





Management Solutions

# Proclaim

Go Beyond Zebra!

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# Why Outsource?

## Not a core competency

- So a distraction from core business in terms of time and money

## Specialist partner

- Do it better at sharper cost; leave you to focus on core



# Trends

- 10 years ago outsourcing claims was a modest industry in Australia - brokers, adjusters toying with the space.
- Flourishing in USA for many years - Some States require self-insureds to externally administer claims (workers)
- Accelerating rapidly in Australia – market expanding but players consolidating



# What claims are being outsourced?

- Workers compensation (self insured/ agents / self-administration to agent)
- Liability and motor - Self-insured / under excess claims
- Underwriting agents / coverholders
- Offshore insurers
- Insurers / reinsurers – “bits” that don’t fit
- Runoff portfolios



# Why Outsource?

- Access to specialised skills
- Not a core competency...allows greater focus
- Dollars - time / admin costs / claims costs
- Competitive tension...external accountability
- Benchmark and analyse claims
- Personal experience - tailor job-specific solutions....different motivations driving results



# When does it work?

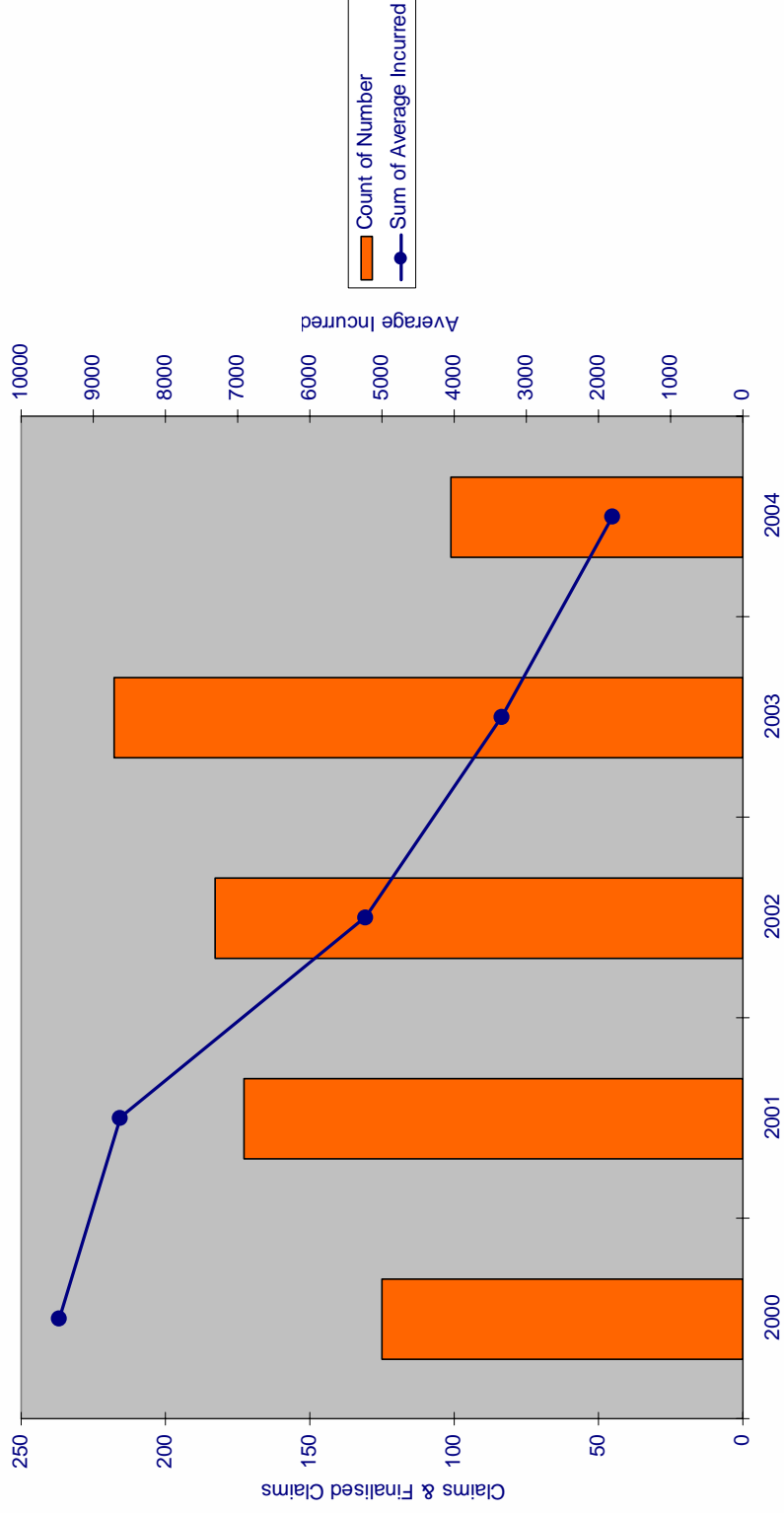
- Process is understood and managed effectively
- All costs are understood; not just internal admin costs
- Client is engaged

