



osg

ANNUAL  
**REVIEW**  
2012

Our response to the current challenges will ensure that we are in a stronger position to meet the changing demands of the market for our clients and their customers.



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# CEO Introduction

I am delighted to introduce the second annual review for the OSG Group which highlights the main issues and challenges which face the market in 2013 and provides an insight using data, market knowledge and research in outlining our response capability.

2012 was by any measure a challenging year from an economic prospective for all those engaged in the insurance market.

The continuing economic crisis, the absence of overall growth and domestic demand has meant increased competition for a share of a contracting pool of business.

However, all challenges also provide opportunities and our response must be to ensure our future competitiveness through a balance of cost containment and a better customer experience in an increasingly regulated business environment. Whether an insurance company, broker or service provider there are common challenges across all strands of the market place. It is the success of our collective response that will ensure we continue to have a strong, secure and responsive insurance market to support our economic recovery.

No sector of our business is more challenging than the claims area. OSG's response to reduced claims numbers has been to reinvest in building our operational capability and improving our efficiency, our processes, our people and technology.

We are now in a position to provide a better and more competitive service as a result. It has also focussed our efforts on further refining our resource management and surge planning capabilities to ensure we can provide the necessary response when required.

We are experiencing a period of rapid and exciting growth in the field of technology that can act as a platform and an accelerator for change. Across all sectors including distribution, process, communication, information and analytics we have the potential to reform our business practices which may have not been possible in the past.

Throughout the review you will also see areas that we have highlighted to show the broad range of expert services and results that we are achieving in our chosen fields. We hope that we will give you an idea of the challenges we face in 2013 but also some of the solutions that OSG have in place to assist you.

Our response to the current challenges will ensure that we are in a stronger position to meet the changing demands of the market for our clients and their customers.

A strong successful and profitable insurance industry will benefit us all. We and the wider economy depend on it.

Chief Executive Officer  
Malcolm Hughes

# 1 | OSG INFORMATION

Originally established as a professional loss adjusting practice, over the past 28 years OSG has evolved into the broad based professional service provider that it is today. In 2012, operating from eight service centres OSG handled over 1m customer service calls, managed in excess of 65k claims and we calculate during this time in excess of 2m people were touched by our services. With ambitious growth plans both domestically and internationally OSG currently employs 300+ skilled personnel.

We have a proven track record of delivering successful solutions to the market. This success is built on providing flexible variable cost models that reflect our clients' strategic visions and objectives.

## People

**As a learning organisation, our strategy is to provide a platform for the development of our talent to the overall benefit of our organisation, our clients and our people.**

**O**SG GROUP provides an extensive range of outsourcing services for Irish and Global markets, providing the service layer between our clients and their customers. With a proven pedigree we have the widest range of technical outsource services in the market. Our combination of extensive industry experience, operational excellence, lean process management and modern technology encompassed by the application of behavioural science, sets OSG apart from the competition in our chosen markets.

The OSG difference is our people. As a learning organisation, we provide a platform for the development of our talent for the overall benefit of our clients, our people and our organisation. As we grow we are keen to maintain an entrepreneurial culture ensuring that we sustain our flair and agile approach to business.

OSG's corporate value led culture is at the core of our ability to maintain a sustainable future for all our stakeholders and the continuing benefit of all our clients. This has contributed fundamentally to OSG receiving the Deloitte Best Managed Company Award in 2012 and 2013, as well as being a finalist for Ernst & Young Entrepreneur of the Year 2012.





## Technology

Our Technology is designed to transform data into meaningful information and processes that comply with regulatory requirements.

Irish owned provider of Professional Outsource Services to the Irish and International Insurance & Related Financial Service Markets

## Process

OSG places a large value on the professionalism of our service. This includes ensuring that our clients remain compliant and are protected in relation to any regulatory responsibilities.

**300+**  
Employees

**1,000,000 +**  
Customer  
Interactions

**100 +**  
Blue Chip  
Clients

## OSG SERVICES WHAT WE DO

OSG's commitment to lean principles and the application of case management methodology focuses on value creation and service excellence resulting in highly efficient and cost effective solutions to clients.



### Customers

**O**perating in the Banking, Financial Services and Insurance markets we provide services to over 100 blue chip clients ranging from niche specialists to the largest multi-national organisations including four out of the top ten global insurers and some of the world's leading retailers.

Our market extends beyond our current client base to the wider areas of banking and public services where our expertise and service delivery capabilities can be applied.

## LOSS ADJUSTING

OSG has highly trained and qualified adjusters operating through a country wide network. We offer claims inspection and adjusting services to all classes of property and liability claims. We have 28 years experience in handling claims from notification, investigation, negotiation to settlement.

## CUSTOMER CARE

We provide customer care and support across a wide range of products including Travel, A&H, Home, Motor and General Insurance. OSG are compliant with industry regulations and are regulated by the Central Bank of Ireland with a passport to the EU.

## PEOPLE LEARNING & DEVELOPMENT

OSG has developed the OSG Academy to promote the transfer of knowledge and skills among its own employees, the industry and the general public. This is delivered through lectures, tutorials, seminars and e-learning.

## RECRUITMENT PLACEMENT

OSG provide skilled personnel to deal with gaps in our clients skill sets or to assist with pressure points. The solution can be the provision of personnel in the client's team in their office, a bespoke team in OSG offices or scalable resourcing solutions for affinity partners.

## CONSULTING

OSG provides a range of consulting services which includes product design, pricing, strategic positioning and compliance solutions. In addition our technical consulting arm includes Merit Consulting, engineers and project managers.

## 2 | GLOBAL MARKETS

Global natural disasters in 2012, in contrast to 2011, may have seemed like a return to normal but still caused economic losses of US\$200 billion and insured losses of US\$72 billion worldwide. Despite the dramatic difference between 2011 (US\$133 Billion) and 2012 in respect of insured losses, 2012 was the third-costliest insured loss year on record since 1950.

**I**N 2012 the costliest insured events occurred in the US compared to the Asia-Pacific region in 2011. The two largest events in the US were Hurricane/Super Storm Sandy and a yearlong drought. In fact, these two events alone accounted for a huge 67% of all insured losses globally. This drought however ensured that US tornado and severe weather losses were reduced compared to 2011. Even though, overall, the US accounted for nearly 90% of all insured losses in 2012 reinsurers and insurers posted strong results during the year. The number of human fatalities caused by natural

disasters in 2012 was in the region of 8,800, the lowest in 10 years. Super Typhoon Bopha was the deadliest disaster of the year with 1,900 dead in the Philippines. With regard to the top ten deadliest events, four were flood-related (Pakistan, Nigeria, India/Bangladesh, and Russia), three were tropical cyclones (Super Typhoon Bopha, Hurricane Sandy and Tropical Storm Khanun), two were winter weather-related (Europe) and one was earthquake-related (Iran).

Date(s)	Event	Location	Deaths	Structures/ Claims	Economic Loss(USD)	Insured Loss(USD)
Oct 23 - 29	HU Sandy	U.S., Caribbean	254	1,800,000	65.00 bn <sup>1</sup>	28.20 bn <sup>1,2</sup>
Jan 1 - Dec 31	Drought/Heatwave	United States	123	Unknown	35.00 bin <sup>1</sup>	20.00 bn <sup>1,2</sup>
May 20 - 29	Earthquake	Italy	25	10,000	15.80 bn	1.30 bn
Sep 7 - 13	Flooding	China	21	100,000	4.92 bn	148.00 bn
July 20 - 24	Flooding	China	147	175,000	4.80 bn	234.00 mil
Aug 28 - 30	Flooding	China	-	35,000	4.63 bn	144.00 mil
Apr 28 - 29	Severe Weather	United States	1	355,000	4.25 bn	2.40 bn
Mar 2 - 3	Severe Weather	United States	40	280,000	4.25 bn	2.40 bn
Jun 28 - Jul 2	Severe Weather	United States	28	430,000	3.75 bn	2.00 bn
Aug 1 - 3	TY Damrey	China	14	300,000	3.28 bn	104.00 mil
All Other Events					55.30 bn	15.20 bn

<sup>1</sup> Subject to change as loss estimates are further developed

<sup>2</sup> Includes losses sustained by private insurers and government-sponsored programmes

<b>Totals</b>	<b>200 billion<sup>1,2</sup></b>	<b>72 billion<sup>1,2</sup></b>
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### USA - Hurricane Sandy

Hurricane Sandy tracked through the Caribbean and Bermuda between 23rd and 27th October 2012 resulting in the deaths of 122 people, causing damage to 300,000 structures and economic loss of approximately \$2.5Bn. It then headed up the

east coast of the USA and made landfall in New Jersey as a post-tropical cyclone on the 29th, causing exceptional damage in the state and also in New York City. Heavy rainfall, record storm surge, high winds, inland flooding, fires and heavy snow were all



recorded in association with Sandy. The impact was felt along the entire east coast of the USA and at least 132 people were killed. Over 1.2 million structures were damaged and other effects included more than 8.5 million power outages, 21,000 flight cancellations, a two-day shutdown of the New York Stock Exchange and NASDAQ, and nuclear reactor shutdowns. Government estimates indicated that total economic losses were at least USD62 billion with total insured losses estimated at USD28 billion. Sandy was the second-costliest storm in U.S. history.



## USA-Year Long Drought

The worst drought in a generation since 1950's was experienced throughout much of the United States during 2012 as the country coped with a severe lack of rainfall and record temperatures, especially in the summer months. According to the US National Climatic Data Center (NCDC) up to 64% of the U.S. experienced at least moderate drought. 1,820 U.S. counties were declared drought disaster areas and the U.S. Department of Agriculture (USDA) also reported that half of the nation's corn crop and soybeans were in poor to very poor condition. Total economic losses (primarily to crops) were estimated in excess of USD35 billion, while total insured losses were listed at more than USD20.0 billion.

## China Floods & Typhoons

From May to September 2012 China was excessively affected by typhoons and torrential rain which resulted in 15 major events that were responsible for over 330 deaths, economic damage estimated at over to \$21Bn and insured losses of approximately \$680 million. In a twenty-hour period on July 21, 2012, a flash flood hit the city of Beijing. Within a day of the flooding, 56,933 people had been evacuated, while the floodwaters killed 79 people, causing at US \$1.6 billion in damages and destroying at least 8,200 homes. In the city, more than 1.6 million people were affected by the flood overall.

## Italy - Earthquake

In May 2012, two major earthquakes occurred in Northern Italy, causing 26 deaths and widespread damage.

The first earthquake, registering magnitude 6.1, struck in the Emilia-Romagna region, about 36 kms north of the city of Bologna, on 20 May 2012 at 04:03 local time. Two aftershocks of magnitude 5.2 occurred, one approximately an hour after the main event and another approximately eleven hours after the main event. Seven people were killed. A magnitude 5.8 earthquake struck the same area nine days later, on 29 May, causing an additional twenty deaths and widespread damage, particularly to buildings already weakened by the 20 May earthquake. The epicentre was in Medolla at a depth of about 10 kilometres. The total estimated damage to the economy was \$15.8Bn with insured losses estimated at \$1.3Bn.

Sources of information

- 1.AON Benfield Annual Global Climate and Catastrophe Report 2013
- 2.BBC News
- 3.Wikipedia

# 3 | IRISH INSURANCE MARKET



**T**HE IRISH INSURANCE market in 2012 provided the insurers with opportunities to regain some of the losses sustained during the severe weather events of the previous years. Apart from a major flooding event in Cork in the Summer, the overall weather as reported by Met Eireann in 2012 was “cold, wet and very windy at times”. No major surprise there from a typical Irish year but this relatively benign weather contributed to a dramatic decrease in property damage. The calm weather, increases in policy excesses over the past number of years and the natural fall off in claims following major Cat events resulted in property claims numbers dropping by between 50%-60%. Good news for insurers, challenges for loss adjusters... ! The market has continued with its own version of a price war, particularly in personal insurances ( motor and home insurance ) as the impact of the major corporate moves over the past few years are being felt in the marketplace. We expect to see more of this in 2013 as the major insurers work to re-establish their position, increase market share and develop new channels of distribution. The movement of personnel in the marketplace has been keenly observed and we expect to see competition increasing in 2013.

2012 will probably be remembered as the year of regulation and compliance. With a new Consumer Protection Code, fitness and probity requirements, introduction of ethics for CPD hours, corporate governance guidelines, developments in Solvency II, the introduction of the Probability Risk and Impact System (‘PRISM’), a new three year Central Bank of Ireland strategic plan, Anti-money laundering legislation drafts, multiple enforcements and new EIOPA guidelines on complaints handling. It was a busy year for compliance personnel, legal advisers and risk officers.

In 2013 we can expect to see spending on regulation, compliance and ethics evolve the same way as ICT a number

of years ago. It is now a continuous process that needs to be constantly reviewed and considered part of everyday business.

From an insurance underwriting perspective G-Day, 21st December 2012, the gender neutral premium deadline was one of the biggest stories in 2012 and will impact more in 2013 as new policies and new strategies are introduced to the market. It certainly has already prompted FBD to launch their motor telematics offering. We expect to see more trials and pilots in 2013 not only for telematics but also the impact that mobile devices will have in the market.

Another major event in 2012 related to insurance was the investigation and position taken by the Central Bank of Ireland into the potential mis-selling of Payment Protection Insurance by banks during the period August 2007 - November 2011. Over 340,000 policies were sold during this time and a “look back review” of policies has commenced.

But...every cloud has a silver lining and OSG established a new Case Management Unit to provide a solution for the industry. It is a people, technology and process play that has provided real solutions for look back reviews, compliant complaints handling and customer campaign management for banks, financial services and insurance firms of all sizes and complexity.

We expect most of the conversation this year to centre on the customer and the customer experience. With the significant advances we have seen in technology and in particular mobile technology, we expect to see the emergence of the real purchasing power of the discerning individual consumer.

We look forward with interest to the insurance market developments in 2013 and the challenges it brings us.



The background of the slide is a dark, abstract digital composition. It features a dense network of glowing white and light blue lines that create a sense of depth and movement, resembling a data visualization or a futuristic cityscape. A solid red horizontal bar is positioned at the top right of the image.

# 4 | TRANSFORMING PROPERTY CLAIMS



### Transforming Property Loss Adjusting

**T**he last two to three years has seen considerable challenges for the property industry from regulatory, weather, customer expectations, price competition, claims expenses, new products, declining revenue to new distribution channels.

In this period we have witnessed the most difficult global economy in 60 years. Tight credit markets, downturns in corporate and consumer spending, rising unemployment and increased claims challenges has impacted everyone in the insurance industry.

The response of business globally would suggest that we are in the middle of fundamentally re-shaping the business landscape. The disruption caused by not only the financial crisis but new digital infrastructure and a rapidly changing political environment means that we all have to transform and develop new models that can differentiate us from the competition, create a better customer experience and still provide bottom-line business value.

We all have seen the dramatic fall in property claims frequencies in 2012 and within OSG we had to continue the hard balancing act of ensuring we kept the right resource level to service the market and at the same time allow for sudden weather events such as the Cork floods in June of last year.

In OSG we believe core technical competencies, the adoption of global lean practices in our service delivery, supported by technical innovative solutions can and do assist in meeting these challenges head on. We have continued on our own journey to transform our property claims service through innovative practices in three key areas of technology, processes and people. The challenge for us in OSG in introducing new ideas and better ways of working is to do so within the changing regulatory environment and increasing customer service expectation. We are changing the way we do business and

it is producing very real and positive results not only for our clients but for their customers also. Our approach in 2012 has resulted in reduced claims lifecycles, reduced indemnity spend and increasing customer satisfaction.

