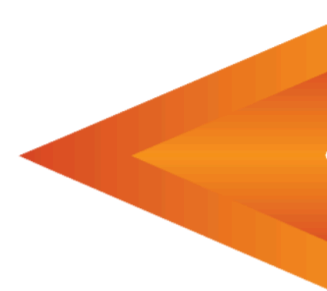


SPEAR

TECHNOLOGIES



Combining Process and Technology to Improve Subrogation Recovery Rates

Introduction

Subrogation plays a crucial role in an insurer's risk management and claims handling strategies. By recovering costs from responsible third parties, insurers can reduce claim expenses, control premium levels, mitigate risks, and enhance overall financial stability. Effective subrogation can lead to improved loss ratios, regulatory compliance, and a significant competitive edge.

However, many insurers struggle to maximize their subrogation recovery rates due to outdated processes, insufficient data visibility, and a lack of automation. Modern core technology provides a transformative opportunity to overcome these challenges, streamlining subrogation workflows, enhancing decision-making, and driving better financial outcomes.

This whitepaper outlines seven key ways insurers can leverage modern core technology to improve subrogation recovery rates and achieve sustainable business growth.

What is Subrogation?

Subrogation is the process by which an insurance company, after compensating its policyholder for a covered loss, seeks to recover those funds from the third party responsible for the damage. It ensures that the party at fault bears the financial burden rather than the insurer or policyholder.

Executive Summary

Subrogation is a vital component of an insurer's claims management and financial strategy. By recovering funds from responsible third parties, insurers can minimize claim expenses, maintain competitive premium levels, and bolster their financial stability. However, many insurers struggle with outdated processes, insufficient data visibility, and limited automation, leading to suboptimal recovery rates.

Maximizing subrogation recovery rates requires a combination of experienced staff, proven processes, and cutting-edge technology. Insurers must adopt an offensive mindset—viewing subrogation as a revenue-generating activity—while leveraging tools that enhance efficiency, accuracy, and profitability.

- ▶ Key Elements of Subrogation
- ▶ Defensive vs. Offensive Mindset
- ▶ The Subrogation Process
- ▶ Types of Recoverable Damages
- ▶ Achieving Success in Subrogation
- ▶ Leveraging Modern Core Technology AI & Predictive Analytics
- ▶ Automation
- ▶ Integration

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Key Elements of Subrogation

- **Definition:** The legal right of an insurer to recover costs from a liable third party.
- **Types:** Property damage, bodily injury, loss of use, and environmental damage, among others.
- **Importance:** Reduces net claims costs, controls premium levels, and ensures fair allocation of liability.
- **Process Trigger:** The right to subrogate begins once the insurer indemnifies the policyholder.
- **Purpose:** To ensure responsible parties are held financially accountable and to minimize the insurer's financial burden.

Defensive vs. Offensive Mindset

The way insurers approach subrogation can significantly impact outcomes:

- **Defensive Mindset (*Paying Out*):** Focuses solely on closing claims with minimal recovery effort.
- **Offensive Mindset (*Recovering In*):** Actively seeks recovery opportunities, reducing costs and enhancing profitability.

Adopting an offensive mindset enables insurers to approach subrogation as a revenue-generating activity rather than a cost center.

The Subrogation Process

A well-defined subrogation process is essential for maximizing recoveries. While each insurer may have unique workflows, a successful subrogation process typically follows these stages:

1. **Claim Submission:** Initial filing of the claim by the policyholder.
2. **Claim Setup:** Creation of a case file and assignment of a subrogation specialist.
3. **Carrier/Responsible Party Notification:** Notifying the liable party or their insurer of the subrogation intent.
4. **Specialist Review:** Detailed evaluation of the claim for recovery potential.
5. **Demand for Payment:** Formal request for reimbursement from the responsible party.
6. **Negotiation and Communication:** Engaging with the liable party to reach a settlement.
7. **Asset Check and Skip Tracing:** Locating assets and verifying the financial standing of the liable party.
8. **Small Claims Recommendations:** Determining if small claims court action is necessary.
9. **Recovery Completion:** Securing the recovery and closing the case.

Success in subrogation depends on the seamless execution of each stage, supported by the right combination of people, processes, and technology.

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Types of Recoverable Damages

Understanding the range of recoverable damages is vital for maximizing subrogation opportunities.

Common types include:

- **Cleanup and Debris Removal** after collisions or catastrophic events.
- **Vehicle Repairs, Loss of Use, and Replacement Costs.**
- **Use of Municipal Vehicles** for emergency response and repair activities.
- **Damage to Public Infrastructure** such as roads, bridges, and utilities.
- **Hazardous Material Cleanup** and environmental remediation.
- **DUI-Related Emergency Response Costs** incurred by municipalities.
- **Traffic Control Expenses** for managing incident-related disruptions.
- **Tree Damage Recovery** and associated landscaping costs.

Each type of damage represents an opportunity for recovery, provided the insurer has the tools and expertise to pursue it effectively.