## CASE STUDY: PROPERTY TRUST

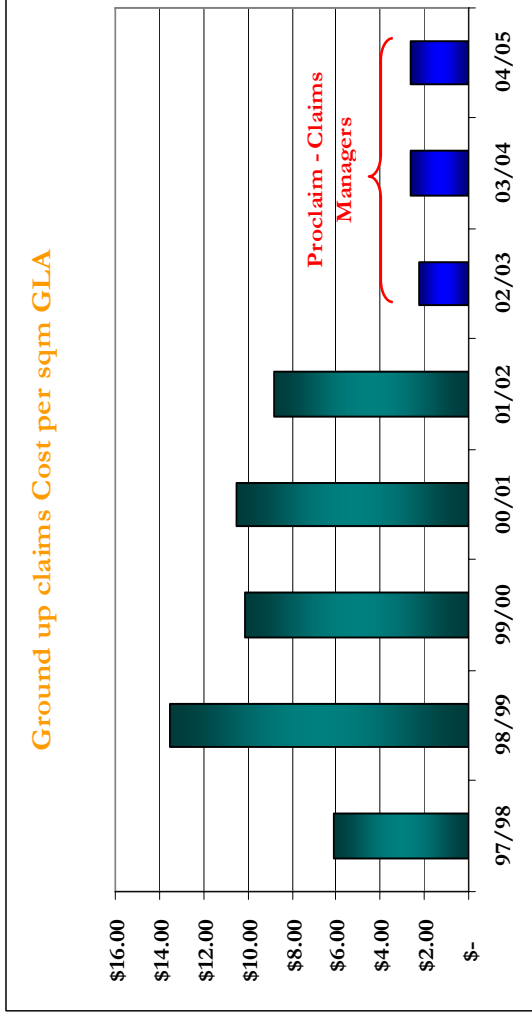


# Costs

Owners AV Incurred by Year



# Individual Centre



# When does it fail?

- Wrong view on costs
- Abdicate any real management of function
- Replicate existing methodologies
- Sole-source for convenience rather than expertise
- Pricing models don't support resourcing required / subsidised by core business



# What does it mean to you?

- Lawyers
- Adjusters
- Brokers
- Underwriters and agents
- Claims staff
- Corporate claims staff



# Lawyers

- Less low level “attritional” work
- Quality instructions at more complex level, but potentially closer supervision
- Looking for value in services; alternative billing models; value adds like training
- Choose to compete – seen as diluting core competency and competing with TPAs- result in conflict



# Adjusters

- Partner TPAs in specialist model
- May be reduction in low level matters
- Volume to those who can enhance service to customers
- Temptation to expand services – offside with TPAs and insurer customers – but can be a working model (but who is leading who?)



