

# Restoration vs replacement – could the construction crisis lead us to greater claims value?

By Dr Greg French – 9<sup>th</sup> June 2021

After fire or water damage, there's always one key question – restore, or replace? With global events starting to impact construction supply chains, has answering the question just got a bit easier?

COVID-19 and Brexit are seemingly creating a perfect storm when it comes to construction projects, both small and large. A number of key building trades are reporting shortages of skilled personnel across the UK. Whilst skill shortages are arguably not a brand-new problem, they have been further exacerbated by a rapid decline in the numbers of migrant workers – particularly from Eastern Europe – coming to work in the UK. The construction industry relies heavily on these workers, and their reluctance to return to the UK given the concerns and uncertainties brought about by COVID-19 and Brexit is a problem all of its own.

This has been compounded by materials shortages, which many experts believe are set to continue throughout 2021 given increased national and global demand. Plaster and plasterboard have been particularly impacted, with long lead times slowing construction projects both domestically and commercially.

So, after an escape of water, strip out of plaster is a common part of any insurance claim. The problem the industry faces is that even if you can get yourself a plasterer, they're unlikely to be able to get their hands on the materials they need there and then. This leads to delays to resolving claims, increasing costs and most importantly, creating greater disruption to policyholders, who have a poor claims experience because of it.

This is where the concept of opting to restore rather than replace comes into its own. The common argument for opting to strip out rather than attempt drying or decontamination is normally one based on speed of resolution of the claim. If strip out is no longer a speedy solution, then the insurance industry must surely place its faith in restoration?

Regardless of the current construction crisis, restoration is often the better option anyway. First of all, strip-out costs are significantly more than drying or decontamination given the labour and materials costs involved. Secondly, drying and decontamination is a far more sustainable solution. Much of the carbon



footprint in the claims process is made by stripping out and replacing with new. Drying technology has moved on significantly, with the latest technology able to marry high performance with low energy consumption. The addition of the capability to remotely monitor drying progress further reduces carbon impact by minimizing unnecessary site visits.

Focusing on restoration seems to be a win-win, so what's stopping us?

### **Scepticism on the potential success of restoration**

Many policyholders will understandably be sceptical regarding the potential to restore their property, especially in the face of extensive damage. There is also often the misconception that an insurance claim inevitably means like-for-like replacement, as opposed to a return to pre-incident condition. Those of us who work in the damage management industry know the wonders that modern restoration processes can work in making it seem like the disaster never took place, but justifiably, for policyholders without this experience it can be a daunting proposition.

### **Sustainability initiatives not filtering down to suppliers**

A number of major insurers have recently signed up to the UN's Net-Zero Insurance Alliance, promising leadership from the insurance industry in tackling the challenges posed by climate change. Many insurers already do great work in promoting sustainability both internally and throughout their supply chains. However, this doesn't seem to novate over to the damage restoration aspect of insurance claims, with speed and cost of claim resolution understandably remaining as the traditional marker of value in the process.

### **Traditional and siloed approaches to claims**

Each aspect of claims are often dealt with in isolation. Insurers and loss adjusters look after the majority of interactions with policyholders, along with the financial aspects. Surveyors are left to create strip-out scopes. Contractors are tasked with strip-out and rebuilding. Damage management contractors are left to deal with things till they're dry. Claims are often lacking a central pivot to tie the three claim aspects of financial responsibility, policyholder satisfaction and appropriate restoration/reinstatement methodologies.

So... what do we do?

### **Trust in the expertise of the damage management industry**



There is a wealth of knowledge and experience throughout the damage management industry, people capable of drying and decontaminating even the most severely damaged of properties. However greater emphasis perhaps needs to be placed on appropriate qualification, both by the damage management industry as a whole in terms of investing in its people, and insurers in demanding skilled practitioners to handle their claims.

### **Win the trust of policyholders**

While dealing with disasters is our day-to-day life in the damage management industry, it isn't for policyholders. Can we do a better job in communicating our intentions with regard to how we intend to restore their property? Greater emphasis on clear communication regarding timelines, methods employed, as well as case studies as to proven success in similar previous scenarios could allay some of their concerns at the outset. We need all stakeholders in the process to be clear on what the goal is for the claim, how it will be achieved, and working together to help the policyholder through to the resolution of the claim.

### **Change our perception of value**

In insurance claims there are two traditional markers of claims value; cost and speed. If we're going to shift mindsets both within the industry and with policyholders we need to change this. Why can't a reduction on carbon output on the claim be a measure of value? Why can't minimising policyholder disruption be the same? As we move towards a more environmentally conscious society as a whole, perceptions of value can change. By changing the metrics for success, and taking a more holistic approach, we can work towards better claim outcomes.