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# The golden rules of captive claims management for global corporate companies

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## The golden rules of captive claims management

What are the essentials of captive claims management for global corporate companies? How do we reach a single version of the truth to proactively manage claims? For global corporates running worldwide captive programmes, the key to successful claims management is in the collection of accurate data, pursuit of recoveries and ultimately the protection of businesses and brands, says Neil Allcroft, Senior Vice President, Crawford & Company.

With every passing year the actions of captive insurers behind global brands become increasingly influential. Their

acquisition of claims data over time means that subtle changes to an organisation's risk profile can be made, helping reduce exposures and allowing the business to move with the times. This can be seen in the removal of hazardous revolving doors at hotels or sharp edges at the dining tables of chain restaurants.

However as businesses expand into new territories and jurisdictions, new risks in respect of compliance and claims management emerge. Global brands and their captive operations must therefore grow and adapt how they handle claims to meet these risks head on.

## First notification of loss

In order to remain ahead of the curve, captive managers are increasingly looking to third party administrators to support them with data collection at first notification of loss. Collecting information as quickly as possible after an incident has occurred means that data can be aggregated and leveraged to make strategic decisions, helping risk managers to reach that elusive single version of the truth. Of course no system is perfect, but without a uniform and systemised approach the process will be flawed and claims defensibility rendered much weaker.

For example, with the correct training, a local manager should be able to submit claims information via digital channels and upload data to a corporate intranet; bespoke fields can be created to ensure the company's objectives are reflected accurately. There might be a concerted effort to reduce the number of personal injury claims being brought against the

brand by members of the public, and as such the data capture needs to incorporate fields relating to the evidence required in settling and defending such claims; where did the incident occur? Were there any witnesses? What were the precise circumstances? If the claim was notified after the incident, how long afterwards and by what method did this take place?

Were a corporate risk manager or claims handling team forced into 'chasing' this kind of information, much of the battle has already been lost. Associated costs for investigation can accumulate and leave the captive with little choice but to consider the economics and settle claims on the balance of probabilities. This raises additional risks including the potential for fraud and exaggeration if an organisation appears to be a 'soft touch' for injury claims. The key is always to put forward your best defence by collecting evidence at the scene.



## Pursuing recoveries

Many corporates have exposures that require a concerted effort to get money back from third parties via efforts in subrogation. This is particularly true of industries like fuel companies whose forecourts are a magnet for incidents like prangs, shunts and the dangerous vehicle moving while still connected to the pumps.

Thankfully the influence of risk management in this particular industry is self-evident. Fuel companies have led the way in terms of delivering data and evidence gathering tools such as CCTV and automatic number plate recognition, however in lieu of anything incontrovertible, the local management should still receive the correct training on how to submit information and capture claims as soon as is practical.

## Your customers, your risk

Reputation is of course key to every brand's success. A survey by *Forbes* magazine revealed that CEOs calculate that as much as 40 percent of their asset value is locked into their brand, so the actions of a captive insurance operation which has a customer-facing role is also of key importance.

In view of this, captives should be considering the customer journey when they settle claims made against them, particularly when a TPA is acting on their behalf. Does the corporate provide authorisation for the TPA to use assets that are unique to that brand as a means of compensating people in addition to a financial settlement? If the claimant was a

guest or a paying customer, they clearly wanted to associate with the brand in some form before their loss so equipping your claims teams with benefits, goods or services can really enhance the journey for everyone.

Another key aspect of that journey is delivered by treasury management. Paying claims in a local currency may seem like an obvious choice, but it is difficult to implement in a consistent way across the globe unless your TPA has an escrow account which can be audited and authorised for the payment of claims and disbursements and the technology to manage multi-territory currency transactions.

## React fast

For many captives, the number one priority is to act quickly in the event that a situation may be in danger of running out of control. This is particularly true of corporates whose goods have a high degree of product recall exposure. Pharmaceutical industry clients have developed sophisticated procedures powered by their captive insurance programme and the support of a well-defined claims management operation. These can include instant alerts to mobilise key members of management

as a potential recall situation escalates. When a particular product generates losses somewhere in the world, management can make decisions as the situation unfolds, as long as the data capture from each country or jurisdiction is presented in a uniform way. This process can represent the difference between instigating a recall at the behest of an angry regulator, or withdrawing a product from circulation before any corporate damage is done.

## Building resilience

Crisis management and business continuity are also increasingly a part of the TPA's responsibilities. As a result, firms are obliged to stay abreast of the latest regulations, as would any insurer with an exposure to new rules that compel the insured to act in the event of a breach.

