

Fast, Intense, and Volatile

Staying ahead of the claims curve requires foresight, streamlined procedures, and adaptability



Your next incoming phone call could ruin your day — and a lot more besides — unless you have taken stock of a new generation of business-related claims. These claims carry familiar names, such as breach of contract and D&O. The volatile global economy and the breakneck digital environment, however, can alter the speed and intensity with which these claims are filed and litigated.

- The XL Insurance companies are seeing more claims arising from business failures, in which partners turn on each other, suppliers go unpaid, and customers and employees suffer. Today, more people look to insurance to make them whole, regardless of what is specifically covered by an enterprise's policy. Even a small business failure can generate breach of contract, wrongful termination, discrimination, and libel and slander suits, which in the past may not have ended up in litigation but were settled with a handshake.
- In the Internet age, we're seeing new categories of damages. Alleged slanders and malicious rumors can spread worldwide in minutes. Computer crimes such as ID and data theft can occur even in the most tightly monitored security systems. The insurance world and the Internet world are now meeting in courts and case law is evolving rapidly.
- In the global marketplace, exposures a half-a-world away can turn into high-cost, high-visibility claims quickly that

may be settled in a jurisdiction that's unfriendly to your enterprise.

- Risk managers in Europe are seeing more litigation for D&O, E&O, and product liability. Such claims have been on the rise in the United States for some time due, in part, to legislation such as Sarbanes-Oxley. Now plaintiffs in the international arena are looking for the same kind of cases and results in their local jurisdictions.
- In a sluggish economy, insurance claims tend to increase in both frequency and severity. Incidents of fraud also increase, so predictive modeling tools can help take a forward-looking glimpse of what the trends indicate and where and what kind of fraud might surface.

Preparing for known risks is hard enough, but having 20/20 foresight is critical to head off the largely unknown claims of the 21st century. For our part at XL Insurance, we have streamlined our procedures to help clients stay ahead of the claims curve.

TALENT AND TECHNIQUES TRENDS

From the outset of the insurance relationship, insurers, brokers and their clients strive to create coverage packages that are appropriate, affordable and flexible and that can adapt to the unforeseen.

- XL Insurance is committed to assembling the right team for a client's unique risk profile. In developing a

coverage plan, brokers and clients benefit from the expertise of XL Insurance actuaries, underwriters, program developers, and claims professionals who create plans that integrate their collective expertise to best protect clients.

- For larger customers, XL Insurance appoints an account representative who serves as a single point of access to the company's services worldwide. If a claim arises in Europe against an insured in the Americas, for example, this "go-to" person can arrange work by an XL Insurance local claims professional. This account manager accesses claim information from the start, and keeps all parties aware of progress in the claims process.
- XL Insurance can also utilize third-party administrators for selected small, less complicated accounts. In the large account risk management business, XL Insurance utilizes third-party administrators in order to offer risk managers "unbundled" claim services.

IT SYSTEM IMPROVEMENT TRENDS

In recent years, XL Insurance has grown organically as well as by acquisition, which has resulted in IT systems that have not been compatible.

XL Insurance is in the development and design phase of a global information technology process that will offer advanced computer power linking all XL Insurance Claim facilities as well as

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selected brokers and client facilities. This IT network should be rolled out to the U.S. and Bermuda offices in late 2009 and Continental Europe/UK Ireland shortly thereafter. Training for claim handlers at XL Insurance will make this investment more than just an equipment "switch out" but a true front-to-back, top-to-bottom upgrade to the claim management and customer service process.

This level and reach of sophisticated computer power promises to bring new ease to risk management and customer service. One benefit is that the claim settlement process can be tracked by members of the designated account team, no matter where they're located. "System incompatibility issues" should be significantly reduced, if not related, much to the improvement of claims processing and client satisfaction.

BUILDING RELATIONSHIPS

Your insurance provider should offer you advice on policy language that will answer common questions facing risk managers.

- When companies consolidate facilities, what does this concentration of employees mean to your risk profile?
- What about outsourcing, not only of manufacturing and materials, but also of customer service and product development to third parties? Who is responsible for defective products and unacceptable customer treatment?
- Who holds the intellectual property rights to products developed by a supplier? Who pays if a customer service rep gives bad or malicious answers, or if proprietary information disappears?

There is no "one-size-fits-all" risk management program. But the combination of open and honest discussion and the application of precisely crafted insurance plans can help you be ready, willing and able to handle the "what ifs" of today's risk management world.

