

# Claims management (non-life)

**Objective:** To develop in the candidate:

- a knowledge and understanding of claims philosophies;
- a knowledge and understanding of the implementation of claims systems;
- a knowledge and understanding of the management of claims functions, and the management of the claims service;
- a knowledge and understanding of claims practice within the non-life insurance industry;
- the ability to apply knowledge and skills to practical situations;
- the ability to synthesise different aspects of the syllabus and apply them to given scenarios.

## **Assumed knowledge and application skills:**

Assumed knowledge may not appear in the course text but forms part of the syllabus and thus may be examined. It is assumed the student has a thorough understanding of claims practice and processes as they relate to non-life business. Also the subject matter covered in unit IF4 Insurance claims handling process or equivalent qualification.

## **Notes:**

- **The syllabus will be based on English law and practice.**
- **The April session will test the legal position as of 31st August of the preceding year.**
- **The October session will test the legal position as of 28th February of the same year.**

## 1. The claims environment

### 1.1 Claims philosophies

Candidates should be able to:

- *explain* differences in claims philosophy and the interrelationship between the approaches to claims handling and overall company objectives;
- *discuss* the significance of claims philosophy to an organisation's marketing strategy.

### 1.2 Regulation and legislation

Candidates should be able to:

- *discuss* the impact of legislation and Financial Services Authority regulation on the claims environment.

### 1.3 The supply chain

Candidates should be able to:

- *explain* the role of intermediaries in the claims process including:
  - brokers;
  - loss adjusters;
  - insurance companies;
  - outsource providers.

### 1.4 European Union influence

Candidates should be able to:

- *discuss* the influence of the European Union on UK claims procedures.

### 1.5 Scale of claims events

Candidates should be able to:

- *explain* the main types of claims events.

## 2. Claims service management

### 2.1 Customer expectations

Candidates should be able to:

- *discuss* the management of customer expectation within the claims function;
- *explain* the influence of customer expectations on the design of claims systems.

### 2.2 Customer retention

Candidates should be able to:

- *explain* the importance of the claims function in relation to customer retention.

### 2.3 Claims service management

Candidates should be able to

- *discuss* the claims management issues arising from regulation by the Financial Services Authority and related legislation.

### 2.4 Complaint handling

Candidates should be able to

- *distinguish* between the various approaches to complaint handling and dispute resolution;
- *outline* the use of alternative dispute resolution, including the Financial Ombudsman Service.

### 2.5 Third party claims and structured settlements

Candidates should be able to:

- *discuss* the claims management issues relating to
  - the negotiation of third party claims;
  - use of structured settlements.

### 2.6 Court awards

Candidates should be able to

- *outline* the trends in arbitration and court awards and their impact on claims management.

### 2.7 Varying requirements

Candidates should be able to

- *discuss* the variations in the requirements of 'personal' and 'commercial' policyholders and their representatives;
- *discuss* the variations in the requirements of own clients and third party claimants and their representatives.

## 3. Claims technical management

### 3.1 Design & implementation of claims handling procedures

Candidates should be able to:

- *explain* the integration of the claims function in the overall organisational structure;
- *explain* the features, structure and objectives of different claims procedures in relation to:
  - personal claims;
  - commercial claims.

### 3.2 Outsourcing

Candidates should be able to

- *discuss* the considerations relating to outsourcing with particular reference to:
  - available skill levels;
  - selection criteria;
  - costs.

### 3.3 Volume complexity

Candidates should be able to

- *discuss* the resource implications of volume and complexity of business being transacted to the claims system.

### 3.4 Information technology

Candidates should be able to

- *discuss* the role of information technology in claims management;
- *outline* the use of management information generated by information technology.

### 3.5 Fraudulent claims

Candidates should be able to

- *discuss* the identification and treatment of fraudulent claims;
- *explain* the significance and use of Claims and Underwriting Exchange (CUE) and other databases in the claims function.

### 3.6 Ethical aspects

Candidates should be able to

- *discuss* the ethical aspects of settling legitimate claims and of challenging dubious claims.

### 3.7 Delegated authority

Candidates should be able to

- *explain* the use of delegated claims settling authority.

### 3.8 Litigation

Candidates should be able to:

- *explain* the role of legal experts in claims negotiation;
- *explain* the main procedural aspects of litigation with particular reference to claims handling philosophy.

### 3.9 Reinsurance

Candidates should be able to:

- *discuss* claims considerations relating to reinsurance with particular reference to:
  - notification conditions;
  - accumulations.

