



**SPECIFIC
RECOVERY
MODEL**

PROCEDURE FOR RECOVERY HANDLING

CORPORATE OPERATIONS AREA (ACSN)

PROCEDURE FOR RECOVERY HANDLING

Background and definition

The concept of Recovery denotes the amount that MAPFRE has previously paid to its policyholder under a policy in force and that it recovers from the third party responsible for an accident or claim (or from its insurer). Recovery refers to subrogation on the part of the insurer (MAPFRE), whereby it takes the place of the policyholder in the exercise of those initiatives or rights that the policyholder would have in respect of the third parties that caused the accident or claim, in order to recover from them the amount for which they should be legally liable as a result of the damages that have occurred.

In the case of Recoveries, as with other case files, we must ensure that our handlers possess extensive knowledge and awareness of the scope of coverage under the different products the Company sells. This is essential in order for them to know whether a claim is covered and how to manage the claim based on the contracted coverage, including the possible existence of deductibles or limits on coverage.

In addition to knowing the scope of the coverage, the handler needs to consider possible exclusions under either the general or special terms and conditions, as these may apply to the incident reported in the claim. Having the information available in the initial stages facilitates the handling of any type of case file, including these. The sooner the circumstances of the incident are known, the easier it is to manage the client's expectations (due to possible repercussions on their policy).

Another important aspect is to have sufficient means to assess the criteria that are part of recovery management and processing. Claims procedures must be properly detailed in order for the handler to carry out the operation according to the situation of the specific claim: e.g. to pursue recovery through an amicable route before starting legal proceedings, to have a network of specialized attorneys, etc.

Apart from the recovery case files, we can find case files that, although classified as recovery in some countries, are actually compensation case files, since their management is very similar (e.g., claim for damages, medical expenses recovery, deductible recovery, etc.). The difference is that in these compensation case files, there is no subrogation of rights of the policyholder against the liable third party, and the amount to be recovered would be to satisfy the amounts paid by the policyholder or client.

In this Recovery Model, we will analyze the procedure in the following case files:

- Conventional recoveries
- Agreement recoveries
- Recourse recoveries

Before going in depth into the recovery procedure, it is necessary to identify the situations in which we may need to open these case files. They must be opened as soon as we know that there is a possibility of recovery. Whenever possible, we must open these case files from capture (except for recourse recoveries, which will be opened as soon as we have evidence to confirm possible direct action against our policyholder).

In order to recover, we need to at least identify the third party at fault for the reported incident. We must have some minimum data to be able to consider the claim for the damages caused to our client to be possible, since the existence of a third party at fault without their correct identification would prevent the possibility of recovery.

The recovery case files will be associated with an own coverage case file for which MAPFRE assumes payment of the circumstances associated with the event that occurred (all risk with or without deductible, windshields, fire, theft, medical expenses, etc.).

The generation of a recovery case file should preferably be automatic as part of the usual capture process, observing a series of business rules or milestones, which each country can identify. We must have a minimum amount of information on the third party that clearly allows its identification in order to be able to initiate recovery procedures (policy, license plate, third-party company, details of the third party, etc.). If we do not have the data to file the claim, we must inform the policyholder of its unviability.

These communications of unviability or refusal will be communicated, as far as possible and preferably, through self-direction; if this is not possible, it will be done by telephone, also providing a written record through other means such as email, mail, etc. (always in accordance with the legal obligations in force).

Automatic opening will allow for assignment criteria that each company will determine according to its own needs, always taking into account the achievement of the highest efficiency in management (whether geographical, type of third party, insurance company, existence or not of an agreement, etc.).

Recovery case files must contain the following financial information:

- **Collection expectation:** the amount at which the case file is assessed, based on the amount paid in the payment case file. Generally, this assessment has already been carried out for the amount reserved in the payment case file, therefore the data should automatically be entered in the payment case file. If there is any financial change in the reserves of the payment case file (extension of damages), this should be automatically reflected in the collection expectations of the Recovery case file. The recovery expectation items must be associated with the collection or indemnification items detailed in the Claims Operating Model.
- **Reserve:** amount to consider and to cover possible expenses that may arise during the processing (payment to an appraiser, attorney, etc.). Reserve items must be associated with the expense items included in the MOS (claims operating model).

