

# Home Insurance and the role of Claims Management Companies

Top tips  
from the ABI



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# What is a Claims Management Company?

**A Claims Management Company (CMC) is a company or third party who obtains permission to:**

- **Represent a policyholder in their claim (a claimant);**
- **Advise a claimant or potential claimant about their claim or cause of action;**
- **Investigate or commission an investigation of the circumstances, merits or foundation of a claim with a view to use the results to pursue a claim.**

These companies / representatives may take the form of claims managers, independent loss assessors, contractors, or other professionals including Chartered Loss Adjusters, and can be used by anyone to deal with all aspects of their claim, which may, in some circumstances, make your life easier.

You may seek the services of this type of representative or company, however some may proactively approach you when they know your property or business has been recently damaged, perhaps because of a fire or a flood, or experienced Business Interruption. They may ask, there and then, to talk to you about your insurance claim.

A third party can assist you with your claim, but don't feel the need to use one if you don't want to.



# What is the difference between a loss assessor and a loss adjuster?

**A loss assessor is a representative who is employed (and paid for) by the claimant to visit them to assess the damage and will liaise with the insurer on the claimant's behalf. Fees cannot be claimed back through the claims settlement.**

A loss adjuster is usually employed by the insurance company who will visit the claimant to assess the damage and will report this back to the insurer. All fees are paid for by the insurer in addition to the claim settlement. Their role is to ensure that you receive your full entitlement under the Policy. As mentioned earlier in this guide, Chartered Loss Adjusters can also act independently of an insurer as a Claims Management Company / Representative. The Chartered Institute of Loss Adjusters require that their members act in a just and fair manner, irrespective of whether they are employed by an insurer or acting independently.

The Financial Conduct Authority regulates the insurance industry and requires that there are fair outcomes for customers. Your insurance company may well appoint an expert such as a loss adjuster to consider your claim. The loss adjuster is required to explain all decisions so that the customer understands the rationale for the decisions reached.

You are of course entitled, at your own cost, to obtain the services of an expert to assist you and this document helps to explain the role of companies who do this and are often known as Claims Management Companies.



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What to look for when considering a Claims Management Company (CMC) or representative for a property claim



## Step 1

### Speak to your insurance company first

If you need to make a claim, it is always best to contact your insurer in the first instance to inform them of the situation and discuss your options with them. Your insurer will talk you through your claim and explain how it will be managed, such as whether they will arrange for a loss adjuster to visit your home, and how the whole claims process, from start to finish, will work. Insurers tend to use contractors, who are vetted for the quality of work and health and safety compliance. Insurers accept contractual responsibility for the quality of work, will correct any defective work, and the work is guaranteed. In addition in complex cases your policy may cover fees for professionals such as Chartered Surveyors or Chartered Engineers, etc.

## Step 2

### Your Insurance Policy Details

Make sure that you have all of your policy documentation available (keep it in a safe place alongside other important information that you can grab in an emergency). Make sure you understand what is included in your policy and what procedure you should follow. Home insurance policies do not generally cover CMC fees.

## Step 3

### Understand fees and charges

Make sure you have a clear understanding of all fees and charges. The way in which the CMCs earn their fee may vary depending on the type of service they are providing. This may involve either, taking part of any money you are awarded from your claim, or they may not charge you a fee provided you use the services of the CMC's own surveyors or contractors who may award the CMC a commission. Check who the insurer will pay your claim money to – if your claim money is to be paid to the CMC, ensure your money is protected. If you no longer wish for the CMC to represent you, significant opt out fees may apply. Some companies may describe their services as free, but this may be dependent upon using their contractors and often the company will ask you to sign a mandate requiring all benefits of the policy to be paid to them not you. It is best to request a clear explanation of all fees and charges up front.



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## Step 4 Regulation

Check whether the CMC or representative is regulated by the Financial Conduct Authority. If not, this means that you won't receive the protection provided by these regulators and you may become limited in any action that they can take on your behalf in the event you aren't happy with the level of service provided.

You can check the Financial Services Register [www.fca.org.uk/register/](http://www.fca.org.uk/register/).

