



Mark Pierce

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Welcome

The second quarter of 2022 has not been quite as challenging as Q1 2022 but the ongoing 'hangover' from Storms Dudley, Eunice and Franklin continues to keep our outstanding claims numbers unseasonably high. Good progress on these claims continues to be made and we anticipate having at least 90% of these storm cases closed within the next 60 days.

Sadly, this will be my final newsletter as I am set to retire at the end of July following some 40 years involved with the insurance claims industry. During this time I have handled many memorable and interesting claims, dealt with some heart wrenching cases and have met some truly amazing people – customers, clients, colleagues and suppliers alike. The last three years spent at Criterion has comfortably been the most enjoyable time of my career. I leave the industry with so many great memories and a slightly heavy heart.

Going forward my current duties will be split between the senior management team here of Helena Evans, Jo Goldsmith, Louise Skilton, Dave Mello and our MD, James Long who will all continue to drive this great business forward.

In signing off, a big thank you from me for all your support and friendship over the years.



Our team at Criterion continues to grow and we are delighted to welcome the following to our team:

Frazer Murray-Hall brings a wealth of experience following 35 years of working in the loss adjusting space in the UK and overseas. He has a strong track record in property insurance in both Private Client and Major Loss work.

Terry Dutton's career in loss adjusting spans over 25 years. He has worked in the UK and his native South Africa managing a wide spectrum of HNW and commercial claims.

Frazer and **Terry** are fanatic additions to the Criterion team and replace very recent leavers **Jonathan Walls** and **Laura Clarke**.

This month we will also be delighted to welcome **Konnie Jamal** and **Emily Davis-Levy** as new members of our Support Team. They replace **Val Clark** and **Susan Drew** who leave us in June and we wish them well in their much-deserved retirement.



Inflationary Pressure on Claims

We continue to see economic inflationary pressure driving all costs up. The insurance sector is far from immune to this. As a result, replacement costs may be higher than expected following a claim. On occasions, this can leave some policyholders underinsured. Our typical case study below highlights what this means at the claims 'coal face' at a time when economists are suggesting that inflation is set to maintain at around 10% probably until the end of 2023. Interesting times...

A Case Study

Mr Smith bought a new Rolex Submariner green face/ bezel 'Hulk' watch for his 50th birthday in September 2014. On collection he calls his broker and adds it as a specified item on his HNW policy extending it for full 'all-risks' cover away from the home too.

This specified item increases every year in line with the Insurer's index linking methodology. Pre pandemic in September 2019 the specified sum was adequate to meet the replacement cost of the watch. Indeed, subsequent renewals followed and at renewal in September 2021 it was insured for a specified sum of £7,224.

Very sadly, at the end of April 2022, Mr Smith has this watch stolen from his wrist in a street mugging near Victoria Station all captured on CCTV. Fortunately, neither Mr Smith nor his wife are hurt during this terrifying robbery. The claim is then made.

During and post pandemic the market for certain 'high end' watches has ballooned. Simple online pricing investigation suggests the current cost to replace with a second-hand model (new ones are NOT available) is circa £25k. Therefore, at face value the current specified value is almost £18k short of the second-hand replacement value.

The issue here is that simple index linking may not be enough. The customer and broker need to understand the market for replacing the watch should it become lost. Prices of certain Rolex models have exploded due to a combination of factory production diminishing during Covid, global supply chain issues and pent-up global demand.

Whilst the majority of High-Net-Worth policies do not carry any direct penalty for under-insurance (misrepresentation excepted) so called 'perils based' covers very often have average conditions. Application of that average condition can result in the claim sum being proportionally reduced to reflect the level of under-insurance.

Such inflation is not restricted to jewellery and watches. During the course of Criterion's work, particularly over the past 12 months, we have seen similar issues arising on building claims (notably substantial High Net Worth works), replacement of equipment/plant/machinery and alternative accommodation where rent costs continue to soar ahead of RPI.

If we are not already acutely aware as 'consumers' of the current inflationary pressures, this case study serves as a reminder to customers, brokers and insurers of the need to keep sums insured, especially for high-risk items, under annual review.



Mr Smith - Rolex Submariner