## 4. Claims management in practice

### 4.1 Claims handling operation

Candidates should be able to:

- *outline* the different strategic roles of the claims manager/director and claims adjusters/claims handlers;
- *discuss* how a claims manager manages the work of an external holder of delegated authority, including:
  - work processes;
  - information flows;
  - scope of authority;
  - potential for abuse.

### 4.2 Catastrophe management

Candidates should be able to

- *explain* the nature of catastrophe management and resourcing.

### 4.3 Protocols

Candidates should be able to

- *discuss* the establishment of protocols in relation to
  - service delivery standards;
  - service provider fees/charges;
  - claims estimating;
  - internal ‘benchmarking’.

### 4.4 Supplier/relationship management

Candidates should be able to

- *outline* the need for monitoring and updating of agreements with suppliers.

### 4.5 Helplines

Candidates should be able to

- *discuss* the role and benefits of ‘helplines’ as part of the wider claims management process.

### 4.6 Market practice

Candidates should be able to:

- *discuss* the practical implications of differences in global and local market practice on:
  - regulations and legislation;
  - currency and taxation;
  - economic conditions.

## 5. Cost management

### 5.1 Cost control

Candidates should be able to:

- *describe* the issues and methods of managing the cost of the claims operation.

### 5.2 Strategy

Candidates should be able to

- *discuss* the financial impact of claims management strategy.

### 5.3 Estimating and reserving

Candidates should be able to

- *discuss* estimating and reserving policies and their implications for the claims function.

### 5.4 Claims and underwriting

Candidates should be able to

- *discuss* the impact of claims on underwriting and pricing.

### 5.5 Actuarial reviews

Candidates should be able to

- *explain* the importance of actuarial reviews in monitoring financial performance.

### 5.6 Leakage

Candidates should be able to

- *describe* the identification of sources of ‘leakage’ including tracing of insurers and effecting recoveries in run-off;
- *explain* the methods of minimising leakage.

## 6. Quality management

### 6.1 Service quality

Candidates should be able to:

- *discuss* quality management issues, including the ISO 9000 series and the impact on the claims function.

### 6.2 Audits

Candidates should be able to:

- *explain* the value of audits of:
  - own staff;
  - suppliers of services.

### Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications listed will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works, which should be used selectively as and when required.

**Note: The examination will test the syllabus alone.** The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow most of these additional study items from CII Knowledge Services and may be able to purchase some at a special discount. For further information on lending and discounts go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

Claims management (non-life). London: CII. Coursebook 820.

Fraudulent claims. Ian Youngman. London. CII Knowledge Services. Updated as necessary. Available online at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles) (CII/Personal Finance Society members only).

Fraudulent claims: deceit, insurance and practice. Matthew Chapman. St Albans, UK: XPL, 2007.

Tackling insurance fraud: law and practice. Dexter Morse, Lynne Skajaa. London: Informa Professional, 2004.

### Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available online at [www.cii.co.uk/knowledge/doi](http://www.cii.co.uk/knowledge/doi) (CII/Personal Finance Society members only).

Consumer complaints and compensation: a guide for the financial services market. Adam Samuel. 1st ed. Old Woking, Surrey: City & Financial, 2005.

The Financial Ombudsman Service and general insurance. Peter Tyldesley, Saira Paruk. London: CII Knowledge Services. Updated as necessary. Available online at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles) (CII Personal Finance Society members only).

The regulation of general insurance and protection business. Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles) (CII/Personal Finance Society members only).

### **Periodicals**

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) at [www.cii.co.uk/knowledge/journal](http://www.cii.co.uk/knowledge/journal)

Post Magazine. London: Incisive Financial Publishing. Weekly.

Insurance Day. London: Informa. Daily except weekends.

Technical Focus. Claims Faculty. London: CII Knowledge Services. Six issues a year. Available online at [www.cii.co.uk/knowledge/claims](http://www.cii.co.uk/knowledge/claims) (CII/Personal Finance Society members only).

### **Websites**

CII Knowledge Services – [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge)

Financial Services Authority – [www.fsa.gov.uk](http://www.fsa.gov.uk)

Financial Ombudsman Service – [www.fos.org.uk](http://www.fos.org.uk)

### **Examination guides**

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers. You are strongly advised to study guides for the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on 020 8989 8464. Older examination guides are available (for members only) at [www.cii.co.uk/knowledge/examguides](http://www.cii.co.uk/knowledge/examguides).

### **Exam technique/study skills**

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements. You will also find advice at [www.cii.co.uk/knowledge/careersupport](http://www.cii.co.uk/knowledge/careersupport) (CII/Personal Finance Society members only).

For a more interactive approach, you should consider: Winning the brain game. London: CII, 2006. CD-ROM.