

## **CAPTIVE CLAIMS SOLUTIONS**

Given the current hard market conditions and the regular exclusions of aspects such as asbestos and terrorism from multi national policies, more and more medium to large business entities are turning to the use of non-traditional methods of addressing potential exposures when it comes to their large scale liabilities.

Alternative risk transfer, using sophisticated financial instruments to secure a risk, is being pursued by the very biggest multi-nationals, although a much more common method of managing high levels of retained risk has been the adoption of solutions using captives.

Whilst one reason for increased utilisation of captives is the high cost of the excess insurance market, this is not necessarily the only driving force behind such a strategy. All businesses are giving a real focus to their risk management initiatives and the use of the insured's own funds is a very clear indicator both to the insured's own personnel and to its insurance providers that it is taking its risk management seriously. This is a trend that will continue. The more an organisation is able to get its risk management under control, the more advantageous it becomes to place greater levels of funding into its captive and the more cost effective the whole programme becomes.

Off-shore based captives have now become widely established as a means of addressing risks that would at one time have been placed in the excess layer market, but which have now become either too difficult or too expensive for companies to place via traditional means. This means that more and more claims are being dealt with in the retention layer (i.e. before hitting the first layer of traditional insurance cover) and that fact, together with the reality that the majority of established captive managers are based in off-shore locations means that the issue of suitable third party claims administration is ever more significant.

This also ties in with some of the other issues inherent in the establishment of all captives. There are often issues of control, exemplified by the understandable belief by an Insured that the funds in the captive have been contributed by that insured and that this therefore gives that insured a more immediate interest in the way it is spent. There is scope therefore for insured, captive manager and excess layer insurers to take differing strategic decisions about the conduct and resolution of a claim.

Given the potential for conflict so far as the Insurers and Insureds are concerned, the questions of (1) how the claims handling service is applied and (2) who is going to pay for such a service are regularly crucial issues.

### **Possible solution**

DCS believes it can offer a single point of contact for the Insured and the Captive and provide the requisite claims management services needed to provide the most suitable resolution for all parties. Our position and reputation in the London insurance market together with our ongoing relationships with the major London brokers enable us to provide a perfect independent solution to one of Captives' greatest problems.



Devonshire Claims Services Limited (DCS) is a unique claims handling operation specialising in the control and administration of all classes of professional liability and specialty claims, We believe that by providing an excellent claims service, our clients can benefit from a more profitable account and can ensure real continuity in claims philosophy, in a market where competition amongst Insurers is ever increasing and business is more difficult to attract or retain at realistic rates.

In the six years since our inception, we have experienced excellent growth. On a combined basis, the 12 staff of DCS staff has in excess of 70 years experience in the Insurance Industry and over 60 years experience in professional indemnity. DCS is privately owned and is completely independent from insurance companies and broking intermediaries.

As part of the enhanced service that DCS can provide, it has close links with two specialist providers of services to the Insurance Market., namely the specialist insurance defence solicitors, Robin Simon LLP and the professional indemnity loss adjusters, Walsh PI Limited. DCS currently resolves 90% of all claims that it administers without the need for panel appointments to solicitors or adjusters but with the links with these two firms it has the facility to provide a “one stop shop” for claims resolution if the need arises.

Over the past 6 years DCS have established an interactive & bespoke claims system so as to enable complete transparency of the claims handling process to Insured's and Insurers alike in real time over the Internet. Full demonstration of this system is of course available if required.

We are confident we can administer claims arising in respect your captive portfolio in keeping with the following philosophies:

- To resolve claims in a timely and efficient and proactive manner.
- To resolve claim notifications accurately as possible in accordance with your reserving philosophy.
- For the claims process to add value to existing relationships with your brokers and insurers.

### **What does DCS offer?**

- Expert Claims handling directly on behalf of the Captive.
- Liaison/Interaction with other layers of Insurance.
- Immediate access to specialist adjusting and legal advice.
- Ultimate cost saving to the captive, giving greater cost control.

It is not uncommon with large organisations for their primary layer Insurers to handle or administer the claims arising within the captive. Whilst this ensures there is a level of expertise overseeing such claims, this can inevitably lead to concerns about conflict – to put it bluntly, any Captive is bound to be left with the impression that somebody else is spending its money!

Because of its well-known and independent position in the Market, DCS is in an excellent position to liaise with the primary layer Insurers, while protecting the Captive's position.



Effectively, we are geared up to handling claims in accordance with the highest standards of the insurance Market and to the satisfaction of the primary layer but with the Captive's interest "upfront".

### **Cost**

A common question regarding the administration of claims arising in captives is "Who is going to pay?"

As DCS would be protecting the Captive's interest, it appears logical that the claims administration fees should at least in the first instance be payable by the Captive. In return, the Captive will experience the financial benefits associated with specialist claims handlers controlling their claims, leading to: -

- Better reserving of those claims;
- Lower payments to Third Parties
- Earlier release of a proportion of the Captive's funds
- Better terms from the traditional insurance markets in respect of the layers above the captive layer.

All of these factors work to the advantage of the primary layer Insurer by significantly delaying the involvement of their layer and leading to a smaller exposure on their part.

By DCS acting as the intermediary between Insurers and the Captive, we can ensure that both parties' interests are protected whilst the Captive retains its financial control.

We would welcome the chance to consider the question of captive claims management with you further. For more details please contact Neil Sully or Neil McManus on 0870 839 0839 or via email at [neil.sully@dcs-ltd.com](mailto:neil.sully@dcs-ltd.com) or [neil.mcmanus@dcs-ltd.com](mailto:neil.mcmanus@dcs-ltd.com).