Whether the generation of case files is automatic or manual, the times at which they must be generated, the profiles that can generate them, the steps to follow and all the aspects that must be taken into consideration, such as the documentation required, deadlines for the steps/tasks, interruption of the statute of limitations, closure of the case files, communication of refusals, collection expectations, reserves, economic movements, etc., must be included in a local recoveries procedure, as is also indicated in the MOS when a specific procedure is involved.

The procedure should establish minimum and maximum time limits for keeping the claim open, taking into account both time and economic considerations from the start of the claim. For example, it should include specific times to adjust expectations, how to proceed and the time limits for the interruption of the statute of limitations (according to local legislation in force), whether or not the intervention of any prior authorization is necessary, minimum information to be able to make the claim, and the circumstances that will prevent continuing with the amicable phase.

For proper processing, the different reasons for which a recovery case file can be closed when the steps are considered completed must be considered:

Collected:

- **Total recovery:** when we recover the entire cost of the damage claimed.
- **Partial recovery:** when we recover part of the cost of the damage claimed.

No indemnification/payment:

- **Exclusion from terms and conditions:** those situations expressly excluded by the general or special conditions applicable to the policy.
- **Legal exclusion:** those situations excluded by the legislation applicable to the insurance contract.
- **Unviable:** when we do not pursue the claim or recovery against a third party because the claim is unviable. The unviability may be determined by the amount, the lack of identification of the parties at fault due to insufficient data, a lack of information from the policyholder, a lack of evidence, etc.

Fraud:

- **Fraud committed by the policyholder:** when the policyholder commits fraud.

Opened by mistake:

- **Duplicate:** when there was already a case file opened for the same situation.
- **Change of fault:** when, after the policyholder reports an incident as the injured party, we receive documentation or clarifications that prove our policyholder to be responsible for the accident.

Operational management

As a general guideline, before starting the management of this type of case file and initiating the claim, it is very important to analyze all the circumstances of the incident, as well as the available documentation or means to support our claim, avoiding inefficiencies.

Broadly speaking, the recovery handler should pay close attention to the following aspects:

- **Capture information:** verifying that we have sufficient and correct information from the capture.
- **Related case files:** verifying the case files associated with the claim and that the processing to be initiated will be carried out with the appropriate case files.
- **Obtaining further information:** if more information is needed than we have, we will even request it directly from the policyholder.

In the management of this type of claim, it is necessary to analyze the approach we are intending to defend regarding the claim, always prior to the commencement of the claim, in order to obtain compensation for the damage claimed.

- **Collections management**

Once we receive the amount in MAPFRE's accounts from the responsible party, the third-party company or our own policyholder (recourse recoveries), the collection must **automatically** be allocated to the correct case file, to the necessary items and, in turn, all expenses that may have been incurred must also be correctly allocated to the case file before it is closed.

The amount recovered must therefore be deducted from the total amount of the claim, so that when recovering 100 percent of the amount paid by the actual coverage case file, the cost of the claim will be zero; as long as we have not incurred any additional expenses, such as payment to appraisers and attorneys, as such expenses are not recovered (they would fall under expenses, not indemnification).

When, for any reason, the amount of the claim is not reduced by 100 percent (contributory negligence), it will be reduced by the corresponding part according to the recovery made.

However, all other aspects to be taken into consideration for recovery management (deadlines, amounts, etc.) should be covered by a local recovery procedure, as also indicated in the MOS when dealing with specific processing.

We will now analyze the three case file classifications contained in this Recovery Model:

CONVENTIONAL RECOVERIES

Definition

The concept of Recovery denotes the amount that MAPFRE has previously paid to its policyholder under a policy in force and that it recovers from the third party responsible for an accident or claim (or from its insurer). Recovery refers to subrogation on the part of the insurer (MAPFRE), whereby it takes the place of the policyholder in the exercise of those initiatives or rights that the policyholder would have in respect of the third parties that caused the accident or claim, in order to recover from them the amount for which they should be legally liable as a result of the damages that have occurred.

