

---

# **MEP Strategic Planning: Overview Of The Claim Unit And Issue Of Delegation Of The Claims Workload**

In devising a new growth strategy for MEP plc three significant priorities for inclusion in the new claims strategy that we will consider include:

## **Review of the claims unit workload and the human resource**

### **Strategic partnership / Delegation of the claims workload**

#### **Bureaucracy and Approval limit**

In devising a new strategy, it is important to understand the gap between expectation and performance of the claim unit. The difference in performance of any claims unit such as MEP plc is rarely explainable if a resource audit is not done to ascertain the availability and utilisation of resources.

Most structures can be made to work effectively but this depend on a range of factors such as technical skills and experience, performance metrics supporting the claims roles, the grouping of responsibilities and not least the individual in the role.

An integral part of the claims value chain is the human resource. This particularly is an important area which transcends all primary activities. An audit of the staff strength, competence, or quality of staff and the task at hand will be of great importance. In analysing the human resource of the Claim Unit the following are the areas I will likely cover:

Whether or not the staff strength is adequate i.e. the number of personnel that work at the claims unit compared to the workload.

#### **The level of the staff competences /expertise**

In the event that the resource audit identify that the staff strength is inadequate, the best solution will be to ensure that recruitment of competent additional hands is undertaken. This is a process which does not end at recruitment but include managing, training, developing and rewarding people within the organization. The recruitment can be in the form of internal or external recruitment.

However, in a situation where the resource audit identifies the lack of expertise in the discharge of the claims function, then a further analysis of the training needs of the staff will be essential. In order to improve the expertise of the employees, the MEP plc must establish and encourage the training of staff through education courses, seminars, etc. An example is enrolling staff in Chartered Insurance Institute (CII) courses which can go a long way to help and equip the staff in the discharge of their duties.

#### **Strategic partnership / Delegation of the claims workload:**

---

In respect of the workload currently affecting MEP plc, it is important to assess whether or not MEP plc should continue to handle the workload by itself or delegate its authority to a third party to handle. In adopting a delegation of authority, the company must ensure the third party is adequately skilled and resourced to handle the workload while providing the best standards and not expose MEP plc to unacceptable risk. A process of due diligence is essential in order to prevent vicarious liability of the delegate.

In appointing a third party MEP plc may benefit from cost cutting, availability of expertise, professionalism, localised claim handling, but MEP plc must ensure that in all this, customer service is at the fulcrum of the negotiation. MEP plc can delegate its authority to a third party in either of the following ways:

**No authority:** In this instance all claims matters irrespective of the size or facts will be reported to the underwriter for decisions. Under this, claims notification can occur directly between the insured and the insurer as the cover holder plays no role. Under this no authority, the delegate gathers all the relevant documentations and forward same to the MEP plc to determine liability. The challenge with this method is that MEP plc will still be faced with the workload.

**Limited Authority:** Should MEP plc adopt the limited authority, the claims settling authority is given to the cover holder, but strictly limited in terms of size of claim or by certain facts that results in a referral.

**Authority given to a third party:** This is where MEP plc gives a limited claims authority to an independent third party, also known as Third party administrator or cover holder.

An important factor to consider is that no matter the level of delegation, MEP plc must ensure that some of the following are reviewed and analysed regularly.

- a. Line size-check i.e. whether any authorities have been breached?
- b. Aggregate position-have there been any breach?
- c. Is the claim being done in accordance with the agreement? Are the referral being correctly carried out?

MEP plc must also institute a peer review process that involves a second pair of eyes on any activity that will be reported on by the cover holder. This will ensure that no errors are committed and if any very minimal.

## **Bureaucracy and Approval limit**

There is a common misconception that all claim processes are unique. While final execution of the process may be highly customised, most process Elements-First notice of loss (FNOL), segmentation and assignment, adjudication, investigation, subrogation and so on are actually very similar when we break them down to their core processes. An important bureaucratic process that will need a second look is how approvals are received for claims to be settled. Although setting limit is helpful in making sure that at any point the claims outlays are controlled, it is essential to ensure this does not cause delays thereby increasing our backlog.

The claims unit must decentralise its approval process to enable personnel have authority to

---

approve claims up to a certain level. This in a way will reduce the phenomenon where every claims will have to be approved by the claims manager. This can further be instituted into the claims workflow process such that claims within a certain financial limit are automatically routed to personnel who have the capacity to approve them. In so doing the claims manager is given the opportunity to handle more strategic decisions while each senior person is given a responsibility to guard in terms of financial outlay.

