

“Claims are the shop window of our company.” It’s an often-heard phrase, especially by those in the claims department; however this really is the case when placing business into the Lloyd’s and London markets. While it is known that a claims department’s underperformance can lose a company business, it also holds true that the good performance of a claims department can definitely help retain customers and even win new business.

Lloyd's of London

One common misconception around the world is that Lloyd's is a single insurance company, but Lloyd's of London is the name of the corporate 'umbrella' under which the various syndicates working within the organization operate. These syndicates are, in effect, individual insurers and all carry the security rating of the Lloyd's name (S&P A+ Strong, Fitch A+ Strong, Best A Excellent).

When placing a risk within Lloyd's, the broker can use one, two, or several Lloyd's syndicates, depending on the requirements of the business. The first syndicate to agree to write a risk is referred to as the 'lead' syndicate. When there is more than one syndicate participating on a risk, it is called a 'subscription market,' as the syndicates together subscribe to the contract document, or 'slip.' This slip historically contained all the coverage and contract conditions relating to the risk as well as deductibles, premiums, and other connected information about the policy. The policy wording also is included within the slip, which is the first document the claims department reaches for when advised of a new loss.

THB (an AmWINS Group company) and Lloyd's

While THB in London handles claims from around the world and includes insurance and reinsurance across many classes of business, U.S. business is predominantly placed into Lloyd's by either:

- Traditional open market brokerage placed on a direct and facultative basis, or
- Via a third-party binder written through a coverholder or MGA.

When handling a claim, the broker's role differs slightly depending on which of the two methods was used to place the risk.

For a claim placed via the open market, THB acts as an agent of the insured and assists them in getting the most efficient and best settlement of their claim. Unlike in the U.S., where the loss adjusters' and other experts' reports are sent directly to the underwriter, in London, they are sent to the broker who provides them to the underwriter. This means that the broker can pro-actively avoid potential disputes before a reservation of rights or denial letter is sent to the insured.

For coverholder/MGA business, the London broker acts as an intermediary who brings underwriters and the coverholder together and, as such, is not an agent of the insured. The claims that arise from these binding authorities are typically handled by a third-party administrator (TPA). The TPA and underwriters have a separate contractual arrangement and the contract will, among other things, grant the TPA authority to settle claims provided they fall within certain parameters. These claims are paid from a loss fund provided in advance by the underwriters. Claims that fall outside those parameters have to be referred to underwriters for direction. This arrangement can improve the claims payment cycle by weeks for smaller routine claims, and is a benefit to using sophisticated MGAs, like AmWINS, who manage claims through professional TPA services.

Catastrophe Claims

Like in the U.S., the London market is at its most hectic after a catastrophic event. Naturally, there is a significant spike of new claims shortly after the event and THB must advise the market of their exposure, either on a per-account basis or across their entire book with THB. This is becoming increasingly easier due to technological advancements.

After the initial rush of notifying the markets, there is often a brief lull before the loss adjuster's reports with initial reserves, coverage questions, and advance payment requests arrive. THB uses this time to establish increased settlement authorities, collect larger loss funds for the TPAs, and to discuss a claims handling strategy with the market.

While the increased workload often levels off a few months after an event, the effects can be felt for much longer. A major catastrophe tends to attract public adjusters who work to make sure their insured is fully

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If you do not have a contact at AmWINS to help with your casualty risks, [click here for a list of brokers on our website.](#)

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indemnified. Plaintiffs' attorneys are also active and will look to correct any potential shortfall an insured may suffer. Often times a claim that was believed to have been closed is reopened with a lawsuit a year or two later; this means there is often a tail on these claims that could go on for a number of years.

The Claims Process

The process of advising underwriters of a loss is a long and complicated one but the following is a concise, simplistic summary of what occurs:

- Upon receipt of a claim, THB will assign a Unique Claims Reference (UCR) and create either a paper claims file, which has to be physically presented to underwriters, or an electronic claims file, which, as the name suggests, can be submitted to underwriters electronically.
- Underwriters will review the file and add any comments or questions as they see fit. THB will then forward the file to the agent, adjuster, and anyone else as necessary.
- Any subsequent reports are referred to the market in a similar fashion until all coverage questions have been answered and the claim is ready to be resolved.
- When monies are due to be collected from underwriters, a payment request form is submitted to the relevant agreement parties.
- Once all parties have approved the payment collection request, the claim goes through Lloyd's central accounting system and the money deposited into THB's account for subsequent transmission to the insured.

Recent London Market Initiatives

- The Electronic Claims File (ECF) is a relatively new development (over the last six or seven years) and its use is not only instrumental in expediting the claims process, but it also allows metrics and management information that was previously unavailable to now be documented.
- The Claims Transformation Program (CTP), which began as a pilot program in 2010, sought to reduce the number of parties required to approve payment on a claim.
- Lloyd's has recognized the majority of claims are relatively small and straightforward and, through Volume Claims Service, is allowing syndicates, who triaged a claim in the first place, to outsource the handling of that claim to conclusion.

Lloyd's vision for these and future initiatives is to:

- Build upon the Lloyd's reputation for fast and fair claims handling.
- Establish claims within the market on par with underwriting – the idea that claims should no longer be viewed as a “back office” activity with the competence of practitioners pushed to the front.
- Strive for excellence in claims handling as a means of differentiating from competitors.

Conclusion

While Lloyd's is adapting the ways and means of transacting claims, the process has essentially remained unchanged for years. The London broker is, and will likely remain, the conduit for all claims into the Lloyd's and London markets. In an ever-increasing electronic world governed by workflow tools, ECF, KPIs and SLAs and other TLAs (Three Letter Acronyms), the value added by the claims department is paramount. This is often achieved by maintaining and nurturing the personal relationships brokers have with underwriters and is more important now than ever before. The power of meeting people face-to-face in order to resolve very difficult claims issues is something that technology cannot do and is encouraged whenever possible.

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