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Building a Disaster Risk Insurance Programme and the role of Public Private Partnerships

Table-Top 3 – Underwriting and Claims Management – Sid Miller & Panayotis Koulovasilopoulos

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The lifecycle of a Disaster Risk Insurance Programme

	a	b	
1 **Product**	Strategy for the scheme - Product offering - beneficiary, assets and perils covered, coverage limits, premium assessment, and requirement to insure and take-up of coverage	Decision-makers	Table-Top 1 - Risk Modelling and Analysis
2 **Operational**	Premium collection and claims management	Risk management and transfer, including how to engage with and mobilise private capital	Table-Top 2 Product Development
3 **Enabling the environment**	Financial relationship with government	Underwriting and Governance and oversight of scheme, and how the scheme can evolve over time	Table-Top 3 Claims Management

Underwriting

Contract Execution

Terms and Conditions

Regulatory and legal requirements

Financial Performance

Claims management

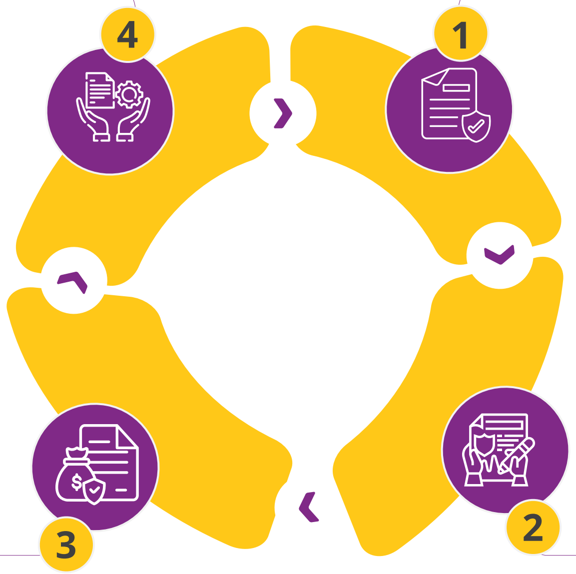
Risk Analysis

Assess the Potential Risk

Cost the risk

Aggregate risk across the portfolio

Documentary evidence



Decision Making

Does the risk fit within the Reinsurer’s risk appetite

Is the premium price acceptable

Contract Negotiation

Negotiate Terms and Conditions

Pricing and Financial Performance

Post event commercial and recovery Processes

Quality Assurance

Operational – Claims Management

Claims Management

Claims Manager

Overpayment

Financial Performance

Environmental, Societal and Governance

General Principles

Legal requirements for a claim

Policy Conditions

Duties of the insured

Documentary evidence

Claims Settlement

Claims settlement

Reserving

Excess and Deductibles

Recovery

Claims Administration

Claims Staff

Service and Customer Standards

Estimating

Quality Assurance

Claims Handling

Claims Systems

Claims Processes

Organisational Structure

Support Services

Operational – Underwriting and Claims Management Key Questions

Key Table-Top Discussion Questions

1

What are the key gaps you envisage for underwriting a PPIP in your country and why?

2

What sort of data would you envisage being captured and stored from the settlement of claims?

3

Who else Claims Management should be engaging with during a Disaster Recovery?

4

How might claims data be used post event recovery?

Operational – Claims Handling

Claims Systems

Systems need to be able to handle a large number of claims at any one time, have redundancy for surge capacity and be able to link policies and claims for a single insured.

Systems need to be able to process large amounts of data quickly and accurately and be able to link efficiently to other internal systems (finance) and external systems where there is outsourcing of functions.

Organisational Structure

Claims management is the heart of an insurance company and has multiple inputs and outputs that need to be considered in creating the appropriate structure.

Role and responsibilities need to be carefully considered and aligned to delegations and governance frameworks

The claims managers need to have the necessary authority to both manage both the customer experience and the settlement of the claim.

