Is your program looking for ways to save money? Look at your claims costs.

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Today's soft market continues to challenge the insurance industry to find innovative ways to maintain their profit objectives. In an ongoing environment of rate reductions and low investment returns, where can you turn to find margin relief? Industry veteran and York Programs Managing Vice President Rick Ruiz provides some simple but impactful advice: look at your claims costs.

When it comes to maintaining profit goals today, the insurance industry faces some definite challenges. Dealing with the effects of an extended soft market cycle, there is downward pressure on rate, capacity is abundant and in most cases, investment returns low.

In the programs space, you can see how this is affecting business as underwriting guidelines tighten and programs shrink, dropping off non-renewing accounts that don't meet their expected loss ratio requirements. Carriers are evaluating their portfolios and exiting certain programs and classes of business as they attempt to maintain profit standards. It's a scenario we've not seen in quite a while.

The focus in many organizations has turned to evaluating their expense structures in an effort to reduce costs while waiting for market conditions to turn.

I've been a part of many conversations over the last several months with carriers and MGAs alike, and their concern is evident. There's real pressure on business leaders in the program space right now to maintain profits, and they're looking for solutions to the problem.

My suggestion: take a good hard look at your claims costs.

As a major expense item, any savings in your claims cost structure can have a significant impact on the bottom line. A tweak in process or a change in claims personnel has the capability to significantly move the needle. Look beyond the obvious, and be open to better, more efficient ways of managing your claims.

I've outlined a few areas where a shift in claims process, technology or the right partner is very likely to make a difference.

CLAIMS SPECIALISTS WILL SAVE YOU MONEY

Any business that's been involved in a claim will tell you, one of the main drivers of a good outcome is the experience and specific knowledge of the professionals managing and defending that claim. Claim specialists, who have years of experience adjusting certain types of losses, are far more apt to drive a positive outcome for their clients.

Simply put, a specialist is able to 'see' things in a claim that a generalist may not. With their years of experience and broader base of industry knowledge, a specialist will know where to look for the facts, and what questions to ask. And that can directly translate to better outcomes and lower claims costs.

Arguably the greatest way an experienced claims specialist can contribute is keeping claims from going to litigation. Depending on the industry, a claim that ends up in court can cost anywhere from 5 to 15+ times more than one that is resolved beforehand.

An adjuster that understands the industry, applicable statutes, and the nuances of the particular loss can make a quick and confident judgment call that can save their client big dollars.

I have long watched our specialty claims teams here at York quickly take charge of complex losses – performing thorough investigations, securing job sites, preserving evidence, applying their knowledge of state law, etc. They do not hesitate to push back on plaintiff's attorney if the facts warrant and move toward resolution with the speed and confidence that only experience can provide.

One particular loss our restaurant/food services claims team managed stands out as a good example of why a specialist is so critical:

> *An alcohol-related critical injury was alleged to have occurred following claimant's patronage at a client's restaurant.*
>
> *The assigned adjuster, a specialist in dram shop claims, quickly reconstructed a timeline and closely analyzed the toxicology reports. With an understanding of how alcohol burns in a person's system, and comparing that to the facts in the claim report, she was able to determine that the alcohol consumed at the client's location could not possibly be the cause of the loss.*

Liquor liability claims present a tremendous exposure because they often involve severe injuries, criminal investigations and can attract business-damaging media coverage. But often in alcohol-related accidents, plaintiff's attorney will sue every establishment that serves alcohol within the general vicinity of the accident – a way of going after the 'deepest pockets' for their client.

That's exactly what happened here. But thanks to the specialized expertise of the adjuster, this story had a happy ending for the client. If your claims are not being handled by specialists, there's money being left on the table. Period.

THERE'S COST SAVINGS IN YOUR DATA – MAKE SURE YOUR TECHNOLOGY CAN UNLOCK IT.

Here's the thing when it comes to technology: like any tool, it should make getting an important job done quicker, easier and more effectively.

There's a gold mine of useful information in your claims data. Information that can help you:

- Continually inform, update and enhance underwriting guidelines
- 'Spot check' trends on the micro level, allowing you to see demographics and loss exposures and get out in front of potential issues before they become real (and costly) problems.
- Drive loss control efforts

Your technology needs to be powerful enough to turn volumes of raw claims data into information you can actually use on a regular basis. Does your RMIS have an intuitive dashboard that lets you see important stats at-a-glance? Is it flexible enough to measure and display the KPIs that matter most to your business?

If your claims partner is not making the investment in technology that can deliver the data you need to drive good business decisions, you're missing out.

A CLAIMS PARTNER, NOT JUST A CLAIMS HANDLER

A real claims partner is so much more than a vendor; they have a vested interest in your business and will work side-by-side to achieve your goals.

True, they handle your claims day-to-day. But if the relationship is consultative in nature, if the conversations becomes more 'Hey – your claims data is telling us something, and we need to address it' or 'Our experience tells us that it might be more advantageous for you to approach this situation differently' – you've got a partner, not just a vendor.

And having a partner alongside you means a set of another set of 'expert eyes' that can help prevent costly stumbles.

So, what you need to do is simple: hold your claims partner accountable. You have the right to expect adherence to goals, flexibility to adapt to your programs needs and an eagerness to improve when needed.

By holding your claims partner accountable, staffing with claims specialists and utilizing technology that delivers actionable information, you've gone a long way in ensuring a strong financial contribution from your claims operation – today and down the road.

ABOUT THE AUTHOR

As Managing Vice President for York Programs, **Rick Ruiz** is responsible for the overall direction, business development, brand position and execution of the programs marketplace strategy at York Risk Services Group. Rick and his National Sales Team work with carriers, MGAs and program administrators to design long-term claims and loss control solutions for insurance programs.

Prior to joining York in 2010, Rick was Regional Vice President at Zurich Financial Services, where he spent over a decade focused on identifying and developing profitable programs for Zurich's Program Division.

Rick has a degree in Business Administration from Georgia State University and is a member of the York National Sales Council.