



Select the Right Claims-Handling Partner: It Can Make or Break Your Program

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In the insurance world, Programs are different. Unlike traditional insurance transactions where the policy, the underwriting guidelines, the technology, the service level and the claims-handling operation are all mostly fixed, Programs offer stakeholders the opportunity to structure and tailor each of those components to best benefit the Program itself and the insureds it covers. Taking full advantage of that opportunity, however, means fully understanding the options and making smart choices right from the beginning. And few choices are as crucial to the long-term success of a Program as is selecting the right claims-handling partner.

In this first article of a five-part series we will take a general look at what makes a good claims-handling partner for a Program. In future articles, planned for the entire year, we will discuss in greater detail some of the specific attributes you should look for in a TPA and what distinguishes a good choice from a potentially bad choice:

- Part 2 will delve into the quality of the claims partner, including what you should look for in terms of business class expertise, supervision, consistency, quality assurance and reserving accuracy.
- Part 3 will discuss the difference between “price” and “overall cost” and explain why the lowest priced TPA can often end up costing you the most money.
- Part 4 will look at technology and the ways your TPA’s IT platform can help differentiate your Program.
- Part 5, the final in the series, will put it all together and discuss how the level of customer service (including customization, effective communications, ease of new client onboarding, degree of personal attention, flexibility of reporting, etc.) provided by a TPA can enhance customer experience and Program profitability.

Program Specialization: The Key to Success

There are several general attributes that distinguish a good TPA choice for a Program, not least of which is Program specialization. Many TPAs will claim that they can readily handle your Program, but they don’t have a proven track record. Make sure your TPA

selection has solid, demonstrated, long-term experience handling Program claims for your particular business class. Get lists; talk to references; and look around for TPAs that specialize in this unique segment of the insurance market and actively invest in and support its growth.

Next, you want your TPA to be “nimble,” that is, to be able to respond with flexibility and customization to each individual program. Most TPAs tout their ability to “customize;” but for many, that ability to customize is not built into their operating processes but instead consists of patches, work-arounds and other inefficiencies. For true flexibility, you want a TPA that listens carefully to your specific needs and responds with a truly individual proposal that features beginning-to-end customization. Remember: No two Programs are exactly alike. Make sure your TPA understands that and more importantly, make sure they act on it.

Experience is critical as well. You want to look for a TPA partner experienced in a variety of different industries and industry segments and in multiple lines of business. Can the TPA handle contractors and retail operations? Healthcare and manufacturing? Hospitality, financial and service industries? Can the TPA offer property, liability and workers’ compensation claims-handling? Can it effectively manage claims in less common lines, such as construction defect, liquor liability, professional liability and employment practices liability? Can it handle accounts large and small? Does it offer experience in fraud-detection? In subrogation and recovery? In litigation management? In catastrophe? In short, can the TPA do everything you need it to do today, as well as the things you may want it to do in the future?

Try to get an idea of the TPA’s behind-the-scenes resources, including IT, communications and marketing support. Is the TPA large and sophisticated enough to handle complicated Programs, but local enough to lend personal attention to Program members? Speaking of geography, does the TPA have branches or personnel where you need them to be? What ancillary services, such as field adjustment and loss control, does the TPA have that may be critical components to your success? These are all important questions that must be answered before you select your TPA.

As a final consideration, it is crucial, especially in today’s economic climate, that you be very, very comfortable with your claims-handling partner’s long-term viability and financial stability. One of the worst things that can happen to a Program is for the TPA to suddenly go under or have to cut back operations or compromise quality. Do yourself a favor and make sure your choice is going to be around and healthy for a long time.

In summary, choosing a TPA for your program is a lot like hiring a new employee. It is an extension of you, and therefore, you should ensure that the TPA can clearly do the job, will stick around for the long term and will be flexible. The TPA should possess not only the experience you need right now ... but also the experience and desire to grow with you and your Program as it evolves over time.