

THE ROLE OF PROACTIVE INSURANCE CLAIMS MANAGEMENT IN THE RISK MANAGEMENT ENVIRONMENT

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The work done in insurance claims departments (the back office) is all too often regarded as support driven and administrative in nature. In this article we suggest that not only should claims management be regarded as a core function within insurance companies, but also specifically within the corporate risk arena, and that a proactive claims management approach coupled with an integrated claims process can significantly contribute to positive risk management.

All corporations are at some level exposed to the possibility of suffering property damage, injury to employees or legal liability claims. The effect of such damage or loss can even lead to the failure of the business.

Prudent and well-managed corporations will implement strategies and plans to avoid the risk by managing it; mitigate the effects of the risk; and/or transfer the risk with insurance.

One of the most important factors determining the availability and cost of insurance is the correct assessment and understanding of the risk itself, as well as all methods employed by the corporation to manage and mitigate it. However, despite these activities and the best attempts by underwriters, many facts pertaining to the risk remain unknown or poorly understood.

This is not to suggest that the facts are deliberately or negligently withheld from underwriters (there are separate remedies for that) – simply that within the vast complex of facts and the individual and peculiar circumstances of each instance of loss or damage, not every eventuality and loss scenario can be accurately predetermined. Often these facts become known to the underwriter, or are fully understood by all, only once the risk has manifested itself.

Whereas the duty to disclose all material facts pertaining to the risk exists prior to the conclusion of the contract of insurance, most contracts include an obligation on the insured in their terms, once loss or damage has occurred, to:

- Give full and accurate information pertaining to the loss or damage to the underwriter.
- Provide full details on the subject matter of the loss or damage.
- Generally co-operate with the underwriter and reasonably provide all information to the underwriter, including the furnishing of documents and the submission to inspection and examination as reasonably required.