Claims Process

A typical claims process will have the following steps: Notification, Review, Response to Claimant, Claim investigation, Claim negotiation, Claim settlement, Recoveries and Review.

Different types of claims will require different types of responses so not all steps will be of equal importance or even utilised.

A Claims Manual would be the operational document that would underpin the Claims Strategy for the insurer.

Support Services

Outsourcing companies are used often in the insurance industry to provide skilled resource from outside the company to either supplement capacity or take on a function in the claims process.

Typical functions that are outsourced are Loss Adjusters, Engineers, Surveyors and legal.

As they are representing the insurance company, it is important that they are culturally aligned and adhere to the service and customer experience standards of the insurance company.

Operational – Claims Administration

Claims Staff

Key role in shaping the opinion of the policyholder has of their insurer

Essential that claims staff are technically skilled with a strong empathy for customers and the difficult situations they find themselves in.

Have the autonomy and delegations to effectively and efficiently settle claims

Service and Customer Service Standards

Service standards customers should expect need to be documented and audited to ensure expectations are met.

Customer experience is a key market differentiator for insurers, but is also key to the effective and efficient settlement of claims.

The knowledge of what makes a good service and customer experience sits with the claims managers – it is a hard job and made more difficult if they are not delivering good outcomes.

Typical Customer Experience metrics would be Responsive, Timely, Straightforward, Empathetic, Fair, Enduring.

Estimating

Done on a case-by-case basis to capture an estimate the likely payout for the claim which is the used to “Reserve” (covered later) the necessary funds to cover the estimated liability.

Needs to bring together the views of all involved in the claim to understand the risks and ensure the estimate is as accurate as possible.

Estimates need to be reviewed and updated regularly.

Quality Assurance

Claims Processes need to supported by a strong Quality Assurance system to ensure standardisation of claims handling and settlement and to capture and develop “best practice” initiatives.

The “three lines of defence” model is most common to oversee an insurers performance in delivering the best experience for customers. The 3 areas are Business operations which perform day-to-day quality assurance and risk management activities, Oversight functions who also set directions, define policy and procedures and have functional oversight, Independent challenge to the levels of assurance provided by business operations and oversight functions.

Operational – Claims Settlement

Claims Settlement

Claims can be settled through either repayment of money, paying for repairs, replacement or reinstatement.

Replacement and Reinstatement need to be explained and agreed with the customer when they take out the policy.

Full explanation of settlement method should be explained to the insured.

Reserving

Insurer needs to have a standardised approach to claims data capture and ensure it is kept up to date through the life of the claim.

Estimated cost of claims should be projected using reserving using a recognised actuarial valuation process.

Excesses and deductibles

Excess is the first amount of the claim which will be in the policy, but is not covered by the insurer. The excess gets subtracted from the total loss incurred.

Deductible is the amount the insurance company does not cover. Often known as the ‘first loss’ and is retained by the insured.

Recovery

An insurance contract is one of indemnity with the intention of putting the insured in the same financial position after a loss as they were before it occurred.

A loss cannot be recovered from another source if a claim has been settled.

Operational – Claims Performance

Claims Manager

Responsible for the day-to-day implementation of the claims strategy.

Monitoring and controlling the costs of running and paying claims (largest cost centre in an insurance company).

Ensuring that customers are treated fairly, service and customer standards are met.

Upholding the brand and reputation of the organisation

Overpayment (leakage)

Defined as avoidable overspend in settlement of a claim.

Engaging with the customer in the resolution of the claim in line with the policy.

Training, competency and experience needs to be aligned to types of claim.

Financial Performance

Ensuring that reserving is accurate to ensure liquidity and solvency to pay claims

Claim accounting and profiling to ensure enable insurers to plan cashflow and solvency management.

Accurate annual accounts to meet regulatory requirements

Sustainability

Sustainability Factors can be considered in the settlement of claims “build back better’

Sustainability Factors will influence insurers’ risk assessment and underwriting practices.

Approvals and sign off