



THE CHARTERED INSTITUTE
OF LOSS ADJUSTERS

CLIMATE CHANGE – ADOPTING A SUSTAINABLE CLAIMS HANDLING METHOD

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On behalf of the Property SIG

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Introduction

We, as loss adjusters, play a pivotal role in bridging the gap between insurers and policyholders, ensuring that claims are managed fairly and efficiently. Beyond this, we have a significant opportunity to influence sustainable repair practices, reduce environmental impact, optimising waste management, the calculation of the environmental impact of claims and to promote durable solutions. By guiding policyholders and insurers towards carbon-conscious decision-making, we contribute to a more sustainable future for the insurance industry.

Key Concepts in Environmental Sustainability and Climate Change

What is Sustainability?

The avoidance of depletion of natural resources in order to maintain an ecological balance; in this case “the pursuit of global environmental sustainability”.

What is Durability?

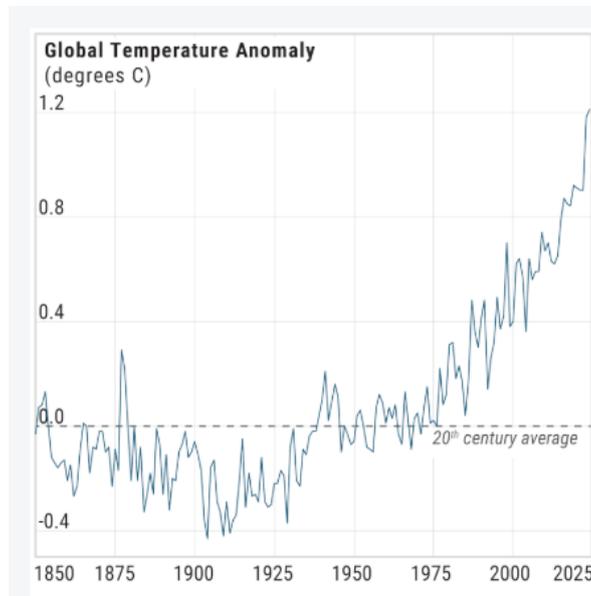
The ability to last a long time without significant deterioration and requiring minimum maintenance.

What is Climate Change?

Climate change refers to long-term shifts in global temperatures and weather patterns. While some of these changes occur naturally due to factors like solar activity and volcanic eruptions, human activities have been the primary driver since the 1800s, largely due to the burning of fossil fuels such as coal, oil, and gas.

Burning fossil fuels releases greenhouse gases—primarily carbon dioxide, methane, and nitrous oxide—which trap heat in the atmosphere like a blanket, leading to rising global temperatures. Despite making up less than 1% of the atmosphere, these gases are significantly altering the Earth's climate.

The following graph shows how the global temperatures have increased over the last two centuries. Whether a naturally occurring phenomenon or due to Climate Change, it cannot be disputed that our planet is heating up at an accelerated rate.



Short Term Actions Lead to Long Term Gain

By reducing the carbon footprint, maybe in 100 years' time climate change will stabilise and thereby have a positive impact on the weather patterns by reducing the number and severity of the weather events currently being experienced. Whilst we may not see the benefit in our lifetime, we would be leaving a better world for future generations.

The increasing global temperature and climate shifts emphasise the urgent need for sustainable solutions in all industries, including insurance repairs and property restoration, to mitigate further environmental damage.

What is a Carbon Footprint?

A carbon footprint is defined as the total amount of greenhouse gases released into the atmosphere. By reducing the footprint, eventually the volume of greenhouses gases in the atmosphere would diminish.



Claims Handling and Reinstatement

Consider what are the practical solutions that we can recommend as loss adjusters when considering sustainability and durability at the heart of the claims process?

Disposing of the damaged materials: With waste, encourage deconstruction over demolition, and if the chosen contractor is unable to deliver a sustainable solution, consider involving a salvage dealer at the outset of the claim. If this approach is adopted at the very start of the claim, what may appear debris or waste materials to us, will be utilised and/or recycled resulting in less going to landfill.