There are several possible cases; for example, if the claim is only on behalf of MAPFRE, i.e. the Policyholder has not made any advance payment, as they have their own coverage without a deductible, or if we have to claim on behalf of MAPFRE and on behalf of the Policyholder, when the latter has paid the deductible associated with their coverage.

Operational management

For the handling of conventional recoveries, we will make the following considerations:

- The party at fault or its company must be identified
- Liability for the claim must be attributable to a third party who caused the damage (in whole or in part).
- Damage or harm caused to our policyholder is compensated by one of their own coverages, either by repairing the vehicle, by direct payment to the policyholder, or by the provision of a service (total or partial indemnification).
- In the handling of this case file, no agreement between insurance companies, including MAPFRE, is applicable in each country.
- The statute of limitations has not expired for claims under the local legislation in force

This type of case file, as we have indicated above, must be opened as soon as we know that there is a possibility of recovery. As far as possible, we should aim for maximum automation; there should be business rules that allow for the complete capture of all case files to be generated on the basis of the damage caused by the incident. This capability should therefore be considered in the company's capture rules.

As a general rule, the processing of this type of case file begins at the moment the payment for the associated case file is issued (it may be that, on some occasions, it has to begin earlier, interrupting the statute of limitations or informing the possible party at fault that we are going to file a claim against them). The full circumstances of the incident should be analyzed, and the claim strategy should be studied in detail, setting permissible limits for whether or not to accept the recovery, including whether a legal phase should be considered (all of this should be included in the local procedure).

Another important aspect to take into account even before the claim is made is the statute of limitations. This concept corresponds to the period of time in which a claim can be filed against the other party, after which it is no longer possible to file a claim. These limitation periods should be controlled through a task in the claims handling plan that alerts the handler that the limitation period is approaching its expiration. These limitation periods will be determined by the local legislation in force.

In cases where this period is approaching its expiration, it will be necessary to interrupt the statute of limitations period (this may occur before payment is made in the associated case file). This item halts the statute of limitations at a certain time, after which the time limit established is resumed.

In this type of recovery case file, claims should always be communicated by reliable means (email, registered letter, fax, etc.); this does not preclude telephone negotiations, which are usually quicker, at least by advancing our complaint, position and claims. In this type of claim there is no difference if the claim is made to a third-party company or to an individual. In the case of interrupting the statute of limitations, the guidelines set out in the local procedure should be followed, always taking into account the local legislation in force.

Following the initial claims process, the following may occur:

- We are unable to confirm the existence of insurance on the date of the incident. In this case, we should initiate the "uninsured third party" process, allowing us to file a claim against the owner of the vehicle or any official body that would take on this type of claim (if any).
- The third-party company and/or the party responsible for the accident does not respond to our claim. In these cases, we must analyze the circumstances of the accident, the available claim documentation, the amount to be recovered and perform a legal feasibility study, which will clarify whether it is feasible to resort to litigation; or, on the contrary, we do not continue with the claim and proceed to close the recovery case file. However, as indicated above, it is the local procedure that will determine the details of the maximum and minimum time and economic thresholds.
- The third-party insurance company has received no report of the incident from the third party involved. What we must do here is direct our claim against both the third party and their company until the third party notifies their company of the incident, always considering the deadlines set in the local procedure.

- The third party and our policyholder give different versions of events. Here we must attempt to reconstruct the accident with the objective information and evidence available to us.

All of the above points should be covered by local procedures with specific deadlines for execution.

The following may also occur:

- There is confirmation of insurance coverage by the party at fault. In this case, the following situations may arise:
 - Total acceptance of liability
 - Partial acceptance of liability
 - Refusal to accept liability

Total acceptance of liability

When there is full acceptance of liability for the events that occurred; this means that both drivers declare the same thing and agree on the manner of occurrence of the accident.

