

Delivering Excellence in Insurance Claims Handling



Delivering Excellence in Insurance Claims Handling

Contents	Page
1. Introduction	1
2. Executive Summary	2
3. Components of Best Practice	3
4. Relationship between the Components	4/5
5. Demonstrating Delivery of the Components	6/9
6. Evaluation of Current Status	10
Figure: Relationship between the Components	11
Appendix: Checklist of Best Practice	12/13



Guide to Best Practice

www.airmic.com

January 2009

1. Introduction

AIRMIC wishes to thank its members and partners for their support and enthusiasm displayed during workshops that supported the preparation of this best practice guide.

Claims handling service is the basis on which an insurance company is ultimately judged by clients and the key issue affecting the reputation of the insurer. The payment of legitimate claims represents the delivery of the promise at the heart of the insurance contract. Indeed, for many insurance companies, excellent claims handling service is considered to be a differentiator that distinguishes them from the competition.

Achieving excellence in claims handling should be a fundamental objective of any insurance company. This AIRMIC guide considers the components that should be in place to comply with best practice and the features of each component that need to be demonstrated.

There is a considerable amount of anecdotal and subjective evidence and opinion available regarding the claims handling service provided by different insurance companies. This guide provides the structure for an objective evaluation of claims handling capabilities.

The scope goes well beyond the KPIs that all claims handling operations have in place. The guide also considers the attributes of the Culture, Resources, Operations and Procedures (CROP) that need to be in place in order to deliver a best practice claims handling service. Within the CROP, operations represent the processes by which claims are handled, whilst culture, resources and procedures represent the framework that supports those processes.

Objective evaluation is necessary, so that the client can assess whether the claims handling capabilities of the insurer are aligned with the requirements of the insured. Insurance companies need to evaluate their claims handling function in an objective and structured way, so that the capabilities can be presented to clients in a manner that enables the insurance buyer to make comparisons.

Evaluation against the structure set out in this guide will also enable the insurance company to identify the necessary improvements to claims handling capabilities, so that excellence may be achieved and demonstrated.

This guide is substantially directed at the claims handling requirements of larger clients, although the principles also apply to more routine, higher volume claims handling operations. Likewise, these principles apply to the handling of disease claims, although this is a specialist area. In general, however, it is the larger, more complex organisations that require greater sophistication from claims handling departments.

Large, complex claims do not arise very often. Therefore, large corporate clients require objective and detailed reassurance in advance that they will be handled in an efficient, effective and appropriate manner.

The ultimate test or objective is that claims are handled in a consistent, yet flexible and fair manner that is transparent, accurate and timely, as well as secure and compliant. This outcome will deliver the necessary features of partnership with clients and (as appropriate) insurance brokers.

This guide was developed during a series of workshops attended by AIRMIC members, together with insurance company, insurance broker and loss adjuster partners. AIRMIC is grateful for their continuing enthusiasm and support, which has made possible the production of this comprehensive guide to best practice in insurance claims handling.

2. Executive Summary

The objective is to achieve a claims handling culture and service that ensures claims are managed in a consistent, yet flexible and fair manner that is transparent, accurate and timely, as well as secure and compliant

Excellence in claims handling is a competitive edge for an insurance company and it is a service that clients greatly value. Payment of legitimate insurance claims for losses that have been suffered by the insured is the primary reason for buying insurance. The purpose of this guide is to enable claims handlers to undertake a detailed evaluation and then report to clients and client prospects on their claims handling capabilities.

The guide is structured to provide information on the key components that must be in place in order to deliver excellence in insurance claims handling. It describes eight components as follows:

1. Culture and Philosophy
2. Communications
3. People
4. Infrastructure
5. Claims Procedures
6. Data Management
7. Operations
8. Monitoring and Review

Each of these components must be present for the organisation to demonstrate that it has the required Culture, Resources, Operations and Procedures in place. The relationship between these eight components is described and illustrated by the figure at the end of the guide. Several features are identified in respect of each individual component and these are summarised in the Appendix to provide a Checklist of Best Practice.

As well as evaluating current performance so that clients can be provided with an overview of the claims handling capability of the organisation, the best practice guide can also be used as a means of identifying components and / or features of the claims handling capability that require improvement.

