16th General Insurance Seminar
Thriving on Change
Institute of Actuaries of Australia
9-12th Nov 2008
Hyatt Regency Coolum

Benchmarking Liability Claims Management

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Agenda

- Objective
- Best Practice Claims Mgmt
- Survey Methodology
- Industry Results
- Insurer Performance
- Conclusions

Objective

- Best Practice Liability Claims Mgmt
- Assessment of
  - Current Industry Practice
  - Individual Insurer Performance
- Opportunities for Improvement
- Conclusions

Why Best Practice?

- Claims costs the major expense
- Claim handling expense a fraction of costs
- Good claims management can deliver 20%+ claims cost savings (for long tail business)
- Potential for competitive advantage

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Best Practice Claims Management

- Developed elements of Best Practice
- Experienced based
  - Strategic & Operational Reviews
  - Australia and Overseas
- Achievable
- Evolving – Not Fixed
- Key Elements – not necessarily comprehensive

Best Practice Elements

- Claims Management Model
- Early Claims Reporting
- Triage and Segmentation
- Timely Effective Communication
- Appropriate Reserving
- Proactive Management
- Identify & Address Outliers
- Optimal Resourcing
- Effective Provider Management
- Efficient Claims System
- Measuring Performance

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Best Practice Element Definitions

- Definitions would vary by class

- Focus on Liability

- 46 Components of Best Practice

- Describe for each Component
  - Best Practice
  - Satisfactory Practice
  - Poor Practice

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Claims Management Model

Component	Description of Best Practice
Documentation	Fully documented claims management model, providing guidance, direction and an overarching framework for claims staff
Outcome Focus	Claims management focused on outcomes and bottom line
Clarity of Expected Outcomes	Expected claims outcomes documented and linked to performance standards for claims staff
Staff Performance	Staff performance assessment primarily based on assessment against these outcome focused standards.
Consistency	Claims management consistent across the class - no significant variation between branch, team or individual
Training	Claims management model forms the basis for claims staff training (induction & other)

Claims Management Model - Documentation

Poor	Satisfactory	Best
Limited documentation – reliant on individual expertise	Claims documentation focused on process (ie claims manual) - philosophy & approach not covered	Fully documented claims management model providing guidance, direction and an overarching framework for claims staff

Survey Methodology (1)

- Rate Industry Performance

- Against poor, satisfactory & best descriptors

- By Component (grouped in 11 elements)

Category	Score
Poor	1
Mid-point	2
Satisfactory	3
Mid-point	4
Best	5

Survey Methodology (2)

- Questionnaire for liability claims practitioners

- Current & former

- Targeted most senior liability claims mgr

- 20 responses received (from 30 issued)

- Includes most major liability insurers

Verify Best Practice Model

- Comment on missing / superfluous components
- Missing eg
  - Recoveries
  - Culture
- Nothing Superfluous
- Validates Our Best Practice Model

Interpretation of Results

- Examined proportion rated
  - Best Practice
  - Above Satisfactory (better than satisfactory but not best)
- Benchmark of 60% = "Good"
- Shortfall below "good" represents opportunity
- Summary results for the 11 best practice elements

