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How to use workers comp claim reviews to keep your clients

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IF YOU have a workers compensation book of business, a larger broker may try to take away your biggest accounts at one time or another. One of the key selling points of regional and national brokers is that they have in-house claims experts—a “claims guru”—who can attend claim-review meetings with their clients. Your competition will assure your client—who may be nervously looking at a high experience modifier and rising premiums—that as soon as they sign a broker of record letter, they will have a claims expert at their side—an expert who will be their pit bull, beating the insurance adjuster into submission and obtaining big reserve reductions that you could not get for them.

What do you do if your agency can't afford a full time workers comp claims expert, or even the services of a consultant to attend claim reviews with your largest clients? While there are a number of things you can do to solidify your hold on your plum accounts, there is one all-important service that will most improve your chances of fending off the competition. Unless your client is self-insured, you must have what is called a unit stat claim review meeting with the carrier—at the right time and with the right participants.

Midsized and large workers compensation accounts usually are experience rated, with their past performance affecting future rates. You probably know that a key to retaining such an account is to ensure its experience modification factor is kept as low as possible. The major brokers look for prospects with high experience mods, so simply keeping that number below 1.00 will get you a long way toward renewing your account. But even a high ex-mod generally won't cost you a client, if you've done all you could to help. That's where the unit stat claim review meeting comes in. While taking part in such a meeting may seem daunting, don't let a

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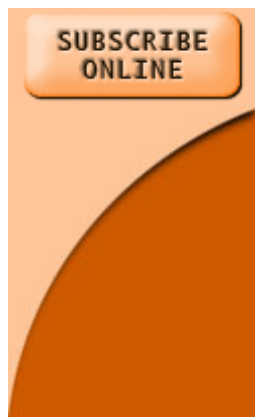
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lack of claims experience intimidate you. The truth is, many of the major brokers' so-called experts haven't handled a claim file in years—if at all. But they know the questions to ask and, most important, the deadlines to hit. My hope is that after reading this article, so will you.

First, understand that you must do the claim review in person with the insurance carrier—with your client at your side. Your client's representatives at the meeting should include your key contact, perhaps the chief financial officer or the risk manager. You also want the person who is most directly involved with claims to attend. Most likely, this is an administrative employee who is responsible for filing claims, keeping in contact with injured workers and speaking with the adjuster. The meeting should be at the insurer's claims office, so the claim files will be at hand. If your client balks at going to go the insurer's office, point out the importance of having the claim files available. The files generally will not be allowed out of the insurer's claims office, and the carrier usually won't make complete copies just for a claim review.

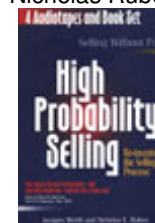
The adjuster who handles your client's claims should be at the meeting, as well as someone with the authority to make reserve changes. (Sometimes the adjuster will have this authority but usually not.) Don't accept a meeting where the carrier's only participant is a marketing person, who usually will only read the adjuster's status reports to you and won't be able to make any decisions or provide any insights. If you're not sure whom the carrier intends to include in the meeting, ask for the names and titles of the participants. Also, ask to have written status reports for all open indemnity claims. The reports will give you concise executive summaries of each lost-time claim that is still open. Ideally, you should have these reports before the meeting, so you and your client can review them in advance.

Have some questions ready, such as why a claim that appears to have been concluded is still open. If you have prior status reports for any of the claims, compare them with the current reports. Make sure the information has been updated. You'd be amazed how often agents receive status reports that are identical to those from the previous year's meeting, except for the date and the payment totals. Nothing makes a carrier (or you) look more ridiculous than a claim report that includes a huge reserve increase with a written summary that is identical to the prior year's summary.

When to hold the claim review meeting

The meeting must take place just before the unit stat valuation. This is the valuation used to have claim reserves "set in stone" for your client's experience modifier. The official filing of the claim reserves is known as the unit statistical report. Typically, unit stat valuations are done three times for each policy—at 18, 30 and 42 months after policy inception, although this schedule may vary.

