

## **Cat Claims**

**By Mark Sullivan, Head of Claims, Axiom**

The terrible earthquake in China is a reminder of just how quickly a natural disaster can strike. With the hurricane season upon us, it is vital for reinsurers to have effective cat management plans in place if they are to manage a surge of claims from natural disasters accurately and promptly.

The cat management plan should be designed to respond whenever a number of aggregated claims impact a reinsurance programme. It will also enable reinsurers to support cedents when they are under pressure from thousands of individual claims. An effective plan will let reinsurers control their books, manage cashflow, maximise asset recovery and protect their balance sheets.

In the weeks following a catastrophe reinsurers will be inundated with loss notifications, ranging from precautionary advices to notifications of total losses involving whole programmes. Every insurer is different and reinsurers should understand their cedants' reserving strategy as this will ultimately be reflected in their own numbers. It is essential that cat claims are isolated from the reinsurers' normal business and dealt with on a standalone basis. This will make it clear where the pressure points are occurring and it will be easier to add resource, perhaps from outsourced specialists, if necessary.

It is possible that major catastrophic losses will result in contentious matters arising between cedant and reinsurer. A robust cat plan should therefore include a mechanism for identifying issues, creating appropriate wordings to respond to such presentations and a consistent methodology in the management of issues. This proactive approach allows reinsurers to support cedants whilst protecting their rights should they decide to take action at a further date.

An effective cat plan will not only focus on inbound claims; tracking of losses throughout the inward programme will ensure that reserves are recorded appropriately at all layers, allowing reinsurers to notify their broker promptly of all claims which are likely to breach their own outward programme.

Experience shows that claims are settled faster and more accurately if there is open communication at every link in the chain. This also allows informal discussion to address day to day problems before they become major issues.

Natural disasters challenge the industry to respond quickly, effectively and accurately to a surge of claims. It is only by having effective cat management plans in place that reinsurers can hope to rise to the challenge, enhancing their reputation and protecting their balance sheet and profitability.