

## Corporate Risk Managers Demand More from Insurance Carriers on Claims

August 2010

Corporate risk managers are raising the performance bar for their insurance carriers as issues such as risk coverage and claims payment attract more attention and scrutiny from their bosses in the C-suite.

The elevation of the risk management function in the strategic priorities of large U.S. companies has brought issues associated with insurance coverage into a new spotlight. In particular, corporate risk managers are being pressed by CFOs and even CEOs for more action and more timely information on claims processing and payment. In step with the increasing visibility and sophistication of the risk manager role itself, this internal pressure has led companies to raise their expectations of their carriers and broker partners in terms of claims processing, payment and communications.

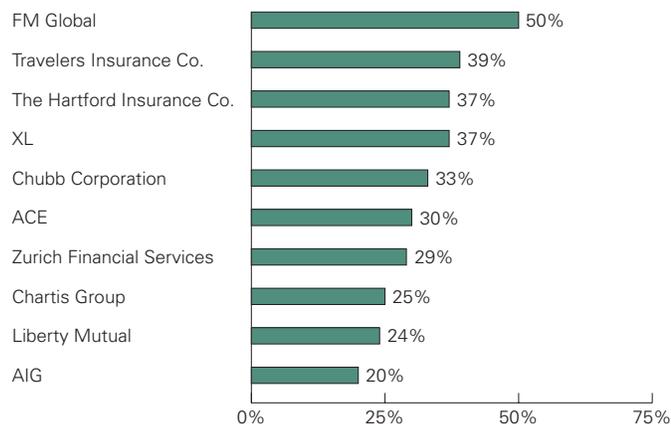
The 683 corporate risk managers participating in the most recent Greenwich Associates Large Corporate Insurance Study rank three factors as their most important criteria in assessing the performance of their insurance carriers in claims: 1) Coordination with brokers, 2) Processing responsiveness and 3) Willingness to pay. In each of these categories, most carriers receive top performance quality ratings from less than half of their corporate clients — in some cases significantly less.

### Coordination with Brokers

An insurance carrier's willingness and ability to coordinate with a company's insurance broker or brokers is particularly

#### Claims Coordination with Broker

Companies with Annual Revenues Greater than \$500MM



Note: Evaluations are based on a 5-point scale, 5 excellent to 1 poor. Percentages shown represent 5's. Respondents were asked to rate the carriers with whom they conduct business in terms of Claims Coordination with their Broker. 2009 AIG data does not include the Chartis Group. Source: 2010 Large Corporate Insurance Study

Four insurance carriers have been named winners of the 2010 Greenwich Claims Excellence Awards: FM Global, Travelers Insurance Co., Chubb Corp., and The Hartford Insurance Company. Honorable Mention Citations have been awarded to Old Republic Co., AEGIS and Allianz. "Among these market leaders in claims quality, two companies stand out for special recognition," says Greenwich Associates consultant David Fox, "FM Global for its superior client ratings in every aspect of the claims-paying process, and The Hartford, for its impressive improvements in claims quality ratings from 2009 to 2010."

#### 2010 Greenwich Claims Excellence Awards Winners

Companies with Annual Revenues Greater than \$500MM



##### Winners

Chubb Corporation  
FM Global  
The Hartford Insurance Co.  
Travelers Insurance Co.

##### Honorable Mentions

AEGIS  
Allianz  
Old Republic Co.

Note: Winners are listed alphabetically.  
Source: 2010 Large Corporate Insurance Study

important to large corporations. In most cases, large corporations maintain extensive networks of complicated policies covering a myriad of risks. Because a company's broker constructed the proposal upon which any individual insurance policy is based, the broker is often in a strong position to help the company wade through any ambiguities in the contract at the time of a claim. "Insurance claims are often not black and white," explains Greenwich Associates consultant David Fox. "There are always very specific questions about the definition of a loss, the precise cause of the loss, how the loss fits within the language of the underwriting documents and, finally, if and to what extent the loss is covered. It is in the process of resolving these issues that companies rely on brokers as their advocates and facilitators, and they also expect carriers to engage with them in exactly that capacity."