For example, this can be particularly important in a product recall situation or increasingly in the event of a data breach following cyber-attack. In the latter situation, it is well documented that European regulators will shortly tighten up their own rules on when and how companies affected by cyber breach should respond. The EU General Data Protection Regulations (GDPR) are earmarked for implementation in 2015 and stipulate a notification timetable of 24 hours following an attack, within which time a brand must tell their customers whether or not their data has been compromised.

This obligation has certainly raised question marks about the ability of companies to find the source of a problem within 24 hours, let alone tell millions of customers that they could be affected. Nevertheless, the experiences of major retail brands in the U.S. show that the consequences can be severe.

While these are emerging issues, they represent the vanguard of thinking for TPAs who need to work globally with captives and their parent companies to stay ahead of regulatory issues which dictate how claims should be handled. At the moment all the anecdotal evidence suggests that the industries most exposed to regulations like the GDPR (retail, financial services) are potentially underprepared, despite warnings that they will face fines of up to 2% of global turnover. With so many of them operating captives it is surely time to start discussing the practicalities.

### The 10 golden rules of Captive Claims Management

1. Set up your claims management programme in clear alignment with your risk retention and placement strategy liaising with your Insurer, Broker and chosen TPA.
2. Ensure you comply with claims handling and settlement compliance regimes globally.
3. Collect a broad range of bespoke data at point of loss, insured or not insured.
4. Manage claims appropriately to support your brand and wider business reputation.
5. Subrogate and manage cost of risk efficiently with an evidenced based approach.
6. Aggregate loss and treasury data globally and agree beforehand one version of the truth with your brokers and insurers.
7. Utilise your data to model and manage total cost of risk and to inform your captive actuarial process.
8. Have pre loss plans to respond to potential crisis scenarios.
9. Understand how your programme will perform in the event of a significant incident, insured or not insured.
10. Have a robust stewardship programme aimed at constant

## Predictive analytics

All of these activities reveal how the captive has evolved beyond risk financing into an essential tool for global corporates to collect and aggregate data about themselves, their customers, the general public and any other pieces of information they care to chop up and analyse.

The challenge for captives is to ensure that whether they or a partner are responsible for collecting data, the process of tracing and recording the origins of data and its movement between databases is carefully managed.

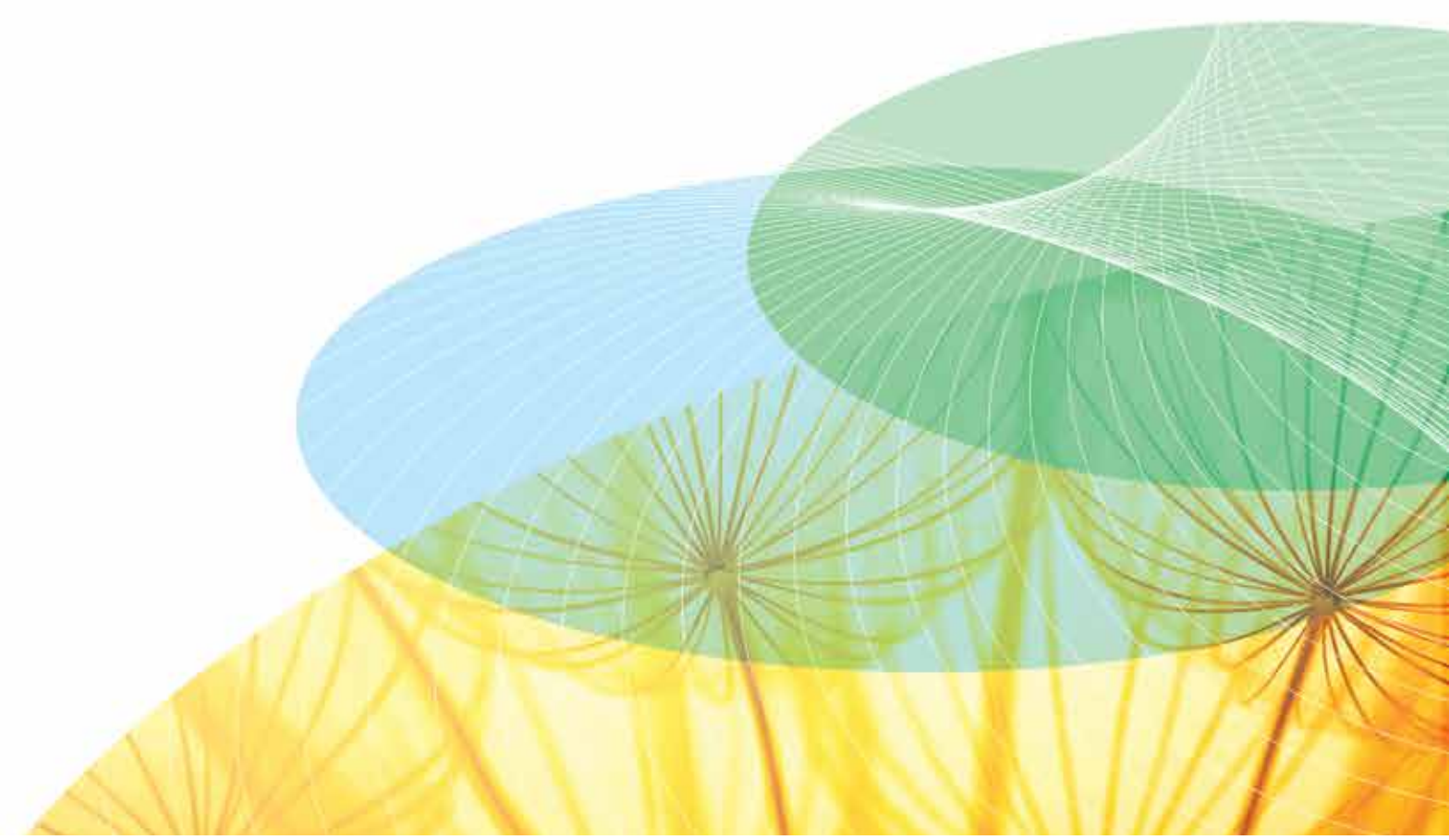
And what of the next step in this evolution: delivering predictive analytics and feeding that information back into the captive management at an actuarial level? With the development of geocoded information, it is perfectly feasible to throw hurricane tracking software over a mapping system, adding in severity models, rebuilding costs at a local level and you can have an accurate reserve for a network of properties before the next storm passes through a region.



