

## CASE STUDY

# Managing Loss Funds

### The Client

A leading global specialty (re)insurer who asked for Pro's help in the reconciliation and repatriation of various 2016 and prior year of account Loss Funds

### The Challenge

With Loss Funds sitting dormant despite all claims being paid in full and redundant loss funds not being requested to be returned, there is an opportunity for these funds to be actively pursued through using specialist firms where resource is not readily available.

In some cases, it is not known where Loss Funds reside or with whom as funds have not been effectively managed, and as such there is an opportunity to identify and recover funds that would otherwise be written off and not deployed on any balance sheet.

To undertake any project of this nature, Pro would require a data set from the client identifying Unique Market Reference (UMR) \ agreement role (lead) and fund value where known along with access to Electronic Claim File (ECF) \ Insurer's Market Repository (IMR) under the client's access rights \ permissions or can undertake a financial / transactional accounting audit of the Delegated Claims Administrators (DCA) / Third Party Administrators (TPA)

### Value Created

To date, \$6.5m of 2016 year of account and prior Loss Funds have been repatriated or moved to later year of accounts and a further \$19m of loss funds have had DCAs / TPAs identified and confirmation that funds are to be maintained. The monitoring of returns via the broker in ECF has been conducted by Pro as has the return of funds under the in-house broker number directly to client bank accounts

The project has since been expanded to include the requesting Loss Fund reconciliations and supporting bank statements from DCAs / TPAs where Loss Funds are subject to a portfolio transfer.

Potential further work on this may expand to identifying returned Loss Funds that are sitting on ledgers as unallocated \ unidentified and arranging their processing.

As this case study shows, outcomes aren't just confined to a single project, they are on-going; from reducing future Loss Fund exposures and strengthening internal procedures, to improving your bottom line. And by outsourcing to experts such as the team at Pro, client's in-house team are free to focus on business-as-usual operations while servicing the specialist needs of their customers.

## Our Approach

The experts at Pro managed multiple facets of this key project as follows:

- Data set (1,525 lines of data) provided by client for Pro to identify and extract client-led Loss Funds >\$20k on 2016 YOA and prior. Data extraction provided 225 in scope loss funds with a value of U\$29M (CNP share)
- In many cases the Loss Fund holder (TPA \ Coverholder) was not known \ provided and had to be identified by Pro via ECF \ IMR or by liaising with the client's claim handlers and authority requested to approach TPAs on their behalf for repatriation. Once identified, missing DCA / TPA information was to be entered in the client's database \ system to improve integrity of data held.
- Identified DCAs / TPAs and Coverholders were contacted with a view to repatriating (partially or in full), moving the fund to a later year of account or maintaining the fund in full. In many cases funds had been returned to the client but were not processed through ECF and ultimately not reflected in internal systems. Finance had been unable to identify them and claims handlers unaware of the returns.
- Additionally, Loss Funds remained on older years (2016 and prior) and were erroneously servicing claims on later years, thereby reflecting misleading claims \ loss ratio stats to underwriters.
- Finally, Loss Funds were identified as having been sent directly to DCAs / TPAs and not via the broker giving rise to no ECF trail being created by the broker and brokers unwilling to accept \ process the return of funds when they hadn't received them in the first instance.

**Please get in touch**

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