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Managing Repairs, Managing Costs: Auto and contractor networks grow as insurers seek to improve results.

By Jeffrey T. Bowman

We are all aware by now that the recent Great Recession accelerated certain negative financial trends in the property/casualty insurance industry. Though some of those trends are starting to shift, the situation isn't looking significantly better yet. Shaky financial and credit markets, stubbornly high unemployment and weak corporate results continue to dampen the economy. As *USA Today* put it recently, "Don't look now, but the economic recovery that barely exists in the eyes of many Americans is two years old."

As this column has discussed on several occasions, insurers around the world are coming up with innovative ways to deal with cost control and capital management while still attempting to increase customer satisfaction. Among the prime targets for new, cost-saving adjusting practices are low-severity, high-frequency claims—generally, those under \$10,000 in value, though that definition can vary by the insurer.

Technology plays a key role in handling such claims, and that role will only continue to increase. Reporting and tracking claims online is commonplace, and smartphone applications with the same functionality are starting to appear.

However, another practice that can speed up claims closure and reduce costs on smaller claims is managed or direct repair services for vehicle and building damages. Well established managed repair programs essentially work as follows:

- Companies (sometimes insurers, sometimes third parties) screen and credential auto shops and restoration contractors that offer repair services.
- Claims representatives triage claims during the intake process and make referrals based on qualification criteria and policyholder interest.
- Work typically is tracked for performance measurement and, in some cases, backed by some type of warranty.

In short, managed repair provides an alternative solution for non-complex losses by offering a policyholder an option to work directly with a qualified and vetted repair service. Because vendors are screened, insurers have a level of confidence that the claimholder experience will be positive and costs fair and reasonable.

Interestingly, managed repair also can improve policyholder satisfaction, as homes and autos may be

restored more quickly and easily with such services. This could be particularly important for homeowners, who typically are less satisfied with their claims experience than auto policyholders. In the end, managed repair can offer a total solution where sometimes simply cutting a check for a loss does not.

Managed repair is common in the United States and is spreading to other parts of the world. Insurance penetration in growing markets should accelerate this trend. The real growth could come in managed repair for building losses, as those networks are not as common or used as frequently as auto direct repair.

With the growth of managed repair (and other techniques and technologies that focus on improved claims adjusting efficiency), we see the definition of low-end claims changing so that tomorrow's \$50,000 claim may be handled in much the same way as a \$10,000 claim today. Adjusters, take note: Policyholders expect more when settling claims, and providing a repair solution will become more commonplace. With a greater percentage of claims handled by managed repair processes and new technology, the pool of claims assigned to field adjusters may shrink.

Opportunity still will exist for skilled adjusters, particularly those who can handle mid- and high-value claims. And claims representatives still will work inside to evaluate losses and suggest managed repair options when appropriate. However, it will be more important than ever for adjusters to take advantage of training and educational opportunities to upgrade skills, gain designations and seek the experience that will help ensure a long and rewarding career in the profession.

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