# Brokers

- Big brokers - succumbed to temptation to provide claims services as add on
- Need to work out if this is a core competency; not currently demonstrating that – so struggling, losing money and clients
- Replicating insurance claims methodology in broker space - doomed – not specialising!
- Wedge appearing in market
- Smaller brokers can work as part of a specialist model - may be more attractive to insurers



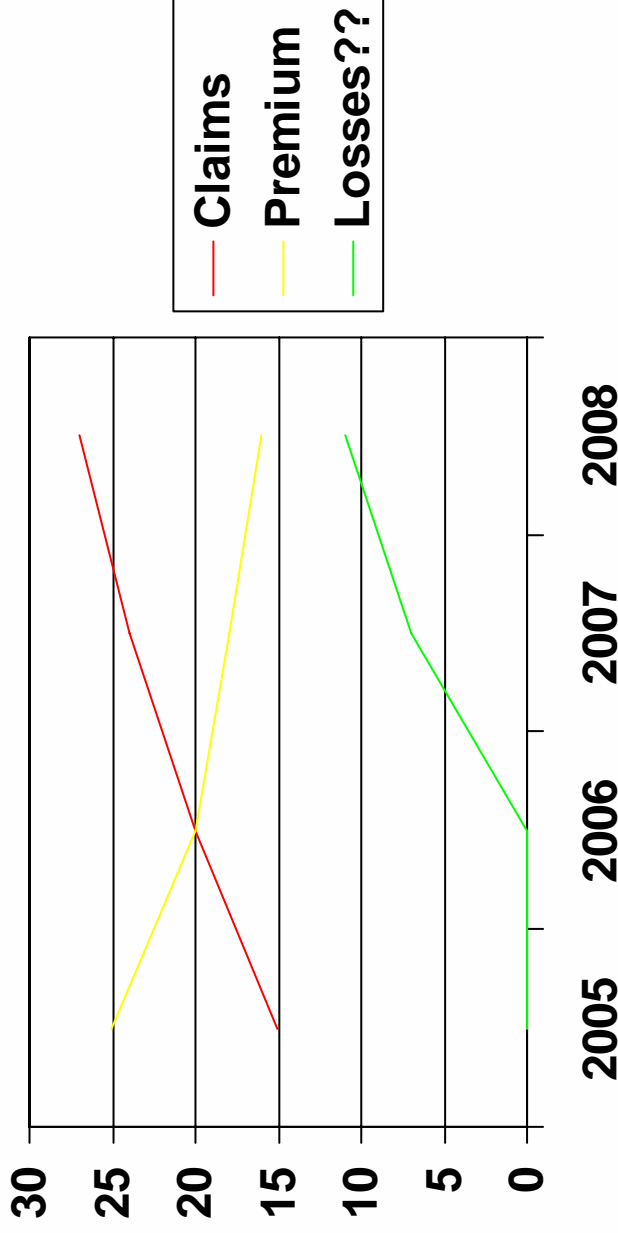
# Insurance Underwriters

- For liability – 80% of frequency claims are being handled outside insurer
- Need to understand claims model and how it impacts loss ratio and development – proactive / reactive
- Do they understand expertise/ experience/ case loads and price?
- Impact on actuarial models
- Read the claim cycle



# Turning.....

## Claims cycle



# Claims Staff

- Friend or foe?
- Partner or service provider?
- Encourage or recriminate?
- Expect claim model will ultimately settle and TPAs will be seen as effective partners
- Good idea for claims staff to understand and sympathise rather than recriminate



# Corporate claims

- Will survive in pockets where control seen as critical
- Limited future as business models change
- Don't burn bridges...some units will simply be taken over by specialists
- Start with liability and motor.....workers last in line



# The Future

## TPA - Outsourced space

- Self-insured
- Underwriting agencies
- Smaller boutique insurers
- Affinity and scheme business
- Runoff

Part of the landscape - hand in hand with larger insurers retaining claim function.....





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