

# Keen to Keep Claim Costs Down?



## BOARD DISCUSSION

Claire Ohannessian, Claims Manager at Marsh Claims Management Services (CMS), explains: "There are often ways to save costs without engaging expensive external legal providers. For instance, the PIPA claims situation in Queensland is a classic example of a situation in which companies can get caught up in expensive and often unnecessary external legal fees."

Find out some steps which may assist with putting a lid on insurance costs.

Ever-changing legislation and plaintiff-friendly courts continue to increase the cost of insurance claims in Australia. There are however plenty of ways to try to reduce the cost of claims, as long as you have access to the right expertise and support. Here, we explore some of the steps businesses can take to try to help manage the claims process and try to keep costs down.

Some organisations are assuming more responsibility for managing claims to help lower insurance costs and give them more control over claims. At the same time, some are also increasing deductible amounts and self-insuring in certain insurance product lines. Businesses that are pursuing these tactics need to re-think how they manage the claims process to achieve the best outcome for the enterprise.

Concurrently, many businesses are working through how they need to respond to new legislation that has been implemented in certain jurisdictions to help keep claims out of the courts. While these laws have been able to reduce the cost of premiums, a consequence has been a rise in management costs for smaller claims in some circumstances. By identifying exposures and negotiating early settlement with

claimants' unnecessary legal costs associated with a matter proceeding to the courts can be avoided.

As Claire Ohannessian, Claims Manager at Marsh Claims Management Services (CMS), explains: "There are often ways to save costs without engaging expensive external legal providers. For instance, the PIPA claims situation in Queensland is a classic example of a situation in which companies can get caught up in expensive and often unnecessary external legal fees."

*The Personal Injuries Proceedings Act 2002 (Qld) (PIPA)* applies to public liability claims in Queensland. The PIPA was introduced to help parties resolve personal injury claims at an early stage and provides a series of pre-court steps that must be taken before court proceedings are started. However, the PIPA regime can expose businesses to high legal costs if lawyers are involved in all of these pre-court steps. Therefore, it's important to explore alternate, potentially lower cost claims management options, such as the use of an experienced claims manager.

We interviewed one of Australia's largest real estate property managers (who we will refer to as company ABC due to confidentiality reasons) to understand its main exposures and how it has effectively used under-deductible claims management services.



ABC's Chief Risk Officer explains: "Aside from property insurance, our largest insurance exposure is public liability. More than 145 million people visit our retail centres every year. The Marsh CMS team works with us to proactively manage public liability claims. The team often suggests actions we can take to minimise the number of claims we receive. They also provide comprehensive analysis of our claims history across all assets. We review the data analysis together to look for trends or possible systemic issues. This helps to identify areas that need investigation and determine what remedial actions may be required to prevent future claims. When incidents do occur, the team manages them as efficiently as possible to seek to reduce the likelihood and quantum of payout."

Another way to achieve efficient early resolution of claims and reduce costs can be to use an escrow arrangement. "Operating an escrow account on behalf of clients to handle payment of all under-deductible

claims-related expenses and settlements helps to take the day-to-day administrative burden, including ongoing payments and recoveries analyses, as well as reconciliations, away from the client so it can focus on its core business," explains Claire.

"Through a specialised escrow framework, we've seen examples of claims being paid up to 75% quicker while also reducing administration costs for some clients. It's a win-win situation," she adds.

Under-deductible claims are often neglected as organisations focus on larger losses that fall under their insurance policy cover. They are also often managed inefficiently and become both a time and cost burden for businesses.

Engaging an experienced specialist claims manager can help an organisation's bottom line and may free up management to focus on running the company, rather than running claims.

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## Aside from building a great working relationship with a claims manager, it's important for organisations to have a good understanding of how claims management fees are charged.

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