Once full acceptance has been obtained, we can move on to the stage of recovering the amount paid by MAPFRE; we will see how to proceed in the section on collections management.

Partial acceptance of liability

In this case, the third party's insurance company, or the third party themselves, accepts only partial liability for the claim (where more than one party is at fault, where it does not accept all the damage claimed, etc.), because the versions of events given by the parties involved only partially match up. In these situations, our course of action should be to reconstruct the accident with all evidence available to us.

- Accident scene reports and other reports from the authorities, if any.
- Accounts given by any other parties involved that might corroborate the version of events given by either of the two drivers.
- Eyewitnesses.
- Appraisal and photos of the damage caused to the vehicles, using technical methods to reconstruct how the incident occurred.

Obtaining this evidence will, in some cases, clarify what has happened and lead to full acceptance of liability on the part of the third party.

Otherwise, we have the choice of accepting the third party's proposal or assessing all the circumstances of the incident, available documentation, the amount to recover and the evidence that would support our position in legal proceedings. Whenever possible, we will try to handle these kinds of claims via extra-judicial proceedings.

Refusal to accept liability

We also may encounter these situations:

- **Both versions completely contradictory and no objective evidence available.** In this case, the only option left is for both insurers to conduct their own legal viability analysis.
- **Initially contradictory versions with possibility of clarification,** with the opportunity to obtain further evidence on how the accident occurred.

For instance, regarding this last item, if both drivers agree on where the vehicles collided, but disagree as to the signposting on the roads. This is a prime example of **"contradictory versions with possibility of clarification."**

Once the circumstances of the incident have been analyzed and all the information and documentation on it has been obtained, if we can finally demonstrate by objective evidence (sketch, photos, reconstruction, reports from the authorities, etc.) the liability of the third party, the third-party company should revise its criterion of fault and we would be able to obtain an amicable acceptance of our claim.

If the third-party company still does not fully accept liability, we would once again move to accept the third party's proposal or move onto the stage of the legal viability study. As we've indicated above, it is necessary to assess all the circumstances of the incident, available documentation, the amount to recover and the evidence that would support our position in legal proceedings.

Of course, the evidence we obtain may equally reveal that our policyholder was at fault for the accident, in which case we should proceed as follows:

- Notify our policyholder that they are liable. Without forgetting to establish self-direction as a preferred means; if there is no possibility of doing so through self-direction, these communications should be made by telephone and certified in writing

(email, register letter, etc.). Once we inform our policyholder that we are liable for the accident, we must open a third-party liability (TPL) case file to present to the third party.

- o Revise our own fault criteria or maintain it by trying to reach an agreement with the injured party so as to ensure that they do not pursue legal action, in which case we would have to pay out not only the indemnification but also legal interest and the legal expenses that MAPFRE would likely be ordered to pay after being held civilly liable.

RECOVERIES ON NON-AUTOMOBILE POLICIES

We may also deal with claims in which the party at fault for the damage to the insured vehicle was not another vehicle. Among these incidents are situations such as, for example, our policyholder suffering a collision with a garage door; damage to the policyholder's own vehicle due to a company that is painting the façade of a premises, etc.

As a variety of cases may occur, before starting the procedure it is necessary to analyze in detail the type of policy that covers the damage caused to the affected party.

Regarding the assumption of liability, we can encounter the same circumstances that we have detailed for when the claim is between automobiles.

AGREEMENT RECOVERIES

Definition

Broadly speaking, collective agreements are sector-wide, bilateral or multilateral agreements between insurance companies. Their scope of action and content will depend on each agreement.

The most important aspect of the agreements is to determine the reasons that lead to the decision to enter into such sector-wide agreements.

The Agreements seek to improve efficiency by establishing common rules for all member companies and to ensure that all claims fall within the framework of the agreement, thereby reducing the time taken to handle claims.

