed with these sub-contractors are transparent, so that insurers can make an informed decision during tender processes or at the onset of surge. This way the industry will work together with benefits felt by the industry as a whole and for its customers.

Loss adjusters are also moving to 'multi-skilling' where they move staff between subsidence, flood and other perils work. This raises 'jack-of-all-trades and master-of-none' concerns. As catastrophe work appears to increase and subsidence work decreases, expertise in the field diminishes and it will always be difficult to keep staff trained in new methods of repair in preparation for a subsidence event year.

When a surge arises the impact on key suppliers is clearly phased over a long period of time. At the onset of a surge, investigation specialists come under immediate pressure. However it will be 12 or 18 months later, as the claims are drawing to a conclusion, that repair phase contractors, particularly underpinning contractors, see a significant increase in the volume of work.

Key suppliers need to guarantee that

their end-to-end process is robust. During previous surge years the process collapsed at the stage where site investigation contractors had to produce an increased volume of reports. Loss adjusters, engineers and the investigation contractors have worked hard at improving their processes to enable them to cope with high volumes, utilising increased technology and triage.

Turning to the repair phase, given the current recession in the building industry there should be an adequate number of suitable experienced contractors available to deal with a surge. However, while the capacity may be available, steps need to be taken to ensure that there are sufficient skill levels in the market given concerns about skilled labour from eastern European countries returning home.

To compensate for the recent decline in underpinning work, a number of major underpinning contractors have swung their core business focus towards new build-related work and clearly the housing recession will have an impact on volumes. The Association of Specialist Underpinning Contractors has been warning us of an exodus since 2003 and the current chairman, David Gakhar, has commented that investment in training should be a priority to tempt young staff to stay in the industry. While there has been a reduced propensity to stabilise properties purely by underpinning, there is a risk that 12 to 18 months after the next surge there may well be a shortage of appropriately skilled operatives.

While making sure that we have the ability to cope, the industry is also facing the problem that the majority of its experienced staff within the insurance industry, loss adjusting practices and contractors are mature. Concern regarding the lack of new talent coming through was echoed by the president of the Chartered Institute of Loss Adjusters, Bill Tucker, recently. This problem has been on the agenda at the Subsidence Forum since last year and every effort is being made to support new talent and provide relevant and current information at our training days.

One major loss adjuster sees training and career development as a key way to retain staff and has launched a programme aimed at the technical specialists of tomorrow. The CILA has also provided training via its special interest groups. Insurers are also utilising their suppliers as a source of training to complement in-house expertise.

In these quieter times—while subsidence claims are few and far between—the industry needs to keep focused on the need for training and succession planning and only when faced with the next surge will we know if we have done enough to support the claims process.

POST

Jill Maclean is chair of the Subsidence Forum