

“Transparency, agility, and precision to increase credibility and trust in claims management”

We share the interview granted by MAPFRE Global Risks Deputy General Manager, José Carlos Nájera, to the magazine Cambio Financiero and which has been published in its latest edition, in which he exposes the key factors to offer a quality management service of claims.

Trust is essential in claims management. The greater the level of trust between the parties involved, the more satisfactory the resolution of the claim will be. Without a doubt, providing an agile, efficient response helps to strengthen that trust, but it is no less important to ensure the process has the highest level of transparency and precision. These two aspects increase credibility and, consequently, trust.

Claim is a word with a very negative connotation. It is what terrifies us, what we work to avoid. This gives us a feeling of unease and aversion. A claim in an insurance policy is the mechanism that activates the commitment. It is when the insurer is required to fulfill the agreement held with that contract. Also, for a product or service, the benefits are a legal obligation under that agreement. Managing a claim is the moment of truth for an insurance company. It is when the company must provide a response. In this operating stage, it is vital to identify which factors guarantee quality in the process. In this interview, we discuss how that process is configured, what its scope is and what its stages are, and how its operating procedure is established. Defining “quality” is not an easy task. It requires identifying throughout the life cycle of a claim, from its start to its end, when the various challenges are faced during processing, liquidating, loss of information, conclusions, and the roles played by the various parties in the search for solutions. The final objective is that all of the parameters in play—quality when purchasing policies, transparency, and agility—help to create a feeling of trust in the policyholder and guarantee that what has been purchased is what will be received. This is what professionalism and excellence are based on.

What aspects does a company evaluate when entrusting management of its claims?

Essentially, quality of the service. Fast, professional responses in the first phase of customer service and efficient processing from the instant the incident occurs until it is ultimately resolved. Without reducing this efficiency, the process must be given the highest level of precision and transparency. This will certainly lead to an increase in mutual trust, which is essential to facilitate processing.

Are companies aware of the value risk managers have in protecting their balance sheet?

No universal answer can be given that is valid. Although there has been considerable progress in raising corporate awareness in this discipline (risk management), unfortunately we cannot say that

it is at the desired level. Obviously, the more developed the country where this parent company was founded and the more advanced its economy, the greater the level of awareness will be. Similarly, the importance and level of awareness that this discipline has in large multi-national conglomerates is not the same as in small and mid-sized companies.

In addition to professionalism and experience, is it important for a large-risk insurance and reinsurance company to be fully established internationally and to offer its services globally?

If this company's vocation is to offer distinguished service with added value, then the answer is unquestionably yes. “Large-risk” companies are normally associated with clients who have assets and/or operate in various countries. They therefore need local responses that cannot be improvised. In both underwriting and issuing of policies, as well as the resulting claims management, a company that provides global insurance solutions must be able to provide adequate service at the local level.

“By buying an insurance policy, I transform the uncertainty of a monetary loss from an unpredictable risk into a perfectly established cost”

What is the most critical phase in managing a claim?

Without detracting from the importance of every phase, the expert appraisal phase, without a doubt. In this phase, we can identify aspects critical to possibly minimizing the incident's financial consequences and establish what the amounts of compensation should be for the various insured items.

When does a claim actually begin? When the incident is recorded or when the policy is taken out?

Although it may not seem logical, there is an important phase in managing a claim that takes place prior to the incident's occurrence. In this phase, expectations must be managed appropriately, in terms of both the items that are insured and therefore eligible for compensation and the insurance company's ability to respond in the event of a claim.

Prevention means anticipation above all else. Can preliminary operation protocols be established that facilitate management of a claim?

Without a doubt. Not only can they be established, but they are strongly recommended. Obviously, depending on the type of risk and/or the policy in question, the protocol will have different levels of complexity. But there should always be a minimal protocol that outlines the steps to take in the event an incident occurs.

“A company that guarantees global insurance solutions must be able to provide adequate service at the local level”

It is important to have a clear idea of what is going to happen from the moment the incident occurs. At times, expectations are not in line with the policy’s conditions. How is clarity ensured when purchasing a policy?

Once again, we are back to the importance of transparency in the insurer-insured party relationship. When a policy is taken out, it is crucial that there be a clear vision of what is being insured, what the scope of the coverage being purchased is, and how this coverage is established in the policy. In this phase, the role of a broker is fundamental, in addition to trust between the parties. The objective must be to draft the policy reducing to a minimum the need to interpret the coverage’s provisions. However, this is clearly not always possible to avoid. The insurance contract, the policy in this case, is a contract of good faith. That must be the guiding principle if a claim is filed.

Logically, the company wants to collect the compensation as soon as possible. Why do delays occur in the processes? How important are the expert reports?

The insurance companies and appraisers involved have no explicit desire to delay the processes, on the contrary. For the insurer, it would be ideal to resolve claims and liquidate them as quickly as possible. However, that cannot always be done. Although processing a claim—from the moment an incident occurs to when the corresponding compensation is provided—involves a number of processes and parties, without a doubt, the expert appraisal phase is normally the longest and most complicated. It is therefore the most inclined to greater delays. Among the primary reasons leading to this type of delay, more significant than even the availability of the corresponding appraiser or

processor, are the difficulties in collecting the information necessary to create the expert reports, investigation of the cause, when needed, and justification of the items eligible for compensation.

How important in the global risks sector is it to provide a claims management service that is personalized and adapted to the client?

