

Getting Along With Insurance Companies

A Complicated Relationship

The carefully drafted, diligently documented insurance program that you, the company risk manager, crafted at renewal time with your broker is now put to the test. The very first claim you file is placed in the hands of a claims specialist who has been on the job all of 60 days after being rushed through training.

Lori Seidenberg, senior vice president at Centerline Capital Group, can say, “Been there. Done that.”

“I have seen first- and second-year claims people working on the more technical claims. I find myself teaching the claims person the coverage and forms they are adjusting against,” said Ms. Seidenberg.

Never has the relationship among the risk manager, general counsel, insurance underwriter and broker been more important. *Enforce* spoke to experts in the field to assess the claims climate as the nation tries to leave the Great Recession far behind.

It’s all about relationships, our experts said. If your risk manager and general counsel have relationships with your company’s insurance underwriters, and your broker is willing to throw its weight behind claims when necessary to get them paid, your insurance programs should be there when you need them. But, neglect relationship-building at your peril. If a company changes insurance companies annually, is spotty on giving prompt notice of claims, and has unrealistic expectations about the scope of coverage, it won’t get the best service from its insurance companies. Same with the insurance companies: if they don’t know you,

they are far more likely to ignore your needs when you need them most.

To complicate matters, this is not the era of superlative service from insurance claims departments. Never before have claims departments been under more pressure to process claims with fewer employees. Claims personnel are being asked to handle more claims, with less support, than ever before. They are migrating to a put-out-the-hottest-fire-first approach, in which the insurer expects that a certain percentage of its claims volume will fall through the cracks. This is regarded as a cost of doing business. Our experts had some advice on how to handle this as well.

The Situation

Chris DeBruin, vice president of risk management, and associate general counsel at Suffolk Construction, has seen this cycle from both sides. He came from the insurance side but now works for one of the East Coast’s largest construction companies. “Claims departments are being driven one way – to be more aggressive – even though this contradicts what carriers’ business people are being told – that we need to maintain relationships with our best clients.”

Seidenberg said, “Because the claims inspectors have so much on their plates, some things are being missed.”

Carriers are being squeezed by pressure for profit in an industry that has been deeply affected by the investment market. “The property and casualty portfolios are on fixed income. They are now getting 1 percent



“ [There are] a lot of people digging in their heels. Everybody is being a lot more wary. ”

return on their money when they are used to getting 5 percent,” said John Racunas, senior vice president at Lockton Insurance Brokers. And that pressure shows up when claims are filed. “I am seeing a greater contentiousness at the adjusting level. Denials. Strict interpretations of the policy. It isn’t that they are told not to pay the claims. We end up with the same resolution but it ends up being more contentious.”

That extra time is money, says Seidenberg. “We spend a lot of time at the beginning of the process to make sure the statement of values is correct and agreed upon. And, when you put in a claim, they want to re-underwrite the values again. They are asking for more documentation now.”

The tough economic climate is showing up at the other end as well – claimants who are out of work and asking for more from their former employers. Jigisha Desai, vice president and treasurer of Granite Construction, said the number of claims is decreasing because of an emphasis on safety and training, but the claims that are filed “are more severe, particularly on the workers’ compensation side.” When people are out of work, they need someone to blame, and that often is the former employer, she said.

The insured is likely to be under financial pressure as well, and this results in “a lot of people digging in their heels,” said Steve Andrews, general counsel and secretary at Insight Enterprises. “Everybody is being a lot more wary.”

Another approach, which often backfires in the long run, has insureds shopping to get the lowest rate.

Desai eschews shopping. “I want a fairly predictable cost structure. I don’t want to be the hockey puck bouncing from end to end of the rink.” And staying with one insurance company helps stabilize costs.

What To Do

“I have looked at it as a strategic approach,” said Bill Deckelman, vice president and general counsel of Computer Sciences. “Establishing and maintaining effective relationships with a company’s carriers is a key area where a general counsel can add significant value for his and her companies.”

In short, it’s about the relationship.

“It’s pretty intuitive,” continues Deckelman. “Highly successful business relationships underlie the contracts. Underneath it, there is probably an uncommon level of trust. To me, this is the root of a successful insurer relationship.”

All of our experts said it’s important that the underwriters take the time to know your business and that you understand theirs.

DeBruin said, “Business partners are more willing to resolve issues. If you don’t view it as a partnership you will become one of those companies that is always shopping carriers. If you guard every penny of the insurers’ money then you are going to have a really good relationship with them. They don’t want you to treat it like it’s ‘just insurance.’”

CONTINUED NEXT PAGE

“ Take what you can from the broker and absorb it so you can understand the global picture.”

~ CHRIS DEBRUIN,
VP, SUFFOLK CONSTRUCTION

Guard it like it was your money.”

Deckelman said, “The last thing you want is a carrier who is not making money. The consequences of that are terrible.”

At the same time you are building relationships and looking out for your partner, it is critical to preserve your company’s rights and money.

Andrews warned, “It is essential to have coverage counsel involved in the communications [at the start of a dispute] to preserve your best arguments for coverage.”

Companies must lean on their brokers, but not rely on them solely. DeBruin said, “Companies that do not have the technical expertise in the organization must heavily rely on the broker for technical background and expertise. Take what you can from the broker and absorb it so you can understand the global picture.”

And understanding the big picture is what Racunas said a broker lives with daily. “We understand the

market and where it is.” A company with a broker shouldn’t be managing its own dispute. A broker with knowledge of the market and the insurers should. “Frankly, we don’t care what the caseload is for the adjuster or the underwriter. If the case needs to get elevated quickly, your broker can and should do this.”

Desai believes she can always ask more from her insurance company and broker. “Ask them for creative solutions.” If you have a partnership, they will come back to the table with fresh ideas. “Ask them what additional products and services they have that can help you.”

The last thing she wants to do is go shopping for the lower cost, Desai said. “I know that sounds odd because we’re in the construction business where low costs are everything. But at the end of the day, I need to be able to count on a predictable cost structure. So maybe I don’t get the big cuts in a soft market, but I also don’t get the 20 percent increases in a hard market. That’s what staying with a carrier can do for you.”

That relationship with the carrier extends to the claims adjuster. Seidenberg started her career on the claims side. “I have a relationship with claims people and when they see my name, they are likely to call me back. I’m a claims advocate.”

Deckelman takes underwriters to dinner when they are in town. “I know that’s not for everyone, but they are important. Insurance is one of those realities that when you need it, you really need it.”

So treat it with care. ▲