

THE IMPORTANCE OF INSPECTION

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PROTECTING THE COMPANY'S BOTTOM LINE is the ultimate goal of all successful underwriting departments. A comprehensive inspection program is one way to accomplish this. In addition to helping determine accurate property values and preventing fraud, inspections can help to prevent losses before they occur. Onsite inspection enables the company to verify information provided by the insured and the agent, such as the actual occupancy. Technological advancements such as Google maps and satellite photos on the Internet may tempt a company to cut back their onsite inspection program. This could be a crucial mistake, as nothing beats an in person, face to face review. Construction, Occupancy, Protection and Exposure (COPE) cannot be determined from a satellite photo. Even a drive by inspection will not provide adequate information to make a sound underwriting determination.

In addition to physical characteristics (COPE), inspections may reveal practices and conditions that are potentially hazardous. Non-standard heating or electrical installations increase the possibility of fire, as do improperly installed cooking or automatic sprinkler systems. Conditions not anticipated by the stated occupancy, such as flammable liquids storage and/or use, a maintenance or woodworking shop, or cooking in other than a restaurant/deli exposure will all impact the insurability of a risk.

Liability exposures include trip and fall hazards (uneven or broken sidewalks or driveways), as well as improperly fenced swimming pools. Each year, nearly 8 million people are injured, and 20,000 people die as the result of slips and falls(www.cdc.org). Slip and fall accidents are a leading cause of emergency room visits. Falls account for



approximately 15 percent of jobsite accidents, and between 12 and 15 percent of workers' compensation costs.

Internal characteristics cannot be determined without a visit. Surveys completed by the insured may seem like a great way to save money, but these can cost the company in the long run. Insureds may not provide the correct information, either accidentally or intentionally.



Housekeeping practices can significantly impact a risk. Improper storage and disposal of cooking oils, grease and other materials will also increase the fire hazard. From a personal lines perspective, hoarding is an often hidden but increasing more common cause for concern.

Building codes change. Carbon monoxide detectors and sprinkler systems are now required to be installed in new homes by some state regulators. As is the case with alarm systems, such life safety equipment is only effective in reducing losses if it is properly maintained and tested. Fire extinguisher maintenance and properly functioning exit signs are essential in all commercial risks.



Protecting the company's bottom line is the ultimate goal of all underwriting departments. Comprehensive inspections by competent professionals are essential to successful underwriting.

Automatic sprinkler systems are a feature that is commonly misdiagnosed. In many cases, sprinkler credits can be substantial, making it imperative that the system be inspected and properly functioning. Just because there are sprinkler heads in the ceiling does not mean that the system is operational, or is appropriate for the risk. A flow test to determine adequacy of the system is also important.

Many states limit a company's ability to cancel personal lines policies that have been in effect for 60 days or more. Without a timely inspection, hazards or exposures that make the risk unacceptable may not be revealed until after the 60 day period. Inspections can help validate that proper limits of coverage are in place. Regular inspections in subsequent years are recommended in order to keep track of changes that have occurred over time. Insureds may not always think to contact their insurance company when they install a pool, add an addition or buy a trampoline. The premium charged may no longer be sufficient for the added exposure.

The choice of an inspector is also crucial. In many cases, there are no certification or license requirements for inspectors. It is well worth the cost of a competent



inspector when they bring to light exposures that, left unaddressed, could lead to significant claims. Inspectors should be professional and knowledgeable in industry codes published by such entities as the National Fire Protection Association (NFPA) and Underwriters Laboratories (UL).

Protecting the company's bottom line is the ultimate goal of all underwriting departments. An onsite inspection can verify information and reveal recommendations for risk improvement. This helps the insuring company to underwrite the business, provide proper coverage, address life safety conditions and possibly prevent claims. Comprehensive inspections by competent professionals are essential to successful underwriting.

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