## **New claims strategy**

Strategic planning is a sequence of analytical and evaluative procedures to formulate an intended strategy and the means of implementing it. A strategy therefore is the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment to meet the needs of markets and to fulfil stakeholder's expectations. In devising a claims strategy, we will need to provide a strategic direction that the claims function will need to follow which is in line with the corporate growth strategy of MEP plc. We will therefore undertake an analysis of the claims unit.

This involves understanding the strategic position of the organisation in terms of its external environment, internal resources and competences and the expectations and influence of stakeholders. Firstly, we must gather data that will help in analysing the current position of MEP plc. The data sources include internal data which comprises of data from the Board, the claims unit, other functions within MEP plc as well as from external sources. A very important area to start with the collation of internal data is from the current growth strategy of MEP plc as well as the current claims strategy to where the problems emanated from while noting that the claims strategy must be drawn with the corporate strategy in mind.

We must consider the expectations of internal stakeholders such as the board of directors, Executives, claims staff, as well as other functional staff. With reference to the board and top management, we will have to know their intentions regarding where they will want MEP plc to go and the contribution of the claims unit towards that strategic plan. For the claims staff (function) we must meet them to be able to understand their challenges and what they believe is necessary to solve the numerous problems the department is encountering.

We must also study the financial implication of the current system and its impact on the company as a whole. For example, the strategy must ensure that any investment to be done must bring about efficiency and effectiveness in the claims function. Another important source of data that the need to be looked at is data from external sources such as the insurance industry, customers, brokers etc.

This will involve gathering data about competitors (competitors) as well as information from the regulator regarding claims within the industry. This will help us know what other competitors are doing that has improved their claims function as well other players within the industry. The claim service is the core business of every insurance firm and as such the main focus of every client. We must therefore collect data from our customers regarding our claims service and their expectations to enable us not create a dissonance between customer expectation and our performance. We must also involve claimants to help know what experience they went through vis-a-vis what they would have expected. This will help shape the strategy as the customer is

---

the focus of MEP plc's operations.

A key partner in our operations are the brokers, these are a very important avenue for external data. The experience and knowledge regarding our claims unit as well as that of competitors can be tapped to help us in the designing of our strategy. The brokers will normally have varied experience based on their dealings with various insurers, and customers. Through the gathering of data from both the internal and external sources, we can analyse the external environment with the Pestle model while assessing the strength, weakness, opportunities, and threat SWOT.

PESTEL Analysis: this involves identifying the Political, Economic, Social, Technological, Ecological and legal influences on MEP plc. Examples include the influence of factors such as inflation, income distribution, interest rate, taxation policy, employment laws etc. on the claims strategy.

SWOT Analysis: this summarises the environmental issues in the form of opportunities and threats facing the organisation while analysing their opportunities and threats.

Following the review of the internal and external data as well as an analysis of the SWOT and PESTLE, MEP plc will now be able to identify the gap between the corporate growth strategy and the claims strategy. Below is the new strategy for MEP plc:

To be the best and most successful claims handling company with a presence in all major world markets.

1. To ensure that all valid claims are paid promptly
2. To eliminate unnecessary expenses associated with the claims handling
3. To implement the most effective and highly advanced supporting technology to improve the claims management.
4. To liaise with third party claims handlers (where necessary) to enhance the localised customer service.
5. To ensure MEP plc recruits and maintains highly qualified, motivated and experienced personnel in its operations.
6. To improve operational efficiency and effectiveness of the claims process.
7. To ensure that all claims are paid

## **Core Competence**

We are in business to put smiles in the face of our customers even while they may have encountered a mishap. Any organisation can promise to put smiles in the face of their customers but because we are best at what we do and these competences cannot be replicated, our service will be sought after by all.

## **Finance:**

This claims strategy is developed against the framework that the annual claims operating expenses remain a fixed percentage of the gross written premium.

---

## Technology:

1. To invest in a web based software which can be accessed anywhere in the world
2. To invest in smart workplace which will automatically handle work distribution and assignment of claim approval.
3. To invest in a telematics that will handle claims notification through to its settlement
4. To invest in software that will integrate the claims department with other functions.
5. To invest in software that will help transform the various data into information.

## people

1. To employ and retain a highly skilled, experience, and motivated staff at all times
2. To manage staff and ensure that they give out their best at all times.
3. To implement a training policy and ensure that all clients are trained and retrained to bring out the best in them.
4. To motivate our staff in order for them to provide the best of service to our clients.
5. To design and assign the claims role in accordance with the skill and experience available in order not to overload the staff
6. Ensure our staff understand the claims handling procedures, the features structure and objectives of the different claims system
7. Educate our team on how the claim function is integrated within our organisational structure.