Sector-wide agreements respond to the need to:

- Improve the service provided to policyholders.
- Standardize handling.
- Reduce management costs.

Operational management

The way agreements are managed should follow the same basic principles of quality and transparency as other claims, reporting the next steps as soon as the circumstances of the incident are known.

The way agreements are managed is always conditioned by the agreement itself, as there may be commitments in terms of stipulated deadlines for certain actions or other circumstances that are requirements set out in the agreement. In all cases, the management tool we use must be suited to the terms and conditions of each agreement and allow the handler to perform the actions or take the steps prescribed by the agreement.

As far as possible, the steps should be automated through tasks within the claims handling plan of that case file. This generation of tasks will serve to leave warnings or information for the handler about the circumstances surrounding the case file and the possible responses or deadlines for them

The requirements of the agreement may be not only about deadlines but also about the type of documents, payments, recoveries or communications that the agreement may require from the companies participating in the agreement. It may also require documentation to be sent in a certain format, with a certain size limit or at a certain time. All these possibilities must be considered in the management system in order to facilitate the communication of the agreement and to avoid situations that may even penalize the entity that is filing the claim.

During the processing of these recovery case files, it may not be appropriate to continue with this type of processing, and we must reprocess it as a conventional recovery case file. For example, in the event of a refusal by the third-party company due to no insurance, the non-occurrence of the incident or some of the requirements indicated in the agreement not being present.

RECOURSE RECOVERIES

Definition

The insurance company's Right of Recourse allows it to recover, from the policyholder, what was previously paid to the injured party in the cases determined by law or as the result of an agreement between the parties. The Right of Recourse is closely linked to local legislation and should therefore always be taken into consideration before initiating any proceedings.

The first requirement to be able to exercise the right of recourse is to have paid the corresponding indemnification to the injured third party as a consequence of an incident and provided that there is a legal cause or a condition by which the Company can be exempted from the corresponding indemnification, both to the policyholder and to third parties.

In this sense, we must always bear in mind the legal framework that protects this right in each of the countries, and the circumstances that may protect this right and those that may allow it to be exercised must be regulated, both from the point of view of the general and specific conditions. Some of these considerations include:

- Driving under the influence of alcohol, harmful drugs, narcotics or psychotropic substances.
- Damage caused with willful intent.
- Recourse against a third party at fault.
- Recourse against the policyholder or party insured under the insurance contract.
- Any other circumstance that is reflected in the general or special conditions of the policy.

Operational management

For the management of this type of case file, it is important to know when they should be opened. In no case will they be opened simultaneously with the claim; this type of case file must always be opened in addition to the original incident that generates it and at the time when the circumstances and the documentation attest to it. This case file must be initially assessed in accordance with the criteria established by the Technical Area.

Such case files will be assigned with due regard for the best profiles in accordance with the sensitive management that we have to provide for our policyholder.

The claims handling plan will allow us to file a claim, amicably or judicially, against the policyholder for amounts paid out as a consequence of an incident covered under the insurance policy.

This type of case file includes the collection of the amount we recover, which we will classify under the financial item of Recourse against the Policyholder. The claims handling plan will also allow us to make payments under expenses.

Last but not least, we would like to add a few brief comments on the handling of these case files. Although further action may be possible depending on the case we are dealing with, we can at least mention those aspects we consider to be the most important.

- Firstly, by means of the original case file, we can establish the liability of the insured vehicle in the incident or the cause for which MAPFRE is liable for payment, depending on the circumstances of the incident.
- Where possible, we should determine the cause of recourse (driving under the effects of alcohol or drugs, driving without a driver's license, policy taken out in bad faith, possible involvement of third parties at fault, etc.).
- We should sufficiently document the reason for recourse through legal proceedings such as accident scene reports, toxicology reports, reconstruction reports where appropriate, documentation relating to the policy, the insured vehicle, etc.

The necessary documentation to be collected should be detailed in the local procedures, taking into account the local legislation in force.

In turn, it is necessary to analyze, on an individual basis, the client for whom we intend to recover compensation, and to assess all the circumstances of the incident, available documentation, the amount to recover and the evidence that would support our position in legal proceedings.

