



The human touch

The London market's claims handling efficiency drive must guard against prioritising process over people. An alternative approach ensures that efficiency does not come at the expense of service levels. **By Graham Buck**

Insurance buyers face a range of challenging issues, but in recent years one of the most basic – claims handling and service levels – has been attracting particular attention. There is concern that adopting a process-driven approach to achieve efficiencies and reduce costs could adversely affect the service clients receive.

As a result, insurer–insured relationships, developed over many years, may be neglected. It is worth remembering, as Richard Gurney, Managing Director of the Claims division at Jardine Lloyd Thompson points out: “For many clients, claims service is one of the key influences on their choice of insurer.” Indeed this is a theme picked up by the Association of Insurance and Risk Managers (AIRMIC) in their ‘Willingness to Pay’ project which seeks to rate insurers based upon their claims performance.

“It may be an old adage, but insurers

must remain mindful that their attitude to claims represents their shop window,” says Gurney. While risk managers focus on price when placing insurance, they also look closely at the service delivery and outcome – and after all, claims payment is the ultimate outcome of the insurance promise. This means that the insurers’ claims handlers should be familiar with their clients and their businesses. It also requires the close support and intermediary skills of a broker able to facilitate dialogue between insurer and policyholder and which leads to optimum claims settlement.

Few would dispute that changes to the London market are overdue – it must respond to the lean and hungry rivals elsewhere in the world, and CEO Richard Ward’s efforts at overhauling some of the Lloyd’s market’s more outdated practices must surely be applauded. If Lloyd’s and the London market are to retain their pre-eminence in the world, the pace of the reform to their process, highlighted by the introduction of electronic claims files (ECFs) and market repositories, must be fully embraced by all those involved. But, according to Gurney, the fundamental principles should not be overlooked.

Process or people?

While streamlined processes are delivering good value, there is a danger that process alone is placed ahead of personal



»»» contact. Effective communication has always underpinned the real value of the London market, based on its unique relationships and market environment, says Gurney. It is particularly essential in the settlement of major and complex claims, which routinely require a mixture of technical expertise and negotiating skills.

The fear for risk managers is that vital communication links could weaken. Claims handling can often be a lengthy and complex process which is why insurers have, in recent years, increasingly appointed a wide variety of forensic experts, consultants and legal advisors. But this can create a distance between the parties involved in the negotiations. Instead of the traditional, common-sense approach that involved client, broker and insurer getting around the table to discuss the issues, attitudes can harden and defensive positions can be adopted from the outset, extinguishing effective communication.

Perhaps more damaging, Gurney believes, is the effective snub to clients who have in many cases developed a lengthy relationship with their insurer. What are they to assume when it appears their insurer values the relationship rather less than they had imagined?

“For a buyer of insurance, the relationship between insurer, insured and broker is extremely important,” comments Ken Williamson, Insurance Manager at Kier Group, the building and civil engineering contractor. “This is built upon during the negotiation of the contract and continues through the insured period.

“The claims process is an integral part of this relationship and it is vital that this continues to involve dialogue from the infancy of any claim through its life. While I would certainly acknowledge the potential need for specialist involvement in any given circumstance this must not be to the detriment of the relationship where solutions to issues can be achieved between the insuring partners.”

Keeping up communication

It is essential for the traditional lines of communication between insurer and insured to be maintained, says Gurney. Insurers closely scrutinise major losses and – whether consciously or not – their forensic approach can result in more of an adversarial stance towards many claims. “A claim that becomes bogged down in formula and process can suddenly become enmeshed in problems,” he observes. “This means taking a step back and making a

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concerted effort to prevent the claim from going to arbitration and litigation.”

It also enables the broker to add real value by maintaining the link between insurer and policyholder regardless of the other parties and systems that have become part of the claims process. This is accomplished by engaging directly with the insurer, acting as the intermediary to bring the two sides together, creating the right environment in which a negotiated settlement can be achieved and expediting this agreement before costs start to accumulate.

“Insurers’ tendency to adopt forensic experts from the outset when a claim is notified is understandable,” says Candy Holland, Operations Director at Echelon Claims Consultants, which was established in 2002 in response to the changing claims environment, to deal with large and complex claims on behalf of clients. “But without careful management, this approach can inhibit effective dialogue and put the policyholder at a disadvantage.”

Therefore it is vital that the policyholder has access to the right expertise and

resources to restore parity, Holland continues. Without this, the adversarial stance that has emerged in recent years could easily destroy the promises of its relationship with the insurer. “In addition, clients want to see their insurer and their broker working together efficiently. There’s huge value in maintaining a traditional claims service – but too many companies have allowed their claims offering to be eroded.”

A delicate balance

The whole issue of claims servicing rests on achieving a delicate balance. ECFs undoubtedly have their place, but clients still need to retain a direct link to their insurer.

“London is already a centre of excellence for highly technical claims handling,” says Gurney. “It needs to be equally so in terms of transactional systems for smaller, less technical claims. This means that for smaller losses, the need for commoditised handling, delegated claims settlements and bulk settlements are all drivers that support electronic claims processing. It also means removing all of the work that does not require face-to-face contact, but not dispensing with personal contact entirely.”

There are encouraging signs that some insurers are alert to the charges brought against the industry and are determined not to disappoint their clients. Allianz’s Claims Manager Martin Henson reported that his group welcomed feedback on claims from clients and brokers and had introduced a satisfaction survey, inviting them to say whether they would recommend the insurer to clients and colleagues. Steve Agutter, UK Claims Manager at AIG Europe, said the group has set up a claims protocol, under which service level agreements are in place before an actual claim is presented and potential claims situations are discussed ahead of any actual occurrence.

And some companies are still able to win plaudits with a swift and effective response to claims. Take as an example the UK floods of June and July this year. One insurer distinguished itself from rivals by sending its team to the worst affected areas so that cheques could be written out and distributed on the scene. **RS**

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