

THE ALS GROUP

Managing Risk to Influence Successful Outcomes

What Does a Claims Management Company Do? (And When You Need One)

Key Takeaways

- A claims management company helps a business handle insurance claims from the first report to the final payment.
- There are two kinds: some administer claims for insurers or self-insured companies, and others act as your advocate with the insurance company.
- Good claims management means faster resolutions, fewer underpaid or denied claims, and lower reserves, which keep future premiums in check.

Most businesses think about claims only when something goes wrong. By then, the clock is already running. How a claim is reported, documented and followed up can decide whether it's paid in full, how long it takes, and what it does to next year's premium.

1. Claims management companies come in two types

The term covers two very different roles:

- **Third-party administrators ("TPAs"):** They process and adjust claims on behalf of insurers or companies that self-insure. They work for whoever pays them to run the claims.
- **Claims advocates and consultants:** They work for the policyholder. They help you report the claim properly, push the carrier for a fair and timely resolution, and keep an eye on reserves and costs.

Before hiring anyone, ask the simple question: who are they working for?

2. Good claims management starts before the claim

The best claim outcomes are set up long before a loss:

- **A clear reporting process:** Everyone knows who to call and what to document, the same day.
- **Contracts and certificates in order:** When a vendor causes the loss, you can send the claim to their insurer, not yours.
- **Coverage you understand:** You know your deductibles, notice requirements and exclusions before you need them.

3. During the claim, someone has to drive it

Claims stall when no one follows up. A claims manager keeps things moving:

- Reports the claim quickly and completely
- Gathers the documents the adjuster needs, the first time

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- Tracks deadlines and follows up with the carrier and adjuster
- Questions reserves that look too high and settlements that look too low

4. After the claim, the numbers follow you

Every claim shows up on your loss runs, the history carriers use to price your insurance. Open claims with high reserves count against you even if they close for less. Reviewing loss runs, closing out stale claims and correcting errors before renewal can make a real difference in what you pay.

How ALS Helps

We sit on your side of the table, with claims management services built around your program: workers' compensation, general liability, products liability, auto, excess and D&O claims. We give leadership a clear view of claim frequency and severity, how long claims stay open, reserve trends and legacy claims, and we find where the claims process is breaking down. And because we don't sell insurance, our only interest is your outcome.

There you have it: what a claims management company does and when it pays to have one.

Frequently Asked Questions

What is the difference between a claims management company and a TPA? A TPA is one kind of claims management company. It administers claims, usually for an insurer or a self-insured employer. Other claims management firms act as advocates for the policyholder, helping the business get a fair result from its own carrier.

Does my insurance broker handle my claims? Many brokers help report claims and pass along information. How much they advocate after that varies. For complex or high-dollar claims, many businesses want someone dedicated to driving the claim and reviewing the numbers.

How do claims affect my insurance premiums? Carriers price your insurance using your loss history. Paid claims and open reserves both show up on your loss runs, so high reserves or claims left open too long can raise your premiums at renewal.

When should a business bring in claims help? Common triggers include a large or complicated loss, a denied or slow claim, a lot of small claims adding up, or loss runs that don't look right ahead of a renewal.

What is a loss run? A loss run is the report your insurance carrier keeps of your claims history: what was paid, what is still reserved and what is open. Underwriters review it to price your coverage, so it pays to check it for accuracy.

If you need more information on any of the topics covered here, or are interested in a Risk Management Assessment ("RMA"), please contact our Managing Principal, Albert Sica, at asica@thealsgroup.com or at 732.395.4251.