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# JOINING FORCES

## Bilateral agreements and a better use of technology can help insurers operate more efficiently when it comes to subrogation

**By Sara Costantini**

Subrogation, the practice of an insurer covering the losses of a non-fault driver and seeking the costs back from the at-fault counterpart, is one of the most controversial practices in the insurance industry today.

However, the issues surrounding subrogation of motor claims go much further than recent high-profile court cases involving RSA – and the involvement of the Competition Commission – suggest. Times are challenging and uncertain for motor insurers, which often struggle to manage cost recovery, against a backdrop of eroding profit margins.

An insurer's ability to negotiate preferential vehicle repair rates and rebates can generate savings that do not pass on to the at-fault insurers – and with no industry standard or regulatory framework for subrogation, this can spark debate and is often the source of disputes.

In an attempt to control their at-fault exposure to cost, insurers often enter into individual agreements that can include standard subrogation, where all claims handling costs are absorbed internally and only repair costs are passed on to the third party insurer; dual pricing, where different rate schedules are set for non-fault and fault claims; and bilateral arrangements, where insurers communicate directly and maintain a level of control over the claim and their customers.

The management of these arrangements can create mounting business-processing costs and lower the standards of service offered to consumers. Seeking to tackle the challenges that motor subrogation faces in the current environment, CRIF and the Association of British Insurers held workshops for insurers in April and July to consider the future of the model.

There is a consensus that a collaborative approach to subrogation will improve business efficiency, reduce costs and speed up reconciliation for the consumer. Part of this involves the use of technology: web-based applications can produce a cost-effective common platform for the management of claims, which can help identify third parties, assist with the exchange of documents, automatically calculate the sum to be recovered and submit a payment request.

The business case for adopting technology can only be made if that technology is equipped to evolve with the changing subrogation landscape, and if the technological support can be customised for insurers with specific needs.

While the future of motor subrogation remains uncertain, the appetite among insurers to work together under a structured framework is refreshing. ■

**Sara Costantini**, director, CRIF Decision Solutions