In addition to the training of OSG property claims teams via OSG Academy and the work involved in ensuring that all personnel achieve minimum regulatory competency we have adopted and developed three key technologies to support our ambitions, namely Xactimate eValueate and Rapide. These innovations involve electronic estimating, "best price" validation tools and customer satisfaction feedback which have already proven their value in tangible measures. To our knowledge OSG is the only loss adjusting service provider to utilise such technologies together in the Irish market.

### Xactimate

Our capital investment in Xactware technology began in 2010. Whilst this electronic estimating tool is a market standard in North America and other parts of the world, we found much of the specification detail and rate cards utilised to be wholly unsuitable for the Irish market. Working in collaboration with the suppliers of this product OSG jointly developed a customised version for the Irish market and we have continued to refine it to the present day.

The benefits now being yielded include the routine production of a very professional and detailed estimate in support of every buildings claim settlement offer. This includes the provision of comprehensive scope detail with quantities and measured rates clearly set out, which are further supported by scaled dimensional drawings. Such documentation, which is produced immediately after inspection by the loss adjuster, supports an early proactive settlement offer being made on building claims. It also assists in avoiding an adversarial approach developing and manages unreasonable expectation early in the process.

The Xactimate estimates also meet CPC requirements in terms of transparency, detail and validation. It has enabled OSG to have a very positive impact on file life cycles as we move towards a higher concentration of early up front settlement offers, rather than relying on the traditional reactive and adversarial model. Changes in repair rates to reflect altering market conditions can be embedded centrally at the touch of a button and ensures an immediate correction and standardised approach across our office and technical field staff network on a real time basis.

We have also received very positive feedback from client audit teams who appreciate the evidential detail now in place on every file. Transparency in terms of scope determination, quantities and measured rates has greatly assisted leakage control.

## **eValuate**

Some years ago OSG developed an innovative alternative to the traditional goods replacement model with the concept of using a credit card type solution called iCard. It gained a level of interest but not enough to ensure its success in the Irish market. However, there remained a keen interest in the contents price validation tool that supported it. As part of our drive to further reduce the contents claims spend OSG revisited the concept, further developed the process and technology which resulted in eValuate.

eValuate is a price comparison site embedded into our property claims system that has the support of the majority of leading merchants and retailers in the Irish marketplace, who transfer live pricing data into the site. A search engine enables identification and determines availability of the actual or nearest comparable product. This then defaults into a top three most competitive prices available, detailing the specification of product and store where it can be purchased. A key feature is that of the tool is it produces “best price” available, rather than recommended retail price.

Our loss adjusting and non- field claims handling staff have now been utilising eValuate routinely over the past 12 months. Similar to Xactimate this technology supports early up front settlements at appropriate realistic prices, whilst meeting CPC requirements in terms of transparency and audit requirements in terms of evidential validation.

## **Rapide**

We firmly believe in asking the customers what they think of our service and it is becoming more and more important to understand how we can improve. Really listening to the customers meant more than gathering their thoughts in a survey. Sometimes they have more to say than fits into predefined questions. By truly listening we decided to gather the customers’ thoughts at moments of truth. We decided to run a pilot scheme by installing a customer feedback tool from Rapide Communications called Rant & Rave. It has allowed us to obtain net promoter scores for our customer satisfaction but also to identify areas that needed improving. We now have embedded the process of an online survey into every property claim where we have a valid email address.

The first email a policyholder will receive is one week after first notification to find out how we are doing and if there are any issues with our service.

A second and final email is sent after a claim is closed to obtain feedback and to rate our service. We have experienced many happy comments but also do receive unhappy comments. It is all part of our drive to manage our customer expectations and to ensure that we are doing as much as we can to improve our service levels. All feedback received is shared throughout OSG and has had the positive effect of recognition and achievement for many but also learning opportunities from any unhappy comments.

It is a mechanism we expect now to develop further as it provides us with great insight that will help us to continue to transform our service.

## Results

While the journey continues OSG are delighted to be able to report on the positive impact being achieved through a combination of the initiatives adopted. In terms of the volume household and personal lines market we have carried out an analysis of outcomes on average claims cost and file life cycles by band, since 2010 when certain of these initiatives first came on stream.

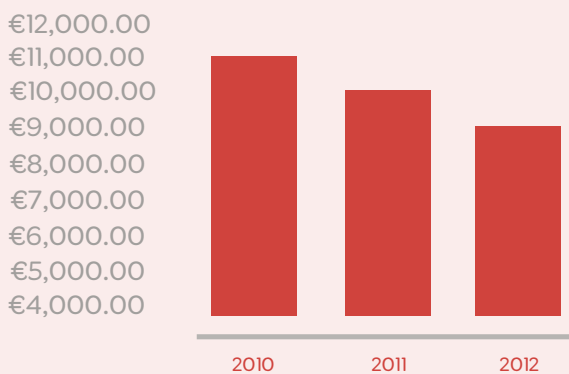
***“OSG remain at 3.2% below the all adjuster average claim cost”***

**Top 5 Insurer**

### AVERAGE CLAIMS COST

CLAIMS CAPPED AT €100K

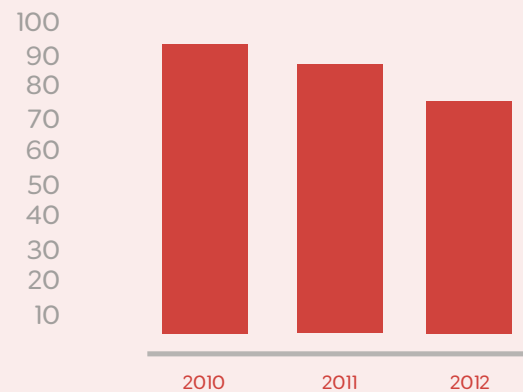
(Ex.Latent Defect & CAT Claims)



### LIFE CYCLE (DAYS)

CLAIMS CAPPED AT €100K

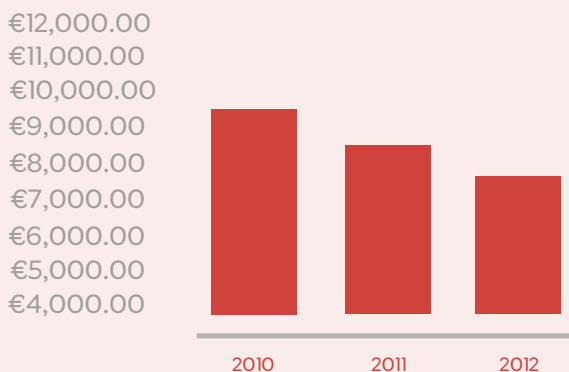
(Ex.Latent Defect & CAT Claims)



### AVERAGE CLAIMS COST

CLAIMS CAPPED AT €50K

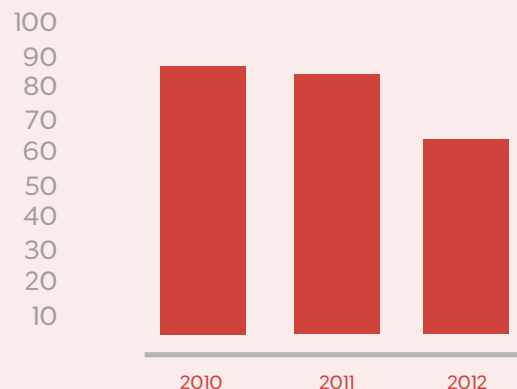
(Ex.Latent Defect & CAT Claims)

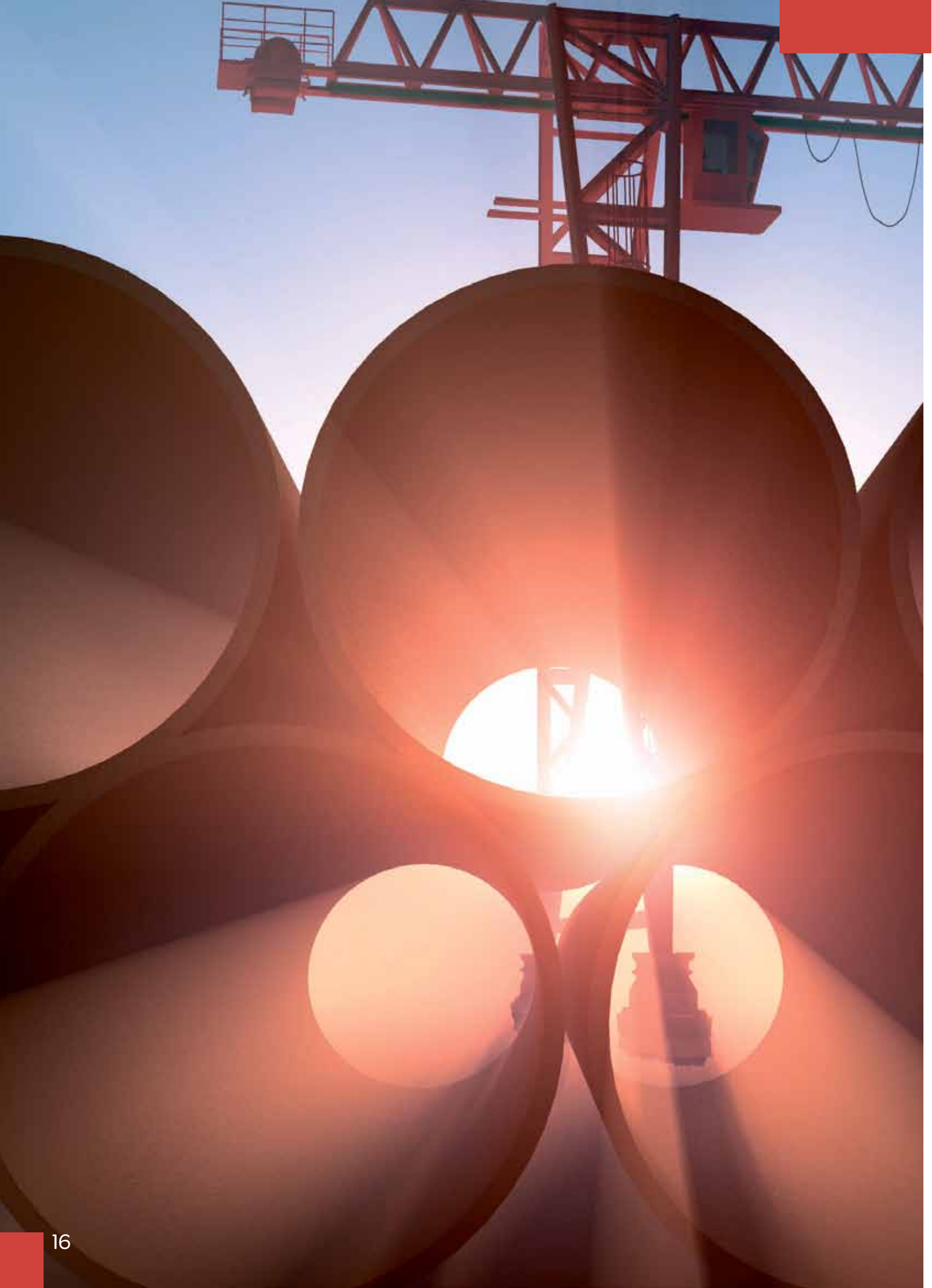


### LIFE CYCLE (DAYS)

CLAIMS CAPPED AT €50K

(Ex.Latent Defect & CAT Claims)

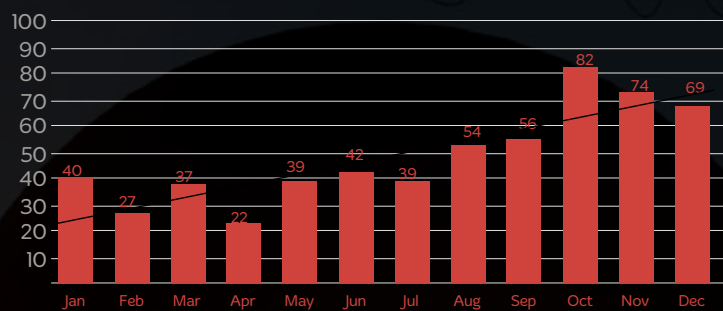






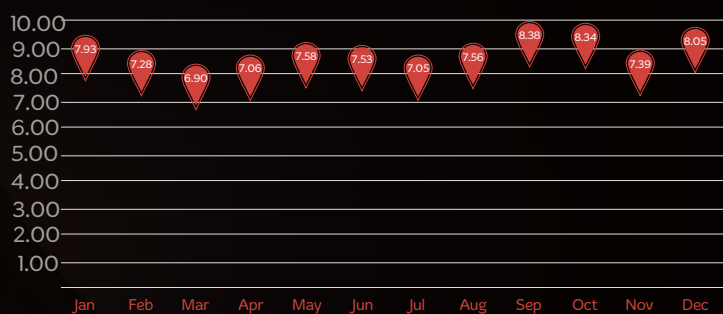
## Customer Feedback

### NUMBER OF SURVEYS RETURNED IN 2012



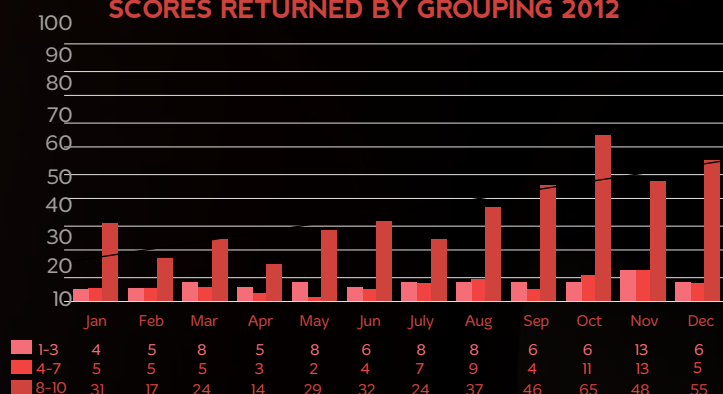
We can also see that the number of surveys returned has steadily increased since January.

### AVERAGE MONTHLY SCORE



(1-3= Low scoring, 4-7=Average scoring, 8-10=High Scoring),

### SCORES RETURNED BY GROUPING 2012



Although fluctuating slightly, the Average monthly score has increased overall from January - December 2012.

In summary, the above displays our continuing and dedicated approach to Customer Satisfaction and superior service delivery.

As the numbers of surveys returned increases, so has our score which is an encouraging development and is hopefully a continuing trend.

## Summary

The challenges we face are many and no doubt these will change further over the coming year. As is often the case a "one size fits all" solution is not necessarily the best approach and different challenges require new thinking and innovation. The focus in the coming months for OSG will be to maintain traction on the gains achieved so far and pressing forward with further initiatives to achieve our mutual objectives.

In terms of building claims, rate cards are now well embedded in the Irish market, however we believe there is further opportunity for control of specification through a more focused utilisation of remediation and repair opportunity. We are also exploring the potential for expanding our goods validation solution to also support fulfilment if required. We believe this approach supporting a continued drive towards up front settlements, whilst maintaining cost control in an evidenced based culture will yield further positive results in the coming year.

Should you have any queries or wish to secure more information in relation to any of the initiatives or thinking detailed above please do not hesitate to contact Danny Donohoe, ([danny.donohoe@osg.ie](mailto:danny.donohoe@osg.ie)) our director responsible for the management of property claims.

# 5 | CURRENT MARKET TRENDS - THEFT

In early 2012 we reviewed the market and in particular the perceptions with regard to theft claims occurring in Ireland.

**A**T THIS juncture we must advise that the distribution and mix arrangements OSG has with our Clients differs and this may skew the figures ever so slightly. However the size of the samples taken is of an adequate size to compare and contrast.