3. Components of Best Practice

Set out below is a statement of the eight high-level components that must be in place to achieve best practice in claims handling. The features of each component are described in a later section.

Component 1: Culture and Philosophy

Culture of excellent client service and a philosophy of client-focused claims management that represents best practice and is fully documented

Component 2: Communications

Arrangements for effective, efficient and transparent communication with the insured and all other relevant stakeholders

Component 3: People

Suitable and sufficient number and range of skilled, qualified and experienced personnel, with emphasis on development, training and supervision

Component 4: Infrastructure

IT and other non-people resources sufficient to handle the number, value, nature and complexity of claims and communications with all stakeholders

Component 5: Claims Procedures

Client-focused procedures designed and implemented to support and enhance the claims handling processes and activities

Component 6: Data Management

Structured protocols for the secure management and analysis of all relevant data in compliance with legal and regulatory requirements

Component 7: Operations

Handling of claims in a consistent, yet flexible and fair manner that is transparent, accurate and timely, as well as secure and compliant

Component 8: Monitoring and Review

Arrangements for routine review of claims performance, capabilities and procedures, including evaluation of client satisfaction

4. Relationship between the Components

The previous section provided a high level definition of each of the eight components necessary to achieve excellence in the handling of insurance claims. Because the components are interdependent, it is important to recognise the relationship between them. The figure later in the guide illustrates the links between the components.

Component 1: Culture and Philosophy

The culture and philosophy of the organisation influences many of the other components. In particular, the culture will have an impact on the identification and management of people resources and the claims handling infrastructure. The culture affects the claims procedures that are established and the data management protocols. It will have an impact on the nature, extent and style of communications.

Component 2: Communications

The nature and extent of communications is influenced by the culture and philosophy of the organisation. Communications support the claims handling operations. When making decisions about communications, the claims handler will need to define the management structure, the nature and means of communicating information, as well as defining the nature and extent of the information that needs to be imparted.

Component 3: People

The skills, qualifications, experience and capabilities of the people involved in the claims handling need to be determined. The seniority and status of claims handling people will reflect the culture and philosophy of the organisation. Decisions will also need to be taken about the training, development and the level of authority given to staff. In many ways, people are the most important component supporting the claims operations.

Component 4: Infrastructure

As well as people, excellence in claims handling requires a robust infrastructure and a range of other resources. The nature, extent and investment in the infrastructure will reflect the culture and philosophy of the organisation. Together with communications and people, the infrastructure represents the third component that supports the claims handling operations within the organisation.

Component 5: Claims Procedures

Claims procedures are also influenced by the culture and philosophy of the organisation, and represent the protocols and procedures used to define contact between the client and the claims handling operation. The development and implementation of user-friendly claims procedures is the most important consideration when determining the extent to which the claims handler is client-focused. The claims procedures impact the claims handling operations.

Component 6: Data Management

Secure data management is essential. The security and accuracy of data is also important in the avoidance of fraudulent claims. The data management protocols are affected by the culture and philosophy of the claims handler, whilst the data management standards influence the claims handling operations within the organisation. Business Continuity Plans and Disaster Recovery Plans are essential features of the successful management of data.

Component 7: Operations

At the heart of claims handling activities are the operations themselves. Most claims handling organisations already have claims KPIs in place. However, these have a narrow operational focus, and the ability to demonstrate best practice requires evaluation of the framework that supports operational processes. The claims handling operations are supported by communications, people and the infrastructure and influenced by the claims procedures and data management protocols. Together, the five components that support the operations represent the full extent of the framework within which the claims handling operations take place.

Component 8: Monitoring and Review

The final component in achieving best practice in claims handling is monitoring and review of performance. The organisation needs to do this in order to confirm the intended level of success. Monitoring and review will focus on analysis and evaluation of claims procedures, data management protocols and the claims handling operations. Although these three components will receive the greatest routine attention during monitoring and review, audit of the other components will be necessary from time to time to ensure continuous improvement in performance.

5. Demonstrating Delivery of the Components

In order to demonstrate that the claims handling organisation delivers excellence in claims handling, the following features should be present in respect of each component. Suitable and sufficient evidence needs to be available to demonstrate the delivery of each of the features described below.

