



Case Study – Credit Hire Insight

Credit Hire Protocol Audit and Review

An insurer client required an independent assessment of three things:

- the overall benefits they were obtaining from the claims handling protocols being followed with certain Credit Hire Organisations (CHOs)
- the risks that these protocols were introducing
- the opportunities for doing something different going forward

At the start, our expert consultant was employed to help determine the detailed management information needed to advise and effectively.

Bring an Outside Perspective

The approach then focussed on:

- gathering data over specified time intervals to make visible the trends of costs, hire periods and litigation CHO costs
- developing a model to replicate the volumes of cases against different financial scenarios
- a detailed comparison of a sample of cases using validated Basic Hire Rates data to identify the potential savings available
- determining the extent of any operational changes with related cost required to implement agreed change options

Analysis Phase

The analysis showed that in maintaining the status quo there would be continued predictability about indemnity spend, accepting the risk that they could be subject to increase over time.

However, the client understood that the predictability of the protocol model came at a cost and recognised a more BHR evidence approach could be financially beneficial

The SX3 analysis identified the following indemnity cost saving options for the client:

- a) engage with relevant CHOs to vary the protocols towards a more beneficial model
- b) consider the outsourcing of the credit hire element of the claim to recognised providers
- c) adopt a more Basic Hire Rates data related strategy including the mitigation of litigation risks and maximise the benefits



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Implementing the Decision

The client favoured Option c). They were committed to in house claims management so wanted to develop and retain those skills within the business for the future. In coming to that decision, the client also asked SX3 to advise them on corporate readiness for their chosen way forward.

This included:

- Devising a training plan for the client’s operational staff
- A communication plan was devised to make all relevant stakeholders aware of the imminent changes and resourced.
- Adopting the new consistent settlement approach on those CHOs currently without protocols as a pragmatic method for rolling out a new way of working whilst minimising the risk and gaining confidence of the benefits
- Helping produce supportive guidance documents by way of a “How To” manual for front line staff which detailed the overall settlement strategy and gave some examples of issues they were likely to face
- Holding a regular review with SX3 and key stakeholders to adjust and flex the agreed strategy

Post Implementation

The client had noted the beneficial change to the overall spend and had also benefitted from increased engagement of claims staff who felt empowered to effectively negotiate claims for credit hire which had been out of scope. Litigation rates were lower than had been anticipated.

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