EFFECTIVE CLAIMS MANAGEMENT: DRIVER INCENTIVES I

Following a quarterly claims meeting with a client, we have developed a driver incentive scheme in preparation for the quarter where frequency of specific claims events hits a noticeable peak!

Such advice cannot be generic; if the success of such a scheme is to be measured - which it always should be - it needs to address a specific and controllable set of events.

Risk Management can seem endless; picking the most appropriate solutions is what creates value and makes the difference. Understanding which solutions are appropriate is where we come in.

Please read on to view our case study.

From: Daniel Harwood
Sent: 28 November 2017 10:53
To: A. Client <A.client@clientcompany.com>
Subject: Problem Season: Driving incentive: 01.12.2017 - 28.02.2018

Dear Mr B,

Following on from our quarterly claims review, I've got some additional stats from Sophie and developed a number of suggestions. Whilst my/our initial opinion was that all drivers should be dealt with in isolation based solely on their own performance, the stats dictate that this isn't going to resolve the issue and could/would end up simply creating an additional cost to the business. This is something Mr A is understandably extremely keen to avoid.

So, as it stands, we all agree that accidents and/or alleged accidents are going to happen, so having a blanket ban on claims isn't realistic (as nice as it would be if life was that simple) and will not encourage an uplifted level of care and attention. Given this, we have to address the claim types that are causing 'seasonal frequency' and by doing this we may also find that the quality of driving is improved.

There are four 'repetitive' problem areas that have been identified directly from your claims listing, to which the term 'seasonal frequency' applies. Removing, or further reducing, these areas would improve the bottom line and these are all event types that can be described as 'driver error' in every event:

1. Delayed reporting days
2. Hitting Third Parties in the rear
3. Hitting Stationary Vehicles/Property
4. Reversing into Third Parties/Property

Given the above, our suggestion is a group driver fund which is divided between the number of drivers that remain at the end of the period. The fund is reduced per event, with each event having a value;

**The following numbers are only being used as examples to build a straight forward model*

Initial Fund: £10,000.00

Number of drivers: 100

Maximum pay out per driver: £100.00

1. Delayed reporting days – every delayed day suffered is equal to a fund reduction of £150.00
2. Hitting a Third Party in the rear – every event of this nature equals a fund reduction of £250.00
3. Hitting a Stationary Vehicle/Property – every event of this nature equals a fund reduction of £250.00
4. Reversing into a Third Party/Property – every event of this nature equals a fund reduction of £250.00

Over the course of the 3 months we would keep score, for example;

Event Type	Number of events or delayed reporting days	£ value
1	7	£1,050.00
2	3	£750.00
3	1	£250.00
4	2	£500.00
		£2,550.00

This would create the following sum;

£10,000.00 (initial fund) –
£2,550.00 (penalties incurred) =
£7,450.00 (remaining fund post deductions) ÷
100 (number of drivers) =
£74.50 (payment due to each driver)

We have made great inroads in all other quarters, it would be great to see a similar improvement in what is statistically, in terms of frequency, your worst quarter. Taking on a bite-sized claim area that is relevant to your specific claims trends is often a better approach than simply referring to claims as a single subject.

I look forward to discussing this matter with you further.

Kind regards,

Daniel Harwood
Managing Director

We are always delighted to review and advise. In the event you feel more could be done to identify areas where you could/should improve, please don't hesitate to contact us.