There is NO AWAY – all debris no matter how disposed of remains on the planet.

Reinstatement:

- Consider the method of reinstatement and products being replaced
- Can a more durable and resilient item be used? Consider sustainable materials such as Forestry certified timber
- Is it feasible to replace fossil fuel central heating with ground/air source heat pumps, and/or electric underfloor heating?
- Look at the reinstatement materials being recommended? What is their life expectancy?
- Endeavour to repair, re-use or refurbish items before considering their replacement and disposal
- Consider energy efficient products and insulation materials
- Risk management – consider the works that can be undertaken to prevent a similar loss occurring in the future or lessening the damage if it does occur
- Biodegradable products do not produce methane when disposed of – consider the materials being used in the construction process
- Encourage the use of eco-friendly, repurposed or recycled materials

*An example would be to replace oil fired central heating with an air source heat pump
Also the use of eco-friendly paints, energy efficient roofing, solar panels, smart meters*

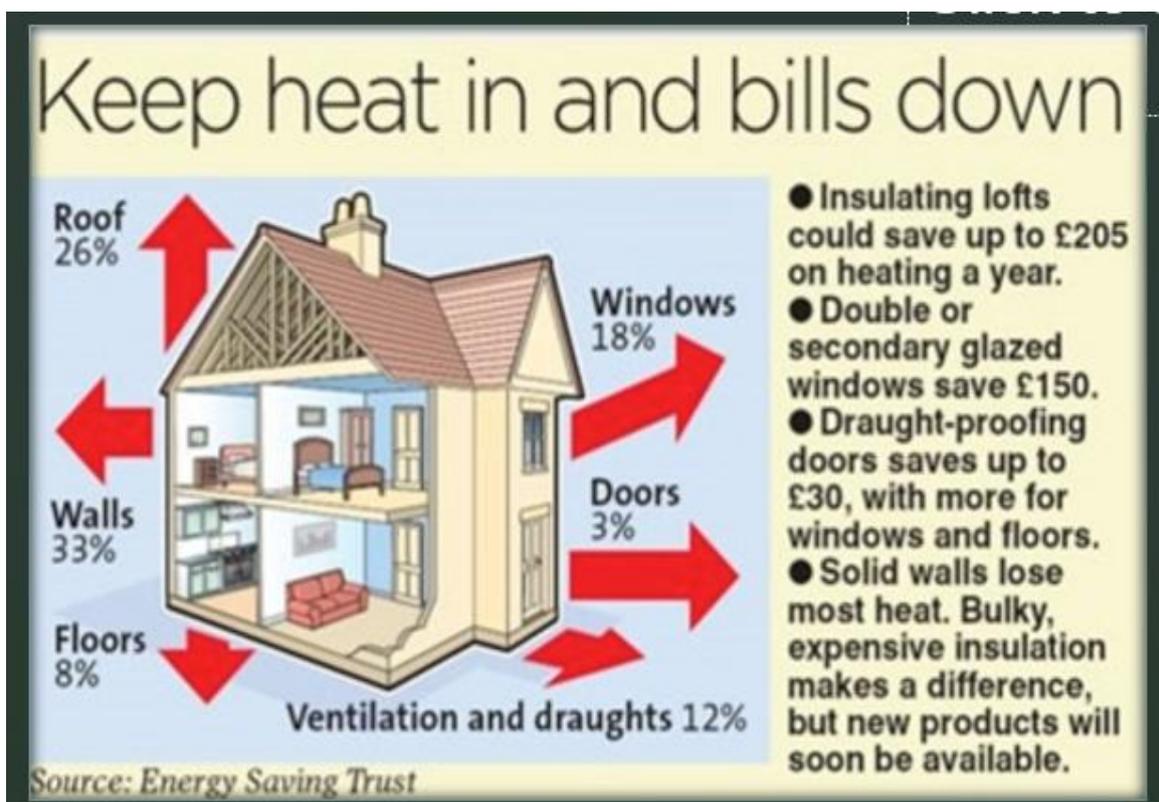
The ultimate decision rests with the policyholder who in turn will liaise with their contractor and building surveyor to agree the method of reinstatement. Ensuring the policyholder is aware of the more sustainable options may not always be undertaken by the other parties involved so by the loss adjuster apprising them of the situation, it ensures the conversation surrounding sustainability occurs.



