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# CLAIMS IN THE TIME OF COVID-19

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## CLAIMS



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**THE FAST-MOVING** nature of the COVID-19 pandemic has pushed the insurance industry into uncharted territory. Both the risks associated with contracting the disease and the impact of lockdowns and physical distancing rules are testing the industry in many ways.

The claims management sector in particular is facing many new and unprecedented challenges. Claims adjusters are dealing with a significant influx of claims while also navigating an evolving regulatory framework. On top of the rapidly changing landscape, it's also been difficult to confirm burden of proof and reach compensability determinations. The insurance lines most affected by coronavirus claims include workers' compensation and business interruption, where legislation and litigation are rapidly evolving.

"Legislators are challenging the application of exclusions in policies, and there has been a rise in class actions to overcome policy requirements," says Mike Hessling, North America CEO of global claims manager Gallagher Bassett. "Consistency in claim process documentation and establishing a close working relationship between the claim service provider, carrier and insurer will be necessary to quickly respond as government and court decisions evolve." When it comes to workers' comp claims, Hessling recommends that employers report claims as early as possible to

establish a fact record. From a carrier perspective, he says it's imperative to closely monitor the changing regulatory landscape to ensure current regulations are applied. This means some claims will likely need to be touched several times during the process.





Business interruption claims, on the other hand, are governed by the coverage terms and policy language set by the insurer. While many business interruption policies have virus exclusions that were put in place after the SARS pandemic, there are variances in exclusion and policy language, as well as unique claim circumstances, that require each claim to be thoroughly investigated and documented to support policy considerations and coverage determination.

"We've seen the impact of COVID-19 on our economy; thus, it's only natural that claims directly tied to economic activity are also affected," Hessling says. "In addition, we've also seen moderate obstacles to move claims to resolution because of a lack of access to medical providers and facilities, as well as court closures."

Insurance carriers will be looking to overcome these challenges by staying connected with their claims managers, whether they're in-house or at a third-party provider like Gallagher Bassett.

### MANAGING COVID-19-RELATED WORKERS' COMP AND LIABILITY CLAIMS

Mike Hessling shares six key strategies for effective COVID-19-related workers' compensation claims handling:

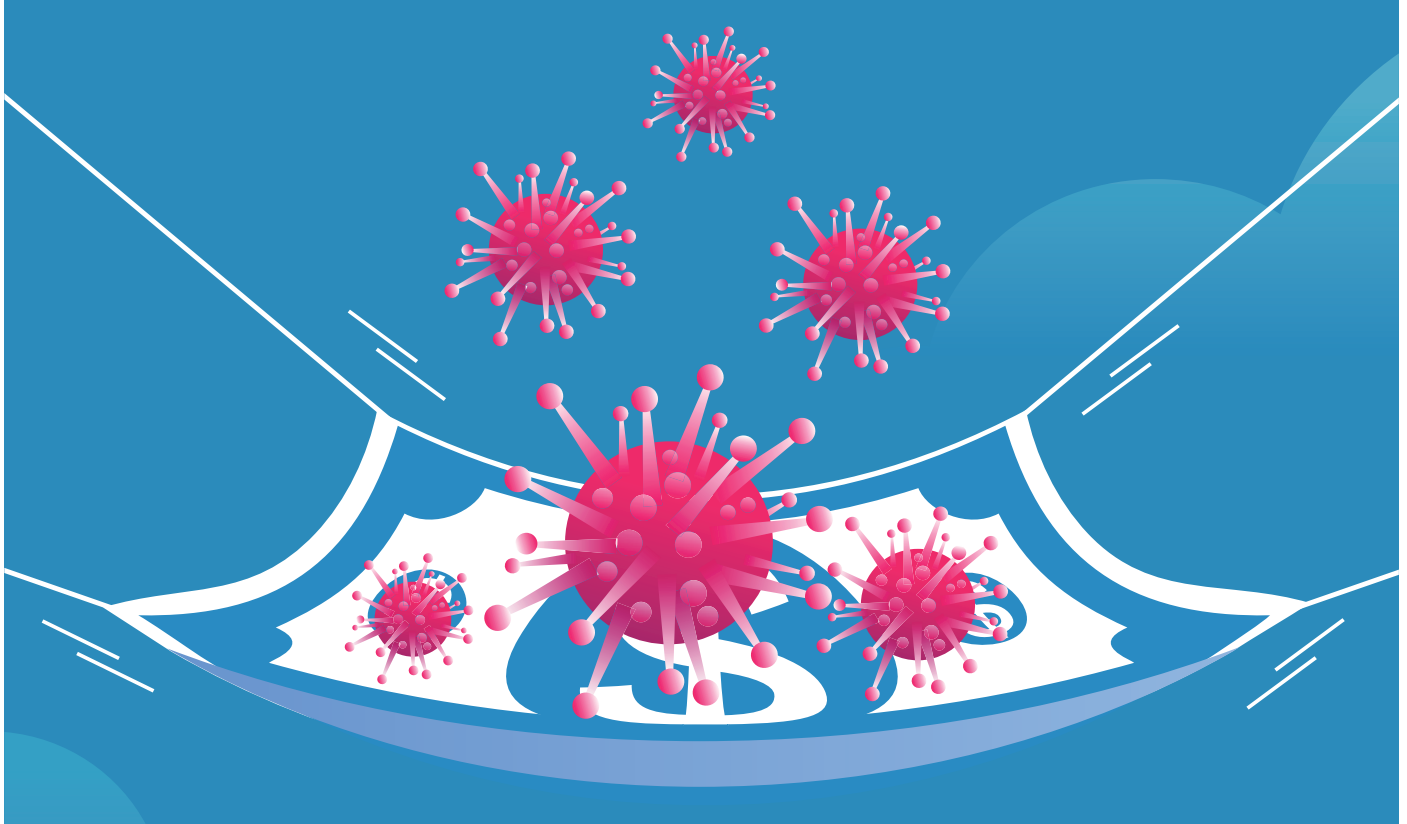
-  Adapt workers' compensation practices with COVID-19-specific contact questions that are consistent with CDC guidelines and with employers' return-to-work and HR policies for handling COVID-19-related absences.
-  Develop and maintain a database of evolving statutory regulations.
-  Establish reporting/tracking capability to maintain control as statutes change to enable the ability to reopen claims and review positions, particularly as presumption laws are enacted.
-  Maintain an active and strong connection with regulatory bodies to ensure clear understanding of newly issued guidance and to provide feedback when guidance presents practical hurdles.
-  Establish a special unit to review all acceptances and denials.
-  Contemplate the need for targeted contact tracing practices and activities that are distinct from core workers' compensation investigation in support of insureds' return-to-work plans.