When we considered the figures in early 2012 we concluded that there had been an increase in incidence of theft claims during the latter part of 2011 / early 2012. We then proceeded to compare 2011 / 2012 with 2009 / 2010 and 2010 / 2011. The following statistical information developed.

## 2009 - 2010

100%

## 2010 - 2011

86%

## 2011 - 2012

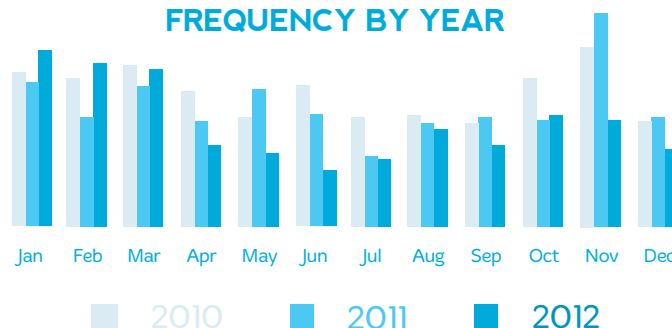
93%

The largest volume of theft claims occurred during the September 2009 – March 2010 period and we considered that volume as the 100% base line figure. We therefore ascertained as can be seen above that that there was a reduction of 14% on the same period (2010 / 2011) and an increase in 2011 / 2012 which, whilst still lower than 2009 / 2010 (by 7%) was up on the 2010 / 2011 period by the same percentage increase (7%).

We then looked at how this developed during the remainder of 2012 again comparing with previous years.

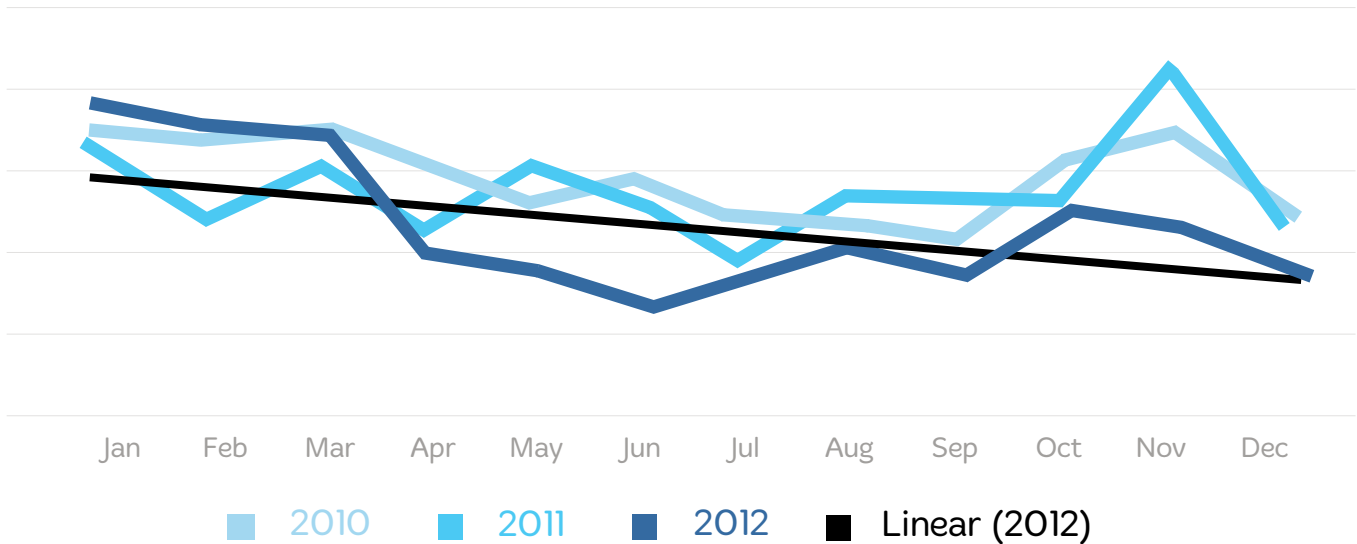
As you can see below January 2012 had in fact the second highest number of theft claims over the three year period (2010 – 2012) with November 2011 being the highest month. In 2010 and 2011 November was the greatest “culprit” possibly leading up to the Christmas season however November 2012 did not follow suit coming in as the 4th most productive month for theft claims during 2012.

## FREQUENCY BY YEAR



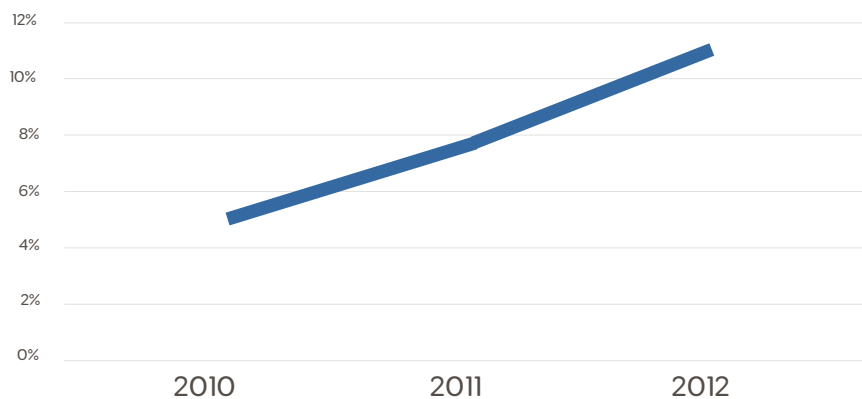
As can be seen on the line chart opposite however the trend did not continue as it had started in the first quarter of 2012. For the most part, month on month the frequency of theft claims was less than the preceding 2 years. It is therefore in line with the normal property claims book. We have also attached a trend line (in black) to this chart based on the 2012 figures. As can be seen the trend is downwards however this again does not give the full picture as the frequency of claims relating to all perils has also reduced quite considerably during the same period.

## THEFT CLAIMS FREQUENCY BY YEAR



As the chart on the right shows the percentage of all theft claims for 2012 and the preceding two years. In 2010 theft claims accounted for less than 6% of the total property claims portfolio held by OSG. In 2011 this had increased to 7% and in 2012 to north of 10%. What this tells us is that the frequency of theft claims is falling.

## THEFT CLAIMS AS % OF THE TOTAL NUMBER OF PROPERTY DAMAGE CLAIMS

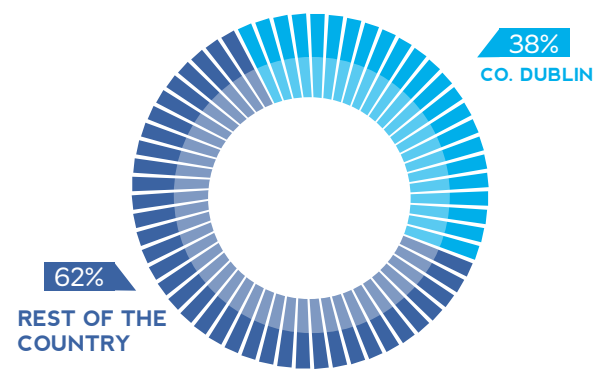


The rate of this decline is much slower and in fact continues to slow more markedly as the overall volume of property claims decreases. Property claim numbers over all have reduced by over 54%. However, the number of theft claims has only reduced

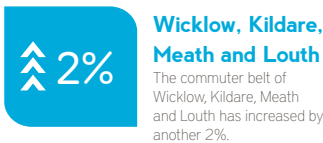
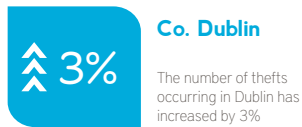
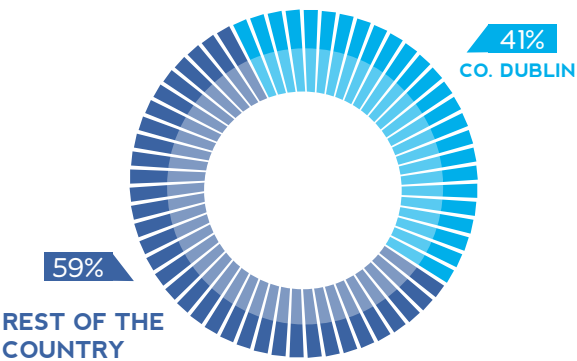
by 18%. Therefore on a book of business held by an Insurer the likelihood of a theft claim occurring has increased compared to the other perils underwritten.

In early 2012 we reviewed the market and in particular the perceptions of same with regard to theft claims occurring in Ireland.

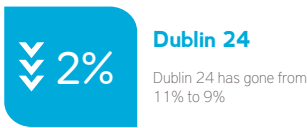
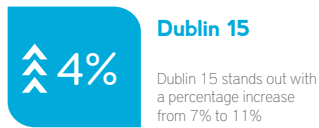
### Early 2012



### End of 2012

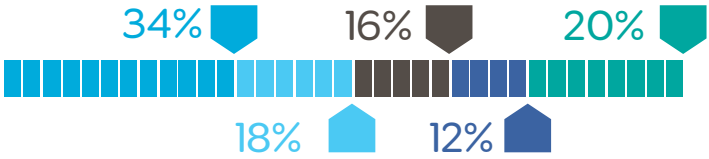


When compared with our review of 2012:

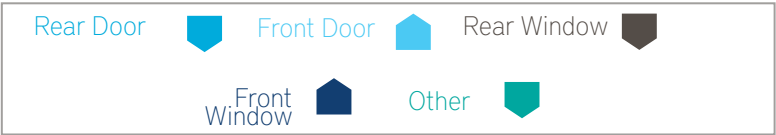
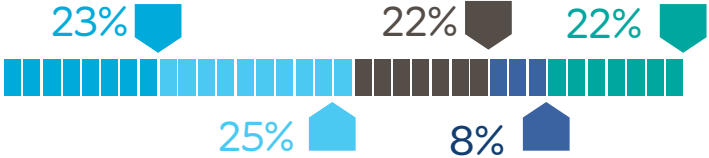


The location of entry into the property was as follows:

### Early 2012

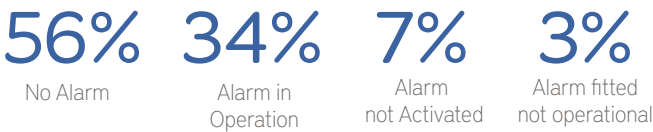


### End of 2012



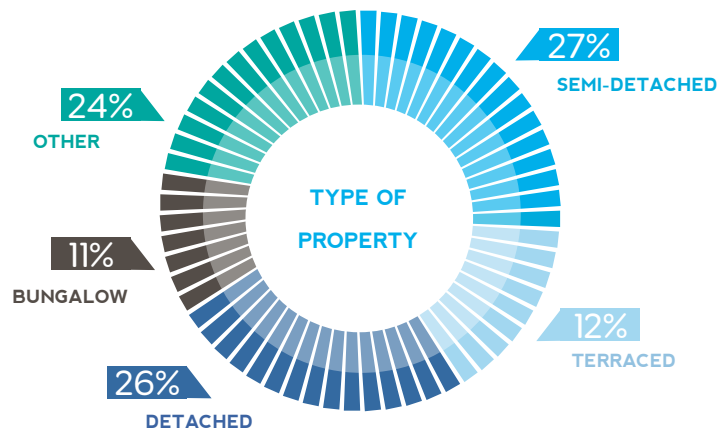
From the above we can glean that there has been an increase in the number of cases where access is gained through the front of the premises and a reduction in access through the rear even though access through the rear of the property still accounts for a greater percentage overall. There has also been a noticeable increase in the theft of items from garden sheds.

In relation to the protection of properties from which items were stolen the following pieces of information may be of assistance to those underwriting such risks.





The types of property involved seems to suggest that terraced properties and apartments are the safest and given the proximity of these properties to neighbouring properties and subsequently neighbouring occupants this would make sense.

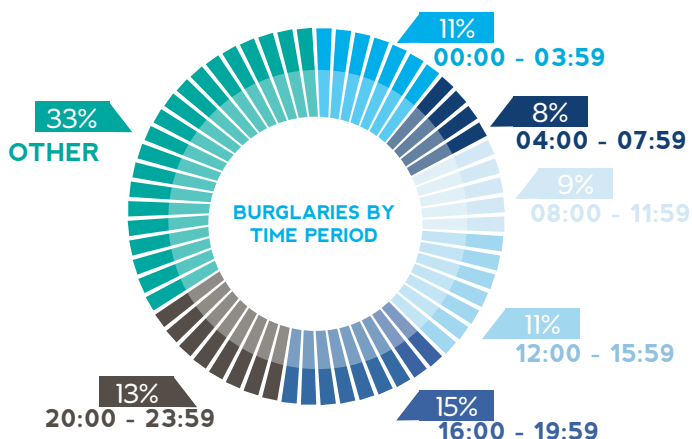


In relation to the occupancy of the premises both in relation to normal occupancy and in relation to occupancy at the time of the loss the following charts show that thieves do not seem to discriminate and perhaps consideration to having alarms set whilst the property is occupied should also be considered even though this may have practical implications.

**98% YES**  
PREMISES NORMALLY OCCUPIED

**85% YES**  
PROPERTY OCCUPIED AT TIME OF LOSS

A consideration may be to have alarms set between specific times as the chart below may assist in ascertaining the most hazardous time periods.



In relation to the type of property being targeted either specifically or just generally forming part of a "haul" the following gives an idea of specifics:

Jewellery	21%	Cash	5%	Computer	3%
Electrical Equipment	6%	Television	2%	Other	63%

In relation to % claims spend for those theft claims as can be seen at 21% jewellery accounts for quite a large proportion of this spend. This is therefore one category of household contents that could benefit from closer scrutiny both from an underwriting and claims handling perspective.

### Summary

In summary therefore the frequency of theft claims continues to fall however not at the same rate as with other perils. Theft claims currently account for a greater proportion of the overall claims numbers than they did during 2011 or indeed 2010. The number of theft claims has increased in Dublin and in the commuter belt area with thefts in Dublin 15 increasing substantially.

The number of intruders gaining entry to premises through the front of the premises has increased, perhaps suggesting an increase in daring, however predominantly access is gained through the rear. The greater number of thefts occurs between 4pm and 12 midnight and premises are normally occupied at the time with alarm activation in only 34% of the cases.

Finally jewellery appears to be high on the "bucket list" for these events accounting for 21% of the overall claims spend. This is therefore one aspect that both Underwriters and Claims Handlers should consider and if OSG can be of any assistance in that regard we would be only too happy to oblige. We already have a jewellery solution in place ready to roll out. Contact [ian.larmour@osg.ie](mailto:ian.larmour@osg.ie)

# 6 | PROPERTY LARGE & COMPLEX LOSSES



### Large & Complex Loss Investigations Overview 2012

**A****FTER** twenty eight years in business and with a significant portfolio of such losses, OSG have extensive experience and an established reputation in the investigation and management of large and complex claims. Our response strategy to this specialist sector has continued to develop through a multi-disciplined team & expert group approach, within our specialist Technical Services Unit (TSU).

Members of the Technical Services Unit are drawn from a select group of our most experienced and qualified practitioners. Core competency, pro-active decision making, communication and expertise in loss mitigation, disaster and business recovery go to the heart of the OSG response. A team leader, who holds primary responsibility for the case management, is appointed to every major loss and supporting team members are drawn from this select group of qualified practitioners and subject matter experts.

In 2012 our TSU saw a reduction in claims frequency compared to 2011, consistent with the overall market claims trend. Of significance however there was a 45% rise in large and complex commercial losses. This was partly influenced by the June 2012 floods in Cork and in particular the impact on the commercial district of Douglas, which was severely affected.