## Step 5 Consideration

You may be feeling particularly tired, vulnerable and upset when your property has just been damaged, or your business impacted. Don't rush or feel pressurised to signing up to the services of a CMC if you don't want to use one. Make sure you know all of your options before you sign a contract. If you are happy to agree to the terms and conditions of the CMC make sure you both sign and date the document to ensure it is valid.

## Step 6 Shop around

If you are considering using a third party to help you with your claim then be aware that the quality of service offered by different organisations varies significantly, so it is advisable to shop around to find the best deal for your situation.

## Step 7 Changing your mind

If you decide to change your mind, there is usually a 'cooling off' period which means that legally you are entitled to cancel the contract up to 14 days after signing it. Check that the contract permits you to change your mind and if this is acknowledged by the CMC. Ask for it in writing before signing up as it may not always be the case.

## Step 8 Settlement options

The choices open to you may be affected if you use a CMC or third party. For example, your insurance company may in some circumstances offer you a cash lump sum instead of repairing your property back to the original condition. If you choose the cash lump sum, you may have to pay an additional fee to the CMC as they would have usually taken their fee through the contractor completing the works. Insurers may restrict settlement to the cost of the repairs had they been completed by their nominated contractor.



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## Step 9

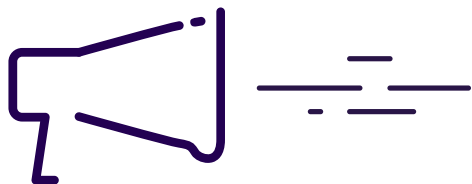
### Contractors

Insurers and loss adjusters will only employ builders that meet their criteria and are competent to do the work. They have contractual responsibility for the quality of work and will correct any defective work at the insurer's cost, so it's best to check that the CMC provides the same protection. Some CMCs will charge an additional fee if you are not using the contractors that they recommend as they often have agreements with certain contractors who will pay them a commission. If you have a builder you wish to use to carry out the repairs, ask the CMC to confirm if this affects what they will charge you for their services. It is best to request a clear explanation of all commercial arrangements with any contractors up front.

## Step 10

### Free complaint service

If you are unhappy with the way that an insurance claim was handled, and have already completed your insurer's complaints procedure, you can lodge a complaint with the Financial Ombudsman Service (FOS) free of charge. A CMC may offer to do this for you but may charge you a fee which may affect the amount of compensation that you finally receive if your complaint is upheld. If you are unhappy with the service that you have received from a CMC, further information on how to complain is available at [www.gov.uk/complain-about-claims-company](http://www.gov.uk/complain-about-claims-company).



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# Some helpful links for further information

## **Financial Conduct Authority – Claims Management Companies**

<https://www.fca.org.uk/firms/claims-management>

## **Financial Services Register**

[www.fca.org.uk/register/](http://www.fca.org.uk/register/)

## **Financial Ombudsman Service**

[www.financial-ombudsman.org.uk/](http://www.financial-ombudsman.org.uk/)

## **Chartered Institute of Loss Adjusters**

[www.cila.co.uk](http://www.cila.co.uk)

## **Chartered Institute of Loss Adjusters Guide to Professional Conduct**

<https://www.cila.co.uk/cila/about-cila/guide-to-professional-conduct>

## **Chartered Institute of Loss Adjusters Advice to Policyholders**

<https://www.cila.co.uk/cila/advice-for-policyholders>

## **Association of British Insurers – Advice on Flooding**

[www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Flooding](http://www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Flooding)

## **Association of British Insurers – Responding to Floods**

<https://www.abi.org.uk/globalassets/files/publications/public/flooding/abi-responding-to-floods-guide.pdf>

## **Association of British Insurers – Best Practice on Offering cash settlements to customers after a flood**

<https://www.abi.org.uk/products-and-issues/topics-and-issues/flooding/recovering-from-a-flood/best-practice-offering-cash-settlements-to-customers-after-a-flood/>

## **Complain about a claims company**

[www.gov.uk/complain-about-claims-company](http://www.gov.uk/complain-about-claims-company)



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