To effectively handle COVID-19-related claims, Hessling suggests treating them like a new kind of catastrophe from the beginning and quickly assembling a task force to serve as experts as the situation evolves. The group should include a combination of expert claim handlers, regulatory liaisons, coverage attorneys, quality control and process design teams, and analytics and systems resources.

He also recommends implementing best practices like the creation of unique claims handling and reporting to ensure all cases can be tracked and revisited if regulatory guidelines change. However, the most important strategy for effective claims

SPECIAL PROMOTIONAL FEATURE

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### **“Legislators are challenging the application of exclusions in policies, and there has been a rise in class actions to overcome policy requirements”**

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handling, Hessling says, is frequent communication and collaboration.

“It’s imperative you engage early and often with business partners to establish open communication lines, to validate newly developed practices and to problem-solve quickly as situations emerge or change,” he says.

#### **The future impact of COVID-19**

As the world moves past the shock of economic shutdown and takes steps towards reopening, insurance carriers will be faced with existing claims that need to be resolved. Hessling says resources will need to be redirected to handle full production, and the ability to scale up after

potentially scaling down will tax insurance carriers, posing potential risk to both claims outcomes and insureds’ claims experience.

“Developing robust forecasting capabilities, which tie into claims capacity management, is critical to staying ahead of this rapidly changing environment,” he says.

Looking even further ahead, Hessling says the ability to understand and analyze the difference between frequency and severity reduction will be critical for forward-looking actuarial projections and underwriting, especially when evaluating loss performance post-pandemic. “This is where tools like our SMART benchmarking can be so

helpful,” he says, “to assist carriers in making this frequency versus severity distinction and making better decisions within their underwriting process.”

At the start of the pandemic, Gallagher Bassett engaged its business continuity team and began an operational shift to handle all claims in a work-from-home environment. Given that 40% of employees were already working from home, it was a minor adjustment. Operations were built around access, connection, engagement and service. Being able to access networks safely and securely was important, as was the protection of data throughout the claims process. Employees stayed connected through video-enabled laptops to ensure ongoing, productive communication. Tools like Gallagher Bassett’s ENGAGE intranet platform helped teams, managers and colleagues stay engaged. Likely the greatest pillar in keeping the business running smoothly has been exceptional service.

“At Gallagher Bassett, we have management practices and protocols and dynamic reporting

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that have been in place for many years,” Hessling says. “Also, our unique-to-the industry, operational-quality dashboard allows managers to instantaneously monitor the status and performance of any claim, adjuster or branch to ensure the highest quality service and optimal outcomes.”

After the COVID-19 crisis recedes, Hessling believes an agile working environment will remain, as will greater use of remote access dashboards and other tools that have improved reporting and analytics. Another important aspect that isn’t going anywhere anytime soon is the more integrated partnerships Gallagher Bassett has forged with broker and carrier partners while collaborating throughout the pandemic.

“Given the social distancing and lack of in-person, face-to-face engagement during this time, we have found an increase in the frequency of our virtual communication with partners,” Hessling says. “Daily check-ins have strengthened our relationships and more tightly integrated us with

our partners. This enhanced partnership is essential to manage the changing landscape of insurance and claims.”




### Better outcomes

One of the primary reasons why carriers choose to work with Gallagher Bassett for claims handling is the results: “lower loss costs, delivered through high-quality and aggressive claims management and industry-leading ancillary services,” Hessling says. “Additionally, carriers value our ability to consistently set appropriate reserves, which is critically important for effective underwriting.”

Gallagher Bassett is also known for its rapid pace of innovation. If measured by claim volume, Hessling says Gallagher Bassett would be ranked as a top 10 P&C insurance carrier, a testament to its significant experience and expertise. That experience is backed up by a dedication to creating an exceptional customer experience for insureds.

### COVID-19 LIABILITY CLAIM BEST PRACTICES

For liability lines, Hessling recommends making the following claim strategy enhancements in response to this unique operating environment:

-  Adapt workers’ compensation practices with COVID-19-specific contact questions that are consistent with CDC guidelines and with employers’ return-to-work and HR policies for handling COVID-19-related absences.
-  Understand the legal venues of litigated cases. With many courts or mediator offices closed or operating under limited hours, this may impact the ability to bring claims to trial or for a hearing, creating a need on both sides for settlement discussions.
-  Re-examine plaintiff and defense positions. Given court closures and general economic concerns, third parties may be more amenable to reasonable settlement offers. Similarly, insurers and insureds may be open to increasing settlement offers to bring claims to closure and release actuarial accruals.

“We are consistently ranked by risk managers as the leading third-party administrator within independent surveys, based on the exceptional talent and service focus of our claim professionals,” Hessling says. “We can provide an experience to insureds that allows carriers to differentiate themselves from the pack on the basis of claims service – a true competitive advantage in today’s insurance market.”

