



# **COLLEGE OF INSURANCE**

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## **CHAPTER 9 - INSURANCE CLAIMS**

### **PROCESSES, MANAGEMENT**

**L N RUCHA**  
**SEPTEMBER**



# INTRODUCTION

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- Claims handling procedures - aimed at reinstating the confidence and loyalty to the customers
- Claims arise from breach of contract and is the basis on which claims ought to be paid.
- Exceptional cases arise where a payment can be made for commercial considerations and this is what is termed as “ex-gratia” or good will payments to appease the customer irrespective of liability
- Not all claims are payable and the science and art of claims unit is to determine which ones are genuine and fall under the policy, establish amount of indemnity and process payment
- Satisfactory claims settlement is a team effort and management of the team will impact on overall customer experience
- A good Claims management process is a strategy for marketing and gives one a competitive edge
- Aviation insurance in Kenya and Africa – still a developing story?



# Importance of claims management

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Testing of the product/service

Perception of insurer/shop  
window

Customer retention



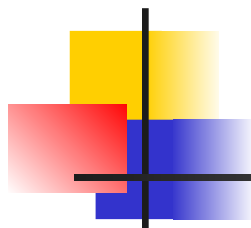
# Types of claims in Aviation

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Injuries and  
death



Property  
damage claims



Partial  
Losses



Total loss  
Claims



# SOME CLAIM CAUSES

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- Claims arise from various causes
- Insurance policies cover accidental / fortuitous losses
- Intentional / self inflicted causes are excluded
- Some causes of claims include:

# Human and equipment factors - Air traffic controllers



# Bird strikes



# AVIATION CLAIMS INVESTIGATION (CONT'D)

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## Aircraft ground incident s





# Claims procedures

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## **Claim notification**

- One of the policy conditions – within a reasonable time or immediately report to the insurers any occurrence/event that may give rise to a claim
- This helps insurers to take immediate steps to investigate, minimize losses, ensure that evidence is not lost and not to run out of time in case of recoveries etc



# Claims procedures

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## **Claims review/validation**

- The purpose is to ensure that **cover** was in force at the time of loss
- Insurable interest exists
- The **peril** causing the is covered under the policy
- The insured has complied with the **policy conditions**



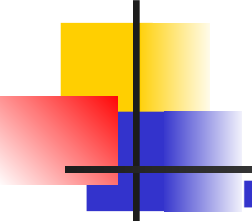
# Claims procedures cont'd

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## Response to the claimant

- The initial response is an acknowledgment or a request for further information
- Response in settlement acceptance and/or rejection is crucial
- This is not only limited to the insured but also to third parties.
- Response must be prompt at every stage

# Aviation Claims Investigation

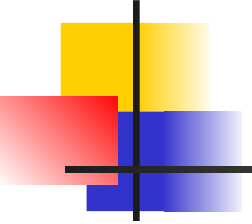
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- This involves appointment of service providers e.g. air accident investigators and loss adjusters.
  - This is done in majority of aviation claims except spares and movables of claims for ground equipment
  - The reports are sent to claims officer and insured for validation
  - Where claims office is not satisfied with the report or report is inconclusive, a second opinion may be sought

# AIRCRAFT GROUND COLLISION INCIDENT

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# Claims settlement

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- This is the final stage in the claims procedure
  - Payment may be made to assignees as per the loss payee clause
  - loss All parties must have carried out their respective duties
  - The issues of liability and quantum must have been addressed



# Claims recoveries

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- The responsible party must be identified and appropriate action taken
- A formal notice of claim is made to the third party who could be another airline, ground handlers, airport authority, manufacturer or even the regulatory agency
- Vigorous legal action if not resolved due to the amounts and severity of losses



# LOSS ESTIMATION

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- Actual amounts of claim are not known or precision on amounts is difficult
- There is need to prepare estimates to give indicator on the level of funds required in order to meet the current and future liabilities
- This helps in financial planning as claims cost has a direct bearing on the company's profitability



# Claims service providers

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- These impart on the claims process
- Some service providers include Accident investigators, loss adjustors, advocates, doctors, Human remains identification agents, Search and rescue operators, Repair shops e.g IAS for engines, Claim settlement agents, claims recovery agents, aircraft spares dealers, MRO's
- These charge fees and impact on claims



# Successful claim

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- Timely notification – within the set periods
- Correct and matching details of claimant to insured
- Information complete and accurate
- Executed documents (signed and dated)
- Correct and verified amounts of claims
- Support documents - invoices or receipts or quotation in support
- No mis-statement / misrepresentation



# Litigation Process in claims

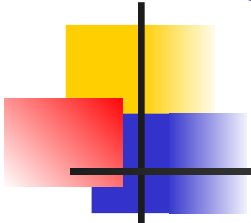
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- Aim at claims resolution while minimizing cost of claims to retain the customer good will. Early settlement of claim in aviation is key to costs control – reduces lawyers fees, claim mutation
- At times this may not be achieved and matters will be pursued through the legal process.

This could be dealt through:

- ADR's, Arbitration, mediation
- Small claims court
- Formal litigation – though courts

# Claims management as a strategy



This involves:

- Leadership of the claims process – “a leader is a dealer in hope” (Mahatma Gandhi)
- Team selection and leadership – team wins no matter who scores. Aim to build a star team not a team of stars!
- Standardisation – standards setting e.g. KRA's, KPI's
- Measurement and evaluation of performance
- Benchmarks – best in industry or best in market, world class
- Claims as lessons learnt or learning points where one learns from the experience
- Costs control – reduce leakages otherwise it sinks the ship
- Prevention vs claims processing
- Customer service – enhancing the overall customer experience and quality of service



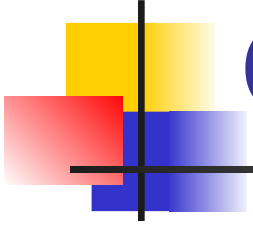
# Areas of claims management

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- Claims onboarding / reporting – FNOL
- Claims reserving
- Investigation / Assessment team
- Processes – automate for efficiency
- Finance / accounting – payment processes
- Archiving / document storage and retrieval
- Third party Claims recoveries – optimize
- Legal cases management / ADR

# LOSS PREVENTION IN CLAIMS

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# THE END