#### Latest Greenwich Associates Findings on the Web

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Despite the obvious importance of this type of cooperation, only a single insurance carrier — FM Global — receives “Excellent” ratings for broker coordination from at least half of its U.S. corporate clients. Among the other nine leading carriers in the U.S., the next best performer receives “Excellent” ratings from 39% of clients, and some receive top scores from as few as 20% of their large corporate customers. The largest U.S. companies — those with annual sales of at least \$2.5 billion — are even more critical of their carriers’ performance in this area. Among this group, the five leading carriers in the U.S. receive “Excellent” ratings for their claims coordination from only 25% of corporate clients on average, and the worst performers dip down below 15%.

**Claims Processing Responsiveness**

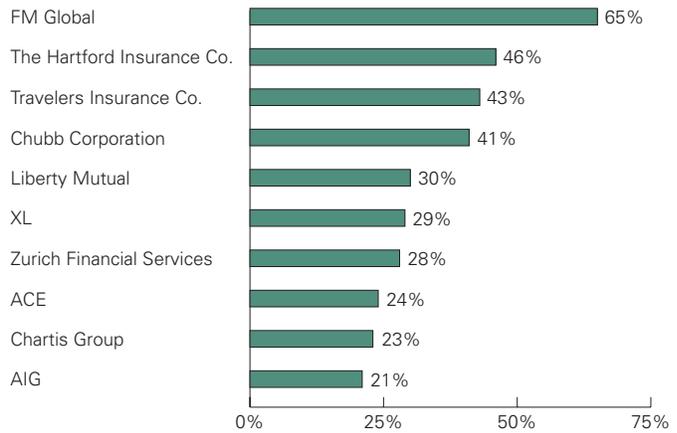
Insurance claims processing and payment is no longer a black box within the corporate hierarchy. To the contrary, C-level executives are becoming more engaged in all facets of the risk management function — especially at a point in the economic cycle in which a major loss can have a critical impact on a company’s cash flows and balance sheet. For this reason, corporate risk managers rank “Responsiveness” as the number two criterion by which they assess the claims quality of their insurance carriers. “Responsiveness does not refer to immediate or even necessarily speedy payment,” says Greenwich Associates Client Associate Brett McNeice. “Rather, companies are looking for carriers to be transparent about how the processing cycle is progressing and to be pro-active in communicating to insureds about where they stand.”

FM Global is seen as the best U.S. carrier when it comes to claims processing responsiveness, with approximately two-thirds of its corporate clients giving it top quality scores in this category. The Hartford is next, with “Excellent” scores from 46% of clients after improving significantly in this area from 2009 to 2010. These leaders are followed by Travelers at 43% and Chubb at 41%. The rest of the top 10 carriers in the U.S. receive ‘Excellent’ ratings for claims processing responsiveness from 21–30% of their corporate clients.

As in the case of coordination with brokers, responsiveness is a particularly critical issue for very large companies, which often have multiple complex claims in process simultaneously. Among companies with annual sales of at least \$2.5 billion, the top-rated carriers in claims processing responsiveness are FM Global and The Hartford, both of which notched significant year-to-year improvements in quality ratings from this group. Also experiencing a big increase in responsiveness ratings from these large clients is Travelers.

