

VCIA Recap

Getting Creative With Your Captive Claims

Yes, with your captive, you are the insurance company, so you can't rely on the inexhaustible legal fees of a carrier to litigate a claim, unless those inexhaustible legal fees are your own, according to Clare M. Bello, president and CEO of Vertical Claims Management LLC of Pittsburgh, Pa., as well as coordinator and moderator for the VCIA session on the claims process and file audits on Thursday morning.

Instead of on lawyers, resources can be spent on creative ways to monitor claims, close claims and reserve for claims. Two of Vermont's finest captive owners shared their examples of creative claims management during a Thursday morning session at the Vermont Captive Insurance Association meeting.

For Jeffrey Driver, chief risk officer of Stanford University and executive vice president of its captive, SUMIT Insurance Co., claims reviewing is ingrained in how they operate their captive.

"It's a matter of routine to look at our claims," he said. "It's 33 percent of our business."

Besides making good business sense to get a handle on such a sizeable chunk of your bottom line, aggressive captive claims management also passes along the message, to your third-party administrator and captive board, that you are not running a perfect ship. You are always looking toward improving your processes.

At Stanford's captive, with its \$7 million in premiums per annum, claims were brought in-house about three years ago, allowing Driver even more control. Driver's team meets every week on the top 20 to 40 claims on its plate to talk claims resolution strategy and consider reserves, among other things to keep the process moving along as clockwork as possible.

"We have several dirty words around at Stanford," Driver said--one of them is "claims closure project."

Stanford has also established a better diary system for those claims that are not as significant but need to move along as well.

"We're heavy into documentation," he said.

Driver is not doing this alone despite his in-house claims process. He calls on the services of outside consultants, who can bring in the benefit of best practices from the field. One such consultant was Bello.

Sharing a different but similarly successful claims story was Janice Klodowski, vice president of Agri-Services Agency LLC, a subsidiary of Dairylea Cooperative Inc. that operates two alternative risk programs for the workers' comp exposures, one an association captive called Agrisurance Inc. and the other a self-insured group.

When Klodowski started with the programs about six years ago, she nearly had heart palpitations upon examining how they did things, she recalled. They didn't have a loss run, for instance.

"Long story short, I did get a loss run," she said.

The TPA at the time didn't have "direction" from the prior administration, so Klodowski worked on arranging that. She also faced down problems with reserve adequacy, which was no light matter considering the expectations of her fronting carrier and reinsurer.

"It took three or four years to manage it," she said, but her team managed to get reserves where they needed to be, became "tied at the hip" to her actuary, set up a team with an in-house claims manager and assistant claims manager, and put together "special handling guidelines" for her TPA that required it report to her on a monthly basis.

"You can't just allow things to happen," she warned.

She requires her TPA to report ASAP death claims and multiple body-part claims.

"If you don't feed me this information, I don't have to pay you," she told the TPA.

The results suggest her way, and not the highway, were the way to go. She noted how she and her TPA have arrived at a great understanding, a great partnership. Claims are closing quicker, her reserves are stronger. In fact, she has experienced a decrease in the costs of reserves--by as much as \$5 million across 12 "terrible" claims.

"Managing claims can really save you a lot of money," she said. Risk managers and captive owners probably can use reminding of something so obvious, though powerful, every once in a while.

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