



Leveraging Existing Ties In Claims Management

Mr Nehemiah Neo, Managing Director of Insight International Group of Companies and Asia Regional Director of vrs universe adjusters network LLC, highlights the value of indigenous service providers, and several areas of concern that all in the industry need to be aware of in order to successfully conclude the claims process.

The 21st century favours Asia with its ascension to the status of a global economic powerhouse blessed with rapid growth, young and teeming populations, a rising middle-class, an increasing number of mega cities, and vibrant capital and property markets. As a result, the take-up rate for insurance is on the rise and there is increasing demand for capacity on more complex risks, including infrastructure projects and major liability exposures.

Chief executives and business unit heads in the insurance and reinsurance industry are now expected not only to grow the business to increase profit but to also increase profit through cost containment or reduction, with claims expenses being an obvious target. This will have a double whammy on the bottom line.

Furthermore, going regional is a must for many Asian companies increasingly involved in cross-border deals through M&As. Some have also expanded organically because of their service or product niche. Thus there is a growing need for regional or international insurance programmes that have claims handling as an integral feature. The recent tsunami-related catastrophic claims involving policyholders' operations in more than one country highlight the need to address the claims handling protocol at the outset to avoid inconsistent claims approaches and advice rendered by different adjusters, who are appointed from different locations under the same programme and in connection with the same event.

Outlook For Claims

The hardening of the insurance market after the September 11 tragedy has caused a significant reduction in claims volume through the increase of policy deductibles and the restriction of coverage. This has had a harsh effect on loss adjusters worldwide, with one international player recently removing its loss adjusting regional presence from Singapore, and another on the verge of converting to an agency arrangement. The recent softening of some classes of business has resulted in lower excess, and consequently more claims, but this still falls far short of the original volume.

The insurance market in Asia is generally fragmented despite the M&As that have taken place, and it has yet to fully partake of the benefits arising from economies of scale. This shortcoming is being overcome to some extent by the use of external claims service providers, who can leverage their synergistic relationships with multiple clients. Outsourcing will continue to be a useful strategy as long as vendors can

perform the task more cheaply and more efficiently, and/or users make it worthwhile for their vendors to continue providing the service.

Experienced Hands, Strong Relationships

In recent years, senior loss adjusters have been recruited by insurers and reinsurers for their experience in dealing with major losses; their ability to manage such claims to ensure *inter alia* that claims are paid or rejected correctly, that the damage or business interruption is professionally mitigated, and that subrogation rights are protected.

The insurance industry should also not be surprised that experienced loss adjusters will increasingly take the plunge and work for the opposite side by representing claimants, contractors and policyholders. This will not be an unhealthy trend if past relationships are an asset and the conduct is non-adversarial. This trend is somewhat encouraged by extending policies to cover claims preparation costs.

The consolidation of the insurance industry has also seen experienced executives who were retired or laid off being hired on term contracts to assist the claims department. Such invaluable resources would help bring many claim files up to speed, and the regular review of the loss reserves.

Areas Of Concern

Need To Be Humane

Claims handlers are subject to great pressure in large-loss situations to conduct prompt site visits and quickly supply information and claims reserves, among other tasks. In such situations, the humane aspect may be in danger of being neglected, thus impairing goodwill, which is very much needed for a good conclusion. However, in the recent disasters in Asia on infectious diseases and earthquakes, principals who have been patient and understanding – in allowing time for claimants to adjust to their trauma, to search for and rescue their staff, and to attend to their re-housing needs – surely help to boost the professional image of the industry as it has shown that it has not lost its soul in the hustle and bustle of life.

Need To Be Humble

Non-Asians seem to be tickled by the way Asians use both hands to receive or give name cards. This gesture is not subservient but indeed demonstrates that "it is an honour for me to receive your name card, and also for my name card

to be received by you". Sensitivity to local culture connotes humility, which helps develop relationships necessary for the good conduct of claims, if not all forms of business.

Need To Stay Close

Home-grown companies have at times been disadvantaged because of the perception that local players were "too close" to policyholders, including the government and government-related agencies. While there is nothing wrong in staying close, being too close would cross the line of professionalism and reputable companies are well aware of that.

Need To Leverage Existing Relationships

Large or complex claims are often difficult to settle because the parties concerned become adversarial due to lack of an existing relationship. Adjusters enjoying the trust of all the parties in previous claims encounters can indeed be an invaluable asset in rallying people to achieve a common objective.

Need To Be Alert

Insurers should adopt a tough stance when dealing with fraudulent claims. Based on my 32 years of experience in the industry, I have seen advisers asking insurers to refrain from using the words "fraud" or "arson" for fear of being sued for slander. Such negative attitude renders the outcome a foregone conclusion. My past encounters with several organised crime syndicates have shown that they would "try out" untested or unknown insurers and re-visit those who are "easy

paymasters". They will, however, shun insurers who have a tough reputation for fighting fraudulent claims.

Good News For Asia

There has been a series of M&As on the global adjusting scene, and the availability of the same few brands has become quite "boring". But a relatively new kid on the block, vrs universe adjusters network, is becoming a refreshing alternative and has been instructed on the claim of the cement plant in Aceh in Indonesia, which is the largest single loss in the recent Asian tsunami incident.

There are now a number of Asian adjusters, particularly in Singapore, Malaysia and Hong Kong, who are competent to deal with large and complex claims, and can offer innovative claims solutions, as well as serve their clients in a range of locations through their own overseas offices and the global networks of strategic partners. Some are also collaborating to add value in their services to clients.

The Asian insurance industry is sophisticated enough to recognise home-grown talent, recently instructing them on two major claims: Maphilindo International with the Proton plant fire, the largest property loss in Malaysia; and Insight on the Nicoll Highway collapse claim in Singapore, which resulted from the ongoing construction of the country's underground train system. The presence of such indigenous resources will enable the insurance industry in Asia to grow and continue to honour its promise to pay claims whenever the need arises. ■