The Cork floods generated a high level of commercial losses across the retail, hospitality, manufacturing; commercial let property and financial service sectors. Our TSU team encountered flood damage ranging from hundreds of thousands to multi million euro losses. A key focus was prompt decision making early in the process to ensure restoration of trading at the earliest opportunity and business interruption loss mitigation. We found a proactive and pragmatic approach was adopted by the majority of claimants which supported early and cost effective claim resolution. Investigations in relation

to potential subrogation rights arising from this incident, which are complex, are on-going and further up-dates in relation to same will follow as information materialises.

Other major losses investigated by members of the OSG specialist unit in 2012 included a multi-million euro, malicious fire in a wind farm and energy generating station, a number of extensive accidental fire losses in meat factories and processing plants, significant D & O and Fidelity Guarantee claims, along with the typical range of mixed event commercial losses seen annually. A number of high value domestic losses also fell for investigation by members of our TSU where issues of concern apart from pure loss value also arose.

### Fraud & Special Investigation

2012 saw an increase in the deployment of our Special Investigation Unit (SIU) for large and complex losses and in particular the use of forensic psychology assets to include SE3R, Assess+ and Baselines techniques. The latter were developed by Professor Eric Shepherd (Director of the OSG Academy & Member of the OSG SIU Executive) who has over thirty years' experience in the field of investigation, investigative interviewing, development of fraud screening and the management, detection and deterrence of fraud. The majority of cases which gave cause for concern were of an opportunistic and individual nature, rather than involving organised (criminal) concerns. Outcomes have ranged from policy avoidance, claim repudiation and compromised negotiated settlement, with a number of cases still active and on-going.

Should you wish to learn more about any of the issues or services outlined above please do not hesitate to contact the author of this article or any member of the OSG Account Management Team.

Danny Donohoe, Group Director & Head of Technical Services, OSG





# 7 | SEPTIC TANKS

## The Inspection and Monitoring of Septic Tanks and Waste Water Treatment Systems

By OSG Regional Manager & Senior Adjuster, Chris Kerrigan, M.R.I.C.S.,

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## The Revisions to the Water Services Act 2007

**T**HE IRISH Government were recently found in breach of EU Directive 2006/12 in relation to the monitoring and control of waste water systems. The European Court judgement resulted in Ireland paying fines of €26,000 per day until the new monitoring system was put in place.

The Government's response has been to introduce an amendment to the provisions of the Water Services Act 2007, the Water Services (Amendment) Act 2012.

The first provision is the establishment of a new system for the inspection and monitoring of the performance of all septic tanks and other onsite waste water treatment systems. This includes a requirement for owners to maintain and service their systems in accordance with the manufacturers' instructions or to standards directed by the Environmental Protection Agency (EPA) for systems serving single houses. What is not clear at this point is how stringent these inspections will be having regard to the fact that a lot of the individual systems predate the EPA's code of practice (2009) for waste water treatment systems.

There has been a lot of debate in relation to how the new act will be implemented and the first stage is the registration of the tanks in Ireland which has now started. Research has established there are approximately 441,000 septic tanks in Ireland which compares to an estimated 83,000 septic tanks in Northern Ireland, 100,000 in Scotland and 800,000 in England and Wales combined. Previously there were no national performance standards or monitoring arrangements for such systems in Ireland. The environmental protection agency has identified septic tanks as a potential source of water pollution, particularly of ground water sources which are an important source of drinking water for many people.

The European Court in its judgement argued that the EU legislation in this area covers all septic tanks and individual waste water treatment systems both old and new. It found that the building control legislation in Ireland only applied to septic tanks and private waste water treatment systems constructed after 1992 and that the planning code only applied to septic tanks and private waste water treatment systems constructed after 2000. The difficulty that arises is how the Act is going to be applied to tanks which predate the legislation and this has resulted in a lot of political debate having regard to the likely costs to be incurred by householders.

The majority of septic tanks were constructed in accordance with legislation published in 1975 by the Institute for Industrial Research and Standards, revised in 1991 and issued under the direction of the National Standards Authority of Ireland.

The Local Authorities will be required at a minimum to carry out any inspections or verification checks to ensure the effective implementation of the inspection and monitoring system. In addition, there will be a requirement to carry out remediation works on failing onsite systems if directed to do so by the EPA. This should only occur in cases of immediate risk to public health or the environment and any costs incurred by the Local Authority will be recoverable from the owner of the on-site waste water treatment system.

Waste water treatments systems such as septic tanks are situated below ground and are not readily accessible. In some cases pollution may not be visible to the property owner and it may in fact arise some distance away from the property. Primary responsibility for any remediation works will fall on the owner and it is likely that (a) householders will have to have their systems serviced more regularly (b) it could involve some limited maintenance or repair works and (c) in the

extreme case highlighted above it may be necessary for the householder to substantially upgrade or even replace their existing systems which may in fact be done by the Local Authority and recovered from the owner.

It would seem that the Government are not going to seek compliance with the EPA Code of Practice for properties with septic tanks constructed prior to this date but at a minimum will seek to ensure there is no escaping effluent which could damage local ground water or the environs.

## The Impact on the Private Householder

The registration of the tanks has recently commenced and we are likely to see inspections commencing in 2013. Responsibility will be placed with the Local Authority to conduct the inspections however as explained the guidelines to which the inspectors will be required to adhere have not been clearly set out to date.

Effluent can escape from the waste water installation in a number of ways. The pipework leading from the house to the septic tank can fail if the pipework is inadequately protected and the joints aren't properly made or due to general ground movement. In addition, the possibility remains that waste water from the property is not correctly directed to the septic tank and consequently it is discharging to storm water or inappropriate soak pits.

We have come across a number of incidents where septic tanks are allowing untreated water to escape via the external walls of the tank and in some cases ground water (including during flood events) which has built up around the tank has seeped through the external walls or over the surface of the tank which would allow the tank to overflow.

The percolation area which is designed to distribute the waste water can often fail to function because the soil in which it is located is unsuitable for the purpose, the pipework used is incorrect or at inappropriate centres or the system has been inadequately maintained. Flooding of the site can also impair the effectiveness of the percolation areas and the costs of the

replacement of any part of the installation can be expensive and in a replacement situation involve an upgrading of the system which will cost in the order of **€10,000 – €15,000**.

## The Impact on the Insurance Industry

The question of how this will impact the Insurance industry is not fully known. Cavan County Council introduced bye-laws in 2004 on water pollution to implement a complete system of management of new and old septic tanks and individual waste water treatment systems. This included a requirement that every waste water treatment system comply with the EPA manual on treatment systems on single houses and that inspections be carried out at least every 7 years. OSG has not detected any increase on the frequency of claims in respect of septic tanks in the Cavan area since that time and consequently it could be contended that there may be little or no effect on the insurance industry.

In recent times, however, there has been a high profile media campaign in respect of the matter with opposition from local support groups and politicians. The confirmed number of tanks in Ireland is 441,000 and there is the potential for householders to look to their policy in the event they are faced with a large bill for the repair/replacement of the tank. We have therefore conducted a review of the potential exposures in this regard.

The normal perils policy will provide cover for the sudden and unforeseen damage arising as a result of water escaping from a fixed water drainage or heating installation and flood. It is difficult to envisage how any water escaping from the system could impact on the water treatment system itself and unless the untreated water finds its way into the building with resultant damage to the buildings proper, no cover will be afforded.

Flooding of the tank and percolation can cause significant problems. Whilst it is possible to pump out the tank and sludge,

the percolation may be permanently damaged following the washing out of bedding stone and the blockage of percolation pipes. Detailed enquiries will however be necessary to confirm the circumstances prior to discovery of the damage and whether the damage has occurred gradually.

Most policies however provide an extension of cover for accidental damage to underground services and whilst the duty would be on the policy holder to demonstrate that the event in itself was accidental in nature we could envisage a situation where in particular the feed pipe to the septic tank and the percolation area may have been impacted by a vehicle such as a ride on lawnmower traversing the surface of the ground damaging pipes. In that instance the pipework itself may not have been laid correctly or at an appropriate depth and each case will have to be considered on its merits.

Policies providing cover for loss or damage to the buildings from any cause except those where there is a restriction in cover i.e. **All Risks**, will warrant more detailed consideration and the onus would fall to Insurers to demonstrate no cover is afforded should that be the case. The typical exclusions in this regard would be wear and tear, depreciation or lack of normal maintenance, gradually operating cause, faulty workmanship or defective design or the use of defective materials. Where the policy holder can demonstrate that the original installation was built in accordance with regulations appropriate at the time and that a regular maintenance regime was in place, any sudden or unforeseen damage which can be shown to have resulted from an accidental event may fall to be considered under the policy provided it was not gradually operating in nature.

### Summary

We believe Insurers should develop protocols to ensure that claims associated with waste water service pipes, septic tanks and percolation areas are identified early and thoroughly investigated in view of the potential frequency of claims arising and the likely value of same.

OSG has developed such protocols in association with Merit Consulting, an independent engineering and project management firm.

At the outset, Insurers should review their own protocols in respect of the first notification of loss to include essential matters and OSG would advocate requesting the policyholder to provide a “statement of fact” type claim form to include a detailed history of the complaint and, whether they are dealing with a pipe blockage, escape of water from a tank, pipe, percolation area or malodour.

It is essential at this point that the policy holder is asked to state whether the cause has been determined or proven in their view and what steps have been taken to date. It is important that they are requested to do no further works as this may prejudice their claim.

The nature and value of the damage should be established and any reports prepared requested. This will allow a detailed consideration of policy cover and whether loss adjusting assistance is required.

Insurers may wish to consider future policy wordings in the light of the information contained herein and the potential for an increase in claims frequencies.

Policy limits for claims of this nature and specific exclusions may be warranted in some All Risks policies.

OSG would be delighted to provide a more detailed briefing and would be happy to host any training or workshops for Insurers.

Please contact me on 00 353 87 253 5098 or email me at [chris.kerrigan@osg.ie](mailto:chris.kerrigan@osg.ie)

# 8 | HOUSEHOLD CLAIMS DEFLATION REPORT 2012-2013

In June of 2012 we published our annual inflation/deflation report. The executive summary of that report produced by John McGee and Tom Cleary of OSG is reprinted here. The purpose of this report was to provide a forecast of annual household property claims deflation for the remainder of 2012 and 2013. A summary of our core findings were as follows:

## Building

- Total value of Construction output fell in 2011 to €8.7 billion, a 26% fall on the previous year
- Housing output fell to 10,480 units in 2011, a 28% reduction on 2010 with the number of new dwelling units for 2012 only expected to reach 5,000, an all-time low.
- Tender levels on large projects are now back to 1998 levels
- Direct employment in construction was down to 107,600 in Q4 2011, down 23% on Q4 2010.
- Future growth opportunities are in the Green sector and Foreign Direct Investment
- NAMA to invest €2 billion by 2016 with the potential to create 35,000 jobs

## Material Costs

We estimate material costs will rise in the remainder of 2012 and 2013 as follows;

- 2012: 2.00%
- 2013: 2.25%

## Labour Costs

Competitive dynamics within the economy, with a greater supply of labour, will maintain labour cost reductions in the medium term.

We estimate deflation as follows;

- 2012:-5.0%
- 2013:-4.0%

## Contents

We expect the cost of household content claims to marginally reduce in the next 18 months as follows:

- 2012:-2.25%
- 2013:-2.00%

## Deflation Forecast 2012-2013

Based upon the detailed research undertaken, the current subdued economic environment and our knowledge of the market, we estimate household claims cost deflation, on an annual basis, for 2012 and 2013 as follows:

Deflation Forecast	2012	2013
Materials	2.00%	2.25%
Labour	-5.00%	-4.00%
Buildings (Weighted: Materials 30:70 Labour)	-2.90%	-2.13%
Contents	-2.25%	-2.00%
Forecast (Weighted: Buildings 3::1 Contents)	-2.74%	-2.10%





# 9 | LATENT DEFECTS

OSG has been providing loss adjusting services on Latent Defects Claims for many years in relation to the Premier Guarantee Latent Defects policy. The volume of claims began to rise from late 2007 into early 2008 concerning the now well publicised pyrite problem affecting estates built throughout the 'noughties' in parts of Co Dublin, Kildare, Meath and Offaly.

## Development of OSG Latent Defect Unit

**T**HE PREMIER GUARANTEE policy offered policy cover in terms of damage to buildings caused by defects in the design, materials, components and / or workmanship of the structure of the unit. Claims received were not limited to the pyrite issue but would include buildings related structural issues.

In 2010 OSG made an offer to the insurers of a notification to settlement claims handling service. It incorporated first notification of loss, determination of policy liability, fully certified remediation of properties, project management, engineering services and ultimately management of recovery processes relating to these latent defects claims. It was a natural progression in terms of the OSG offering as the full service was locally based while the insurer was based outside the country at the time. Due to the success of the service the insurer decided to transfer the full portfolio to OSG in early 2011.

As part of this transfer OSG established a unit dedicated to providing this tailored service. Together with the underwriters a strategic decision was taken to reinstate damaged properties where policy liability was confirmed. It was agreed that such an approach would offer full control on costs, scope of remedials and safeguard the Underwriter's position in relation to the remaining period on cover under the structural guarantee itself. The works are now scoped and certified by engineers retained directly via the Latent Defects Unit thereby offering further cost

control.

OSG's Managed Repair Network provides a countrywide panel of contractors capable of undertaking the required repairs and the Latent Defects Unit was also extended to incorporate tendering services including QS works valuations to facilitate potential recovery actions. The traditional loss adjusting functions were also extended to cater for project management of multi-unit repair on residential estates encompassing alternative accommodation, contents removal/storage assistance and the sourcing of and supply and fit of tiling and flooring materials.

OSG's specialised recoveries department in association with Fitzwilliam Solicitors, now BLM Ireland, and Merit Consulting offers a more co-ordinated approach to complete the novel full claims management service. No other firm in the Irish market offers the same complete service.

## Pyrite Related Claims

The pyrite problem has, over the last six years developed into a major disaster affecting many tens of thousands of homeowners primarily on the east coast of the country. The mineral pyrite, or iron pyrite (also known as Fool's Gold because of its appearance) is unstable in the natural environment. Pyrite exposed to air and water decomposes into iron oxides and sulphate. Building stone containing pyrite tends to stain brown as the pyrite oxidizes.



This problem appears to be significantly worse if any marcasite is also present. The presence of pyrite in the aggregate used to make concrete can lead to severe deterioration as the pyrite oxidizes. In Ireland building stone taken from quarries with high pyrite content and used for house foundations has caused major structural damage.

As part of the development of Latent Defects Unit, OSG was in a position to assist in drafting specific protocols required for pyrite related claims. The unit subsequently developed claims processes that were required pre policy liability. These protocols and processes have now formed a major basis for the recently introduced national standards for pyrite affected properties in Ireland, incorporating testing procedures, confirmations of pyrite damages and required scope of remedials. There has been a major recent development whereby the Minister of The Environment has announced the setting up of a fund to assist those homeowners who do not have any suitable insurance in place and negotiations are on-going.

OSG are also in a position to offer our handling procedures to many other external parties involved in this process and have developed our unit in terms of numbers of employees and those with specialist experience in this technical field. At this stage we have progressed several hundred cases through to final reinstatement and certification, thereby freeing hundreds of individuals from this most stressful of issues.

The fact that many housing estates being remediated have remaining neighbouring homeowners in situ as works are being undertaken on damaged units close-by is a situation that takes careful planning so as not to interfere with the normal day to day living requirements of all residents. Works are controlled in the most efficient manner to minimise disruption on all parties.

Tight cost control measures are in place relating to works validation and exceptionally good value on tendering levels is being achieved. With works quality and snagging completion control systems also in place it ensures that the homeowners are left extremely satisfied at the end of the reinstatement process.