In the event of having to take legal action against our policyholder, in addition to providing the necessary documentation (it is important that the general and special conditions with their limiting clauses are signed by the Policyholder) and analyzing

possible repercussions of any kind, it is recommended that the decision be made collectively by the specialized Committee, Manager, Claims/Operations Director, etc. These criteria for consultation or escalation should be set out in the local procedure, which should also include limits on the amounts to be recovered in court, whether there are any exceptions based on the type of client, etc.

Once the liability and the grounds for recourse have been established, a notice of recourse for the amounts paid to the injured parties is sent to the insured party. The aforementioned notice will be made from the Recourse Recovery case file, and will always be recorded in the transactional system using the claims handling plan to monitor the handling of this type of case file.

Depending on the amount to be claimed, it is advisable to commission a solvency/financial solvency report on our policyholder from companies specializing in this area, so that we can gauge the likelihood of the claim's success.

Once indemnification has been paid to the injured party(ies), we should attempt to seek recovery of the amounts from the policyholder, owner or driver through extra-judicial procedures. If this is not possible, after an exhaustive viability analysis of all factors affecting this type of claim, we will proceed with legal action.

Client vision

The manner in which recoveries are managed must follow the same basic principles of quality and transparency as any other claim. In **Conventional Recoveries** and **Agreement Recoveries**, we cannot forget that, from the time the claim is captured and once its type is known, our client must be informed of the case file number generated by our system and of the next steps foreseen during the management of the claim.

Whenever possible, we must establish a proactive attitude toward our policyholders, trying to anticipate their needs and facilitating, as far as possible, communication with the Company through the means that are most convenient for the policyholder, but without forgetting that we must promote and encourage the use of self-direction.

In Recovery case files, except in situations where deductibles previously advanced by our client are claimed, contacts are not so decisive. In general, contact will be made to provide the case file number, the next steps to be taken in the management process, and to report on the final status of the case file, due to the implication it may have on

subsequent receipts, in case the loss experience is taken into account in renewals (with the exception of Recourse Recoveries).

For claims filed on behalf of MAPFRE and on behalf of our policyholder (deductible), it is recommended that we do not wait until we receive payment from the third-party company to reimburse our policyholder. Once we receive full acceptance by the third-party company of the amount claimed, we will proceed to reimburse our policyholder for the amount of the deductible they previously paid out, preferably by bank transfer, provided that there is no restriction set out in legislation or the general conditions. We must inform our policyholder of the refund of such amount, preferably by Self-direction.

We also need to be particularly sensitive to a change of liability or the unviability of the claim, which must always be based on technical aspects and not on assumptions or guesses. On occasions, we may find that MAPFRE determines that the claim is uneconomical for the company and decides not to continue with it (e.g. moving to a judicial phase to recover an amount lower than XX in local currency), but this fact cannot have consequences for our client, assessing other alternatives such as the payment to the client of the unclaimed amount or not recording that claim at the expiration of the premium.

In the case of **Recourse Recoveries**, it is very important to maintain, at all times, the necessary correctness and tact in our contact with the policyholder, as this is a situation that can be a source of conflict for the policyholder. We must maintain absolutely professional and correct behavior at all times based on technical principles that prove our claim. This must be a determining factor when assigning these types of case files.

It is important to bear in mind that, depending on the circumstances that have led to the recourse recovery, it may be necessary to identify (or flag) the customer in some way in order to avoid similar situations in the future (by blacklisting or communicating the fact to the other areas of the company). Obviously, this flagging should be known to the Company alone and should never reach the ears of our policyholder. We may also need to transfer information on the policyholder to other departments or areas of the Company. To allow for this, we will set up a system to ensure that the relevant information reaches the appropriate department so that corrective or preventive measures can be taken as per the criteria and approach of each company.

The local procedure should indicate when these notifications are to be made, as well as the roles responsible for maintaining this information and the flow of information that should exist.