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TAKING CONTROL OF RISK:

A PHASED TRANSITION TO SELF-HANDLING CLAIMS

BY CHRISTA PETERSON, CLAIMS TEAM LEADER, TRUENORTH COMPANIES

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IT'S TIME TO TAKE BACK YOUR POWER TO NEGOTIATE

A PHASED TRANSITION TO SELF-HANDLING CLAIMS

Many companies opt to take control of risk by moving to a higher deductible or self-insured retention (SIR). With lower deductibles and higher premiums, a motor carrier does not have a seat at the table to negotiate claims. By moving to a higher deductible or SIR, motor carriers can gain control and reduce costs. Upon transitioning there is often a shift for an organization to handling claims in-house within that primary layer.

This transition can be complex, and internal preparation takes time meaning it may not occur before a significant program change at renewal. The transition should be made in phases, so it is tailored and timed to benefit everyone. Here are some fundamental steps to make the process more efficient and less burdensome for the claims teams or other departments involved.

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1 COLLABORATION

Work with the insurance company and your broker to build trust and ensure alignment during the claims program transition. It's important to partner with the entire team to outline objectives and timeframes for each phase. This will lend support and provide time to pivot, if needed. You can also benefit from any of their offered additional resources and dedicated support while they navigate this transition alongside the company.

Depending on underwriting preferences or carrier requirements, clients may have an imposed probationary period related to self-administration of claims. This can be especially prevalent for those new to the process.

During the transition, it is important to be mindful of adjustments to workflows and processes. For example, changes in claim-reporting, documentation, data review, key performance indicators (KPI's), or financials can all affect workflows for an individual or an entire department. While incremental change is necessary to adopt a new claims program, communication is key to avoiding disruption.

2 IDENTIFICATION

While the needs of an internal claims team vary, they likely include claim-reporting workflows, technology, staffing and data analysis. If your outgoing system presently involves submitting claims directly to an insurance company with full settlement authority and control, this will quickly shift under an SIR model with increased control of risk.

Transition success hinges on your claims team's ability to identify and implement internal responsibilities. For example, if a designated team member is responsible for claims, they should also have the capacity and expertise to adjudicate them – if not, an outside hire may be necessary. Historical claims data can also be leveraged to estimate incoming claims and determine whether one or more full-time employees are needed. Ultimately, the claims team must define success within the new system and create a realistic implementation timeline based on the size and scope of each assigned action item.

3 OPTIMIZATION

Effectively handling claims can be a complex process. A typical workflow includes claim intake, investigation, orchestrating resolution, and documentation. Successful claims teams condense claims functions through streamlined technology and automated processes. This ensures that claims operations function at the highest, most efficient, and productive level. A robust risk management information system (RMIS) can organize and manage claim complexities and information, preventing the need to use multiple platforms to capture and relay claims data.

Whether your team is equipped to handle ten – or even 100 - new claims each month, maximizing time is vital, especially for those on the front lines investigating and resolving claims. A claims management platform can reduce time spent and streamline processes by removing duplicative steps and redundant data input. A RMIS system can improve efficiencies further by providing a simple intake process, house documents and financials, identify trends, and generate predictive analytics to ensure the company remains in lockstep with the carrier on loss control efforts and renewal strategies.

4 IMPLEMENTATION

Implementing a new process takes time and the internal transition to self-handling claims should suit both the organization as a whole and the claims team. For example, it can easily take two or three months to identify and onboard new talent, conduct claims management training in addition to developing processes and determining key performance indicators (KPI’s). Ensure the team is set up for success before assuming additional complexity. This will allow you to identify barriers in advance and encourage growth while preparing for the next phase.

Outsourcing is another viable option for businesses looking to close the gap on outstanding tasks or processes that the company is not ready or able to absorb. Hiring an independent adjusting firm or entering a short-term contract with a third-party claim administrator (TPA) can provide temporary support until necessary changes are in place and running smoothly. If the insurance company has a TPA, perhaps some claims can be turned in to them for a fee while the changes internally are put in place.

Subrogation must also be addressed. If this is not a designated role on the claims team, there are specialized vendors who can pursue recovery of owed damages and conduct a closed-file review for possible monies owed on historical claims. If the statute of limitations has not expired for those claims, then depending on the loss venue, there can be significant amounts to be gained by subrogation pursuit. In exchange, the vendor is owed a contingency fee, but often only upon recovery of funds. Additional costs often occur when a claim is brought to litigation, so you would need to consider the return on investment for those situations.

5 INDEPENDENCE

While the process of moving from one insurance program to another may feel complex, it provides an opportunity to identify what works best for the organization. Building out a claims process that runs smoothly while remaining nimble can result in significant cost savings and autonomy within the SIR. Clients are then better equipped to influence the reserving and payment practice within that retention level, which often yields a superior loss experience – especially regarding frequency and severity - and ultimately, may allow for premium and even collateral relief at renewal.