The OSG Latent Defects Unit and wider OSG Group have been successful with the full notification to settlement service for the management of reinstatement to latent defect and pyrite affected properties providing solutions that have satisfied all parties including the homeowner.

For further information please contact Pamela Marchant-Ragan, OSG Latent Defect Unit Manager

[pamela.marchant-ragan@osg.ie](mailto:pamela.marchant-ragan@osg.ie)

# 10 | MERIT CONSULTING ENGINEERING NEW PARTNERSHIPS

Merit Consulting, the independent Engineering and Project Management Consultancy within OSG Group, celebrated its second year of trading in 2012, with a strong performance.

**A**gainst a background of continued decline in Insurance and Construction, Merit's two core service sectors, Merit continued to increase market share in both sectors in 2012. The decline in Insurance sector activity over the last 12 months is well known to those in that sector, however the decline has not been as dramatic as that in the Construction sector, which experienced its fifth consecutive year of contraction. Construction output has fallen from €38billion in 2007, to under €8billion anticipated in 2012.

Michael Hughes of Merit comments "...we managed to continue to grow our turnover in 2012, and we are extremely thankful for the continued support and loyalty shown by our Clients. We are operating in a fiercely competitive environment and we understand that we must not only deliver value for money to our Clients, we must also exceed their expectations in every aspect of the services we offer. That was the challenge in 2011 following Merit's inception and that remains the challenge going into 2013"

So how did Merit manage to expand in 2012? Merit's Stephen McQuade gives some insight "...diversification has been the foundation for Merit's growth since 2011. From our mainstream Consulting Engineering services, through to our unique skills in the area of building damage investigations and remediation and beyond to our technical expert services, there isn't much that we cannot do for Clients in these areas. We firmly believe that the only way to stay at the front in terms of the insurance engineering and technical expert side of our business, is to expand our practice also in the mainstream engineering arena. Whether it is new design codes, forms of

contract, new building control regulations or innovative new construction products and systems, continual professional development and experience in these areas is critical when it comes to giving expert opinion on building defects and damage or in relation to construction disputes. We believe this blend of mainstream and insurance engineering, sets us apart from our competitors....it's very important for us"

The first half of 2012 saw Merit finalise our input into a large number of claims arising from the October 2011 floods. Most notable of these were large losses at the Sweepstakes Development in Ballsbridge, Dublin 4 and at Dundrum Shopping Centre. In addition to these major losses, Merit have also been heavily involved in investigation of home insurance claims for fire, storm damage and subsidence, as well as a number of very significant Professional Indemnity and Construction Products Liability claims in 2012. The investigation and remediation of latent defects within buildings has become a significant part of our business and Merit's expertise in this area is widely acknowledged.

In the area of Pyrite investigation and remediation, Merit continues to provide services to public sector bodies and private homeowners. Michael Hughes was invited onto the NSAI consultative sub-committee for the new Irish Standard IS398 for the investigation, categorisation and remediation of pyrite affected dwellings. The draft standard was published for public consultation in December 2012 and will be finalised in early 2013.

In the mainstream Consulting Engineering sector, 2012 seen Merit secure some important new commissions including our



appointment to a framework panel for Clarington Developments / Centric Healthcare, which has seen design work commence on Primary Care centres in Cabra, Dublin 9 and Celbridge Co Kildare, with 8 other PCC sites also in the pipeline.

In addition, Merit have been appointed as Consulting Civil and Structural Engineers for the new Power City flagship store at The Park, Carrickmines, Dublin.

We completed a structural design audit on a 50m high access structure for the boiler at Yonghung Power Station in Korea, for Instant Upright., which involved some very detailed structural modelling, using the latest Finite Element software.

These new commissions, along with continuing services being delivered to Clients such as Ballymun Regeneration Ltd, Walls Construction, BoyleSports, The Olympia Theatre and many other private clients, means Merit's workload for 2013 will continue to diversify.

In addition to new projects secured, Merit have seen an increase in tendering opportunities in the latter part of 2012, particularly in the private sector, which is encouraging.

Despite the challenging economic climate, Merit remains confident of a strong performance in 2013 with continued growth in our core sectors and further diversification into new areas.

### For more information contact:

Stephen.mcquade@meritconsulting.ie mobile (086 6007741)

michael.hughes@meritconsulting.ie (086 8214026)

Tel: 01 2612050



**meritconsulting**  
engineers & project managers



# WHEN IS A LEAK NOT A LEAK?

Over the past few years Merit Consulting has seen an increasing number of misdiagnosed cases of storm related 'water ingress'. Whereas the symptoms are similar, and include water staining, timber decay, roof failures, mould growth and plasterboard damage, further investigation and diagnosis have demonstrated that in many cases the true cause of the damage is in fact 'interstitial condensation'. Claims are often made that roof flashings have been dislodged in storms, or wind driven rain has penetrated around windows, in attempts to have the damage paid for under household policies.

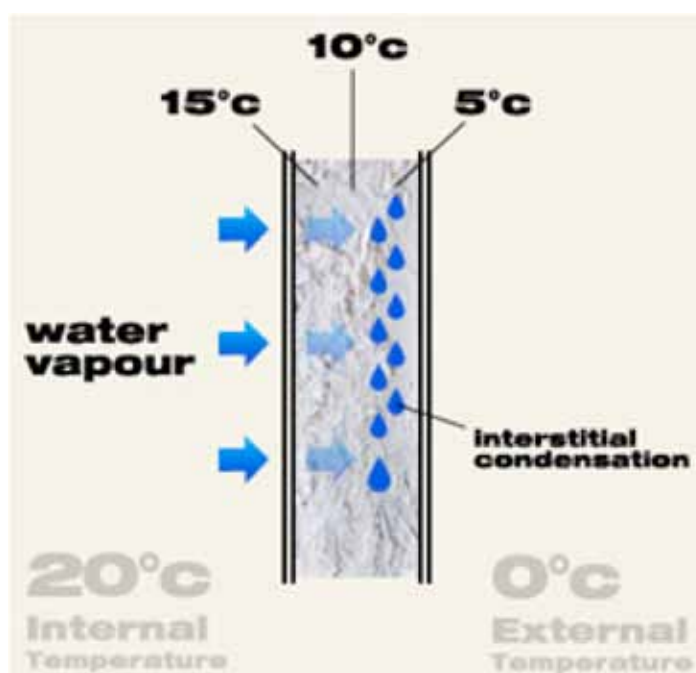
**T**HE INCREASING occurrence of interstitial condensation damage is yet another legacy of the 'Celtic Tiger'. Despite the fact that it is a widely known phenomenon, it would appear that certain developers, builders and designers did not fully understand how interstitial condensation occurs and the consequences of same.

## What is interstitial condensation?

At any temperature, air is capable of containing a limited amount of moisture as an invisible vapour. The warmer the air, the more water vapour it can contain before it becomes saturated. If warm moisture-laden air comes into contact with a cold surface, either inside the building or at an interface within the fabric of the building, then condensation will occur at the temperature at which the air becomes saturated (the dewpoint). Water vapour in the air exerts a pressure, called vapour pressure, so air containing a large mass of water vapour has a higher vapour pressure than drier air. This causes vapour to diffuse from high to low pressure areas. The term used to describe whether air is dry or water-laden is 'relative humidity'.

During cold weather, the air temperature and water vapour levels inside occupied buildings are generally higher than outside. This causes a flow of heat and water vapour outward through the fabric of the building envelope. Most building materials are to some extent permeable and do not obstruct the movement of moist air. Interstitial condensation occurs

when warm moist air permeates through the walls, floors or roofs of a building until it reaches a cold surface within the fabric, where the air condenses and moisture gathers on the cold surface as typically illustrated in Figure 1 below.



Although interstitial condensation usually occurs when water vapour is diffusing out from the interior of a building, there are circumstances in which the interior is cooler and drier than the outside of the building, for example in warmer climates. In this situation water vapour can enter the structure from the outside to an air conditioned cooler interior with inadequate or no vapour barrier or insulation, with the effect of reversing the usual pattern. This mechanism of damage is less common in the Irish climate.



### When can interstitial condensation occur?

The occurrence of interstitial condensation is mainly dependant on the type of construction and the type of environment internally in the building. Certain forms of construction and types of buildings are more susceptible to damage than others. Forms of construction that are readily susceptible to damage include timber frames, steel built into external walls, impermeable external wall/roof constructions and flat timber deck roofs. Buildings that would be considered high risk would be where internal environments develop high vapour pressures, with an obvious example being swimming pools. However houses and apartments where occupiers have a tendency not to open windows and perhaps also air dry washed clothes internally, are also high risk areas.

Very serious damage can occur to the fabric and in some instances the structure of buildings due to interstitial condensation. As interstitial condensation occurs in confined spaces that are usually unexposed and inaccessible, it tends to go undetected for a period, allowing the damage to develop over time and only become noticeable when the damage spreads to the interior parts of the building.

Some examples of the issues and effects that we have recently investigated are described briefly on the next page.



**NEXT  
PAGE**

# 1

## Case Study 1 :

### Water staining and dampness on plaster external plasterboard wall linings

It had been reported that water ingress was occurring through the external wall of a relatively new apartment complex, which was constructed in precast load bearing external walls with internal studwork and plasterboard linings. However following opening-up works and testing we found that the damage was due to the internal studwork and plasterboard not being adequately constructed to prevent internal moisture vapour (generated by normal apartment living conditions) from passing into the external wall construction, condensing and eventually showing itself internally in the apartments. The damage had the appearance of water ingressing from the outside, however it was discovered that the condensation was running down the surface of the plasterboard drylining until it reached a window head or other obstacle.



# 2

## Case Study 2:

### Structurally unstable timber roof decking

A few years after the refurbishment of a school, the caretaker noticed that the flat roof was 'crunchy' underfoot when he was carrying out general maintenance of the roof. As part of the refurbishment, a new PVC type roof membrane had been laid on plywood and timber battens, over an old flat roof which had been allowing water ingress for many years. The new roof build up was not adequately insulated or ventilated to prevent interstitial condensation and the new plywood rapidly decayed and deteriorated to the extent that it was structurally unstable and presented a safety hazard.





### 3

#### Case Study 3:

##### Mould growth on timber

It is very important that certain building materials are kept dry during the construction process. It is particularly important that timber, insulation and other materials that are built into the external walls and roofs of buildings are kept dry. If they are not, the trapped moisture in those materials can cause interstitial condensation to occur. We have exposed serious instances of mould growth inside walls and roofs that has been due to interstitial condensation due to trapped moisture during the construction process.



### 4

#### Case Study 4:

##### Internal water damage due to excessive moisture in cavity walls

A developer was experiencing problems with persistent water ingress damage occurring inside apartments due to excessive moisture levels inside the external wall cavities. It was initially believed that water ingress was occurring through the external walls but this was ruled out through testing. It was also considered whether excessive vapour levels inside the apartment was the cause of the excessive moisture inside the cavities, however this was also ruled out when the problem was found to occur in apartments with low occupancy levels. It was eventually established that the extract ducts for the bathroom and kitchen extracts fans were not adequately sealed through the cavities and were discharging large volumes of moist air into the cavities. The moist air was then condensing during cold weather, running down the cavities and breaching the damp proof courses, resulting in water damage to the interior of the apartments.

### 5

#### Case Study 5:

##### Failure of roof membranes

Some bitumen based roof membranes are bonded to timber boards and rely on the tensile bond between the timber and the bitumen to hold the membrane in place. We have investigated instances where interstitial condensation within the roof has caused slow deterioration and softening of the timber boards, which over time weakened the tensile bond to the point where gusting wind tore sections of the membrane from the roof.

## What the building regulations say?

**P**ART OF of the Second Schedule to the Building Regulations 1997-2012 requires that adequate means of ventilation shall be provided for people in buildings, including adequate provision for the removal of water vapour from kitchens, bathrooms and other areas where water vapour is generated and adequate provision shall be made to prevent excessive condensation in a roof or in a roof void above an insulated ceiling.

The Technical Guidance Documents to the Building Regulations also require that condensation in a roof and in the spaces above insulated ceilings should be limited so that under normal conditions (a) the thermal performance of the insulating materials, and (b) the structural performance of the roof construction will not be substantially and permanently reduced. The traditional method of limiting condensation in roof spaces is through the provision of adequate ventilation for cavities or attic spaces on the cold side of the roof insulation. Alternatively, where such cavities or spaces are absent, an effective vapour barrier is provided on the warm side of the insulation so that vapour from the building cannot permeate the insulation.

Part F also refers to BS 5250 : 2002 Code of Practice for Control of Condensation in Buildings. This Code is no longer current but as it is cited in Part F, it remains as valid reference document. BS 5250 provides more detailed technical guidance on the occurrence and effects of interstitial condensation, and design/construction procedures to protect against problems.

## Conclusion

it should not be assumed that dampness and water damage inside a building has been caused by water ingress. The potential for the damage due to interstitial condensation should be considered, along with all other possible causes. Amendments to Part L (Conservation of Fuel and Energy) of the Buildings Regulations over recent years has meant that buildings are becoming more air tight in order to improve their energy efficiency. This constant strive for improved energy efficiency, coupled with more complex insulating details and poor building practices, will increase the risk of condensation related damage occurring. Architects, engineers and building contractors will all need to become more aware of the importance of correct design and construction to avoid condensation problems, particularly in highly insulated, air tight buildings that are becoming a statutory requirement of the Building Regulations.

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## MERIT CORE SERVICES

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# 11 | LIABILITY SERVICES

2012 has been a busy year on the Liability front. General Damages have remained stubbornly high notwithstanding the depth and length of the recession.

## Introduction

**S**pecial Damages have been impacted by the downturn in economic activity through unemployment and reductions in earnings and also as a result of increased hospital, medical and care costs. Legal costs are showing some signs of abatement following the appointment of the new Taxing Master with a much tighter focus on actual costs and outlays incurred by Legal Firms. The Legal Services Regulation Bill 2011 currently making its way through the Houses of the Oireachtas will have an impact although there is already evidence that the Taxing Master is reflecting the spirit of principles described within. We also have judges questioning the value and cost of legal advice when measured against the financial impact of the recession on individuals and businesses. Recently there has been criticism about the over engagement of expert witnesses which ultimately impacts on legal costs incurred.

Depressed economic activity in the local environment has impacted heavily on certain business sectors in particular construction where we have seen employment reduce by some 60% since 2007.

The industry has come to terms with the decision reached in *Farrell v Whitty & Ors* 2008 when the European Court of Justice considered Article 1 of the Third EC Motor Insurance Directive. It concluded that the reference to "... fixed seating..." in the Road Traffic (Compulsory Insurance) (Amendment) Regulations 1992 was contrary to the Third Directive. This decision has had a financial impact on Commercial Motor Insurers where previously claims involving employees were

deemed to be for consideration under the Employers Liability Insurance Policy. There is a further case – *Smith v Meade & Ors* 2009 - currently under Appeal to the Supreme Court by a local Motor Insurer and the decision of the Court is awaited although it is considered unlikely to material alter the principle established by the ECJ.

The intervention of the Data Protection Commissioner in relation to the investigation and case management of liability related claims continues to impact on the manner in which such claims are handled. Solicitors representing injured parties are now seeking material information including CCTV footage under the guise of the Data Protection Acts. Careful consideration of such applications is required to ensure that they are not simply attempting to circumvent the rules of privilege and discovery.

