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Pre and post loss claims management strategies

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If your company's liability insurance premiums are getting higher, it could be because your company is filing more claims or the cost of your claims are going up. When claims increase in either frequency or severity, so do insurance premiums. While loss control programs can help reduce or mitigate claims, they will never eliminate claims completely. For this reason, it is important that companies apply both pre and post loss claims management practices.

Successful claims management happens long before a claim is filed. Management should start by including effective defense and indemnification language and insurance requirement, in all third party agreements with contractors and vendors as this will transfer or reduce the cost of the claim. Employees should be trained so they know how to properly conduct an accident investigation; that they know what information is pertinent when reporting a claim and that they know to report all incidents in a timely fashion.

Another important strategy includes developing claim handling instructions with your insurer or third party administrator (TPA). To assure proper claim handling you should mandate that your insurer or TPA provide notification of reserve changes, grant settlement authority, provide periodic claim reviews and adhere to litigation guidelines. These claim handling instructions will allow you to meet with your insurance carrier or TPA on a periodic basis to discuss and develop claims strategies, post loss.

At a claim review, your claim representative should provide details on claims filed, including the outcome of investigations, stance on liability and status of litigation. The claim review is a good time to share information and review additional information needed as well as develop future claim strategies. This is also the time to focus on specific areas such as best practices and accuracy of reserves. Reserves that are set too high can negatively affect your company's loss experience and ultimately your premiums.

The cost of insurance is a reflection of your company's loss history. Despite best efforts, accidents do happen, however, developing pro-active strategies to reduce the cost of claims will ultimately reduce the cost of insurance premiums.

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