

# CLAIMS management

## *finding a smoother process*

Risk manager surveys regularly highlight concerns over the length of the claims process and delays in payment. So JLT Specialty held a roundtable to discuss the need for better education, communication and wider use of claims protocols.

Words by TONY DOWDING



Insurance only has value if the insured company can make a valid claim and receive payment in full, and in good time. But there is a perception among many risk managers that the claims process takes too long, and payments are often delayed, particularly with business interruption claims.

Part of this perception may be due to a lack of understanding of the complexities of the claims process, says Jonathan Haysom, Head of Specialty Property and Casualty claims and wordings at JLT Specialty. "Some risk managers, even at large

organisations, may not have had a big claim before, so it can be an unknown entity for them."

Candy Holland, Managing Director of Echelon Claims Consultants, agrees that there isn't enough knowledge or awareness and, as a result, risk managers may have unrealistic expectations of the claims process. "Every claim goes through the same process – it will be investigated, quantified and validated by insurers before being paid. And you can get hold-ups at any point in that process. We help our clients understand what to expect as well as providing them

with hands-on support throughout the claim."

Yet there are also a handful of slow payers in the market. And the experience of a slow payment can affect how risk managers then feel generally about the insurance market. Patrick Harrington, Head of Construction Claims at JLT Specialty, says: "Where risk managers state there is a problem with the market paying claims, it tends to be the odd example of where they have had a painful coverage situation. They may not understand the claims process so it feels long, especially if there are major issues or an investigation." ►►

The bigger the claim, the more closely the insurer is going to look at it, notes Carey Lynn, Head of Financial Lines Group Claims at JLT Specialty. “The claim will need to be escalated to more senior people, the insurer will be under more pressure to go through the wording and make sure that they should be covering it, and sometimes this can take time and frustrate risk managers,” she says. “And with risks becoming more global, with different jurisdictions involved and documents in different languages, the process can take longer.”

Sometimes insured individuals within the company who have the benefit of the cover may not properly understand exactly what the policy is designed to do as they would not have been involved in the purchasing or negotiation, adds Lynn. “For directors’ and officers’ liability insurance, for example, there are many individuals in a business that could come forward and claim on that policy, so we might not be dealing with a risk manager but with someone who may never have seen the policy previously and may not understand the intention of the cover.”

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*Carey Lynn, Head of Financial Lines Group Claims at JLT Specialty*

Claims handling is undoubtedly a major potential area of differentiation for insurers. When risk managers consider insurers for their programmes, a lot want to know what the different insurers’ claims service is like, and ask JLT Specialty to rank insurers in terms of different aspects of the claims service, says Lynn, which can influence whether or not they will go with an insurer.

Insurers are trying to differentiate themselves on claims, says Leo Dixon, Chief Operating Officer at Integra Technical Services. “They compete, in the first instance, on price and, when price has gone, insurers differentiate themselves via their claims proposition. In the last two years, in particular, a number of insurers have been either publishing their own claims commitments or signing up to brokers’ claims promises, looking to ‘raise the bar’ in terms of their claims service, which must be good news for the insureds.

Insurers appear to be increasingly aware of the positive opportunity paying claims can present, says Jonathan Blackstaffe, Oil Rig Technical Lead at AIG. “From a reputation point of view, it is much better for us to pay claims, and pay quickly. If there is a problem with a claim, it is my job as an insurer to explain that properly to a client and try to work with them to resolve the situation. It is important when dealing with a complicated issue that the insurer sits with the client to explain the procedure, enable both parties to outline the pressures they face and better understand each other, and try to resolve any issues.”

### Role of the broker

The broker’s role is vital in the whole claims process. Above all, it is about trust and communication, and involves a continual education process, says Harrington. “As we go through the life of the claim, we should use the opportunity wherever we can to talk to clients about the process, and lessons that can be learned from a bad claims experience.”



▲ **From left to right:** Jonathan Blackstaffe, Oil Rig Technical Lead, AIG; Carey Lynn, Head of Financial Lines Group Claims, JLT Specialty; Felix Ukaegbu, Specialty Property & Casualty Wordings Executive, JLT Specialty; Leo Dixon, Chief Operating Officer, Integra Technical Services; Jonathan Haysom, Head of Specialty Property & Casualty Claims and Wordings, JLT Specialty; Patrick Harrington, Head of Construction Claims, JLT Specialty; Candy Holland, Managing Director of Echelon Claims Consultants.



### Pre-emptive planning

The claims process can be improved and speeded up through the use of several tools, including loss scenario planning and policy stress-testing. These are used in advance of a claim to give greater confidence to stakeholders, to prepare for a claim and to test the policy wording, says Candy Holland, Managing Director of Echelon Claims Consultants.

“It can be a challenge to explain to clients why this is so important. Some clients say they don’t have the time and resources to spend on worrying about something that might never happen. The usual response is that they will worry about it if, and when, they have a claim. But by then it’s too late to put in place the right processes or remedy any issues with the policy wording. It’s all about being prepared and comes back to the need for better education and awareness on claims issues,” Holland says.

