

Claims Leakages Guidelines

Document History

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Summary of changes in this version

Identification	Key changes	Page
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Approval of the Policy

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1. INTRODUCTION

The objective of Wapic's claims leakages guidelines focuses on reducing claims expenditure which could hinder the maximization of the shareholders returns. By extension, it will avoid any impairment in policyholders' confidence. And establish a robust internal control process that will ensure early detection of claims leakages within the company.

2. CLAIMS LEAKAGES

Claims leakage can be define as the additional cost incurred by an insurer beyond what is necessary to fulfill its obligations under the insurance contract. It is the difference between what is spent to settle a claim and what should have been spent in settling the same claim but exclude fraud e.g. vendors inefficiency that may lead to rework.

Claims leakage is caused by deviations from established company standards. Some claims leakages are avoidable whilst others are not. The following are examples of avoidable and unavoidable claims leakages.

2.1 Avoidable claims leakages

- Failure to pursue recoveries
- Failure to exploit salvage opportunities
- Failure to repudiate fraudulent claims or decline claims that are not covered by the policy
- Duplication of claims related payments
- Inconsistent and wrongful application of policy terms and conditions
- Failure to recover excesses/deductibles from policyholders
- Error of overpayment of claims
- Excessive claims administration costs, caused by inefficiencies in the system

2.2 Unavoidable claims leakages

- Remote instances of fraudulent claims (i.e. insured driven)
- Recoveries or subrogation that are unenforceable due to objects inability to pay or identification of the 3rd party(ies)
- Human error
- Ex-gratia payments

3. CONTROL MEASURES:

To achieve Wapic's objective of reducing claims leakages, the following controls shall be established in Claims division and Underwriting & Claims Risk Management unit:

3.1 *Claims Division:*

- Check the applied conditions in the policy document before computing the claims amount.
- Early notification of reinsurance department of claims that has reinsurance cover.
- Take possession of the Salvage item before releasing the claims settlement cheque to the insured.
- Prompt update of the claims register.
- Make reference to the claims register before processing a claim to check for duplication.

3.2 *Underwriting & Claims Risk Management units:*

- The unit shall prepare monthly claims leakages report to Management, Technical division and Underwriting and Claims Management Committee.
- Monitor and track claims leakages and proffer correction where necessary.

4. TOLERANCE LEVEL

The acceptable tolerance level for claims leakages in Wapic at any point in time is low.