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Triage and Segmentation

Summary of Industry Results

Individual Insurer Performance

- Self against their peers

- Across same Best Practice Elements

- Asked to rate whether

  - Below industry

  - On par with industry

  - Better than industry

  - At best practice

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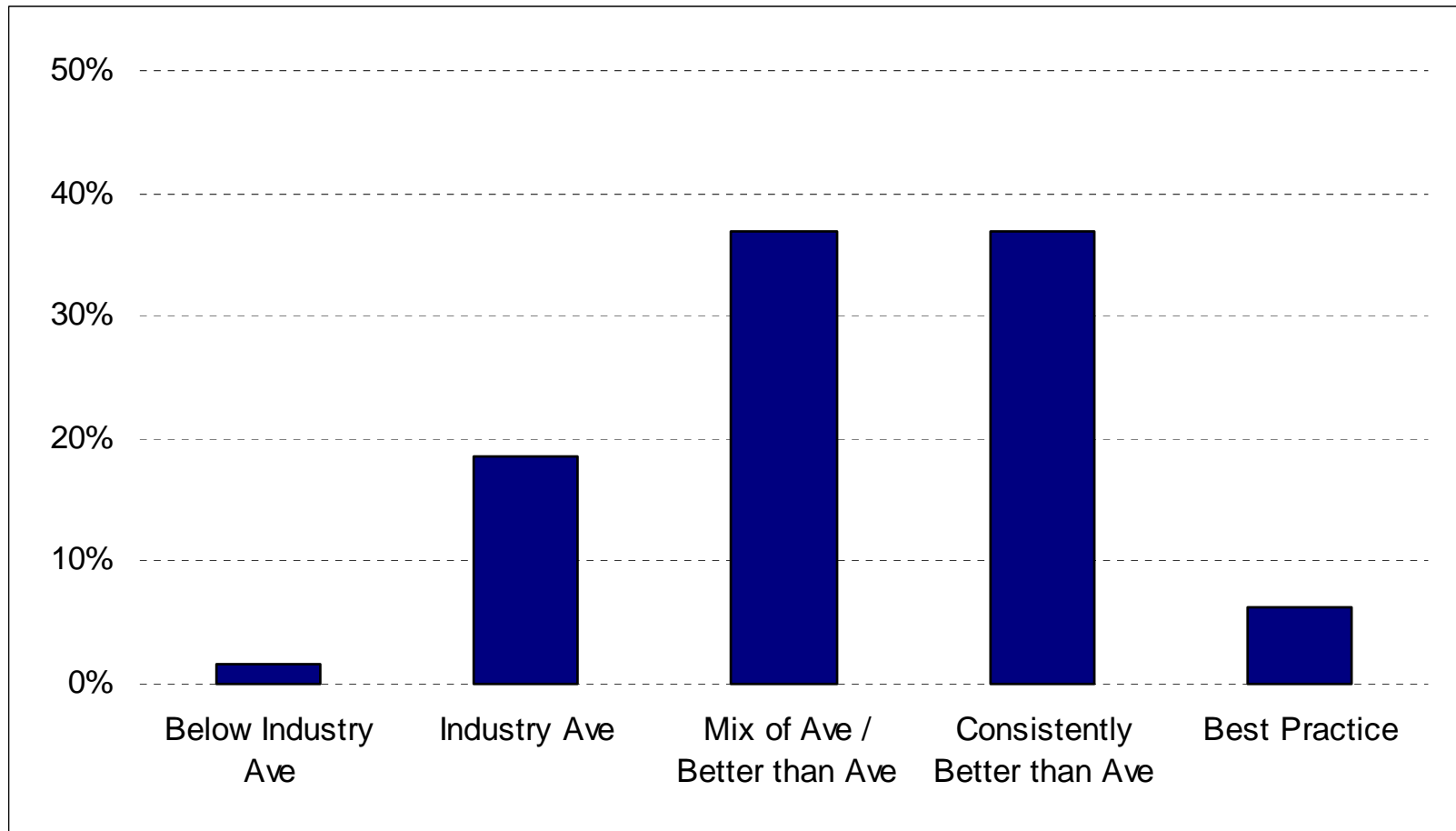Seminar**
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Results – Self Assessment vs Peers

