

AN OVERVIEW OF WRITING A FIRST REPORT

A first report (also called a 'preliminary report') is generally the most informative initial report that a loss adjuster issues. It forms the basis of action and starts to set forward a preliminary reserve for the underwriter or insurer.

Each paragraph in the report should be numbered as this makes it easier to reference specific material within a report and makes it easier for the reader to follow. Numbered paragraphs are also useful when your principal needs to give you further instructions, as they can refer to a specific part of your report with ease and ask you to clarify, or expand on, a particular point as required.

Below are some common sections you can expect to find within a first report. As with all reports produced by loss adjusters, be mindful that different principals and organisations will have different requirements for the information they wish to receive and the order in which the information should be presented. Not all sections will apply to every claim — for example, a very straightforward domestic claim may not need sections for 'Independent specialists' and 'Loss mitigation'.

The introduction

A report should open with an introduction in which you thank the principal for their instructions and identify the people that you have initially spoken with or actions taken. It is not quite an executive summary, but it gives the reader some clue as to what to expect within the report.

Associated parties

This section of the report should identify all the parties you know are associated with the event. The parties can include people associated with the insured, third parties who have suffered damage as a result of what has occurred, police, fire officers, building management and so on.

Say, for example, that ABC Bakery in a shopping centre has a fire in its oven that is severe enough to cause damage to the bakery and the adjoining XYZ Butchers. The loss adjuster arrives on site in time to meet with police and fire officers. In the parties section of the report, the loss adjuster would identify: the insured (ABC Bakery); the principals Bill and Joanne Treacle; and the employees Phil Moss, Josie Goodfellow and Terese Miller. Following, there would be a subsection identifying the adjoining premises (XYZ Butchers), the third party principal Joe Lamb (the butcher shop owner), as well as the local fire brigade, police and their representatives, Fire Chief Ian Daily and Constable Lim. Throughout the rest of the report, whenever the loss adjuster then makes reference to various parties that they have conferred with along the way (or may need to confer with later), it is easy for the reader to identify how each party fits within the circumstances.

If the number of parties expands during the life of the claim, then you should list the parties when they appear in each subsequent report.

Claims history

Under this heading, detail as accurately as possible any known claims history of the insured and/or tenant, stating the source of the information. (Comments such as 'Known to company' are not encouraged as they do not demonstrate that the loss adjuster has checked this information with the insured). The insured has a duty to disclose previous relevant claims history prior to commencement or renewal of a policy; however, sometimes additional relevant claims history may become evident during the claims investigation.

Description of risk

This section should describe the risk in sufficient detail so as to give the reader an understanding and a feeling for exactly what the risk is.

It is important to remember that the insurance company often is not completely aware of the specific physical details of the premises that they have insured and the actual process within a particular enterprise. As an example: the insurer might understand that they have insured a vineyard and underwritten it accordingly, but they would not know precisely how the grapes are harvested, the brand names or abilities of the machinery in the production line, where the product might be sourced, or how it's moved about the site.

Dwellings are rarely inspected prior to commencement or renewal of policies; nor are most small businesses. For larger risks, complex enterprises and new ventures, the extent of the insurer's knowledge will depend in part on whether the insurer has done a risk survey prior to taking on the risk. Regardless, the loss adjuster has to presume that as far as the insurer is concerned this information is being gathered for the first time.

The subheadings used within this section will vary depending on the type and complexity of the risk. In a simple domestic claim, for example, this section may only require a description of the premises. In a commercial claim it will typically require both description of the premises and a description of the business.

Description of the premises

A simple domestic claim might merely include a description of the premises such as 'Single storey, slate tiled, three bedroom dwelling built in 1960s'. For a business claim you might comment on whether the insured is a tenant or owner of the building and give a brief description of the building such as 'a warehouse constructed with a steel portal frame and tilt-slab walls with an iron roof, unlined, set on a concrete slab within an industrial area'. The description can be as detailed as necessary. External measurements should be provided, possibly accompanied by a sketch.

Description of the business

For commercial claims you would then describe the business of the insured; for example, what the business is, how long it has been in operation, how long the current owner has owned it, how many employees it has, and so on.

If there is a process that is relevant to the claim, here is where you would identify the process: for example, the way a printing works operates, or the way a vineyard processes its grapes. If the insured is the owner of the premises and the premises are leased to a tenant, you might describe both the insured's business and the tenant's business.

Circumstances of loss

The next, usually brief, section is the circumstances of the loss, confirming its date, time and location, and how the loss occurred according to what was reported and what you have observed on site. This might be, for example, 'There was a fire in a warehouse thought to have begun in the south western corner where there were volatile materials stored'; or in the case of a products liability, 'A mower blade became detached from a base plate while in use and the flying blade caused damage to a neighbour's motor vehicle'.

Make reference here to any witness statements and statements by the insured and/or tenant, and attach these statements to the report where possible.

