We did not start the fire

An insurance risk survey is a documented overview of the risk premises and processes conducted therein in order to assess the vulnerability of the insurer resulting from a loss due to insurable perils.

These include fire and explosion, natural perils, machinery breakdown and other business interruption related exposures.

Surveying the landscape

The primary objective of surveys is to assess the risk exposure to insurers and provide feedback to underwriters. Surveys can also assist clients with their risk management programmes with an underlying intention of reducing the risk exposure to insurers.

The focus of surveys is to concentrate on those areas where clients are perhaps lacking expertise which in many cases is fire engineering.

Indicative cause

That in itself could be the reason why statistics have shown that 70% of large losses in corporate spaces are due to fire and explosion. Insurance survey work is not aimed at legal compliance or safety in the first instance, but there are areas where overlap occurs and this can be found in building standards.

No consulting work or detailed design is done as these are referred to consulting engineers, fire engineering consultants and broking houses. Environmental assessments are generally not included in reports although some policies cover remediation type costs and therefore an awareness of this aspect is necessary.

Adding value

An insurance risk assessment can add value to both the client and the insurer. It forms the basis of an extra set of eyes and ears on the site and can provide a view from an independent outsider perspective.

The concept is one of relationship marketing whereby the insurer not only sells the policy and collects premiums; instead creates a relationship of continued risk improvement with the client by offering advice and possible solutions.

Instead of quoting the book, more value is added if the intent of recommendations is explained and a joint effort is made towards workable solutions. The recommendations are based upon local or international standards rather than applying personal or company preferences which may be superseded by future developments.

Challenging roadblocks

Challenges relating to the standards are the varying interpretations of the code, as well as the open ended conditions such as In accordance with section A of various SANS codes, leaving it to the discretion of the individual.

The limited knowledge of the changing standards further complicates the problem with different recommendations by surveyors resulting in a frustrated client.

Risk approach

Risk quality at premises can also be influenced by attitudes of the insured and insurer. The stringency of a survey is dependent on the risk appetite of the insurer.

By the common understanding that insurance covers losses, the insured tends to limit the amount of effort on risk management to the bare minimum. Insurance Risk Surveyors strive to create a culture where the risk in the building must be assessed before the buildings minimum safety requirements are even looked at.

In order to achieve this, one has to understand the business operations, follow the process and ask as many questions as possible.

The utilities are a key aspect in terms of origins of losses and business interruption. All adjacent risks to the site should be explored as they could have a huge impact on the insured business. In all of these; one should question what could go wrong and have a synergistic approach in risk improvements.

The key role players in determining the ideal solution to risk management are the building codes, the owner/client, the fire engineer, the local authority and the insurer.

With individual vested interests, all of these role players tend to focus on their core requirement independent of the needs of the other. All resources can derive predictable scenarios which could yield efforts to eliminate or reduce the risk to an acceptable means which improves both life and property protection.

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