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Rescaled Self Assessment
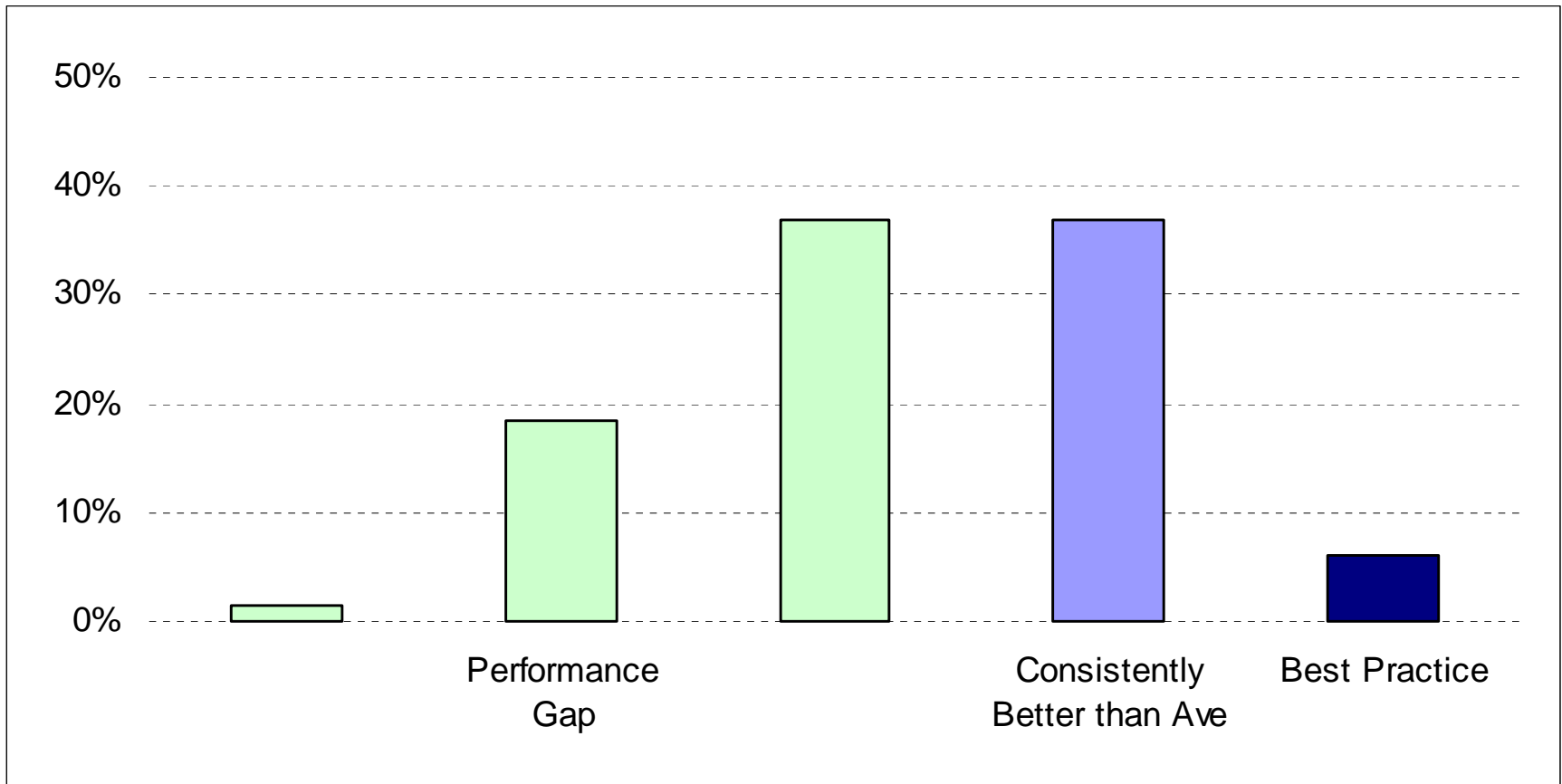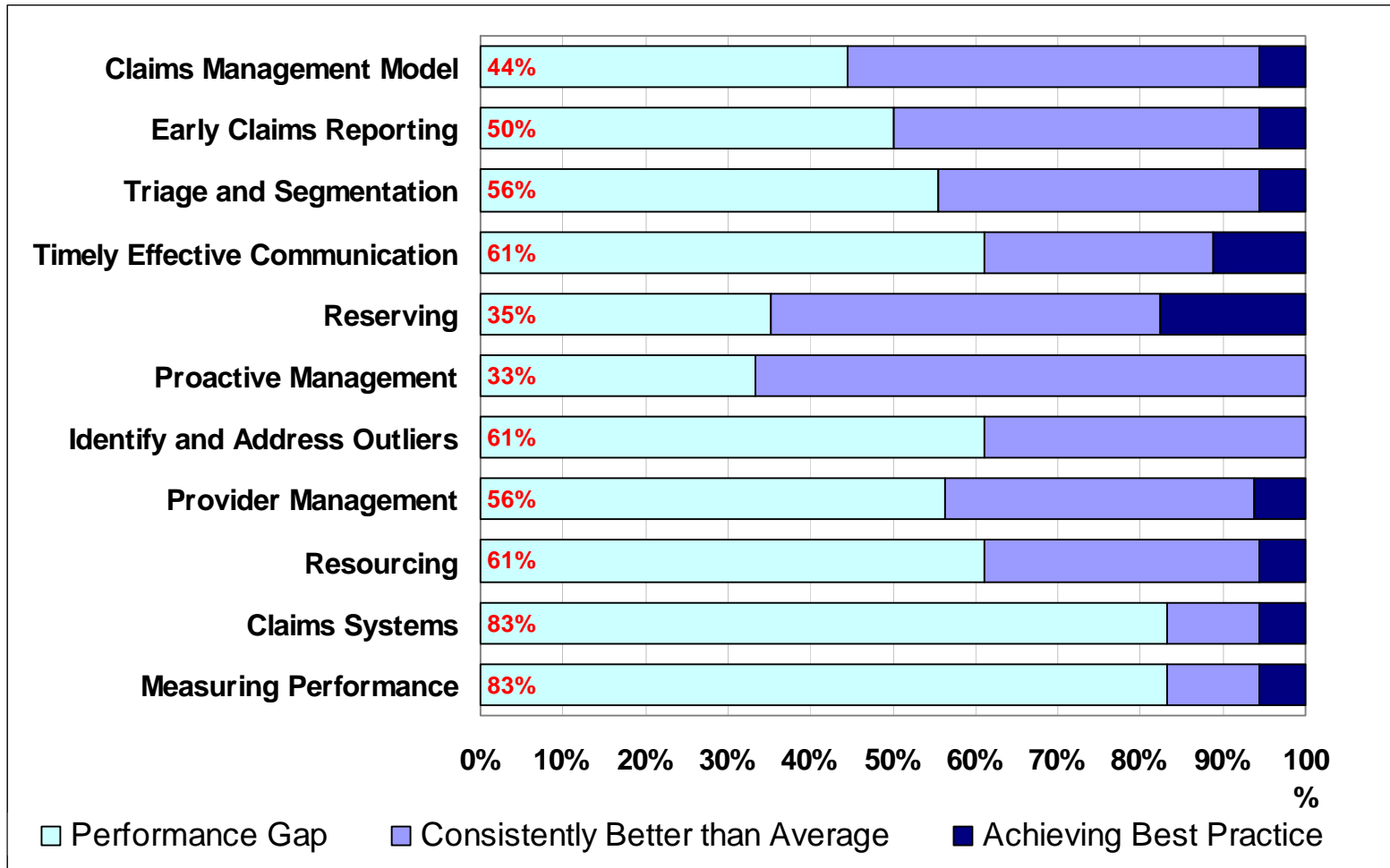
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Most Important Elements

- Proactive Management
- Resourcing
- Reserving

- Some correlation with performance
- How to prioritise improvement efforts

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Conclusions

- Poor understanding of current performance
- Claims managers not well placed to assess
- Significant scope for improvement
- Better understanding insurer position required
- Further benchmarking required

Thank You

Questions?