Insureds who’ve presented complex claims to the international insurance and reinsurance markets and felt frustration in the claims investigation process have an acute awareness of the value of pre-loss scenario workshops and the value they can bring to the presentation and adjustment of an insurance claim, says Leo Dixon, Chief Operating Officer at Integra Technical Services. “But insureds who haven’t experienced submitting a complex claim to the market don’t have that perspective and perhaps don’t see the benefit of investing time before a loss with their leading claims insurers, claims brokers and loss adjusters to build relationships and understanding of the claims process, despite being the insureds who would benefit most from doing so.”

Brokers should try to improve their clients’ understanding of claims and coverage before a loss happens, whether via pre-loss scenario testing, or simply running through some of the key exclusions and conditions and limitations within the policy wording, says Felix Ukaegbu, Partner at JLT Specialty.

“The client may just see the policy wording as a necessary evil, without really appreciating what it means for them in practice. It is key for us to take the opportunity before a loss happens to sit down with the risk manager, if possible, and help them to understand the key facets of the cover they have bought. Sometimes it is not possible because of time constraints, but even providing them with a short document can help and perhaps allow the risk manager to circulate it within their business,” Ukaegbu says.



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“They may have their CFO putting pressure on them, and asking ‘why isn’t this covered?’ We should be helping the client to understand exactly what it is they should be saying internally, standing alongside them, with the CFO, explaining the issues, with the account executive.”

Part of the broker’s role is to ensure that clients get to know the carriers’ claims people as well as the underwriters, adds Harrington.

One of risk managers’ big challenges concerns the large amount of information necessary to verify their claim. Risk managers that are making a claim are generally in a difficult position in their business.

**“Claims teams and policy wording teams need to work together to ensure that the various insurance documents are aligned with one another and leave no room for ambiguity.”**

*Felix Ukaegbu, Specialty Property and Casualty Wordings Executive at JLT Specialty*

Following a loss, they will be desperately trying to focus on getting their business back up and running. While trying to restore their business’s operational capabilities, they are asked to provide an enormous amount of documentation to evidence their claim – which they can find overwhelming, says Holland.

“They do not have the manpower, they don’t understand what they are expected to do, so a large claim can easily create a log jam. The insurer and adjuster might want to move things along and progress the claim, but they may find it difficult because they don’t get the information from the policyholder that they need. That is where we come in and help the policyholder, by providing them with the resources and expertise to manage that process,” says Holland.

The broker should establish with the insurer from the outset specifically what coverage issues (if any) they may be looking at. And when it comes to information requests, says Lynn, the role of the broker “is to push back on irrelevant requests, and to only allow requests for information that are key to the coverage issues and the claims.”

### Claims protocols

Some industry figures consider the greater use of claims protocols to be one solution to avoid potential delays and hold-ups. Indeed, the chair of Airmic’s claims focus group has said they would like them to be normal practice, rather than the exception.

Claims protocols can certainly help to smooth the claims process, but they are not particularly common, though some sectors are better than others at having them in place.

Being not that common, there isn’t a recognised template for what claims protocols should contain, says Felix Ukaegbu, Specialty Property and Casualty Wordings Executive at JLT Specialty. “They are done on an ad hoc basis and vary greatly. Clearly, they need to be tailored to an extent, but there are certain things that could be standardised for different classes of business, or size of client.

“More attention should be paid to how claims protocols are configured with policy wordings. We sometimes see an incongruity between what is set out in the framework of the protocol and

what is expressly prescribed for in the policy wording, so more work needs to be done to make claims protocols fit for purpose,” Ukaegbu says.

This is another reason why claims teams and policy wording teams need to work together to ensure that the various insurance documents are aligned with one another and leave no room for ambiguity, Ukaegbu says.

When it comes to claims, the overall message is that there needs to be better communication, better co-ordination, and a greater understanding from all sides of the issues and pressures involved. ■

### For more information

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### Common pitfalls/blocks

Wording interpretation and coverage issues are two of the most common causes of payment delays. Another cause is the insured not providing the right information. This may not necessarily be the client consciously withholding information – it may be that a client receives a huge document request list and they simply don’t know where to look to provide that information, especially if it is their first big claim. As a result, they might provide non-relevant documents and not include others.

On large, complex losses it might be necessary for there to be a multiplicity of experts so insurers can be looking to get reports in from forensics providers, lawyers and adjusters, and that can be time-consuming. The initial investigation into an admission of liability can take a long time. And insurers will have internal regulation and compliance issues that must be adhered to that may delay the process.

And then there is the placement of risk, which has changed over the years. Leo Dixon, Chief Operating Officer at Integra Technical Services, says: “In the early 2000s, there was still a ‘follow the lead’ approach in the underwriting and claims insurer fraternities meaning brokers could get decisions on claims from the leading claims insurers in a short space of time, however there was then a long period of delay whilst the claims payment was processed and issued. Today the opposite is true. The claims payment processing time is much, much shorter but, as a result of the increasing number of ‘off-slips’ introduced at the placement stage of the risk stating certain individual insurers be claims agreement parties for their own share of the risk, the decision making time required by leading claims insurers has increased significantly.

One of the main problems comes when there is an unclear coverage situation and, as a result, insurers have difficulty acknowledging coverage and paying any money, says Jonathan Blackstaffe, Oil Rig Technical Lead at AIG. “If it is something particularly difficult and hard to establish, then you can have months of trying to establish exactly what happened before insurers feel comfortable paying any money. In this situation, it is particularly important that insurers engage with the insured to explain the status of their claim.”