

CLAIM REVIEWS

IN THE BROKER CHANNEL

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CLAIM REVIEWS

Claim reviews are a unique opportunity to improve and enhance the claim service provided by the broker channel. While a review may provide certain benefits for the ceding company, the primary focus is to enable the reinsurer to enhance the underwriting process and to assess the financial accuracy and viability of the treaty relationship. Used judiciously, claim reviews can reduce reinsurer and intermediary expenses and, in certain cases, have a positive impact on ceding company operations.

The broker has a responsibility to influence and control the frequency, timing, and protocol of claim reviews. This is particularly important in situations where the number of reinsurers participating in the review could strain the cedent's resources. The length of the cedent/reinsurer relationship and the level of comfort the reinsurer has in the cedent's claims operation may have a bearing on the frequency of reviews. Different needs of reinsurers, especially when the size of reinsurers' participation varies substantially, should be considered in the scheduling process. Contract renewal timing should be of paramount importance in scheduling reviews.

The claim review presents an opportunity and forum for communication between intermediaries, cedents and reinsurers. Reinsurers are able to meet with the cedent's claim staff and gain a comfort level with their experience and claims expertise. It is important that reinsurers and intermediaries recognize that they too are being evaluated based on the professionalism and deportment of the representative assigned to the review.

Reinsurers, during the course of the review, may comment on the cedent's claim handling or strategy. This may include reserves, settlement strategy, choice of counsel or other claim related matters. It is expected that such comments will be communicated to the broker representative present at the review and will be made in a discreet manner such that neither the interests of the cedent nor the interests of the reinsurer are compromised.

Except when specifically agreed, reinsurer's audit findings should be considered confidential and should not be shared by the broker with any other participating reinsurers or other parties.

The use of pre-underwriting claim reviews, which are an appropriate and important part of establishing a business relationship with a cedent, should be encouraged.

We suggest the following “Guiding Principles” be considered for conducting reinsurance claim reviews. The principles provide the cedent sufficient information to know what to expect during and after the review and they also suggest some guidelines of protocol for reinsurers and intermediaries.

GUIDING PRINCIPLES FOR REINSURANCE CLAIM REVIEWS

The reinsurance claim review process represents an important opportunity to establish and define relationships between the cedent, intermediary and reinsurer. The claim review process is frequently one of the few face to face meetings between the cedent and its reinsurers. The personal contact should work well to reinforce the service commitment of the parties.

The following principles are recommended to achieve the best results for all parties:

- The scheduling of a claim review must consider the business priorities of both cedent and reinsurer. However, contract renewal timing should be considered in the scheduling process.
- To allow for proper planning and preparation by all parties, the intermediary should schedule claim reviews with sixty days notice.
- To allow the cedent and reinsurers sufficient time to prepare for the visit, at least thirty days prior to the scheduled visit, certain pre-audit information such as the following may be requested:

From the Cedent

- Organization charts
- Claim staff authority levels (Home Office/Field Offices)
- Experience level of key staff members
- Reinsurance reporting structure (company procedure)
- List of open claims appropriate to scheduled treaty review
- Claim volume – pending file count; suit count; claim load per staff member
- Bad faith claims – volume
- Copy of Annual Statement

- If the cedent has an on-line or paperless environment, the cedent should provide full access to all appropriate claims information, as required by the Access to Records clause in the reinsurance contract, and provide the necessary systems training to facilitate the review. Prior to the scheduled review, the cedent should advise the reinsurer as to:
 - The system where the claims data is stored.
 - The availability of computer terminals and access to the system.
 - The accessibility of branch or field office information on the system.
 - The extent of Internet usage by the cedent and accessibility by reinsurers.

From the Reinsurers

- Review topics communicated prior to the review
 - List of requested files
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- The role of the broker in the review process is as a facilitator, as a mediator, and as a conduit for communications to the mutual benefit and satisfaction of the reinsurers and cedent involved in the review.
 - The claim review normally should begin with a meeting of the intermediary, cedent and reinsurers to discuss organization, claim procedures and methods. The reinsurers should solicit any specific areas of concern on which the cedent may want reinsurers to focus. In this way, the review can serve a consultative purpose.
 - During the review communication between the ceding company and reinsurers should be encouraged and facilitated by the broker.
 - The review should conclude with a meeting at which reinsurers provide the cedent comment on their findings and conclusions. This should be a frank and open discussion between cedent and reinsurer of the findings and of areas that may need reassessing.
 - Reinsurers should provide the intermediary with a written summary of their findings within thirty days after the review.
 - Some reinsurers outsource the handling of claim reviews to independent consultants. The use of consultants to conduct claim reviews presents unique issues, since such consultants may not be authorized to speak for the reinsurer or to conduct a wrap-up meeting. It is advisable for the broker to attend such reviews.

- If a consultant is employed:
 - ◆ The reinsurer should give the broker sufficient notice that a consultant has been employed, identify the consultant, and advise the broker as to the scope of the assignment and the authority vested in the consultant by the reinsurer.
 - ◆ The broker should attend in order to coordinate the review, facilitate communication and maintain positive client relations.
 - ◆ The reinsurer should issue a written summary of the consultant's findings within thirty days after the review.
- Except when specifically agreed, any correspondence concerning a claim review from the reinsurer to the intermediary should be shared only with the cedent and not with other reinsurers or other parties.
- The primary purpose of a pre-underwriting claim review is to develop information for the reinsurer to use in its underwriting decision process. Because the business relationship between the parties ultimately may not be consummated, consultation with and providing the potential cedent with written summaries may not be appropriate.