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If Your TPA Doesn't Do These 6 Things, Your Next CAT Claim Could Be Disastrous



Clear communication, reliable funding, accurate reporting, and compliance with state law are all critical to a positive outcome.

Despite many communities still bearing scars from Harvey, Irma, and Maria, hurricane season is back again.

As much as businesses in hurricane-prone areas should do their best to storm-proof facilities, risk managers should also know what to expect after a major loss if they want to rebound quickly. To get through a catastrophe claim successfully, they need to rely on the expertise of their Third-Party Administrator (TPA).

As the middlemen between carriers, brokers, adjusters, and policyholders, TPAs are the cornerstone of claim management. To ensure the best possible CAT claim outcome, all of these parties should rely on a TPA with mastery of these six critical factors:

1. Immediate Initial Contact

Once a business reports a loss, there's no time to waste.



**Bruce Federspiel Senior
Vice President of
Engle Martin Claims
Administrative Services**

"Timely communication immediately following a catastrophe is paramount," said Bruce Federspiel, Senior Vice President of Engle Martin Claims Administrative Services (EMCAS), the TPA of Engle Martin & Associates.

Second to the damage itself, the greatest source of stress after a catastrophe is the element of the unknown. Especially if a company has never suffered a significant loss before, the risk manager may be unsure of how the claim adjusting process will unfold.

The field adjuster, for example, may disagree on the damage assessment. In this case, the TPA may send out an additional adjuster or engineer to do a second report. Being aware of this possibility ahead of time can help an organization build a realistic timeline for the course of their claim.

"At minimum, entities should be contacted within 24 hours of reporting a loss. They're going to be concerned, and it's critical to get in touch with them early and explain how the process will work, who will be contacting them, and when. It provides some peace of mind and lets them know that someone is watching out for them and working to help them move forward," Federspiel said.

2. Ongoing Communication

Lack of regular updates on a claim's status leaves insureds feeling in the dark and frustrated during an already tough situation. Regular follow-up communication is vital to keep all parties in the loop, including the insured as well as both domestic and London-based carriers, brokers, engineers, and independent adjusters.

"If you have a large commercial property with a \$10 million loss, there will be public adjusters, engineers, and likely a management company involved. There's a lot going on, and it's important to let the insured know that incoming information is being handled promptly," Federspiel said.

"A best practice is to get a field report in our internal adjuster's hands within two weeks of the loss and relay those findings to the insured. For an ongoing claim, a minimum standard is 30 days of regular communication and updates. After a natural disaster, of course, that timeline may be extended."

3. Reliable Funds at the Ready

The ultimate success of a CAT claim hinges on whether that claim gets paid on time.

Post-disaster, when entire communities have suffered extensive damage and all properties are filing claims, parties that are not proactive about establishing funding mechanisms risk receiving late payments, especially when multiple carriers are involved.

"A large commercial property policy could have as many as 11 different syndicates or London-based insurance carriers sharing responsibility for a loss," Federspiel said. "The TPA's job is to gather the funds from each of those carriers and pay the claim on their behalf."

For normal daily claims supported by an established loss history, this process is not typically challenging for a skilled TPA. But catastrophes are unique.

"With a catastrophe, you're never really sure how bad it is until you can get in and look. That makes it more difficult to determine the amount of funds needed and usually calls for a separate catastrophe funding mechanism," Federspiel said.

Each syndicate may require its own loss funding account specific to claims from a particular catastrophe.

"A TPA has to be proactive and persistent with communication to the syndicates to get the initial proper funding set up and avoid customer service issues with the entity that has suffered the loss," Federspiel said.

4. Speed to Pay

Businesses need quick liquidity to get the ball rolling on cleanup and repairs. The longer it takes to rebuild, the harder it is to recover lost business, and regain momentum. The ability to issue advances for covered losses is critical to get companies operational as fast as possible.

"As long as underwriters are willing to do it, it is certainly a best practice to issue advance payments after a catastrophic loss, without the insured having to ask you first," Federspiel said.

These funds are especially important because many contractors will not begin debris removal or repairs without proof of ability to pay. Like adjusters, contractors are in high demand after disaster strikes. Having payment available may help a company secure a contractor before someone else does.

5. Fast and Accurate Loss Reporting

Carriers need frequent reporting in order to gauge the scope of total loss and adjust reserves accordingly. Post-catastrophe, carriers have to account not just for current losses, but also for claims incurred but not reported. After major events, some entities may not report losses until months after the fact.

"We were still getting claims in January and February from Hurricane Irma that hadn't been reported," Federspiel said.

“The current loss run is critical information to carriers and brokers, and many times they want that report daily.

“TPAs have to have the technology to do that well, do it quickly, and get it sent out.”

6. Compliance with State Statutory Requirements

Following natural catastrophes, states have different legal standards regarding quality of repairs and timeliness of claims payments, among other factors.

Florida law, for example, dictates that if 25 percent or more of a roof is damaged, the entire roof must be replaced. If an insured is in Texas, the carrier or TPA is required to get a claim payment into their hands within 30 days after finalizing the proof of loss.

As many large carriers insure properties across the country, keeping track of and adhering to all local regulations can be a complex challenge.

“It comes down again to being proactive and prepared. Being aware of local laws in play even before a hurricane makes landfall means you’re ready to respond appropriately from day one,” Federspiel said.

Why Companies Trust Engle Martin in the Wake of Disaster

In the wake of 2017’s active hurricane season, CAT adjusters were stretched thin. For the best possible claim outcome, companies need to partner with reputable and well-resourced TPAs who can deliver on their promises even in the toughest situations.

“If you’re an EMCAS client, we do our best to have an Engle Martin field adjuster looking after your loss who is attuned to providing superior customer service,” Federspiel said.

Many of Engle Martin’s property adjusters have carrier or TPA backgrounds, so they understand what those parties need in order to process a claim efficiently.

“Engle Martin was established as a property field adjusting company, and EMCAS grew out of the need for the London market to have a U.S.-based TPA to handle its claims,” Federspiel said. “Property adjusting in is our DNA.”

To learn more, visit <https://www.englemartin.com/tpa/>.



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