A shift in approach

In the beginning, a key challenge was communicating the new approach and bringing about a change in mindset — an acceptance that claims were being handled globally, with a consistent approach across the board. "At least initially, there were some claims that were being treated as if they were local assignments," explains Garcia. "Those involved at HSBC were not aware of the global relationship that we had with Broadspire and were also not aware that there are special handling instructions and recording requirements, and that the fee arrangement is also set."

In certain regions where a TPA had not been a feature for HSBC, a cultural shift was also required. "A lot of countries were used to handling everything over to the insurance companies and not dealing with the TPA," he adds, "so some of them had a hard time understanding the relationship and what Broadspire was doing for us."

From a Broadspire perspective, it was also necessary to emphasize the global program and ensure a consistent approach from representa-

FRANCISCO GARCIA EXPLAINS WHY SOME SHORT-TERM PAIN IS WORTH THE LONGER-TERM GAIN WHEN IT COMES TO PUTTING TOGETHER A GLOBAL TPA PROGRAM

HSBC’s decision to centralize its approach to claims handling was driven by the desire to gain efficiencies and a global perspective on where claims were coming from...
Striking the right balance

Garcia believes a close partnership approach is essential to overcoming these hurdles. At the heart of the promise inherent in a global TPA program is that the TPA provider will protect the brand and values of its client, and do so in a reliable fashion regardless of where the claim is made.

“What we’re asking Broadspire to do is handle claims on our behalf,” states Garcia. “And so there has to be a strong partnership because in many ways they are an extension of us and they will be associated with our business and brand. They therefore need to understand our claim philosophies, who our claimants are and ensure they are handling claims in line with our best practices.”

From a reputational perspective, Broadspire is expected to balance HSBC’s strong approach to customer satisfaction with the every-present requirement to contest spurious claims. “It’s essential that Broadspire follows our claims philosophy,” says Garcia. “It’s important because we’re a bank, so we have to be very careful how we handle claims.”

“Most of the losses occur at a retail banking business level and we have to be very careful how we handle those, because the claimants are typically our customers and the relationship with the customer is very important,” he continues. “The philosophy is to make sure we listen to the customer and understand what the claim is and try to be flexible when it comes to resolving their issues.”

Contexting or over-questioning every claim that comes its way is not part of HSBC’s philosophy. This does not mean the company has an open checkbook policy, and in fact putting the customer first can help to prevent losses from escalating.

“The way to look at it is, if you handle your customer appropriately, you keep the relationship and you avoid the situation getting out of control, such as getting into litigation with the customer,” says Garcia. “That’s something we want to avoid. Unless we have a situation which is quite clearly spurious then we might look at it differently. But that rarely happens, so we’re just trying our best to balance handling a claim the way we would typically handle a claim, and at the same time trying to take care of the customer.”

As the global TPA program becomes fully embedded, Garcia hopes the company will reap the benefits of having access to centralized data. “We’re already able to see which countries have certain issues with claims and we can take it from there if we need to partner with, for example, our corporate real estate or health & safety departments to identify and improve those claims activity trends.”

“Before, we just didn’t have a clear picture of what was happening around the world, whereas now we can really see where the claim activity is and if we need to drill down into it,” he continues. “If there is a spike in claim activity we can investigate what is causing that. In the U.S. for instance, we do a lot of analytical work around workers compensation losses, because it is a high volume business and the costs can be significant. We are at a point where we can dig deeper into the numbers and come up with information to help us with claims leakage.”

“How marine became a catastrophe class of business

When Superstorm Sandy bore down on the Eastern Seaboard on October 27, 2012, it quickly became apparent the event was not just a major property loss but would also heavily impact the marine and cargo industry. Total marine claims eventually came in at around $6 billion, according to Risk Management Solutions Inc (RMS), with $2 billion of those falling to the cargo sector. The largest-ever marine natural catastrophe loss, it effectively wiped out 2012 U.S. marine market premiums. Less than three years later, the sector was hit by another $3 billion loss, when an astonishingly powerful chemical blast at the Port of Tianjin destroyed warehouses, shipping containers and thousands of new cars. Taken together, these events raised awareness of the sector’s exposure to catastrophic losses, both natural and man-made, an exposure that is increasing as insurers strive to better understand their risk accumulations.

From a catastrophe loss perspective, Superstorm Sandy changed everything, thinks Rob Hawes, head of global marine, London, Crawford. “Sandy changed a lot of people’s views in the marine market,” he explains. “It was the biggest-ever marine market loss for various reasons. There were two major claims in New Jersey — organizations which accumulated imported goods including motor vehicles and bottled alcohol — that were upwards of $200 million.”

While man-made severity losses have