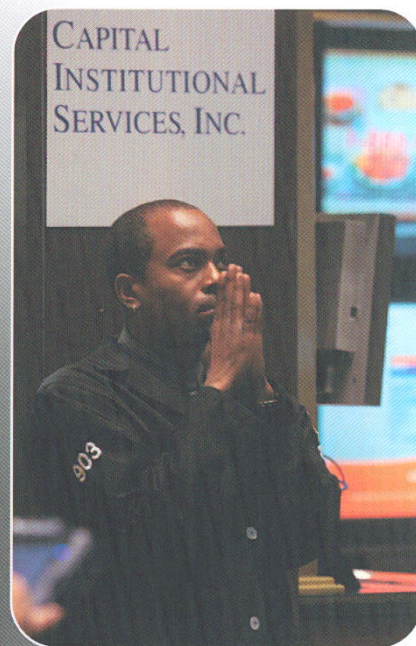
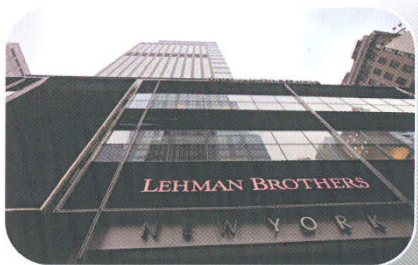


# Insurance Day

## CLAIMS MANAGEMENT

*Unfamiliar territory*



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# Tackling the big one...

From 9/11 to Hurricane Ike, adjustors have been faced with their fair share of major claims over the last decade. So what's the best way to take on such tough challenges, asks **ANA PAULA NACIF**

NATURAL and man-made disasters can leave a trail of devastation to which insurance claims teams need to respond quickly, not only to minimise losses but also to make sure everything is in place to help those affected to get back on track.

Claims teams dealing with major events such as 9/11, Hurricane Katrina and the UK floods have had more than their hands full. The scale of the damage, the number of people affected and the logistics of identifying and deploying the right resources all put pressure on those trying to process and pay claims as quickly as possible.

Maggie Cowing, major loss development director at insurance claims services company, Cunningham Lindsey UK, explains that there are two separate categories for major losses – single major losses, for example when a factory burns down, and area damage such as the July 7 explosion and 9/11.

## NOMINATED ACCOUNTS

And, according to John Smith, divisional director, non-marine and energy claims division, at IUB, everything needs to happen quickly. He adds that most policies include nominated adjusters, which allows the broker to instruct loss adjusters to attend site immediately.

Michael Weatherhead, partner at loss adjusting practice Teceris says: "Nominated accounts also give the loss adjuster the chance to build a relationship with the business before a claim arises.

"People are not meeting you in adverse circumstances and you already know their business, which makes the process a lot easier."

Apart from timing, expertise is also crucial. Getting the right people in place can make all the difference in the outcome for the claim.

"In the case of catastrophe events occurring in areas such as the Caribbean, the selection of one or more suitable adjusting teams with the necessary resources is essential to meet the needs of the clients and ensure a reasonable spread of personnel, should a hurricane cause damage to more than one island," says Mr Smith.

A team approach is vital to tackle claims from major disasters like 9/11



## TEAMWORK VITAL

In a catastrophic event, dedicated teams are usually assembled to co-ordinate with clients and underwriters over the deployment of adjusting resources and to capture financial as well as statistical information.

Cunningham Lindsey's Ms Cowing emphasises that a team approach is key as there is a lot to do in a short period of time.

"There is always a team of specialists involved, not only internally but also external people such as surveyors, accountants and engineers," she says.

This team approach has become increasingly

more important, as over the years the role of the loss adjuster changed from a pure loss assessment to becoming a key part of claims management.

"Adjusters now get in there and manage the claim from the beginning and having the right expertise for the job is key," Teceris' Mr Weatherhead points out.

Ms Cowing adds: "We need to make sure losses are mitigated. We are proactive in helping the insured to make the right decisions which can mitigate the overall loss. For example, there could be things they can do in the first couple of days to protect their revenue and assets."

However, Mr Weatherhead says that some insurers are still not up to scratch when it comes to capturing information on first notification which can have an adverse impact on the use of resources. "Many insurers fail to get sufficient details of a loss when that is notified, making it difficult for adjusters to get the appropriately skilled team."

**THE RIGHT CHOICE**

And finding the right people can sometimes be a challenge. As Peter Sanderson, president of Cunningham Lindsey International in the US, explains:

"In Katrina, we had a large claim from a shipbuilding company which had work scheduled for the US Navy. This was a very complicated matter and we had consultants in to help us understand the issues associated with disruption in the schedule which had a huge impact on the business."

