TPA CLAIMS

Acknowledgement

Generally, no acknowledgement is sent since the loss comes directly from the client, who is self-funded. The loss will show up in the next month's loss run. All claims should be sent up within 24 hours in a risk management information system.

Contact Time

Contact should be made within 24 hours to all important parties – claimants, employees, doctors, etc. This is particularly true of self-funded workers' compensation. Contacts should be made by telephone whenever possible. Mail or email is acceptable depending upon the circumstances. This should be documented in the notes section, as well as in the paper file or, if imaging is used, in the imaged file.

Investigation

Each set of notes should begin with an outline for handling the claim put together by an adjuster and a supervisor unless the claim is a simple one. This should include field investigation as appropriate.

Notes

Because TPA programs are supported by extensive risk management information systems, the notes are extremely important. This is a major communication tool between the adjuster and the client.

The client should have access to all notes. The access should be via the Internet. Remember, the importance of HIPAA and state information security statutes. Make sure that access to your system is only by a password, and potentially, encryption.

The notes should detail the actions to be taken, and the results of those actions. This should be backed up in the paper or imaged file.

Reporting & Communication

Reporting is minimized in TPA programs, because the client has access to notes. More serious claims would take a standard full formal report unique to that type of claim.

While communication is partly through the computer notes and through email, I cannot emphasize how important it is to maintain good overall communication via telephone with the client. These programs live and die on communication.

Legal Files

As with any other claim file, lawyers should be given instructions, detailing what we want them to do when the file is assigned. This is basic to maintaining control of counsel.

Legal bill review should be used.

When an Account is Acquired

The following things are mandatory when an account acquired:

1. Set up good communication lines between your adjusters, support people, and the contacts at the client.
2. Do a full computer conversion, including all history of payments, and reserves. If you do not, you will regret it later, particularly when it comes time to report to excess carriers, or to state regulators.
   This writer has never had a client refuse a full conversion, and I find the conversion costs are not the issue when obtaining an account. However, if you do not get authority to do a full conversion, make sure that you have it in writing from the client that a full conversion is not required. Also, make sure that the client understands, in your letter, which reporting you will be unable to do because you don't have all the data necessary. If possible, build it into your contracts so the client signs it.
3. Set up regular claims meetings with the client.
4. Make sure all client emails and communications show up in your notes in some fashion, either by typing in the information, or using a "cut and paste" system.
5. Develop the means to send monthly computer reports to the client electronically.
6. Review reserves every time file is handled. Stair stepping reserves will get you in trouble with excess carriers, and will create almost as many problems for you as poor communication.
7. Close files in a timely fashion. This clears reserves. You don't want files that should be closed to be open at renewal time. The reserves will then be reported to the excess carrier and may result in a higher premium for your client.

TPA (Independent) Adjuster vs. Public Adjuster

Property claims handled for self-insured TPA clients present a unique challenge. Many TPA programs involving casualty lines (automobile liability, general liability) also include property. Each of these lines may have its own retention. After the retention is exhausted, an insurance company will respond.

Several of these programs have individual carriers on each line. However, all lines aggregate programs may have one carrier or a group of carriers on all lines.

Generally, the TPA has a contract with the self-funded client to handle all lines of claims, including property claims. Please note this contract is between the TPA and the client, and sets the rates to be charged.

A TPA's position when it involves property claims changes. You do not represent the client anymore; you represent the insurance company. To do otherwise would put you in the position of a public adjuster.

This writer is not aware of any state that allows an independent adjuster to also be a public adjuster.

It is imperative that an agreement be reached with the property insurers allowing the TPA to handle claims on behalf of the property insurer, particularly in times of catastrophe. Hurricane claims in the Southeast have highlighted this problem in 2004 and 2005.

This can be a contentious area, and all parties need to understand the relationship that the TPA bears to the client, and to the insurance company, before claims occur.

One other thing to keep in mind: This problem generally occurs only for larger claims, or for many claims arising out of one occurrence, such as a hurricane, where an aggregate limit may be attached.

Major Area for E&O Claims

The largest potential source of E&O claims in TPA business is not reporting large claims to excess carriers in a timely fashion. Other articles in this area have pointed out the importance of having computer reports that will highlight larger claims, early in their life. This is an absolute necessity.

Each TPA should make sure it acquires a copy of the contracts under which it is working. Review the contracts and make sure you know what the reporting requirements to each excess carrier are.

Once you have done this, set up your internal systems to warn you of that reporting requirement well before it becomes due. There are various ways to do this, but the easiest way is to look at total incurred at a point where it is one-half what the excess carrier requires for reporting.

Remember, this applies to all policy years you are handling for a client. In many cases, when you are taking over a long-term, self-insured program, you will have to go back many years to make sure you have proper policy and reporting information. This can be tricky.

Please make sure that you address a letter to your client, and the broker involved if necessary, pointing out that you must have all prior insurance information, contracts, and forms, or you will not be responsible for late reporting in any year where you do not have complete information.

Always follow this guideline: When in doubt, report it to the excess carrier.

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