1. Culture and Philosophy

- Documented philosophy and overall approach to claims handling, acknowledging claims handling as a critically important function
- Board commitment to excellence in claims handling, including documented arrangements for Board oversight of the claims handling processes
- Specific commitment to treating clients fairly during the claims handling process, paying due regard (as relevant) to the FSA guidance on “Treating Customers Fairly”
- Preparation of business strategy and budgets takes account of the claims philosophy and the need to continuously enhance claims capabilities
- Claims function has direct report to senior management (at the same level as underwriting) with a Board member responsible for claims handling performance
- Client Charter with detailed service promises, including a commitment to handling claims in accordance with best practice and responding to client complaints
- Commitment to adequate management controls that ensure comprehensive approach to regulatory compliance as a business imperative

2. Communications

- Documented and shared claims service structure specific to the client with arrangements for review of the structure on a periodic basis
- Established roles and responsibilities for the client service team with appropriate level of seniority of the team for the size, nature and complexity of the client
- Communications structure established specific to client with arrangements for escalation of communications and access to decision makers
- Arrangements for claims staff to meet client pre-placement and regularly thereafter, so that claims staff gain knowledge of client operations and activities
- Documented procedures for supply of appropriate claims data on a confidential basis, especially in relation to reserves and movements in reserves
- Client complaint and other feedback processes established and shared with the client with promises on timescales and remedies available
- Communication protocols established with relevant co-insurance and excess markets to ensure coordinated and consistent handling of large claims

3. People

- Case load / skills model used to determine necessary staffing skill, qualification and experience levels with appropriate staffing numbers identified
- Sufficient staff available for the size, nature and complexity of the sector, risks and claims, including large and / or complex claims
- Succession planning arrangements established and linked to career path planning to ensure continuous staff skills development and improvement
- Specific assignment of senior staff to large accounts with necessary levels of authority to make decisions and ensure appropriate level of client service
- Staff retention levels established and achieved to ensure continuity and availability of sufficient skilled and experienced staff for client profile
- Clearly established job descriptions for all staff that specify level of authority and required level of supervision when undertaking specific tasks
- Personal development plans for staff with CPD and training records and evaluation of skills by way of a skills profile analysis and annual appraisals

4. Infrastructure

- Appropriate IT systems specifically designed for handling claims and capable of handling data in an efficient manner and producing appropriate reports
- Planned investment in claims handling IT infrastructure to eliminate any legacy systems and ensure adequate future investment to maintain excellent service
- Business plans in place to develop and continuously enhance the IT infrastructure and ensure high degree of compatibility with market and client systems
- Suitable communication networks with clients and insurance markets that are kept up to date with technology and data interface protocols
- Premises that are appropriate in number, location and facilities to provide efficient and effective client support at all times and in specified territories

5. Claims Procedures

- Written and agreed procedures that are flexible and bespoke to the client and reflect the number, value, nature and complexity of anticipated claims
- Procedures for the involvement and control of specialist advisers, including loss adjusters, forensic accountants and other specialists
- Commitment to adhere to the AIRMIC protocol on Reservation of Rights with enhancements for specific clients, as appropriate
- Established timescales for claims processing that provide transparency and access to decision makers at all stages in the claims handling process
- Subrogation procedures established that describe the protocols and clearly state client requirements and responsibilities
- Rehearsal exercises to stress-test client claims scenarios, involving all interested parties, with procedures for implementing the lessons learnt
- Management of run-off claims described in the procedures to ensure satisfactory handling of legacy claims should the client change insurers

6. Data Management

- Access controls and other procedures in place to ensure data protection, integrity and compliance with data protection obligations
- Mechanisms and controls to ensure that data is reliable and accurate, including data input records to validate data entry details and staff identity
- Systems in place to identify suspicious claims and invalid data and detect and investigate claims that appear to be fraudulent or inaccurate
- Data retention, analysis and sharing protocols established defining data management standards that provide support for claims handling activities
- Robust business continuity and disaster recovery plans to ensure that there is no unplanned disruption to data management activities