## Frequency

Whilst we await actual Market figures on frequency for 2012, there is evidence to suggest that accident numbers remain relatively stable with improvement in some areas. The rate of fatalities over the past 10 years remains at under 3 per 100,000 though it is interesting that in 2011 the fatality rate was 2.7 workers per 100,000 which represented an increase on the 2010 rate of 2.3 workers per 100,000. A total of 47 workplace fatalities were reported to the Health & Safety Authority in 2012 as against 54 in 2011. Once again the Agriculture, Forestry and Fishing Sectors recording the highest number of fatalities at 28, marginally up on the 27 recorded in 2011 and down on the 29 recorded in 2010. Whilst 2012

employment numbers for the sector are awaited it is considered unlikely that these will have materially changed from the 80,400 in 2011 (2010: 83,300).

At 8 fatalities in 2012 the trend in the Construction Sector has deteriorated since 2011 when 6 fatalities were recorded (2010: 6) though significantly lower than the 15 recorded in 2008 and 10 in 2009. Employment numbers for the Sector in 2012 are awaited though we believe these are unlikely to show any significant change on 2011. Prior year fatalities should be measured against numbers employed in the Sector

<b>2008:</b> 179,900	<b>2009:</b> 129,100
<b>2010:</b> 107,300	<b>2011:</b> 107,600

It is evident that the frequency of fatalities in this Sector has reduced in direct proportion to the numbers employed as well as the level and nature of activity within that Sector.

Examination of the balance of the available empirical data reveals that fatalities across the balance of the Economic Sectors remain stable or indeed reducing including the Transportation and Storage Sector where in 2012 the number of fatalities dropped almost 86% on the previous year (2011: 7 – 2012: 1).

In 2011 Irish workers as against non-Irish national workers accounted for 85% of total fatalities. We do not anticipate any material change in this.

Our research reveals that 6,956 nonfatal injuries were reported to the Health & Safety Authority in 2011 which represented a 5% decrease on the numbers reported in 2010. The numbers have fallen 21% since 2007. Healthcare activities account for the largest percentage of nonfatal injuries reported, with the Manufacturing Sector recording the next highest frequency.

Accident triggers remain unchanged with manual handling related injuries and slip, trip & fall accidents accounting for almost 50% of all nonfatal injuries. Clearly this is an area requiring a concerted focus by the Industry from a Risk Management and Training perspective.

Some 16% of nonfatal injuries notified to the Health & Safety Authority in 2011 involved non-Irish national workers which is broadly similar in percentage terms to the number of non-Irish national fatalities.

### Court Statistics

There were 16,060 personal injury lawsuits (including Medical Negligence) filed in 2011, a 5% increase on 2010.

➤	High Court	–	8,179 (2010: 7,739)
➤	Circuit Court	–	7,881 (2010: 7,567)

A review of other available statistical data reveals that the average annual rate of increase in lawsuits filed between 2007 and 2011 was 5.1% for the High Court and 4.3% in the Circuit Court.

Further, examination of statistics available from the Injuries Board reveals that in the same period the average number of annual Awards issued by the Injuries Board increased year on year by 4.5%. By comparing this information with that available from the Health & Safety and Road Safety Authorities we conclude that whilst there is evidence of a consistent increase in claims volumes there is no evidence of a matching increase in accident frequency. Indeed the contrary would appear to be the case reflecting reductions in general economic activity as well as some improvements in workplace and road safety.

Personal Injury Awards	Lowest Amount Awarded	Highest Amount Awarded	Total Amount Awarded
High Court	€5000	€7,000,000	€73,995,478
Circuit Court	€829	€199,322	€14,955,472

## Injuries Board

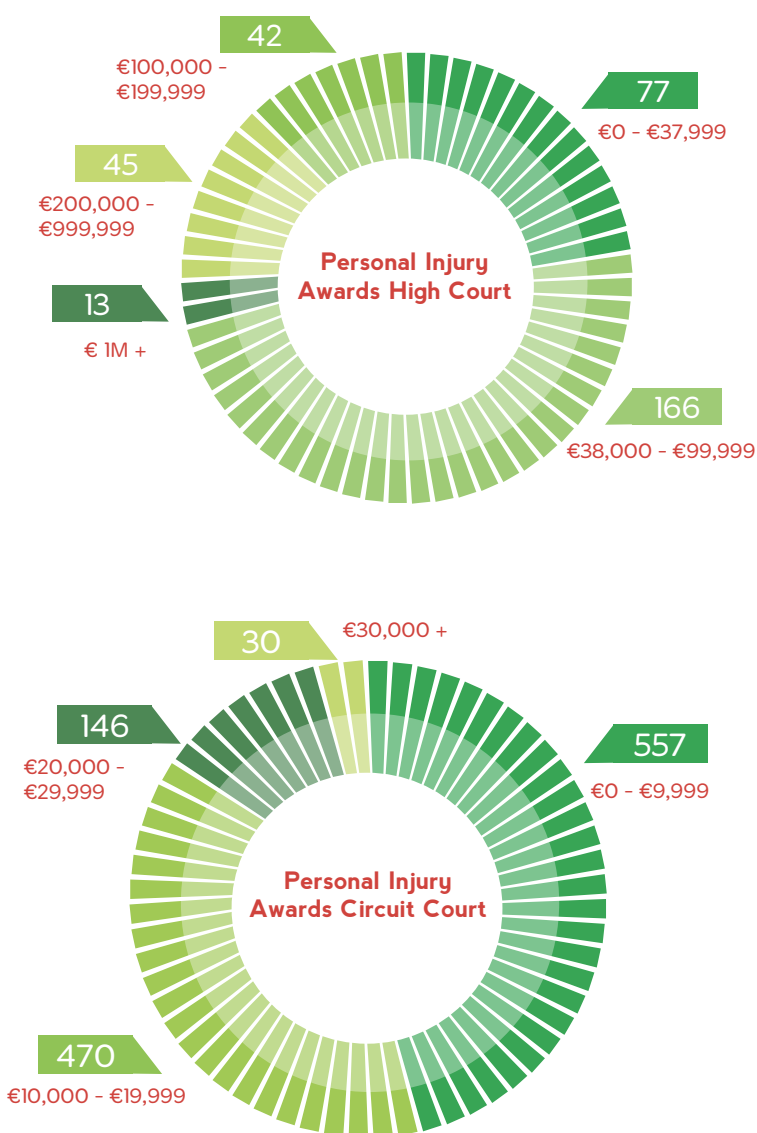
Examination of the Injuries Board website reveals that in 2011 91% of all Awards covering all sectors were less than €38,000. Indeed 65% of Awards in that particular year were under €20,000. When reviewed against the backdrop of the statistics provided by the Court Service it becomes clear that these mirror the results already described earlier. The majority of personal injury cases have values which fall within the Circuit Court Jurisdiction.

Acceptance of Injuries Board Awards by interested parties has reduced from 64% in 2007 to 60% in 2011. There appears to be a correlation between this acceptance rate and the average rate of increase in litigation during the corresponding period. We anticipate that this rate has matured. We do not foresee any significant material change in 2012 or beyond.

The above chart tracks the average Injuries Board Awards between 2007 – 2011. The reduction most likely reflects Injuries Board annual claim volumes coupled with the deteriorating economic climate where for example with increased unemployment and lower wages, loss of earnings claims have reduced. In the case of Employers Liability claims the average award in 2011 was €27,102 reflecting the more serious and complex nature of injuries sustained in this Sector.

Analysis of the prior year's reveals that motor awards have continued to increase to a high of 77% in 2011. Public Liability awards have also increased to their current level of 15% from a low of 11%. Significantly, Employers Liability awards have reduced from a high of 17% in 2007 to the current level of 8% reflecting depressed economic activity and attendant increasing unemployment.

Some good news for respondents is that as and from the 1st of January 2013 the cost of an Injuries Board Assessment fee has changed from €850 to €600, a reduction of some 29.5%.



Injured parties and their advisors appear willing to pursue litigation notwithstanding an industry appetite for early direct settlement and/or use of the Injuries Board Assessment process possibly reflective of a belief that parties are likely to secure enhanced damages through the Court system.



### Challenges for 2013

- The Non-Life Insurance Sector will continue to remain highly competitive and fragmented against the back drop of weak economic conditions. Therefore the opportunity to professionally manage liability related claims within a strict regulatory environment (Consumer Protection Code, Minimum Competency Requirements & Data Protection) must continue to be proactively explored to the mutual benefit of consumers, claimants and insurers using skilled industry practitioners.
- Given the current regulatory expectations that exist, the ability to use professionally, available case management tools such as early decision making, quantum assessment, rehabilitation, direct settlements including the Injuries Board, as well as pro-active litigation control, can contribute towards a reduced indemnity spend, cost containment and managed file life cycles, a key focus for OSG.
- OSG will be closely monitoring changes to legal costs structures under the new regime. We anticipate law firms will recognise the importance of maintaining accurate time, fee and cost records to ensure compliance with the principles espoused by the Taxing Master but also to reflect the costs provisions within the Legal Services Regulation Bill 2011.
- There is much rumour regarding possible increases to the Jurisdiction Limits in 2013. There appears to be a view that change is finally coming with the District Court limit increased to somewhere between €15,000 - €25,000 and the Circuit Court to €75,000 and possibly even €100,000. The belief is that the change to the District Court limit is unlikely to have any significant impact as most cases at that level will continue to be brought in the Circuit Court. However cases that would currently fall within the jurisdiction of the High Court – greater than €38,000 but under say €100,000, will transfer to the Circuit Court and should in theory at least result in potential savings mainly around legal costs. In addition this would free up High Court Judges to deal with the more complex and/or valuable litigation. However, equally, there are genuine concerns over the potential for “Damages” inflation both at District and Circuit Court levels.
- We understand the Department of Justice and Equality has been instructed by the Minister to begin drafting a Civil Liability (Amendment) Bill to reflect the cabinet approval for legislation to introduce periodical payments. A key concern for the State is the limiting of financial risk given the difficulties over security of payments for non-state compensation parties such as self-insured clients and insurers. Clearly the Government is not keen to expose the already over-burdened Irish tax payer to additional financial risk given the current economic climate. It will be a significant challenge for the Government to find a credible independently funded guarantee scheme that will be acceptable as a legal basis for compensating persons who have suffered catastrophic injury resulting in long term hospital, medical and care costs.

# LIABILITY CLAIMS LEGAL SERVICES REGULATION BILL 2013

It would appear fair to suggest that due to a combination of economic, political and societal changes 2013 will see a continuity of the national mood and appetite for change and reform.

The liability claims side of the insurance business could be considerably impacted by such developments.

The whole philosophy of the government's Programme for National Recovery 2011 – 2016 seems to be to strip out waste and cost, introduce increased competition and promote innovative and simpler methods of resolving barriers to economic prosperity and social change.

A good example of this is the Legal Services Regulation Bill 2011. This Bill is devised to establish through legislation independent regulation of the legal profession, improve access and competition, make legal costs more transparent and ensure adequate procedures when addressing consumer complaints.

The Bill makes provision for the establishment of three key entities:-

- A new independent Legal Services Regulatory Authority with responsibility for oversight of both legal professions (Barristers and Solicitors)
- The replacement of the existing office of the Taxing Master with the Office of the Legal Costs Adjudicator. The Legal Costs Adjudicator will be empowered to operate transparently and bring into the open better public awareness and entitlement as to legal costs information
- An independent complaints structure to deal with complaints about professional legal misconduct.

Some of the key objectives of the Legal Services Authority, as they could directly impact on the insurance industry, would include:-

- Specifying the nature and minimum levels of Professional Indemnity Insurance required by legal practitioners.
- Undertaking research projects and other activities in respect of the provision of legal services.
- Keeping under review the conduct of solicitors and barristers and the organisation of the provision of legal services in Ireland.

In performing its function the Authority will be required to have a number of objectives including:-

- Supporting the proper and effective administration of justice
- Protecting and promoting the interest of consumers relating to the provision of legal services
- Promoting competition in the provision of legal services

The Authority will be required to submit to the Minister for Justice an annual report specifying the number of persons admitted to practice as solicitors. This report must include an assessment as to whether or not the number of persons admitted is consistent with the public interest in ensuring the availability of legal services at a reasonable cost.

A key requirement will be for the Authority to furnish the Minister within 24 months of the establishment of the Authority a report in relation to unification of the solicitors profession with the barristers profession.

There are plans to allow direct access to barristers in relation to “non-contentious matters”.

It is envisaged that the Authority will be empowered to make regulations regarding the extent and scope of Professional Indemnity cover required by solicitors and barristers and the criteria to be met by insurers offering such cover and the terms and conditions thereof.

It is also a requirement of the Authority to make provision for formal contracts to be entered into between a client and the legal practitioner in relation to the exact nature of the legal services being provided with a back-stop figure on the legal costs which will be charged.

Another aspect of the proposed legislation is the intention for the publication of a legal costs guidelines document.

A ground breaking provision is a requirement on a legal practitioner to provide the client with a letter written in clear language laying out the legal costs that will be charged or if this is not reasonably practicable, it must set out the basis on which the costs are to be charged. It also will require that if a legal practitioner becomes aware of any factor that may make it likely that there will be a significant increase in the originally indicated legal costs, this must be brought to the attention of the client immediately.

There is also provision for a cooling off period after original instructions are given by the client.

### Wigs and Robes

Although of no real great legal consequence, there is a provision under the Bill which will henceforth allow a legal

practitioner, when appearing in the court not to wear a wig or a robe. This would have little effect on the provision of the legal advice or the conducting of the case. It does demonstrate that the whole ethos of transparency and demystifying of legal process seems to be part of the government’s agenda.

### Provision of Legal Services

The changes proposed to the Bill are quite fundamental to the provision of legal services in the State. An independent legal services regulatory authority is to be welcomed as it will presumably deal with complaints regarding the provision of legal services and conduct of barristers and solicitors in a transparent and completely independent manner. It will be very interesting to see the background of people who will make up the Authority.

The same can be said of the replacement of the Taxing Master with the office of Legal Costs Adjudicator. This should allow insurers more certainty when it comes to considering legal costs and should assist in the accuracy of reserving.

The whole issue of Professional Indemnity insurance for the legal profession has been a fraught one over the last number of years and the Legal Services Authority who will now be setting out details of the minimum levels of cover required by legal practitioners and the policy terms and conditions thereon may help the market.

It is noted that the Authority will be required to advise the Minister on the number of persons being allowed to commence practising as solicitors. Presumably the idea behind this is to make sure that there is an adequate number of solicitors admitted to the profession to ensure competition for legal services. Whilst in theory this is something to be applauded, some may take the view that already there are more than enough legal practitioners in the country and without freeing up the manner in which they are allowed to charge for their







services, increased numbers does not necessarily mean increased competition on price.

The Government are seeking a report in relation to unification of the Solicitors profession with the Barristers profession. This must be provided within 24 months of setting up of the Authority but it will only be a report not action on the issue. Whilst this amalgamation may eventually arise we would suggest that it is some way off yet and the exact form that the unification would take is unknown at this stage.

Formal contracts between a client and a legal practitioner in relation to the level of legal services and associated costs are welcome but in reality will not impact on the insurance market to any great extent. Most insurers currently have in place very clear Service Level Agreements with their defence solicitors including covering issues such as price and quality control.

The provision for a cooling off period after instructions have been given by a client to a solicitor is noteworthy. This could have an impact. It has sometimes been noted that following an accident, particularly where the injured person feels they may have not

been treated properly by the potential defendant after the accident occurred, that Claimants meet with their solicitors very quickly and because they are angry Proceedings follow very speedily. If a cooling off period is introduced then it may cause potential Claimants to have second thoughts about going to the trouble and cost of making a claim.

The wearing of wigs and robes in Court is of course somewhat a matter of taste. However the removal of wigs and gowns may help the demystifying of the Court process and could at least give a semblance of a more level playing field during the litigation process.