Achieving Success in Subrogation

Success in subrogation requires a strategic approach that combines:

1. **Experienced Staff:** Subrogation specialists with expertise in legal frameworks, negotiation, and asset recovery.
2. **Proven Processes:** Clearly defined workflows that guide subrogation efforts from initiation to completion.
3. **Comprehensive Documentation:** Detailed records and claims databases that support case management and recovery efforts.
4. **Advanced Tools:** Modern core technology that streamlines operations, enhances decision-making, and maximizes recoveries.

Once insurers have established the right **people, processes, and strategies** for subrogation, the next critical step is selecting technology that aligns with and enhances these elements. Even the most experienced staff and well-designed workflows can be limited without the right technological infrastructure. Modern core technology acts as the backbone that supports and amplifies the efforts of subrogation teams, ensuring every aspect of the process is optimized for efficiency, accuracy, and profitability.

Modern Core Technology: Transforming Subrogation Recovery

Modern core systems significantly enhance subrogation recovery rates by leveraging advanced features such as data analytics, automation, and real-time integration. Below, we explore seven key attributes of modern core technology and how they can drive better subrogation outcomes.

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1. Data Analytics & AI

Attribute: Analyze vast amounts of claims data to detect patterns and identify potential subrogation opportunities automatically.

- **Benefit: Advanced Case Management**

- Centralized system organizes case data for streamlined management.
- Quickly identifies subrogation opportunities and tracks claim statuses.
- Improves operational efficiency and accuracy, enabling insurers to handle more cases with fewer resources.

2. Real-Time Data Integration

Attribute: Seamlessly integrates real-time data sources, including claims information, policy details, and third-party data.

- **Benefit: Data-Driven Insights**

- Uncovers trends and patterns that manual processes may overlook.
- Identifies overlooked subrogation opportunities and prioritizes high-recovery cases.
- Enables strategic decision-making based on real-time data.

3. Automated Workflows

Attribute: Automates key subrogation processes, reducing manual intervention and errors.

- **Benefit: Increased Efficiency**

- Expedites case handling from initiation to resolution.
- Reduces manual tasks, allowing staff to focus on complex, high-value activities.
- Improves recovery rates and operational productivity.

4. Integrated User Portals

Attribute: Enhances communication and collaboration through user portals, email clients, and messenger platforms.

- **Benefit: Enhanced Communication**

- Facilitates seamless collaboration between claims adjusters, legal teams, and external stakeholders.
- Reduces delays and accelerates the resolution process.
- Increases transparency and improves recovery outcomes.

5. Fraud Detection

Attribute: Utilizes advanced algorithms to identify and prevent fraudulent subrogation claims.

- **Benefit: Maximized Recovery Rates**

- Detects potentially fraudulent activities early, preventing resource wastage.
- Focuses efforts on legitimate, high-recovery potential cases.
- Significantly increases overall recovery rates.

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6. Legal Resource Integration

Attribute: Provides immediate access to relevant legal databases, case law, and statutes.

- Benefit: Stronger Legal Positioning
 - Enhances the quality of subrogation cases with well-researched legal arguments.
 - Increases the likelihood of successful recoveries through informed negotiations and litigation.

7. Performance Analytics & Continuous Improvement

Attribute: Tracks key performance indicators (KPIs) such as recovery rates, cycle times, and costs.

- Benefit: Transparent Reporting
 - Real-time dashboards provide full visibility into subrogation performance.
 - Enables continuous process optimization based on performance data.
 - Facilitates better decision-making and strategic adjustments.

Conclusion

Improving subrogation recovery rates requires a holistic approach that combines experienced staff, effective strategy, proven processes, and modern technology.

By leveraging modern core technology that supports these methodologies while enhancing capabilities through built-in artificial intelligence, predictive analytics, and automation, insurers can significantly improve their subrogation recovery rates, leading to increased revenue, reduced claims costs, and improved overall profitability.

Unlocking Subrogation Success with SpearClaims™

SpearClaims™ is a modern, no-code/low-code core system designed to optimize subrogation processes. With built-in AI, data analytics, and automated workflows, SpearClaims™ empowers insurers to maximize recoveries while reducing operational costs.

- [Schedule a demo](#) to see how SpearClaims™ can transform your subrogation processes.
- [Request pricing](#) to discover how our solution delivers value with a lower total cost of ownership.

By combining process excellence with advanced technology, insurers can turn subrogation into a strategic advantage and drive long-term business success.

About Spear Technologies

Spear Technologies is a leading provider of core software solutions systems for the P&C insurance industry. Spear's cutting-edge software solutions empower insurer organizations with unprecedented speed, control, and results. Spear's latest solutions take advantage of the low-code Microsoft Power Platform™ and incorporate AI, data analytics and intelligent automation to achieve better results. Spear's cloud-based policy, billing, claims, and portal solutions enable organizations to easily configure their systems to align with their unique and ever-changing business needs. For more information about Spear Technologies visit www.spear-tech.com.

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