



Origin Lab. Managing Experts in Large Losses

By David P. Amori

Large losses present a unique set of challenges from the perspective of managing an expert or team of experts. For the purposes of this column, let's assume that a large loss is one that exceeds \$250,000. These might include heavy civil construction, infrastructure, transportation, or a catastrophic event affecting a large building.

Are large losses more complicated simply because of their size? An argument can be made either way, but they certainly attract more attention and scrutiny and often have more parties involved. This requires a different level of investigation and a better-managed, more organized expert team. From an insider's perspective, there are clear steps to take in managing a large loss when it lands on your desk.

Get a Utility Player. In baseball, a utility player is one who can play many positions fairly well. Is this player the best third basemen in the history of baseball? Probably not, but having some flexibility in the lineup can be just as valuable. An expert who is more of a generalist and can look at a problem globally and call on other experts as needed will be in the best position to manage the investigation. This person should be very knowledgeable in various aspects of the facility but not necessarily world-renowned for knowledge in one component.

When a complicated or large loss occurs, there can be multiple mechanisms of failure involving various systems. With a tunnel collapse, for example, one might employ an expert in rock mechanics to discuss the intricacies of the rock formation, dip angles, crystallization, and so on. But if the root cause was the epoxy used to embed the anchors into the concrete liner, then a different expert might be needed. What if the epoxy anchors were not part of the original scope but part of a fix because the surveyor put the concrete embeds in the wrong locations? Complex losses can go in a lot of different directions quickly, so a single knowledgeable expert working globally who can bring in the geologist, epoxy experts, and surveyors will be in the best position to manage the overall determination of causation.

Get an Expert Involved Early. One scenario that occurs often is that, by the time the expert gets assigned, repairs have been made, evidence has been destroyed, and memories have begun to fade. There are a number of reasons for this, one of which is waiting to see if the event even becomes a claim before determining the size and scope of the loss. Often, months or even years down the road, the battle becomes less about the cause of loss and more about the appropriateness of repairs, whether the code upgrades were necessary, and if the repairs actually provided betterment.

Given the variables and dynamic nature of large losses, getting ahead of the curve with an expert often can be easier said than done. If possible, however, it is worthwhile to en-

gage someone early to document the conditions, speak with contractors and operators before memories fade and stories change, opine regarding the scope of repairs, and consult on code upgrades and betterment issues as they arise.

Make Sure the Expert Understands the Scope. This is one to file under obvious, but this simple bit of communication often gets overlooked. This isn't to suggest for a second that the expert should be led in a particular direction, but a clear and specific scope helps with the focus. Using the example above, if the insured is the painting contractor and he does not interface with tunneling, geological study, epoxy embeds, or surveying experts, then a general "determine the cause of loss" directive could end up costing tens of thousands of dollars in investigations when, in reality, a fairly straightforward review of the contract and construction sequence would have sufficed.

Ask for a Budget. It is tough to budget a large, complicated loss; it's a lot like trying to hit a moving target while riding a horse. There are many variables that are unknown up front. Still, asking for a budget forces the scope conversation mentioned above. It likely will be apparent whether everyone is on the same page if the insured is contracted to paint handrails and your expert has budgeted rock cores, laboratory testing, and six weeks on site. If nothing else, it starts the conversation.

Admittedly, the final number will be difficult to derive with so many initial unknowns. Here, a tiered approach to the budget might be best. For instance, the initial site visit and preliminary thoughts on causation will be "x" dollars. At that point, a proposal to proceed with testing and further investigation can be discussed. Your utility player should be able to steer the investigation around the rabbit holes. This approach is especially helpful when reinsurers and multiple parties are involved. The client may have approved a budget, but as the scope evolves and the costs rise, more parties become involved and a detailed scope with tiers that denote when proceeding forward requires approval becomes very important.

Tomorrow, when you're trying to decide if you need a metallurgist or a structural engineer, consider going with an expert who would be the best at helping to manage the investigation globally, try to get that expert on board as soon as is practical, and communicate the scope and budget expectations. Six months from now, you'll be glad you did. **CM**

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