

## TIME IS OF THE ESSENCE IN CLAIMS REPORTING

When you face a claim, your first instinct might be to fix the issue or hope the problem goes away on its own. You might be thinking that if the issue goes away, or the aggrieved party drops the claim, it won't affect your insurance coverage and cost. Research has shown, however, that claims which are not reported in a timely fashion cost more to resolve. Insurance carriers that incur additional loss costs pass them on to policyholders as increased insurance premiums, which affect your bottom line.

### THE COSTS OF DELAY

When time passes after an accident, investigations become more difficult. Witnesses' memories fade; in some instances, investigators can no longer locate witnesses to obtain statements. Physical evidence may go uncollected, and other critical information can be lost. Photo and video evidence may no longer be available. Delays that limit the amount of information available can substantially impair the insurer's ability to mount a strong defense to claim allegations. They also open the door to greater success in cases of insurance fraud. In workers' compensation accidents, reporting delays can delay treatment, medical case management, and the ability to leverage the discounts that carrier healthcare provider networks have negotiated.

A lack of response to a claim can also frustrate an aggrieved or injured party. This creates a greater propensity for litigation when that party seeks the counsel of an attorney. Litigation greatly increases the cost, complexity, and duration of claims.

Lack of a timely and thorough investigation can also prejudice the opportunity for subrogation should a third party be responsible for the accident in whole or in part. The inability to pursue subrogation adversely affects the insurance company's ability to recover against a responsible party for any losses.

### POLICYHOLDER DUTIES

Insurance agreements are contracts in which the insurance company takes on risk in exchange for your premium dollars. These policies also list the duties a policyholder assumes in the event of a loss, however. Arguably, the most important of these duties—as listed in some form in almost

every insurance agreement—are (1) notifying the insurance company as soon as practicable of any occurrence or offense that may result in a claim, and (2) cooperating with the insurance company in the investigation or settlement of the claim or defense against the suit.

If a policyholder does not perform these duties, the insurer may handle the claim under a reservation of rights, reserving the ability to later deny the claim, or it may decline the claim altogether for breach of the policyholder duties.

### THE INSURER'S PERSPECTIVE

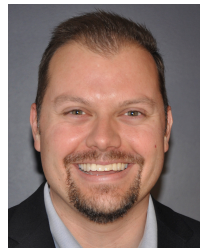
The lack of a timely and thorough investigation compromises the insurer's ability to successfully defend a claim or bring it to the best-case financial outcome. Carriers observing this behavior perceive that they are being put in a compromised position regarding best-case claims outcomes, thereby increasing their risk. With increased risk comes increased premiums and, likely, more restrictive coverage. Late reporting drives up loss costs which, in turn, results in increased premiums and experience modification factors. Carriers may also renew with more restrictive coverage terms and conditions, or they might decline to offer coverage altogether.

### ENSURING TIMELY REPORTING

Keep your insurance policies somewhere easy to access. Have the claims reporting contact information for your carrier readily available. If you have a loss event or accident that may result in a claim, reach out to your insurer. If possible, once everyone is safe and the appropriate authorities have been notified, obtain witness names and contact information, take photographs, preserve any video, and preserve the accident scene if at all possible to avoid spoiling the evidence. For more information on timely claim reporting, reach out to your insurance agent, risk manager, or insurance carrier.

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