On an overall basis the Bill as it currently stands would make welcome legislation provided of course that implementation is vigorous.

# 12 | CLAIMS RECOVERY FOR INSURERS

## The Importance of Claims Recovery for Insurers

**A**CCORDING to the 2011 Deloitte Report, Driving Operational Excellence in Claims Management, up to 80% of each earned premium euro is used for pay-outs and related expenses. Claims are the single largest spend for a property and casualty insurance company. Rebecca Amoroso, vice chairman, Deloitte LLP outlined:

“As Property & Casualty insurers continue to face uncertain market and economic conditions, claims management is sure to have a central place in their strategies. The cost of pay-outs and expenses is the largest spending category, often accounting for up to 80% of premium revenues. Insurers need to leverage claims data to provide actionable information about what drives loss and expense, and put in place the business processes and supporting infrastructure to address these findings. The goal is to align the right claim with the right resource at the right time”

This poses the question, what is the effect of a pro-active, prompt and successful recovery for Insurers? Consider two insurance firms incurring losses of EUR 1 Billion, the firm that recovers 10% of its losses will be placed at an advantage versus a firm that recovers only 2% of its losses. A reduction of losses of a mere 1% cent will help in substantial savings. Therefore, Insurers must invest in achieving operational improvements with respect to claims management. Decrease in losses could mean that the insurer charges lower premiums, thus increasing policyholder satisfaction and possibly a gain in market share.

## OSG's Approach

In the past, the standard approach by Insurers was that the starting line for a recovery action was situated at the finish line of the insured's claim. Therefore, as soon as a claim was settled, the recovery action was born. The difficulties with this approach were numerous such as lack of interest by policy holders, insolvency of third parties, lack of third party data, lack of supporting documentation for outlays, destruction of evidence with the passage of time and so forth.

To improve Recovery performance in OSG, a complete departure from the legacy approach was undertaken and a new proactive earlier approach embraced. In OSG the claim and the recovery action run parallel to each other. Claim's that invoke third party flags are immediately screened for Recovery i.e. Impact Damage, Escape of Oil, Escape of Water, Electrical Fires, Fire/Smoke Damage and Theft. This approach with the combined effort of the Loss Adjuster and the Recovery Unit results in the following:

- Early evaluation by the Recovery Unit in determining recovery prospects
- Early identification of the resources to be invested
- Early identification and engagement of responsible third parties and their insurers
- Prompt settlement
- Prompt referral to Litigation

As the recovery action is running parallel to the policy holder's claim, the insured is aware that a third party action is being pursued which will include their uninsured losses (Policy excess, Loss assessor's fees, etc). At Policyholders can realise an added value from their insurer by virtue of the fact that OSG are



proactively engaged and pursuing a recovery of their uninsured losses.

This new approach has also had a direct effect on claims that are referred to Litigation. OSG currently enjoy a 99% success rate on Recovery Claims which are run to a full trial. The reasoning is that our files have the essential ingredients required to prove a case on the balance of probabilities. These ingredients are an interested policy holder ready to assist, all outlay documentation, expert witnesses, expert reports and most importantly, Defendant Insurance Company to issue proceedings against.

### OSG Caselaw

An example of this was most recently outlined in the case of *Ramblers Way Limited v Mr. Middleton Garden Shop Limited t/a Mr. Middleton* [2012] IEHC 473. This loss arose from property damage arising from a fire located in an adjoining property. The Defendant Insurers relied on the standard Accidental Fires Act 1943 defence however the High Court followed OSG's line of thought which was that the Defendants actions were negligent, not accidental. The High Court judge ruled that fire was the result of the Defendant negligently failing to unplug a heater and merited an award of agreed damages of €185,000 plus costs for the Plaintiff Insurers. In the past, the Accidental Fire Act Defence was considered a bar to any recovery action

for a loss arising from a fire in an adjoining property. In light of this recent caselaw, OSG envisages a retreat from this Defence by Insurers.

In summation, the value and benefit to Insurers by OSG's approach to Recoveries is as follows:

- Decrease in customer complaints and increase in renewals
- Increased Customer Satisfaction in Insurance Product
- Reduction in the claims recovery life cycle
- A prompt return of Insurers claims outlays
- Successful Litigation
- Minimal Costs for Maximum Return.



# 13 | BERRYMAN'S LACE MAWER IRELAND



In October 2012, leading insurance and dispute resolution law firm Berryman's Lace Mawer (BLM) was excited to announce the opening of a significant office in Dublin, which included the acquisitions of Fitzwilliam and Haddington solicitors, bringing with them considerable experience of the Irish legal and insurance markets.

**B**LM'S LAUNCH in Dublin was, in part, encouraged by its desire to develop a closer working relationship with OSG, a specialist outsourcing business offering an extensive range of services to the Irish and international markets. Our mutual objective is to offer the local market an alternative proposition for claims resolution services, providing a more effective and complete offering that encapsulates investigatory expertise, pre-litigation advice and claims handling, as well as a broad range of legal services.

BLM's expansion was also prompted by numerous requests from both UK insurers writing business in Ireland, brokers working with multinational corporate clients and self-insured corporate organisations, expressing a desire to receive the same progressive, clear and concise advice BLM already provides to them in England in respect of their Irish matters.

Together, BLM and OSG are keen to explore relationships with both existing and new clients in the Irish and UK insurance markets, with a view to developing a more streamlined legal process for the resolution of claims.

Partner Aidan Carr leads the team in Dublin. He said: "Feedback from many of our clients suggests that the market is ready for further development, along the lines of the UK claims market, including tighter regulation of claims. We are working with clients with business interests in Ireland to share our experience of working in a much more tightly regulated market. Our goal has always been to bring innovation to new markets and we believe our relationship with OSG will enable us to provide a powerful proposition for our clients in Ireland."

BLM has eight offices in the UK, in addition to its Irish offering, and has established itself as the go-to firm for insurers, Lloyd's syndicates, underwriters, managing general agents, brokers, corporate policyholders, public sector organisations, professional indemnifiers, amongst others.

The firm is instructed to act on a broad spectrum of legal issues for clients in key sectors such as construction and property, healthcare, leisure and retail, transport and logistics, professional services, education, the public sector, manufacturing and in the London Market.

From the moment the firm was founded, it dedicated itself to serving the needs of insurers, brokers and policyholders. Today BLM is one of the largest insurance law firms in the UK, with 95% of turnover from dispute resolution and litigation relating to insurance matters.

Contact Aidan Carr, Partner, on +353 1 261 2166





# 14 | ACCIDENT & HEALTH CUSTOMER CARE UNIT



At OSG, our A&H Team (Travel & PA – Customer Service & Claims) has grown steadily over recent years to become one of the leading providers of Customer Service & Claims Assessment to the Irish market. We have also expanded our service offering to the UK market, serviced through our Head Office in Dublin.

**T**HE CUSTOMER SERVICE TEAM deal with over 250,000 inbound and outbound calls per annum and in addition, provide significant added value to our Clients in processing additional revenues from off-line sales. Our Clients are both Irish & UK based. We provide the following as part of the service package to our Clients:

### Customer Service

OSG are extremely focused on delivering a high level of customer service to each interaction we have with policyholders and potential customers. Service Level Agreements (SLA's) are central to the service we provide. We aim to answer 80% of all inbound calls in less than 20 seconds and 100% in less than 120 seconds. The SLA's are reported on a daily basis and can be reviewed to ensure we meet the requirements on both the weekly and monthly data which are set out by each provider we work with. We aim to minimise our abandoned calls to 5% or below. Our complaints handling response is 80% in 24 hours and 100% in 48 hours and we strive to have this completed under the allotted time.

Our complaints procedure is clearly divided into three separate strands and each agent is able to explain the procedure clearly to the customer so they have a clear expectation of how their complaint will be handled.

Aside from the inbound calls we receive, we also are contacted frequently by e-mail. This allows us to extend our customer reach to customers who may want to contact us outside of office hours, or are abroad and unable to contact by phone. 100% of

inbound e-mails are responded to within 24 hours of receipt.

Certain partners outline a level of call quality and customer interaction required to promote the product as they intend. These partners are provided with a fortnightly selection of random calls to allow them monitor the service we are providing.

We also have in-house targets which we use to indicate the quality of service provided throughout the year on an individual agent basis. We review and monitor each agent's performance on a monthly basis through call reviews, allowing us to make sure we continuously strive to better our service and provide effective and efficient interactions each time.

While this is a sales orientated team our customer service is not limited to this alone. We provide information to assist with problems presented by customers as well as with product selection. Our agents are trained to handle a wide variety of queries and be able to explain details of the product in a non-advisory fashion.

### Back Office Administration

All aspects of customer contact, from quote to after-sales service are dealt with in the same Department. This allows for individually tailored attention depending on the customer's needs. We can assist customers with all aspects of the product without the need to transfer between various specific departments. By doing this, we can ensure that response time is reduced and service flexibility increased with this model. Agents are trained in all areas of back office administration leading to a one-stop shop for all the customer's needs.

Examples of the administration duties performed are:

- Issuing refunds – both by cheque and directly back to the account
- Posting Policy Documents
- Issuing Renewals
- Reporting on Payment Transactions on a daily basis to manage duplicate payments or application errors that may have occurred through online sales
- Contacting customers who attempted to purchase online but the application was unsuccessful
- Responding to Emails
- Issuing Referral Documentation

## Medical Screening

Customers come to us with a wide variety of different medical situations. By providing a medical screening service we can offer a more suitable product. OSG now use the Healix medical screening system and in doing so, we can access relevant medical expertise to ensure the right outcome for policyholders. This award-winning and market leading product allows potential customers to be screened for pre-existing medical conditions through call centre sales processes to produce instant quotes reflecting underwriting risk. These screening tools mean risks can be managed more precisely but, just as importantly, they can convert more enquiries into sales.

## Underwriting Solutions (Referrals)

Some products offered to customers' have inherent limitations in relation to the amount of risk that can be accepted. We are able to provide customers with a resolution to this issue by offering our Referral Procedure.

This allows us to send a detailed form which is completed on an individual basis and requests information about potential

holidays to be undertaken and also pre-existing medical conditions that may exist. Through the screening system which is powered by Healix, as mentioned before, we have a tool to manage and assess the risk more effectively and provide a quotation for customers.

## Market Comparison

In order for us to be competitive in the market, we have a method of appraising our products by analysing the prices of similar products sold in the market and then making adjustments based on the differences. This is most evident within the Medical Screening products which we offer where we can compare our price to that of the leading provider and can amend our quotation where necessary.

Another important element to this is reflecting on the product offering we have for our potential customers. We code each call that we take based on the subject or general action undertaken during the course of the call.

We can then run a report to show the volumes of particular types of calls which allows us to see if there is a particular demand for a product we are not providing, and perhaps other providers are. This can then be reported back to the relevant partner with the hopes we can increase our product offering and thus have a wider customer base.

Our product offering allows us to be able to have a wide variety of options available to potential customers. If a customer is travelling longer than the standard limit assigned to a particular product, we are able to then promote another more suitable product to meet the customer's needs. Throughout the agents interaction with the customer we also make sure to reference the relevant partners name so the customer is aware of whom they are buying with and also go away with a positive impression of the brand.

In line with Treating Customers Fairly (TCF) principles and the Consumer Protection Code 2012, we also make sure to make customers aware of any future contact that may be required in relation to claims or emergencies. As part of the product promotion we offer, we also ask each customer if they would like to receive further information from us about new products, services, or promotions that may be of interest to them.

### Business Retention

In OSG we sell both single trip travel policies and annual multi-trip travel policies. We have a process in place where we contact all customers with an annual policy to remind them their cover is coming to an end and should they wish it to continue they must contact us.

We do this in two ways; the first is contacting them through by letter which reminds them the date of renewal and provides all the contact details necessary, we then also send an email which offers customers an extra discount to renew using the link provided in the email text.

When dealing with customers over the phone who either feel the price quoted may be higher than expected or are unsure if they wish to renew, all agents are fully trained to handle these objections in a positive fashion. For example, with a lot of our partners we can offer a different level of cover at a lower premium, we also promote the benefits of cover making sure to highlight elements that may not be available on other products or areas where the customer has expressed a personal concern. If the customer still feels unhappy with the quoted premium, we can then offer the customer the online discount and upsell the fast and efficient service of the agent in the application process.





## Claims Team

Our claims team have been assessing Travel & PA claims for both Irish & UK clients for the past 15 years. We currently assess over 20,000 claims per annum and handle over 60,000 inbound and outbound calls each year.

All claims are assessed in line with both the Irish Consumer Protection Code 2012 and the UK Treating Customers Fairly (TCF) Principles.

In addition to the claims assessing role, we also provide the following services:

## Travel Recoveries

From the first claim assessment to long after the claim is settled, OSG Travel Claims ensure that the best interests of their clients are preserved. Our skilled claims assessors are fully trained at the early identification and processing of all possible recovery opportunities. In addition, we have a dedicated Travel Recoveries and Investigation Unit who have considerable expertise and knowledge in this area. Recovery Opportunities include:

- Dual Insurance
  - Household, Private Medical or a Alternative insurances such as Gadget Cover or additional travel insurance
  - OSG have unique service level agreements with the main PMI providers in Ireland and close working relationships with UK Providers
  - Credit Card cover whether warranty related or supplemental insurance on the card

- Airline Obligations

- Reciprocal Agreements
  - Including but not limited to EHIC,
  - Australia & New Zealand agreements

- 3rd Party Liability
  - OSG Specialise in Cross border litigation, working closely with our panel of foreign solicitors
  - Overseas Recovery & liability claims present multifaceted challenges.
  - OSG excel in manoeuvring through the myriad of potential defendants and jurisdictions, ensuring the applicable laws are used to best maximise return for our clients
  - Closer to home, we are also successful in recovering insurer outlays for cancelled trips due to injuries caused by 3rd parties in Ireland

OSG Travel Claims are dedicated to providing value for money for our clients during the life cycle of the claim and beyond. This value for money is clearly illustrated when comparing the amounts recovered in comparison to the claim fees charged throughout the year.

### Top 3 Clients

- Client 1 Recovered 131% of Claims Fees
- Client 2 Recovered 114% of Claims Fees
- Client 3 Recovered 52% of Claims Fees

## Additional Services

A service is also provided where a full recovery review is carried out on clients' High Value closed files which have been handled either internally or by a third party. This service is provided on a no win no fee basis, with no risk to the client. Claims with identified potential are then fully explored by OSG and pursued as appropriate.

In addition to pursuing recovery potential head on we also review and redraft policy wordings to maximise potential and to reduce unnecessary risk.

### Results

Since 2008, OSG Travel Claims have recovered over €1,000,000 of our Clients' outlays; with recoveries on some accounts running at approx. 9% of total claim spend.

### Cost Containment

While American hospitals struggle to stay profitable, and European Hospitals and Clinics find the need to ever tighten their purse strings, there is a greater reliance on their use of international debt collecting agencies and a reduced willingness to negotiate on price. It is crucial therefore that Insurers' have the best possible Cost Negotiation and Containment team on the case.

Working closely with the market leading Assistance Companies, OSG provide a medical invoice audit and processing facility and can utilise the various PPO's that the Assistance Companies use. In addition, OSG negotiate direct with overseas medical providers with some excellent results:

Average negotiation– 20-30%, with some reductions up to 68%. When coupled with a subsequent recovery, this can amount to enormous savings for the Insurer.

### Fraud Detection & Prevention

In the current socio-economic climate, there is an increased emphasis on claim control and fraud prevention. OSG Travel Claims fully understand the threat that fraud represents to both profitability and reputation of our clients and of the market in general.