7. Operations

- Documented flowcharts to record processes and levels of authority that include flowcharts and are shared with the client and other interested parties
- Involvement and management of third party service providers controlled by written agreements and deadlines established for third party reports
- Adequately experienced and qualified senior staff always available to supervise operations, ensure regulatory compliance and adherence to established procedures
- Consistent interpretation of policy terms and conditions by validated routine operational review and by auditing of open and closed files as necessary
- Procedures, including payment authorisation procedures, in place to ensure minimum time between claim settlement and payment
- Minutes of meetings and other records of client discussions produced after all claims review meetings to confirm agreed actions

8. Monitoring and Review

- Established standards for monitor and review of performance that are subject to routine independent assessment and include evaluation of client feedback
- Routine evaluation of claims handling operations against the standards, including consideration of client relationship meetings and post settlement meetings
- Production of claims KPIs reports that are visible to the Board and extend to claims handling, data management, people and infrastructure evaluation
- Client feedback and complaint procedures that are part of the monitor and review protocols and include procedures to be followed after a client complaint
- Post-settlement review meetings on large claims with procedures to track implementation of recommendations afterwards
- Review of client charter and protocols undertaken on a periodic basis, as well as monitoring of the standard of compliance with existing protocols

6. Evaluation of Current Status

The purpose of this guide is to describe what is necessary to achieve excellence in insurance claims handling. It sets out the components that must be in place in order to achieve an excellent claims handling service. The previous section listed the features that must be present in order to demonstrate each of the required components.

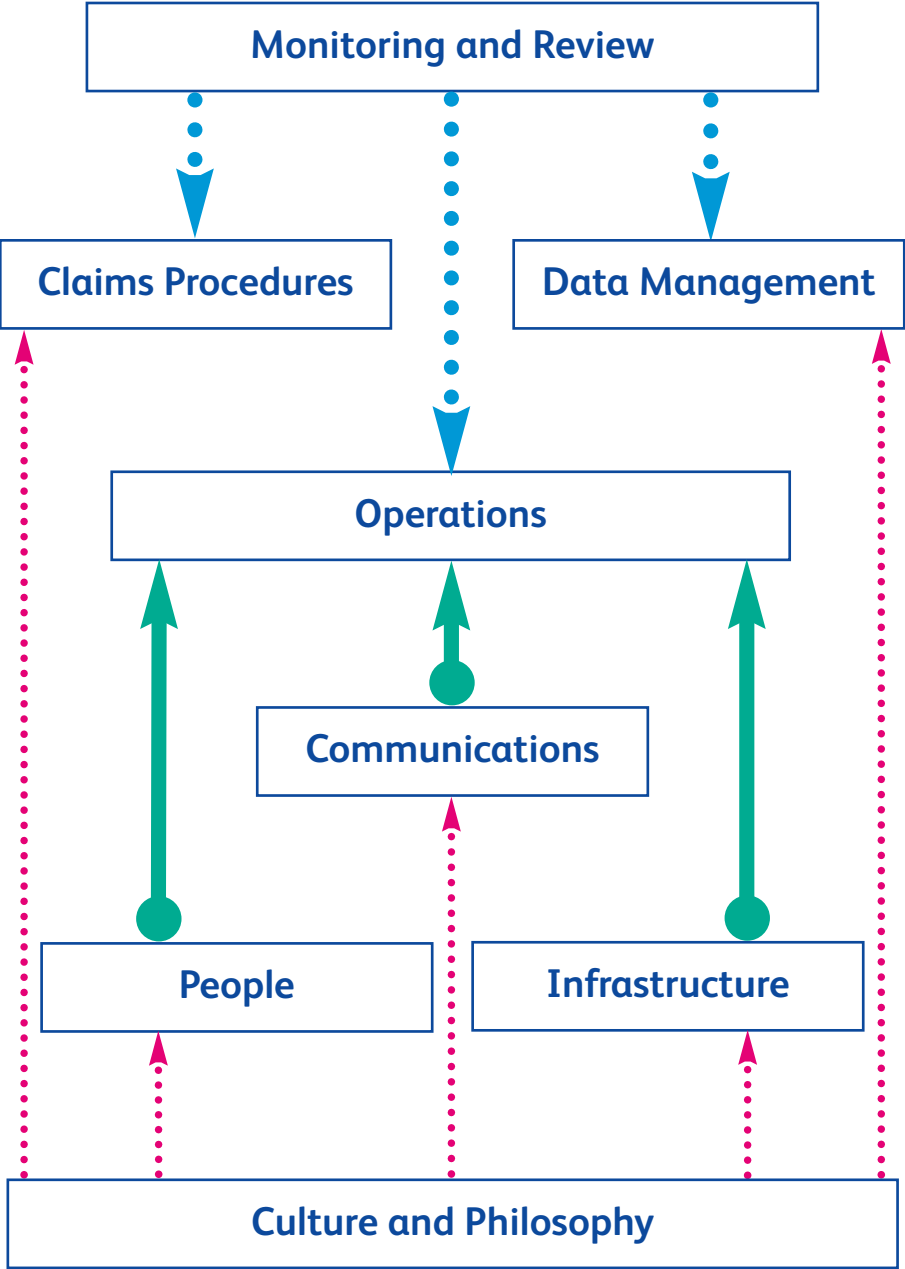
However, it should be remembered that the overriding feature of any claims handling capability is that it is compatible with the requirements of a particular client. Individual insurance claims handling organisations may use the structure of this guide to carry out an evaluation of their current status. When doing so, the claims handler should bear in mind that different clients will have different requirements and / or different claims handling priorities.