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## Do you have claim needs in multiple locations around the world?

Risk managers of corporations and captives in multiple territories often experience challenges in securing useful and valuable data about their claims around the world. Data can be collected, aggregated and analyzed to produce real insights into claim patterns and trends. Control of this information allows risk managers to gain knowledge on the total cost of risk and to take measures to control claims impact globally.

### The Broadspire Solution

Broadspire's global TPA infrastructure includes North America, Europe, Asia Pacific and Latin America with hubs in key client marketplaces, providing a unique capability to multinational corporations seeking a single provider to manage claims.

## Broadspire Services

Central account management and control coupled with deployment through a network of more than 700 locations in 70 countries with the capability of handling claims in more than 150 countries, allow a controlled and compliant global program to thrive.

### Our full range of quality claims services includes:

- Accident and health (A&H)
- Employers, public and product liability

- General and product liability
- Marine and transportation
- Property and business interruption
- Auto (First party and Third party)
- Special projects
- Workers compensation and rehabilitation
- Uninsured loss recovery

## Broadspire Management Information

Already serving over 40 percent of *Fortune* 500 clients, Broadspire is responding to the growing needs of risk managers with multiple locations around the world for real and insightful information and control of claims above and below deductibles.

Our broad suite of customized, integrated services is designed to provide a unique service including global data capture at point of incident via innovative technology solutions (tailored and branded

smartphone, tablet and intranet); sub-deductible claims handling across the world; data analytics and global reporting enabling you to manage your indemnity spend and total cost of risk.

Our claims system is used throughout the world and is designed to provide consistency of approach and provide you with accurate and meaningful management information. You will have the complete claims picture, putting you fully in control.

## Strong, Safe, Secure

Crawford is the world's largest independent provider of claims management and related solutions, with an expansive global network spanning more than 700 locations in more than 70 countries. Crawford's shares are traded on the NYSE under the symbols CRD-A and CRD-B. We are a strong, stable and

regulated organization with an established and experienced management team. Our clients can feel confident in our capability and be assured that we will work with them in pursuit of superior service.

## Broadspire Treasury Management

We are able to provide a cost-effective treasury and payment system, allowing payments to be made around the world and controlled from one location. We will manage single or multiple currencies to reduce transaction and foreign exchange costs.

We know that you need a partner that you can trust and we will provide you with:

- Strict internal request, authorization and release controls
- Monthly reconciliation against bank statements and data from our global claims system

All designed to make a global program with multiple currencies easy for you to manage and allow you to make easy comparisons of claims costs.

## Why Choose Us?

With a network of more than 700 locations in more than 70 countries and the capability to handle claims in more than 150 countries, we offer global account management, control and compliance for your global program with:

- Central billing, financial administration and treasury management
- Simple global pricing models and contracts
- Control of all claims around the world
- Easily accessible, customized global management information
- One point of contact for account management
- One global service level agreement
- One online claims system used in all countries

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Broadspire is Crawford & Company's global Third Party Administration (TPA) business unit specializing in servicing the claims needs of corporations, brokers and insurers who wish to take greater control over the claims

process, indemnity spend, data capture and to access meaningful management information.

Services are offered by Crawford & Company under the Broadspire brand outside the United States.

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