This business segment is characterized by its complexity. The risks are as varied and complex as the insurance solutions they require: products and services that are tailor-made to clients’ individual cases. Clients look for added value in the companies they entrust when insuring their risks. This added value translates to capacity in leadership, specialization, and precision in responses and agility in claim resolution. But there must always be the appropriate amount of flexibility to understand that the service offered is adapted to the reality of their risks.

Why is it so difficult to establish the timelines and for all the professionals involved to be coordinated?

Lack of coordination is precisely one of the primary reasons that response times can be prolonged longer than is desirable. Often the priorities for the various parties involved are not aligned. Quite often it is normal for it to be that way. For example, after an incident, the insured party’s professionals prioritize resolving incidents resulting from the recovery after the accident more than attending to the appraiser’s requests. For the insurance company’s professionals, the priority is to

determine the cause of the accident in order to properly classify the coverage. This can sometimes take longer than the insured party may like. In order to improve this coordination and, as a result, reduce response times, there must be an adequate operation protocol in the event of an incident.

Are brokers seen as essential components in risk management? How have their roles changed to become business partners that share expert knowledge?

Obviously, their role in the management of clients' risks will depend on the degree to which the clients bring them into the process. Brokerages themselves have expanded their services in this respect. They have gone from a role solely as intermediaries in the process of purchasing insurance to a more extensive scope, providing advisory services in risk analysis and prevention with varying levels of complexity. They provide their clients with expert resources in the field of risk management consulting. The aim of this added value is to enhance customer loyalty. But it must not be misunderstood: the services offered must meet expectations and likewise must be appropriately remunerated. If there is imbalance in this aspect, trust will be lost.

“Risks progress as fast as technology itself. It is not easy to combat, limit, and measure them. This is one of the main challenges of the insurance industry”

How can it be ensured that risk managers will not become simply risk “placers”? In other words, how can it be ensured that they truly help companies to improve risk management and not just transfer risks to the insurance market, but rather improve their own assets and protect their income statement, without thinking that they have an insurance policy supporting them?

The only way is for this function to be recognized in the company itself, providing it with cross-disciplinary responsibility and fitting it into the organization so that it facilitates objective work with the necessary independence. Specialization in this role is vital. Employees must be trained to adequately manage this task that, in my opinion, is not properly implemented at the level of training or professionally in the business sector.

Is it possible to confuse insurance operations with banking operations? In other words, believing that the insurance company is simply a bank that pays for claims...

To go so far as to confuse both types of operations, no. But there is a misrepresentation (or misunderstanding) of the purpose of insurance. It is not uncommon to come across lines of thought that balance the premium paid in a policy with the compensation received from claim indemnification, creating a distinctly financial calculation, the same as what can be expected from investment in a banking product. Clearly, this is an error. And yes, here is where confusion often occurs. By buying an insurance policy, I transform the uncertainty of a monetary loss from an unpredictable risk into a perfectly established cost: the policy premium. You expect profits from a banking product. You should expect equity protection from an insurance policy.

Regulations require transparency. Is there not a risk of falling into opacity with an excess of information that is difficult to process?

Certainly, the more profuse the applicable regulations are, the greater the information requirements and obligations each party must meet will be. However, if the regulation is drafted properly and is appropriately adapted to the processes, there should be nothing stopping an operation from increasing transparency and safety for the parties, quite the opposite.

How does the legal obligation for data protection affect the claims management process?

Significantly, provided that the data handled is subject to storage under the legally established precepts, in other words, personal data. Claims management protocols and procedures that can adequately protect data confidentiality must be established.

How can the flow of information and knowledge between insurance companies, managers, and clients be promoted?

By establishing the proper channels for communication that are appropriate for the times we live in, with duly accredited representatives and properly defining the information required in each of the processes comprising the insurance relationship.

And clarity when purchasing a policy? Is it possible to summarize 50 pages of clauses in a page and a half?

The clarity of a policy is not at odds with the length of the text, but rather with how it is written. It is impossible to say in a page and a half what has been written on 50. However, it is possible to provide an understanding of the coverage's provisions with a summary that, while not serving as replacement, can yield a clear idea of the primary lines of its scope.

In such changing and unpredictable circumstances, risk managers have a difficult job. How can risks be identified and correctly evaluated?

By understanding precisely what and where those changing circumstances impact or can impact the company. That is why internal knowledge of the company is essential: its organization, its operations, its plans for development, its strategy, and, at the same time, knowledge of the environment and how other companies are adapting to it. In this regard, it is very important to promote and participate in forums where experience is shared and collaborative work is carried out to develop tools that help to predict and mitigate situations that are, in principle, difficult to foresee.

How are cyber risks and attacks on critical infrastructure dealt with? Essentially with protective measures. Today there is complete dependence on technology and the vulnerable points are increasingly critical. Fortunately, awareness in this regard has grown considerably. Companies and institutions are investing progressively more in digital security and protective measures. However, risks progress as fast as technology itself. It is not easy to combat, limit, and measure them. This is one of the main challenges of the insurance industry to provide solutions to these types of risks.

What profile must risk managers have? What must concern them the most in light of changes in the sector?

A professional with specific, multidisciplinary training, a clearly defined personality, the ability to make decisions, a high amount of emotional intelligence, the capacity to work in teams, and leadership skills to know how to direct those teams. What should most concern a risk manager in terms of changes in the sector is unquestionably loss of the capacity of insurance to handle the risks that arise.

Are companies susceptible to reputational or brand damage?

Although it is unfair to generalize, not as much as they should be. In my opinion, they are behind social demands, and financial performance takes precedence over adopting certain preventive actions that mitigate reputational risks. However, there has certainly been significant progress in recent years in this regard and we will go further.