For many clients, some of the features described in this best practice guide will be less relevant. For that reason, the guide has been designed with the expectation that individual claims handling organisations will develop and make available a narrative description of their capabilities against the components identified in this best practice guide. It is anticipated that the evaluation will describe the extent to which there is evidence that each of these features is delivered.

Claims handling organisations are encouraged to evaluate their own performance and capabilities against the features described for each component. The narrative report can be used to highlight the strengths of the organisation with respect to their claims handling arrangements and capabilities.

The evaluation of current performance can also be used as a means of identifying areas for improvement. It is not intended that this guide should be used as a means of quantifying performance or producing a league table comparing insurance companies or claims handling organisations.

Figure: Relationship between the Components



Appendix: Checklist of Best Practice

1. Culture and Philosophy

- Board commitment to excellence in claims handling
- Documented philosophy and overall approach to claims handling
- Business strategy and budgets support claims philosophy
- Claims function has direct report to senior management
- Client charter contains detailed service promises
- Commitment to treating customers fairly
- Client complaints procedure established

2. Communications

- Communications structure established specific to client
- Established roles and responsibilities for client service team
- Documented claims structure and escalation arrangements
- Claims staff meet client pre-placement and at regular reviews
- Documented procedures for supply of claims data
- Client feedback processes established
- Communication protocols with following / excess markets

3. People

- Case load / skills model used to determine required staffing levels
- Sufficient staff for the size, nature and complexity of the claims
- Succession planning arrangements formally established
- Personal development plans for staff with annual appraisals
- Staff retention levels established and achieved
- Specific assignment of senior staff to large accounts
- Clearly established job descriptions for all staff

4. Infrastructure

- Appropriate IT systems specifically designed for handling claims
- Planned investment in IT to eliminate any legacy systems
- Business plans to develop and enhance infrastructure
- Suitable communication networks with clients and markets
- Premises that are appropriate in number, location and facilities

5. Claims Procedures

- Agreed claims procedures that are flexible and bespoke to the client
- Procedures for the involvement of specialist advisers
- Adoption of the AIRMIC Reservation of Rights protocol
- Established timescales for claims processing
- Subrogation procedures, including client responsibilities
- Stress-testing of client claims scenarios involving claims staff
- Management of run-off claims described in the procedures

6. Data Management

- Access controls in place to ensure data protection and integrity
- Data input records to validate data entry mechanisms and controls
- Systems in place to detect fraudulent claims / inaccurate data
- Data retention, analysis and sharing protocols established
- Robust business continuity and disaster recovery plans in place

7. Operations

- Flow charts to record processes and levels of authority
- Workload analysis and management of third party service providers
- Adequately experienced and qualified senior staff to supervise operations
- Consistent interpretation of policy terms and conditions
- Minimum time between claim settlement and payment
- Minutes of meetings and other records of client discussions

8. Monitor and Review

- Performance review and audit standards established
- Evidence of routine evaluation of claims handling operations
- Production of claims KPIs that are visible in the organisation
- Client feedback and complaint procedures included in reviews
- Post settlement review meetings on large claims
- Periodic review of client charter and protocols