With over 10 years of claims data from 17 Insurers OSG has an exceptional archive of travel claims data. This unique database

coupled with our experienced claims assessors, claim type specific indicators and continual training mean that our travel claim assessors are expertly equipped to identify a potential fraudulent and to fully investigate it to closure alongside our specialised unit.

In addition to the one off opportunistic fraudsters, in the recent past, OSG Travel Claims have successfully closed down a fraud ring was based in the centre of Dublin that was submitting multiple fraudulent overseas medical expense claims. Overall savings from this alone amounted to excess of €20,000.

OSG also assist clients in reviewing their policy wording to ensure that they have the combined effect of assisting to prevent fraud as well as providing the mechanisms to actively pursue it.

OSG have been accredited by the Insurance Institute of Ireland for their fraud management presentation.

For further details contact:

Andrew Merriman , Travel Claims Manager  
andrew.merriman@osg.ie



# 15 | CASE MANAGEMENT SYSTEMS





# CASE ADMINISTRATION AND RESOLUTION SYSTEM (CARS)

**I**n today's world we are all too familiar with regulation and compliance and with new procedures and hoops to jump through. Keeping on top of it all can be very difficult.

Any time you need to reconstruct a transaction as part of a complaint or look back review there are so many areas where you have to retrieve information. It's a huge problem.

Expectations of regulators are growing, communication channels are expanding and there may be just too much noise. There needs to be a better way of tracking, capturing and retrieving data. A lot of systems are slow and unconnected. Let us show you how to make it simple and imagine a world where you have an integrated, easy to use system that can capture all the data required for each customer.

OSG has developed CARS as a people, process and technology solution for a variety of challenges faced by the Banking, Financial Services and Insurance sector.

CARS has been deployed to provide compliant complaints handling to Consumer Protection Code standards and performing case look back reviews for OSG clients. It can be targeted to address a range of further solutions such as:

- Marketing Campaign Management
- Look Back Reviews
- Debt / Arrears Collection
- Accounts Administration
- Customer Service

CARS can add considerable value to existing business processes and can be customised to integrate with core systems. Our preference is to handle all outsourcing projects in-house, but we also provide a recruitment placement service to client companies. By using highly qualified experienced personnel across a range of disciplines, familiar with our business processes, we have found that we have

been able to provide added value and cost effective deployments to clients by providing customised solutions addressing the full business process requirements.

## People

The OSG difference is our people. We support a culture of inclusion, personal development, equality and respect. Our aim is to provide a platform for opportunity and professional growth.

In OSG we believe that the selection process for team members is key to ensuring quality work standards and practices. The process is rigorous and we ensure that all personnel selected comply with the minimum competency code from the Central Bank of Ireland. Our CARS team membership consists of solicitors, barristers and a wide range of professionals with qualifications that include ACII, QFA, CIP, and APA (Life & General).

In addition to on-going performance management OSG operates a continuous improvement programme for all employees. The core of this programme revolves around training and can be summarised as follows:

- The Director of the OSG Academy and the OSG Training Manager are responsible for training and development.
- A mentoring system is operated, to enable maximisation of internal expertise across our service centre network.
- Training workshops are scheduled throughout the year, utilising either in-house expertise or external trainers where necessary. External courses and seminars are also regularly supported and records of employee attendance maintained.

- A supportive approach to the attainment of professional and academic qualifications is adopted and this incorporates funding of courses and study material together with provision of paid study leave.
- Where a weakness in an individual skill base or technical knowledge is identified, usually as part of the internal audit programme, specific internal training courses are tailored to the individual's needs.
- A comprehensive technical library is maintained and is directly accessible to all personnel.
- A customised training program is arranged prior to any staff member dealing with the public or handling a case, including telephony techniques, listening skills, decision making skills, TCF/CPC and Data Protection.

## Process

As a learning organisation, our strategy is to provide a platform for the development of our talent to the overall benefit of our organisation, our clients and our people. OSG places a large value on the professionalism of our service. This includes ensuring that our clients remain compliant and are protected in relation to any regulatory responsibilities.

OSG's Quality Assurance Framework is designed to ensure that Quality and Compliance requirements are maintained to best practice standards throughout our range of services across the OSG Group.

Quality of work standards are developed, maintained and improved upon using supervision, on-going review and continuous education.

Staff members are subject to an accreditation process to demonstrate their understanding, skill and competence prior to working on their own. The accreditation period involves 100%

of cases handled by a team member to be reviewed by the Team Leader QA to ensure consistency and understanding. 100% review applies until 10 cases are passed by the QA checker in a row. After this achievement 50% review applies until a team member passes a further 5 cases in a row. After this achievement a team member is judged competent and is formally signed off.

## Technology

CARS is a case management solution built on an Enterprise Level CRM system (Super Office CRM) and customised to provide a range of tailored solutions. CARS services our clients by offering a technology enabled platform that mitigates risk. Each project assigned to the case management team will use Prince2 and Agile/ Scrum methodology for system build and rapid deployment. This approach allows us to create rules based processes that are regulatory compliant within a short timeframe. Each process designed has an inbuilt quality assurance audit trail.

Our technology is designed to transform data into meaningful information and processes that comply with regulatory requirements.

## Cars Technology Core Functionality

The Solution administrates, case manages, records adjudication, notifies settlement, reports on all activities and meets all regulatory requirements as set out by Clients and the Central Bank of Ireland.

## Scalable Technology Platform

- Enterprise Level fully scalable solution that can case manage client requirements on a volume basis
- Highly integrated i.e. the entire case life cycle and all participants, tasks / activities are transparent.

- Cross Platform – client, browser, tablet, smart device, mobile
- Fluid, agile and flexible development and support processes Flexible Deployment Options
- On Client Site
- On premises in OSG
- Cloud based hosted environment
- Integrated Regulatory Compliance
- Compliance is built into the process - so there is no additional overhead in meeting client regulatory requirements.
- Possible breaches are alerted for each case - and ensure timely intervention by the case handler
- Workflow Escalation processes and exception handling throughout each task.
- Workflow and tracking systems apply at the individual case level throughout the case lifecycle.
- Transparent task based activity allows audit and QA to be easily monitored and performed.
- All correspondence issued and stored against each case - inbound and outbound documents, emails and can be integrated into voice recording archive.

### Case Review & Reporting

- Case assessment form auto generated from case details
- Case critical path mapped for each case
- Extensive reporting, MI and Dashboards are available in real time

### Contact

We would be delighted to provide you further details of our approach and a demonstration of our system. If you require any further information please contact Dick Harnett, Executive Director, Business Development on +353 1 261 1426 or email [dick.harnett@osg.ie](mailto:dick.harnett@osg.ie)



# 16 | OSG ACADEMY

The OSG Academy is a learning hub developed by OSG in 2010 that promotes the transfer of knowledge and skills among its own employees, institutions who wish to have their members trained, and members of the general public wishing to avail of open access training events. Using a blended approach to learning including face-to-face lectures, tutorials, seminars, and e-learning vehicles, the Academy tries to promote a way of study that maximises student knowledge, understanding and skill.

## Insurance Examinations

**O**SG HAS CONTINUED to show commitment throughout 2012 in providing as much resource as possible to ensure that its members have the best opportunity to pass insurance exams at varying levels. With over 130 students studying exams over the last year, the OSG Academy has endeavoured to assist in any way possible. Study tutorials have been arranged with experienced practitioners prior to work, during lunch time, and after work, to help students through their learning. Due to OSG's dispersed network of branches throughout Ireland, the Academy now streams live and recorded tutorial sessions through its very own Virtual Learning Environment (VLE): [www.osgacademy.com](http://www.osgacademy.com). This ensures that anyone taking examinations is not at a disadvantage caused by geography, work or time commitments.

## Continued Professional Development

We would like to congratulate the 54 people who successfully qualified to varying levels during 2012 – APA, CIP, Dip F.S., CII Cert and ACII.

The OSG Academy has strived to keep its members, and affiliated parties aware of current market issues and trends. This has been achieved through 25 hours of CPD lectures organised during 2012. These lectures ranged from

"Handling Property Claims in a CPC World" by Gillian Goggin, to "Managing Fraud in Travel Claims" by Craig Donnelly, and "Motor Liability" by Stephen Lynch.

## Practitioner Development

At OSG, there is a constant focus on improving the technical skill of its people above and beyond insurance based examinations and CPD requirements. By understanding possible skills gaps, the Academy is able to provide specific job related training, such as Conversation and Relationship Management or Investigation skills, and where required will bring the necessary skill base into the organisation such as Xactimate training sessions for the Property division.

The Academy also provides external training programmes to both public and private institutions in Ireland and the UK. Programmes have included topics such as investigative interviewing and fraud.

## Management Development

OSG embarked on a series of management development training sessions in December 2011 which continued into the New Year. As part of these sessions, supervisors, team leaders, and managers were educated on key principles of management techniques from leadership to team development, and subsequently had to embark on individual



improvement projects as part of their successful completion. Working with their teams, participants implemented lean initiatives varying from visual management display systems, to operational efficiencies found in micro processes, and even the implementation of drastic changes to how work is organised in a particular area. The programme proved quite successful, with many areas reporting improved efficiency and effectiveness in performance, but also an increase in team morale and cohesiveness.

### What's planned for 2013?

#### Professional Certificate in Insurance (PCI) Programme

As part of OSG's Corporate Social Responsibility (CSR) efforts, the OSG Academy has launched the Professional Certificate in Insurance (PCI) Programme in February 2013. OSG have committed to providing 20 places free of tuition and training costs. The PCI programme looks to equip those not currently in work and interested to enter or re-enter the General Insurance sector in Ireland, with the skills required to pass four minimum competency Insurance Institute of Ireland examinations in May 2013.

It is hoped that with the commitment of the OSG Academy faculty, and the resources available to it, the graduates of this course will be better skilled, qualified, and ultimately more attractive to potential recruiters. We wish all those attending the course the best of luck in their endeavours.

### Continued Practitioner Development

As previously mentioned OSG continues to develop the skillset of its members and as such is currently in the process of developing further training sessions in technical abilities as well as further team problem solving and process improvement techniques. The OSG Academy has commenced use of its Virtual Learning Environment which will greatly improve its ability to remotely and comprehensively provide training to its members, without greatly impacting on their productivity.

# 17 | RECRUITMENT PLACEMENT

**O**SG DEVELOPED a recruitment placement service in 2010. The service provided by OSG is also a type of co-sourcing. Co-sourcing differs to outsourcing in a number of areas. Essentially co-sourcing or recruitment placement is the hiring of dedicated professional staff for a company's use. Based on long term relationships it is more a partnering arrangement than straight forward vending situation. Traditional outsourcing is generally transactional in nature while OSG's recruitment placement is directed towards our client's business performance.

The majority of the contracts we have in place for insurers and banks centre around the placement of agreed MCC compliant, professional OSG personnel on site in our clients' offices. They then operate as a team under the direct control of our client rather than directly to an OSG member of staff. Our dedicated team builds up a knowledge that is specific to our clients operations, software, products and services. The OSG team members gather

learning and information first hand which is retained within the client's organisation.

OSG placement members of staff are an extension of the client employee base and this also helps to preserve business confidentiality for our client.

No ramp-up time is usually required for new projects and initiatives and the OSG team is already familiar with products and services in addition to being aligned to the client's direction and vision. Recruitment placement can serve to minimise sourcing risks, increase transparency, clarity and can lend toward better control over the processes outsourced.

When there is a shortage of experienced personnel available in the marketplace, temporary contracts needed or a freeze on in-house recruitment then the option available from OSG can close this gap and contribute greatly to the growth and stability of an organisation. We have been achieving outstanding results with our clients especially in the area of customer care, back office and internal complaints or look back review projects.







*For over 25 years we have provided cost effective and practical solutions for our clients. As a result we are trusted by the Banking, Financial Services and Insurance sector.*

*Contact us for an initial discussion. We will listen and work hard to provide solutions for your challenges.*

*Work with us and we will commit our resources to providing you with the service you deserve.*

*You have my personal guarantee on that.*

*Malcolm Hughes  
CEO & Founding Partner*



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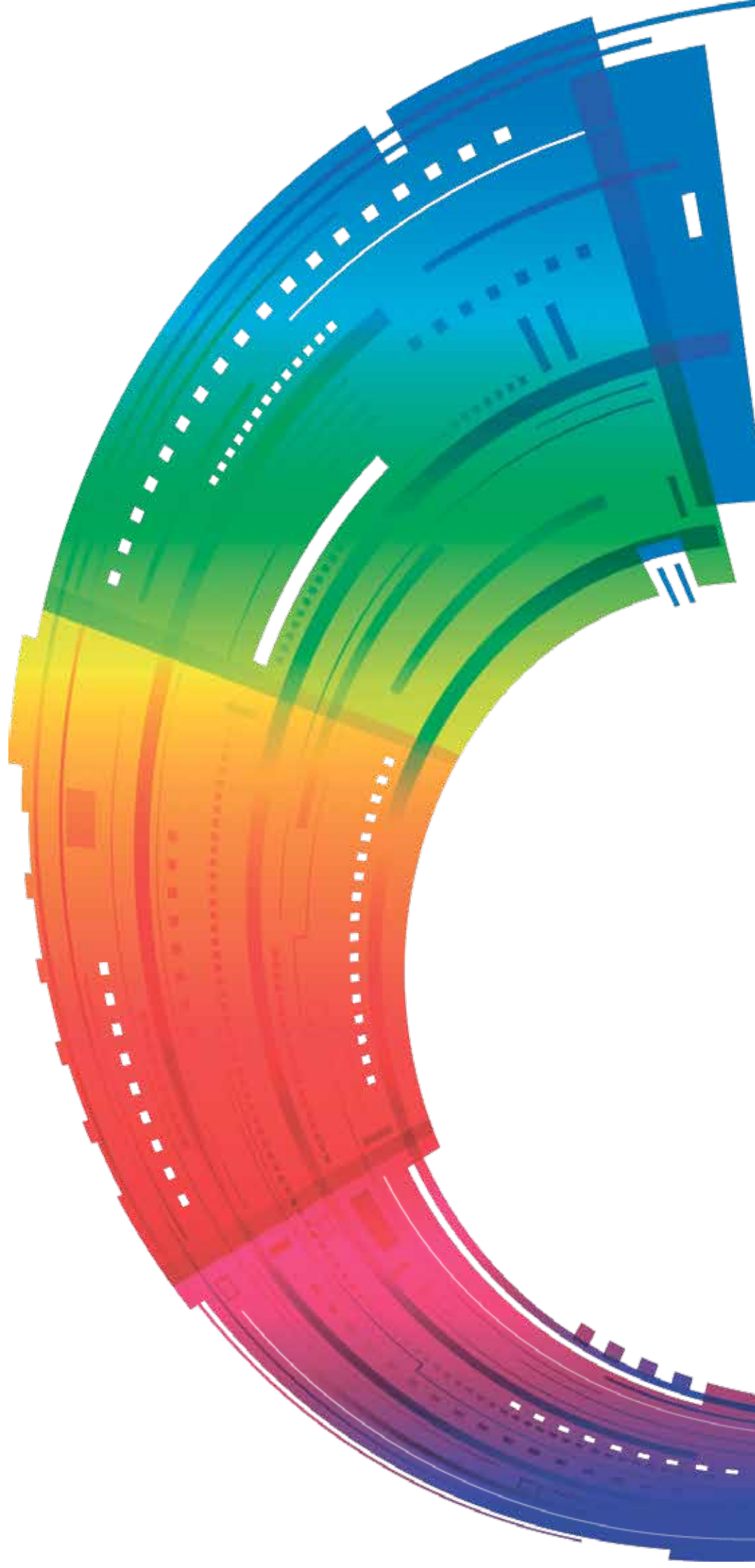
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