In the case of a fire claim, you might include subsections called 'Spread' and 'Stop':

- **Spread** talks about how far the fire has spread and what else was consumed (e.g. adjoining premises, the whole of the premises).
- **Stop** specifies where the fire stopped and how.

Fire services and Police

If fire services were called to the scene, you would include a 'Fire services' section with details on when the fire was reported, how many appliances were deployed, where they were deployed from, how soon they arrived on site after the fire was reported, and who was first on the scene.

Where appropriate, under a 'Police' heading you would identify whether or not the police were involved, the names of these officers, and other relevant information.

Nature and extent of loss

This section (sometimes called 'Damage and loss') describes in detail the type and extent of damage to the building, contents and other insured items and also comments on repairs or total loss.

The detailed description of the damage is drawn from the observations and notes you made during your damage inspection. It should refer to available photographs (attached, scanned or digitally forwarded). The focus should be on claimable damage.

Again, the detail required in this section will depend on the type of damage, the type of claim and its complexity. A simple domestic claim might have a section describing damage to the building and another section describing damage to the contents. An industrial claim, by contrast, might include sections and subsections such as:

- Material damage
 - Plant
 - Stock
 - Contents
- Business interruption
 - Gross profit
 - Loss and turnover

You will sometimes include a broad scope of work in your first report; the detailed scope of work is typically included in a subsequent report due to the time it takes to compile it.

Where the contents loss is substantial, this section may include a completed schedule of loss. This is a list that details the claimable items that have been damaged or lost, giving details of the item and its likely replacement cost.

Investigation

The next section details the results of any preliminary investigation: what is discovered on the site, such as observations around the source of ignition in the case of a fire, what precautions might have been taken, what fire protection in terms of sprinklers and hand-held extinguishers was available, fire patterns, and any observations made along the way.

Initial measures

It is also prudent to comment on any steps taken to 'make safe' and protect evidence. Where this has occurred, this information is included in a section called 'Initial measures' or 'Actions taken to date'.

Policy consideration

In the Policy consideration section (sometimes called 'Policy liability'), the loss adjuster:

1. compares the circumstances of the loss against the policy terms and conditions
2. provides their opinion as to whether they feel that the circumstances fit within the policy
3. makes a recommendation regarding either rejection or adoption of the claim.

Independent specialists

Here you would mention any specialists or specialist services that have already been approved by the principal for use. You might summarise their relevant actions and findings to date, attaching reports if necessary. Such specialists might include a forensic scientist, fire investigator, building consultant, stocktakers or forensic accountants, among many others.

Prospects of recovery

This section would detail any options for recovery: that is, whether there is a possibility to recover monies from some other party — for example, one who might have been the cause of the loss.

Salvage

In this section the loss adjuster discusses whether any of the materials, stock or other items can be salvaged and either recycled, cleaned, repaired or sold as salvage to offset some of the loss.

Suggested reserve

That naturally leads to the next subheading, which would be 'Suggested reserve' or 'Quantum', where the loss adjuster set outs their reserve. It might be a single figure or it might detail amounts for building, contents, stock, plant and equipment, and so on. Often it is in the form of a table that identifies each section of the policy and shows either reserve value or 'nil' against each section, demonstrating that the loss adjuster has considered all aspects of the cover against the loss.

Recommendations

Within this section the loss adjuster will recommend any further actions they feel are required as a result of the inspection. They may, for example, mention additional make-safe work they feel is needed or making a progress payment to an insured, adoption of the claim. Some of the more common recommendations will be to do with appointing specialists, and options for loss mitigation.

Specialists

The loss adjuster might recommend the appointment of specialists (in addition to those already specified elsewhere) or additional resources they think they need in order to properly identify the cause or fully determine the extent of the loss. You might also request specialists who can advise on options for repairs or who can assist in preparing the scope of work. For example, you may wish to appoint a building consultant to prepare a detailed scope of work, an electrical engineer to investigate certain plant, or a furniture restorer to advise on options for repairing an antique dining setting.

If it's necessary to engage lawyers quite early on — perhaps to preserve evidence or to seek advice — then you could specify these details in a section on 'legal intervention'.

Loss mitigation

You might also discuss your recommendations for any form of loss mitigation, such as suggestions to fast track repairs, or to locate alternate premises in the case of business interruption.

Present position/Future action

These days, there is generally a box or table referred to as 'Present position' or 'Future action' that assigns responsibility or clearly outlines what actions are required next for the insurer, the insured and the loss adjuster, for instance:

| | |
|----------------------|--|
| Insurer | To consider the claim, issue instructions, make a payment |
| Insured | To gather quotations, prepare a list of stock, gather historical invoices, meet with their accountant |
| Loss adjuster | Await instructions from insurer, await further information from the insured, arrange to take statements from employees |

This table acts as a quick reference point in times of high claim volumes, assisting the insurer to see at a glance whether there are urgent actions required.

Finally, where an adjuster with limited knowledge or experience is involved, the report should be signed by the preparing adjuster and countersigned or signed off by a qualified adjuster.