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For instance, the unit stat valuations for a policy that took effect on Jan. 1, 2003, typically would occur in July 2004, July 2005 and July 2006. It is generally up to the carrier to choose the date in that month to finalize the numbers. Some insurers will use July 1, others July 31, and still others will pick a fairly arbitrary day (e.g., the third Friday of the month). When you set up the unit stat claim review meeting, make sure everyone understands its purpose is to allow for any reserve reductions to be included in the next unit stat filing.

You generally will need to make the appointment for the claim review at least a month before you'd like the meeting to take place. The meeting itself should be held no earlier than a month before, and no later than a week prior to, the unit stat valuation. That way, there will be enough time after the meeting to have any reserve reductions reflected in the unit stat valuation—but not so much time that subsequent events likely could significantly affect the reserves.

When you schedule the claim review, send an e-mail to all parties confirming the meeting. Include the sentence, "Our understanding is that any claim reserve reductions agreed to at this meeting will be reflected in the next unit stat filing."

It is crucial to learn the unit stat valuation date and to hold the claim review meeting at the right time before that date. A late or missed unit stat claim review is one of the first things a competing broker's claims expert will look for when searching for deficiencies in your claims service. Your competition may point an oversight to your client and obtain a broker of record letter the same day.

The power of scheduling a meeting

Don't be overwhelmed or intimidated by any of this. You don't need to be a claims expert to get good results from a claim review meeting. Sometimes you will get some reserve reductions simply by scheduling the meeting. Most adjusters are oblivious to the unit stat issue and may leave high reserves in place after they no longer are justified. They are not being malicious (usually.) Many adjusters simply have far larger caseloads than they can handle. Similarly, claim files that could be closed often aren't until the agent asks for a claim review. I cannot stress this enough: Merely scheduling a claim review in the weeks prior to the unit stat evaluation often will result in reduced reserves and closed files.

Now let's say you've set up the meeting, persuaded your client to attend (the carrier will always be in a more giving mood if their policyholder is there) and made sure you will meet with someone who has authority to make reserve changes. What now? Even if you've never handled a workers comp claim file, you can use some basic strategies that will go a long way toward ensuring a good result.

Picking your fights

For a unit stat claim review, the main goal is to get reserve reductions and to close files (which

removes unspent reserves from the books). Home in on the ones with the most money in unspent reserve. If a reserve mostly has been spent, you would be beating a dead horse to go after that claim.

Consider, for example, the Smith and Jones claims, each reserved at \$100,000. Almost nothing has been spent on the Smith claim, but \$85,000 has been paid out on the Jones claim. The Jones claim has little room for improvement, unless it is ready to be closed. In fact, a major discussion on that claim could lead the carrier to conclude the reserves are too low. The Smith claim is a different story. Ask the carrier to explain the reserves in detail. They should be able to justify each line item of the reserve and explain how it was calculated.

A medical reserve should include separate subtotals for treatment, examinations, diagnostic charges, hospitals, prescriptions, etc. The indemnity reserve should be broken out into temporary disability, permanent impairment and any related items (like vocational rehabilitation costs, if applicable). Perhaps your client has returned the injured worker to his or her old job. That would make any unspent temporary disability reserve unnecessary. The point is, pick your battles. Fighting over every reserve is rarely a good idea. Look for the files with large sums of unspent money—especially if the employee has returned to work or the claim was denied.

Before the meeting, review the most recent copy of your client's loss run, and highlight each open claim (other than small medical-only claims). Take that list to the claim review meeting and make sure each of those highlighted claims is discussed. Sometimes, the carrier won't mention reserve changes or closures. Use your highlighted loss run to point them out to your client. Rest assured, those reductions and closures probably would not have been made in time for the unit stat valuation had you not scheduled the meeting.

Ask your client before the meeting if there are any "hot button" claims. Perhaps they were treating an injured worker especially well, but then the claimant filed a litigated stress claim. Maybe someone with a workers comp claim is also suing your client on an unrelated civil matter. Make sure that all such claims are discussed to your client's satisfaction. Nothing angers an employer more than the payment of a claim they felt should have been denied. If your client has one of these claims, ask the adjuster to explain exactly how the claim was investigated. Even if you can't change the insurer's decision, you can stick up for your client by asking for details of the investigation and the insurer's rationale for accepting the claim. Ask about the insurer's action plan to close the claim and how long the carrier expects the file to remain open.