**Claims Processing Responsiveness**

Companies with Annual Revenues Greater than \$500MM



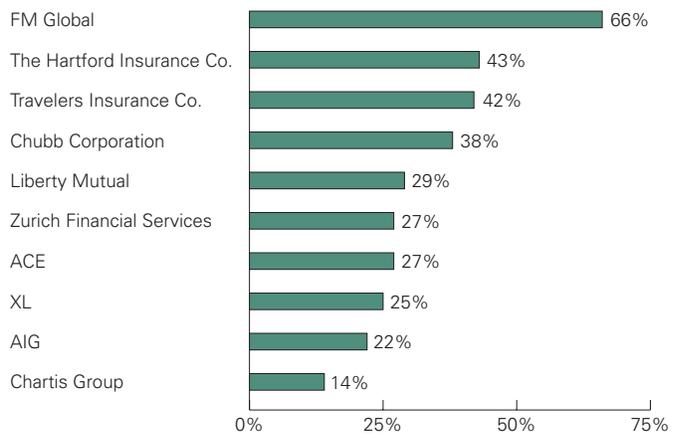
Note: Evaluations are based on a 5-point scale, 5 excellent to 1 poor. Percentages shown represent 5's. Respondents were asked to rate the carriers with whom they conduct business in terms of Claims Processing Responsiveness. 2009 AIG data does not include the Chartis Group. Source: 2010 Large Corporate Insurance Study

**Willingness to Pay**

The seemingly simple concept of a carriers’ “willingness to pay” actually encompasses a broad range of carrier policies and variables associated with individual claims. To a large extent, however, all of these considerations usually boil down to a risk managers’ gut reaction: Are the carriers’ representatives working to get my claim paid, or are they dragging their feet or even putting up roadblocks? “Everyone understands that in a complicated industry resting on complex contracts and underwriting documents, sometimes the claims process will break down — it’s a function of sheer complexity and basic

**Willingness to Pay Claims**

Companies with Annual Revenues Greater than \$500MM



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error rates,” says Greenwich Associates Relationship Manager Robert Mata. “The question is: Is my carrier doing everything it can to expedite the process, keep me informed and get my claim paid as quickly as possible.”

Ranked by client ratings of “Willingness to Pay,” the top three carriers in the U.S. are consistent with those in broker coordination and claims processing responsiveness, with FM Global on top with “Excellent” scores from two-thirds of corporate clients, followed by The Hartford at 43% and Travelers at 42%.

### **Managing Claims: Best Practices for Companies**

The time to audit the proper channel for managing insurance claims is at the time a policy is underwritten — if not before. Companies that wait until a loss occurs to begin figuring out the best approach for facilitating the claim will often be too late to have an effective influence on the process. To ensure your companies’ ability to proactively facilitate the processing and payment of claims, take the following steps at the earliest possible date:

1. Ask your broker to rate your carrier’s performance on claims and let them know you will track their advice and insights against actual experience.
2. Determine the identities of and best contact information for the person at the carrier who is responsible for processing the claim, as well as that person’s boss, or the senior manager ultimately accountable for the carriers’ claims-paying function.
3. Quiz your carrier on the exact process through which it will interact and coordinate with your broker. Determine who at the carrier will act as the direct point of contact for your broker.
4. Talk to your carrier about the communications process through which you will be kept up-to-date on the claims paying process. If the carriers’ response is inadequate or vague, insist on a new system by which your direct contact at the carrier will provide you with regular updates and respond promptly to your inquiries.
5. Ask your carrier if they have considered building a claim performance review option into your relationship.

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*David Fox, Marc Harrison, Brett McNeice, and Robert Mata cover the U.S. insurance market.*

### **Methodology**

*From October to December 2009, Greenwich Associates conducted interviews with risk managers at 683 companies with annual revenues of \$500 million and above in the United States. Interview participants were asked about their companies’ property and casualty risk management practices and strategies, including the brokers and carriers with whom they purchase coverage and insurance-related services. Respondents evaluated their primary brokers and carriers on more than 30 distinct service performance factors.*

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2010 Greenwich Claims Quality Awards are based on Greenwich Quality Indices (GQI). The GQI score is based on a composite of the following relevant qualitative evaluations: willingness to pay claims, claims coordination with broker, claims processing responsiveness as well as claims evaluations by product line. Scores are normalized by sales size and placed on a scale from 0 to 1,000.

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