## Process:

1. Develop a claims operating manual to help attain timelines and also in the implementation of the claims strategy
2. Implement an integrated system between the claims function and other supporting functions
3. Implement a claims approval guidelines and what are expected to do.
4. Design a succinct claim chart detailing each stage of the claims process and the required actions.
5. Design a process for handling claims complain and litigations

## The Claims Operating Manual

### Claim handling procedures:

These are the new guidelines that will guide and timelines which must be achieved to enable us reduce the backlog. These new timelines are to ensure that even in the worse of scenarios the claims function handles the situation within a maximum of ten (10) working days (2 weeks) this excludes feedback in the form of complaints and others likely to follow after a repudiation or payment of a claim.

### Approval limits

Following the increase in backlog which partly may have been caused by delay in seeking approval to settle the claims, a revised financial approval limit is detailed below:

- 
- POSITION NEW LIMIT (GHC)
  - Managing Director Unlimited
  - Assistant Managing Director Unlimited
  - General Manager (Operations) 90,000.00
  - Assistant General Manager (Operations) 50,000.00
  - Claims Manager 20,000.00
  - Assistant Claims Manager 5,000.00
  - Claims supervisor 2,000.00

With this new decentralisation of the claims approval limit, the claims manager will have an increase in the number of claims that can be handled at his level while the extreme outliers are forwarded to the Executives who we may have to limit the number of claims that get locked up at their approval level due to the workload from other function which are on them.

Another important aspect of the decentralisation is the empowerment afforded the claims supervisor and the assistant claims manager who previously had no approval mandate whatsoever.

## **Claims Review Procedures**

The following shall be procedures for reviewing claims periodically in order to serve as a check on the claims workload:

The head of compliance, Claims Manager, and The General Manager Operations shall be responsible for claims review.

The head of compliance and General Manager Operations shall be responsible for claims that fall in excess of GHC20, 000.00, while the claims Manager and Head of compliance handle claims below GHC20, 000.00.

A collation of all claims registered in a particular month shall be reviewed in the succeeding month.

The review shall look at areas such as meeting turnaround times lines, appropriate claims reserving, closing of files

The review is to help manage mistakes before such issues are picked up by the internal / external auditors.

The review report shall be implemented by the claims manager with support from the Head of compliance.

## **Complaint Handling Procedures**

In situations where there is a difference in opinions between the insurer and the insured (or his representative) then amicable or judicial means will be used to bring the matter to a fair judgement. The following shall be the complaint handling procedures:

---

There will be a board comprising of head of compliance, claims manager and Assistant General Manager of Operations who shall be responsible for handling complaints from customers.

The three (3) member board shall acknowledge receipt of any complaint with 24 hours of receipt of complaints.

The board shall investigate, meet and respond to such complaints within a week of receipt of the initial complaint.

## **Litigation Handling Procedures**

In situation where unsatisfied claimant resort to the law court or the regulator the following shall be the litigation handling procedures for the claim:

The legal team of MEP Plc shall be the responsible for all litigation claims

All litigation related documents in the form writ, summons, injunction etc. received shall be forwarded immediately to the legal team.

Where a writ is to be responded to by MEP plc, the head of claim shall assist the legal team to enable them respond appropriately.

A copy of any litigation related file shall be forwarded to the legal team for study.

Where the case proceeds to court, the legal team shall represent the claims unit and the MEP plc as a whole.

Where necessary the first terms of settlement should be out of court.

## **Confidentiality**

The data collated by the claims procedure will be treated with strict confidentiality.

Information might be given to persons who have legal right of access to the information only on the basis of their written request and submission of a document proving their legal right to access the data.

In implementing a new claims strategy, it is important to note the under listed which will go a long way to ensure that the strategy is successful:

To ensure a smooth implementation of the new claims strategy the entire company must support the new strategy.

The health of the claims operation rests heavily on its information technology: the process, applications, customer policy databases, and all electronic channels through which the claims operations ran must be of up-to-date.

Finally, insurers simply cannot achieve high performance by pursuing isolated, quick-hit

---

systems and process improvement at the periphery of their claims operations. Instead, they must take a holistic view of the claims personnel, process, and technologies, rooted in enterprise data management and executed across the operations.

eduzaurus.com