He also points out that, rather than dealing with one insurer, in large commercial claims arising from such events, it is likely that the adjuster will be 'dealing with ten or 15 insurers'.

Therefore, he says, 'lines of communication are very important as people are anxious to know what is going on with their claims. Some decide on their own reserves and don't wait for the adjuster'.

In major loss events, brokers would also require their account executives and claims personnel to become actively involved in the claims management process by attending the site as soon as possible after an incident and meeting with the insured's staff and underwriter's appointed representatives to provide assistance and ensure that the claim is concluded to the satisfaction of all parties.

The primary focus of claims broking personnel is the processing, settlement and collection of claims from underwriters and payment to their clients, says IUB's Mr Smith. He adds that 'careful deployment of these resources is essential to ensure that sufficient funds are available to the insured party to enable the repair, restoration and replacement of damaged equipment to be implemented as quickly as possible'.

**HOW TECHNOLOGICAL ADVANCES ARE HELPING**

The good news is that, in terms of moving things on the ground, the advance in technology – even things like computer systems, digital photography and mobile phones which are nowadays taken for granted – means that claims teams are much better equipped to do their jobs more quickly and effectively. Adjusters, insurers, brokers and in many cases policyholders can track almost in real time what is happening with their claims.

According to IUB's John Smith, the introduction of the Electronic Claims File (ECF) as part of the London Market Reform initiative has resulted in a major change in the way that claims are handled by Lloyds and the XIS markets. He says: "The intention behind the move to ECF was to speed up response and settlement times of claims submitted into the Lloyd's and company markets and the overall effect of this change has improved things generally."

Julian Mancell Smith, managing director of software company Trace Isys, agrees that the ECF has helped the market move on. "The market is looking for business efficiencies and ways to better service their clients and having better systems does help."

Businesses are now more organised which means they are more able to provide information to insurers when a claim arises, according to Crawford & Company's Kevin Mountford.

He adds: "The industry has learned its lessons over the years, rather than from a particular event, but people are now much more able to look at the problem and find a solution."

In any case, it seems that adjusters have embraced their more involved role with open arms. "Adjusters are there for insurance companies to help them cope in difficult times so part of our remit is to cope with surges. Therefore, we are pretty good at it," concludes Cunningham Lindsey's Maggie Cowing.

**UNEXPECTED EVENTS**

To ensure things run as smoothly as possible, adjusters have their own plans in place to deal with 'surge work'. Ms Cowing explains that these plans are worked out to the ninth degree.

"In saying that, no two incidents are the same, so it is important to retain flexibility," she adds.

Kevin Mountford, global account executive, at Crawford and Company, says that every major claim or catastrophe always brings in something new that hadn't been considered before. For example, with 9/11 the discussion was around whether insurers were dealing with one or two incidents; with Katrina the argument was around storm versus flood.

In such events community spirit is really important, he adds. "We are all in the same boat, literally sometimes. There is a lot of frustration as it may take a while for things to get sorted. You need to manage people's expectations and don't give them false hope."

**INTERNATIONAL DIFFERENCES**

Mr Mountford explains that the UK is quite lucky in the sense that there is an economy to support major events. "More often than not, there are always materials, builders and personnel to deal with it. Whereas overseas if these catastrophes occur in places where there isn't the economy to support them – a Caribbean island for example – the challenges are greater," he says.

In fact, in some territories, the government has emergency legislation in place to stop people taking too much advantage by charging unreasonably higher prices for materials and labour, according to Mr Mountford.

"In the UK, this wouldn't make much sense as the contractors want to continue to work with you for the rest of the year as well."

Another key difference is that in the US, the tendency is to use more external experts than in the UK. "Even though the adjusting house may have its own resources, insurers still prefer to use external people," says Mr Sanderson.

The reason for this is the prospect of future litigation. "If you have various experts providing support, if things go wrong, insurers feel they have more support," he says.

That in itself doesn't make life easier for adjusters, which may well be working with multiple insurers. "We bring people in as and when required. You need the right experts to be able to quantify the loss," emphasises Mr Sanderson. "As we may be working with multiple insurers, we try to get people to agree on a common set of experts, which can be quite a challenge."

**THE ISSUES IN BRIEF . . .**

- Nominated policies allow adjusters to build relationships and respond rapidly
- Insurers failing to get sufficient details on loss for adjusters
- Adjusters must be proactive in ensuring insurers do everything to mitigate losses in immediate aftermath of event
- In the US, the tendency is to use more external support than in the UK to combat the prospect of future litigation
- ECF is now playing a key role, says market