During the meeting, your client may appear frustrated at times over how their claims are being handled. While it is never a good idea to get emotional or abusive with the claim staff—your market is important to you—do not hesitate to support your client and ask tough questions. Being polite but firm will enhance your client's view of you while not harming your relationship with the carrier. If you think a claim was mishandled, ask an open-ended question like, "I don't understand why the claim was handled that way—please explain." Then listen carefully to the explanation to see if it makes sense. If something seems particularly egregious, you might ask to have the claims manager brought into the meeting—but do this only in the most extreme

situations.

If the insurer has reduced a reserve, thank the carrier and ask if there is any further room for reduction. If the reduction was on the medical line, ask if the indemnity reserve can be reduced (or vice versa). Often, the most likely candidates for reserve reductions are claims that the carrier already has acknowledged were over-reserved. Most carriers reduce reserves sparingly, so if a reduction was given before you even asked for one, take a closer look. There probably is more room for reduction. Again, if the unspent reserve is large, a good tactic is to ask for a breakdown by each reserve line item. A \$60,000 unspent indemnity reserve for a claim the insurer expects to settle for \$40,000 has \$20,000 that needs careful scrutiny.

Allocated loss expense reserves (for legal expenses, the cost of investigations and the like) do not go into the unit stat calculation, so unless there is a reason your client will be affected by the expense reserve (for instance, if the client is on a dividend plan that includes expenses), there is no need to push for reductions there.

If a claimant has more than one open claim, see if the carrier will move all of the reserves to one file (which they refer to as the “master file”). Odds are, all activity is being done on only one file, and the other files are open because there were multiple incidents (for instance someone with a back injury also claimed psychological stress). Even though the claim adjuster is paying all benefits from the master file, there are undoubtedly reserves on the secondary file(s).

The carrier probably won’t want to remove the reserves that are on the secondary files, but they might be persuaded to consolidate the reserves into the master file. This maneuver will lower your client’s ex-mod while keeping the carrier happy about their overall loss reserves. Here’s why: Past a minimal amount (usually between \$2,000 and \$5,000, depending on the state), claim dollars affect the experience modifier less and less as the claim gets larger. In other words, one claim reserved at \$75,000 increases the ex-mod less than two claims at \$37,500 each. Similarly, those two claims cost your client less than three claims reserved at \$25,000 each.

As the meeting progresses, make a note of the reserve reductions. At the conclusion, briefly go over all the reductions and closures—e.g., “On the Smith claim you agreed to reduce the medical line from \$39,000 to \$24,000”—and make sure the insurer intends to make those changes right after the meeting. Confirm that the carrier representative understands the unit stat timing issue.

Following up

When you get back to your office, send a brief e-mail thanking everyone and listing the reserve reductions and closures, again stating they must be in place for the unit stat filing. If the carrier fails to make the reductions in time, this documentation will help you obtain a revision to the ex-mod if necessary. Such “clerical errors” constitute one acceptable reason for altering ex-mods after they are published.

Is there any chance you will end up with some large reserve increases? Yes, but don't let that stop you from scheduling the claim review. The internal pressures on claim reserves almost always point to increases, and the reserves will go up when needed— whether you have the meeting or not. Decreases are another story. Most adjusters will tell you that they receive no internal pressure to reduce reserves, unless a claim review has been scheduled.

The strategies outlined in this article won't make you a claims expert, but they can help you obtain most of the reserve reductions that an expert would. After the meeting, take your client out to lunch, dinner or coffee to debrief. This is a terrific opportunity to enhance your relationship with your client. During the debriefing, point out that the reserve reductions and closures would not have occurred in time to affect the client's experience modifier had the meeting had not been held. Also give your client a ballpark estimate of the total reduction in reserves and a forecast of how it ultimately will affect the premium. If you have software that allows you to calculate the reserve reductions' exact effect on the ex-mod, send that information to your client as soon as you can. You deserve the "atta boy" for getting the meeting held, and the credit for its fruits.

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