

The Evolution of Loss Adjusting: From Tradition to Artificial Intelligence

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Abstract:

Loss Adjusting is the activity of determining the cause of a loss, evaluating the extent of damage, verifying compliance with policy terms and making recommendations in report form.

The author examines the transformation of Loss Adjusting since its founding in the early eighteenth century to modern day.

Loss Adjusting is said to have its roots following the Great Fire of London in 1666 where independent surveyors and tradesmen were engaged by Insurers to settle claims. By the late 18th century, the major fire insurers appointed Assessors to act for them¹ and in 1941 these became known as Fire Loss Adjusters actively involved in dealing with World War II bomb damage. In 1961 the Chartered Institute of Loss Adjusters was founded.

Loss adjusting has always played a central role in the stability and credibility of the insurance industry. At its core, the profession exists to investigate losses, determine liability, quantify damage, and ensure fair settlement in accordance with policy conditions. While the purpose of loss adjusting has remained consistent over time, the methods, tools, and professional expectations have undergone significant transformation. The development of the profession can be understood in three broad phases: the traditional era without technology, the digital transformation period, and the current era in which Artificial Intelligence is beginning to reshape the landscape.

In its earliest form, loss adjusting was a profession built almost entirely on human expertise and manual processes. This first stage, which may be described as Loss Adjusting 1.0, relied on experience, technical knowledge, and personal judgment rather than technological assistance. Claims were reported by letter, telephone, or in person. Policy documents were stored in filing cabinets, and claim files consisted of paper records carefully organized and maintained by hand. When a loss occurred, the Loss Adjuster would travel to the site, often covering significant distances, to inspect the damage personally.

Measurements were taken manually with traditional tools. Calculations were performed using pen and paper, adding machines, slide rulers. Photographs were captured using film cameras and required laboratory development before they could be reviewed or attached to a report. Reports themselves were hand-drafted or short-hand dictated, corrected before being sent to the typing pool and finally physically delivered or posted to Insurers, co-insurers and Brokers.

Communication between all parties involved, telephone, letter-correspondence, telegram, telex and later fax machine. Compared to today the claim process was slower, and settlement often required considerable time due to the practical limitations of the systems available at that time.

Despite these constraints, Loss Adjusting 1.0 established the professional foundations of the industry. The Loss Adjuster was regarded as an independent expert whose credibility depended heavily on reputation, technical competence, and ethical conduct. Personal relationships between Loss Adjusters, Insurers, and Brokers and Insureds were highly valued. Decisions were respected because they were based on deep practical knowledge and careful investigation. Loss Adjusting demanded strong observational skills, analytical thinking, negotiation ability, and professional integrity. Although processes were slower and documentation less standardized than today, the emphasis on professional accountability and craftsmanship was predominant.

In 1995 Chartered Loss Adjusters were allowed to represent policyholders.

The second stage in the development of Loss Adjusting began with the introduction of computers, digital communication, and the Internet. This period, described as Loss Adjusting 2.0, did not replace the Loss Adjuster but significantly enhanced efficiency and consistency. Email transformed communications by allowing immediate correspondence between Insurers, Brokers, policyholders, lawyers and other professionals. Digital photography eliminated the delay associated with film development and allowed images to be embedded directly into reports. Claim management systems enabled structured documentation, file tracking, and performance monitoring.

Spreadsheets and estimating software improved the accuracy of calculations and reduced the likelihood of

¹ Toplis and Harding 1790; Brocklehurst and Son 1820; Robins Davies and Little 1870.

arithmetic errors. GPS technology and digital mapping tools enhanced site identification and risk analysis. Cloud storage made document retrieval faster and more reliable. Mobile phones and later smartphones allowed Loss Adjusters to remain connected at all times, accelerating decision-making and reporting timelines.

The impact of these technological developments was substantial. Claims could be processed more quickly, documentation became more detailed and standardized, and Insurers gained greater visibility into the claim progress. However, this increased efficiency also led to higher expectations. Loss Adjusters were required to manage larger caseloads and deliver faster turnaround times. Performance metrics and service level agreements became more common. Clients became more informed and increasingly expected speed, transparency, and responsiveness.

Loss Adjusting 2.0 therefore introduced not only improved tools but also a shift in professional demands. Loss Adjusters needed to develop digital literacy alongside their technical expertise. Accuracy in data entry, proficiency with software systems, and effective electronic communication became essential skills.

While technology enhanced productivity, it also introduced pressures associated with measurable performance and continuous connectivity.

Today, the Loss Adjusting profession is entering a third phase characterized by the integration of Artificial Intelligence into claims management and the loss assessment processes. Loss Adjusting 3.0 represents a more profound transformation because it involves systems that do not merely store or transmit information, but analyze and learn from it. Artificial Intelligence is increasingly capable of reviewing vast quantities of historical claim data, identifying patterns, detecting anomalies, and predicting claim severity and impact.

AI-powered image recognition tools can assess photographs of damage and estimate repair costs within seconds. Fraud detection algorithms can highlight suspicious claims by comparing them to established patterns. Automated triage systems can categorize incoming claims according to complexity and severity, directing straightforward cases toward faster resolution while allocating complex matters to experienced professionals. Natural language processing tools can assist in drafting reports or summarizing documents.

These developments significantly enhance efficiency and consistency. Claims may be resolved more quickly, operational costs may be reduced, and fraud may be identified earlier. Policyholders may benefit from faster responses and more streamlined processes. Insurers gain improved predictive capabilities and portfolio insights.

Conversely, Artificial Intelligence does not eliminate the need for professional Loss Adjusters, rather it changes the nature of their role. Human judgment remains

essential in cases involving disputed liability, complex policy interpretation, large-scale losses, or sensitive negotiations. Emotional intelligence, ethical reasoning, and contextual understanding cannot be fully replicated by algorithms. The Loss Adjuster increasingly becomes a decision-maker who validates and interprets AI-generated insights rather than simply gathering information manually.

The integration of AI also introduces important ethical and professional considerations. Questions arise regarding algorithm transparency, data privacy, and potential bias within automated systems. Accountability must remain clearly defined. Ultimately, responsibility for fair and accurate claim settlements cannot be delegated entirely to technology. The Loss Adjuster continues to serve as the guardian of fairness and professional integrity within the claims process.

The evolution from Loss Adjusting 1.0 to 3.0 reflects a broader transformation from manual craftsmanship to digital efficiency and now to intelligent automation. While tools have changed dramatically, the underlying mission of the profession has not. Loss Adjusting remains fundamentally about restoring balance after loss, applying policy conditions fairly, and maintaining trust between Insurers and policyholders.

As the profession moves forward, successful Loss Adjusters will be those who combine technical expertise, digital competence, and ethical responsibility. Artificial Intelligence will undoubtedly continue to shape processes and expectations, but it will not, and must not, be allowed to, replace professional judgment. Rather, it will serve as a powerful tool in the hands of those who understand both its capabilities and its limitations, its strengths and its weaknesses.

The future of Loss Adjusting will not be defined solely by technology, but by how professionals choose to use it. Integrity, fairness, and accountability will remain the enduring pillars of the profession, even as its methods continue to evolve.

Paul William Amos is a Loss Adjuster based in Italy specialising in complex General Liability and Contractual claims. He acts as Expert to Insurers in Product Liability, Product Recall and all forms of contractual liabilities and disputes. He holds British and Italian citizenship and is bi-lingual in both languages.

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