

■ □ CLAIMS MANAGEMENT

Desperately seeking settlement

The debate over segmentation in claims settlement is further complicated by the adoption of electronic claims processing. Richard West examines the issues ahead of market reform in the shape of ECF 2

The drive to reform the way the London insurance market processes its business continues to gather momentum but in claims management the greater use of technology has also seen a fundamental change in the relationship between broker and underwriter.

That shift has seen roles which had traditionally been carried out by the broker now placed at the feet of the underwriter and its claims management team.

With data and claims reports increasingly being moved electronically, insurers are finding that they are being sent every claims file in its entirety, resulting in the need for highly paid claims management staff to shift through every claim to find those claims which need the specific attention of the insurer to ensure a speedy settlement.

Underwriters must now wade through huge amounts of data and high volumes of claims many of which have in the past not been brought to their attention because there has been no need. The result is expert claims managers and staff are spending up to 50 per cent of their working hours in some cases simply identifying the claims they actually need to address.

“Having a complete understanding of the size, scope and scale of claims in the system will aid the ability to accurately reserve and therefore make more efficient use of capital”



Underwriters recognise the need to put in place a process for electronic claims processing which ensures the right claims are delivered in the correct manner to the person best able to move them along, but the issue is about more than just workflow.

What is required is a system that will identify and then segment claims into three distinct groupings. Those that do not require any human intervention, those that need minimal human process or decision making but are in need of clarification on minor points and those which require specialist attention to address complex issues in areas such as policy wording and coverage.

Further improvement to industry standard and take up of electronic

claims handling is expected in the coming months with the realisation of ECF 2 – exactly what degree of benefit, however, is as yet unclear. The likelihood is it will become simply the lowest common denominator and provide a basic level of functionality for the broker and underwriter alike. But it will be those firms which can exceed the requirements of ECF 2 and the delivery standards in claims handling implemented by Lloyd's which will build a competitive advantage into their business.

Like so much in this market the key to success is all about data. Any system is only as good as the data that is provided. Delivering a system which will segment claims relies on the use of greater levels of data which can also be used to drive front office efficiencies and, with it, performance.

Having a complete understanding of the size, scope and scale of claims in the system will aid the ability to accurately reserve and therefore make more efficient use of capital. It can also be used to enhance the ability of underwriters to price risk more accurately.

In addition to the perceived opportunity, change always brings about challenge. Within claims management, process reform has provided the opportunity to deliver clear differentiation from an underwriter's peers in what is arguably the single most important area of the insurance contract.

But the challenge is how to segment claims in a manner which is efficient and allows claims staff to concentrate on those tasks where they can best use their skills to add value and speed claims settlement.

Richard West of Fineos Corporation