Some Insurers will include a "Green Clause" into their policy, with the aim to reduce potential harm to the environment or improve energy efficiency, as an example. Or it might have a clause for "environmental upgrades" which provides an allowance, say 10% of reinstatement costs, which could be used, for example to install a solar, wind or geothermal electrical power-generating system. Thus it is incumbent on us as loss adjusters to ensure we understand any benefits that may be available under the policy, and to have the appropriate conversations with the policyholder ahead of agreement of any scope of works. Policyholders may opt to pay for further upgrades if they are provided with the information regarding the environmental benefits of doing so.

As previously mentioned, the main contributor to greenhouse gas emissions is energy used for the fuelling of properties.

A homeowner is more likely to turn up the heat than to look at improved methods of insulation unless they are aware of what may be available. Therefore, with the help of new regulations regarding insulation, it may be a Building Regulation requirement to ensure the property complies. However, there are other ways to reduce heat escaping from a property, and therefore reduce the carbon footprint, and heating costs, as illustrated below.





Contents:

We are a disposable society - so how can we as loss adjusters make a difference when dealing with contents claims?

- Is replacement really necessary or can it be repaired?
- White goods legislation – focuses on energy efficiency and the “right to repair” which includes mandatory requirements for spare parts availability – so can the item be repaired?
- Matching pairs and sets – do we actually need to replace the entire suite or just recover one item
- Undamaged matching carpet – endeavour to agree to replace the damaged area only with a damage allowance
- Salvage – donation to a charitable cause to prevent the item going into landfill (One Man’s Trash may be another man’s treasure (reference Hector Urquhart 1860)
- The use of restoration experts – it is more ethical to pay more for restoration than to replace with new – will Insurers agree to a higher price for restoration, in order to deliver sustainable solutions?
- Can the damaged items be repurposed or recycled
- Marketing also plays a key role – items that were considered second hand are now sought after Vintage or Upstyled.

Carbon Offsetting

Carbon offsetting refers to compensating for carbon emissions by investing in environmental projects that reduce or remove greenhouse gases from the atmosphere.

There are various methods of calculating carbon emissions, the main method being the recording of emissions under Scopes 1, 2 and 3. External reference materials are available which detail these methods for further research.

Once the carbon footprint has been calculated it can be “offset”. Effectively the climate impact of the carbon footprint is “cancelled out” by absorbing equal amounts of carbon from the atmosphere. Various organisations offer to offset the carbon emissions with the payment of a fee per tonne with the funds used for projects that help to reduce carbon in the atmosphere.



It's now possible to measure the carbon emissions from an insurance claim which can then be offset. This includes the following:

- Transport of materials to site
- Quantity and quality of materials used
- Energy used to undertake repairs
- Disposal of debris

Whilst a detailed calculation is possible, an approximation for certain projects can also be undertaken and applied to each claim.

Types of carbon offsetting include:

- Nature based solutions (rewild projects)
- Capturing CO2 (carbon "sinks include the Amazon forest which, at present, captures more carbon than it produces)
- Renewable energy – wind turbines, solar panels, geothermal heating
- Waste management – Upstyle, recycle, reuse.

The Next Step

We are not just facilitators of insurance claims - we are key players in driving sustainability within the industry.

By promoting durable, energy-efficient, and low-carbon solutions, we help insurers and policyholders reduce their environmental impact. Integrating sustainability into the claims process ensures not only financial efficiency but also long-term resilience for properties, communities, and the planet.

"The Greatest Threat to Our Planet is The Belief That Someone Else Will Save It" - Robert Swan

Author

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