

# The Benefits of Having Your Reinsurer Involved Early During a Major Claim



The frequency of major and complex claims arising from the Asia-Pacific region is undoubtedly on the rise. Catastrophic losses, either man-made or from natural calamity, seem to hit the headlines almost every other day, be they the appalling floods across South Asia recently, a dreaded tsunami or the prolonged drought in Australia. **Mr Nehemiah Neo**, Managing Director, Insight Adjusters Group (Lloyd's Agents, Singapore & Malaysia) and Asia Regional Director, VRS Universe Adjusters Network LLC, looks at the role of the reinsurer, particularly as such incidents spark off insurance claims of differing quantum and complexity.

The frequency of large losses, which increasingly involve many different parties and interests, has produced a subtle change in the traditional relationship between the reinsurers, which stand behind local markets, and their direct market cedant-clients.

Although this evolution of the relationship is ongoing and few dare to predict whether or not it will lead to wholesale changes in reinsurer-loss adjuster-cedant relationships, it is worth considering these shifts more carefully in an effort to assess how they may shape the future of the marketplace in Asia.

## Reinsurers Playing a More Prominent Role

In our experience as a regional loss adjuster, there is much evidence to show that when there is notification of a major loss, the lead reinsurer starts to play a much more prominent role from an earlier stage in the claims cycle than ever before. This is particularly true in some of the developing markets in Southeast Asia.

This development must be welcomed as it marks a change in attitudes. In the past there was sometimes a level of "awkwardness" among adjusters in dealing with reinsurers as their appointment is by the cedant. Also, in the past it was taboo in the eyes of cedants to talk to reinsurers on claims without the cedant's prior approval.

It is fair to say that most leading reinsurers respond toward a major claim in this region along fairly similar lines. They wish to see a more favourable outcome in terms of dollars and cents and they believe they can achieve this by an earlier claims settlement and earlier, more detailed claims consultation.

## Active Support Matters

We have worked on several major losses in the past few years when the lead reinsurer was actively involved from the outset. In practical terms, the advice and support from a major reinsurer really does help, especially if the local cedant is overwhelmed by a large number of different claims and a more consistent claims approach is much needed.

But the reinsurer's intervention also depends on how this is perceived by the cedant and more especially by the claims management team. Such a situation can also be delicate and, on a few occasions, advice and help have been given where none was being asked.

When it works and the relationship is open and the cedant clearly needs reinsurer support, our experience has shown that the skills and expertise of a major reinsurer with good resources play a positive part in getting claims

settled, producing a better financial result for all involved in the claims process.

There are cases in which the reinsurer will open up a dialogue with the cedant's claims department and its appointed loss adjusters as soon as a major claim has been notified.

## The Role of the Reinsurer

There are several practical areas in which the reinsurer can assist the claims-handling process. These include giving the blessing for or recommending the early deployment of experts like specialist engineers, business recovery project consultants and other external resources. Another compelling reason for reinsurer support is the setting up of a claims fee fund for the loss adjuster to administer and facilitate the timely and equitable release of progressive payments to the experts whose engagement tends to be prolonged when the claim is complex and huge.

The quicker such decisions are taken after a major loss, the greater the likelihood of an excellent claims outcome being achieved. It has been pointed out that in a catastrophe claims situation, the reinsurer can either be the cedant's best friend – or worst enemy – and it is obviously in everyone's interest to ensure it is the former and not the latter.

It is often the adjuster who is among the first to witness the breakdown in a relationship between reinsurer and cedant on a major claim. This can be caused by long delays in access to information about the progress of a claims investigation, something which still happens too often in our region.

Another situation that causes stress between cedant and reinsurer is when the former decides to pay a claim before the reinsurer has had a chance to make comments about the conclusion of a claims investigation.

This decision is sometimes made due to wider business and commercial relationships between the insurer and his client and, in some Asian markets, this is especially true when the client is linked to or part of a government entity or a private conglomerate. In some of the more developed markets in Asia, cedants are, however, more inclined to be professional and upfront with their reinsurers by disclosing such potential conflict of interests and even ensuring no wool is pulled over the eye of the reinsurers on claims that should otherwise fall outside the scope of the policy.

While misunderstandings and tensions between reinsurers and cedants certainly still exist on major claims, it is fair to say that relationships in many markets are improving and the trend toward reinsurers taking a more hands-on approach has been increasingly well-received, which augurs well for the future of the industry in Asia.▲