

C112 PRACTICAL ISSUES IN CLAIMS MANAGEMENT

IMPORTANT

The time allowed for this exam is 3 hours.

Total marks: 200

You must hand in this paper and any paper used for rough work to the supervisor when you leave the examination room. Failure to do so may result in disqualification.

Section A: Multiple-Choice Questions

Question 1. For the following multiple-choice questions, fill in the circle of the letter that identifies the most correct answer.

Example: (A) (B) ● (D)

DO NOT MARK THE ANSWERS ON THESE PAGES.

USE THE FIRST PAGE OF YOUR ANSWER BOOK.

1. For a goal to be effective, the goal should be
- (A) attainable, achievable, and deliverable.
 - (B) specific, challenging, and measurable.
 - (C) flexible, attainable, and deliverable.
 - (D) objective, realistic, and direct.

2. In loss adjustment, a generalist is an adjuster who
 - (A) deals with multi-lines.
 - (B) deals with one line of business.
 - (C) has a basic skill set in the adjudication of losses.
 - (D) deals only with field losses.

3. Which of the following is NOT a by-product of a well trained employee?
 - (A) The employee may develop job satisfaction
 - (B) The employee may be given more responsibilities to match their level of competency
 - (C) The employee may be stimulated by greater advancement opportunities
 - (D) The employee may be well-focussed on irrelevant issues in settling claims

4. Telephone adjustment is often a large part of claims department operations. The use of telephone adjusters promotes
 - (A) effective communication.
 - (B) good business practices.
 - (C) quick and economical claims handling.
 - (D) claims to be settled within a shorter period of time.

5. Claims and underwriting departments often work as a team to help in either the underwriting process or claims adjudication. The claims department usually can contribute valuable information to underwriters pertaining to
 - (A) rating information, building construction, and accident prevention.
 - (B) assessment of liability.
 - (C) assessment of fraud.
 - (D) policy interpretation and policy coverages.

6. Zero-base budgeting examines
 - (A) each category listed in the budget to ensure that it does not exceed the amount of budget allocation.
 - (B) the previous year's budget to determine how much will be spent in the coming year.
 - (C) the root needs of the organization by justifying each expenditure.
 - (D) all external factors that affect costs.

7. The claims manager has decided to outsource the handling of a significant number of claims that cannot be serviced comfortably by existing company loss adjusters. Of the following circumstances, which one is most likely to have influenced the claims manager's decision.
 - (A) The strategic short-term objectives of the company will eventually lead to a significant expansion in operations.
 - (B) The underwriting department has made an announcement that they will start to write Errors and Omissions business.
 - (C) The strategic long-term objectives of the company to be implemented immediately will lead to significant reductions in the amount of business written.
 - (D) The underwriting department has responded to long-term corporate goals and will redirect their resources to write more automobile business.

8. Verifiable factors are used to measure the
- (A) use of numbers as a weight.
 - (B) percentage of claims and the average payouts.
 - (C) number or words used in a file.
 - (D) performance of the file.
9. A **case loss reserve** amount is the
- (A) amount set by actuaries as to what an insurer will pay on a claim.
 - (B) adjuster's best guess as to what an insurer will pay on a claim.
 - (C) largest liability expressed on the insurer's balance sheet.
 - (D) amount set aside to pay for a loss that has been incurred but not yet reported.
10. A reserving theory that accepts a worst case claims scenario and assumes a negative outcome to a judicial argument is known as the
- (A) ultimate possible outcome theory.
 - (B) minimum possible outcome theory.
 - (C) probable settlement value theory.
 - (D) maximum threshold settlement theory.
11. Loss development is the
- (A) augmentation of case reserves with an aggregate amount to account for liabilities that may not have been properly accounted for.
 - (B) adjustment of reserves to allow for any shortfalls.
 - (C) fluctuation of reserves to accommodate for expenses.
 - (D) increase or decrease in the value of losses that occurs between two loss evaluation dates.
12. Many organizations are subject to internal and external audits. An audit is defined as a
- (A) fact finding exercise.
 - (B) process to identify the companies priorities.
 - (C) formal examination, analysis, or verification of an operation.
 - (D) framework for training initiatives to improve skills of employees.
13. A **proactive approach** in undertaking an audit means that
- (A) less time, resources, and energy will be spent in the claims audit process.
 - (B) actual problems have yet to be identified in the claims operation.
 - (C) the company will examine every facet of how a claim department operates.
 - (D) the audit will focus on limited aspects of the operation.

14. Audits that encompass open files more readily
- (A) uncover the current issues and problems.
 - (B) identify the complete picture of the entire cycle of a claim.
 - (C) ensure objectivity of the whole audit process.
 - (D) evaluate the optimum performance of the claims department.
15. The focus of a technical claims audit is to
- (A) record, assess and determine coverage for claims.
 - (B) confirm, record and document the facts of the claim.
 - (C) review coverage, reserving, investigation, evaluation, negotiation and settlement practices of loss adjusters.
 - (D) analyse the benchmarks the company has established.
16. Subrogation is meant to
- (A) prevent the insured from collecting insurance proceeds directly from the insurance company.
 - (B) allow the insurer to sue in their name for full recovery of the loss paid.
 - (C) allow the insurer to gain new rights of action relating to the insured's claim.
 - (D) prevent the policyholder from profiting from a loss and to preserve the principle of indemnity.
17. When insureds sign away their rights of recovery against a third party, it is known as a
- (A) loan receipt.
 - (B) release.
 - (C) proof of loss.
 - (D) reservations of rights.
18. To garnishee is to
- (A) seize property, money, earnings of a debtor that are yet being held by a third party.
 - (B) determine the fair value of the claimed item at the time of the loss based on a purely intrinsic valuation.
 - (C) seize clothing, vehicles, furnishings and equity in a home held by a debtor.
 - (D) appraise the value of the debt owed.
19. When a loss transfer payment is actually requested by an insurer in regard to Ontario's accident benefits system, this is done through a
- (A) reinsurance request form.
 - (B) request to pay form.
 - (C) request for indemnification form.
 - (D) request for reimbursement form.

20. Litigation means
- (A) to carry on a legal contest or a legal challenge by judicial process.
 - (B) to engage in a legal contract to defend another.
 - (C) a process of waiving one's rights to another.
 - (D) a commercial enterprise where the right to ethical and professional conduct is expected by counsel.
21. How litigation will proceed according to a timetable that includes judicial deadlines and estimates of when a claim will be resolved is known as a
- (A) statement of litigation.
 - (B) judicial plan.
 - (C) litigation request for proposal.
 - (D) litigation plan.
22. Procedural law sets out the
- (A) rights and duties we have within society.
 - (B) rules and governs the form and order of law suits.
 - (C) express will of society.
 - (D) substantive judicial system.
23. The main purpose of the CERP is to help the insurance industry
- (A) handles large numbers of insured losses arising from an emergency.
 - (B) gather statistical data.
 - (C) by facilitating better communication to public.
 - (D) lobby for better road safety and work with the governments more closely.
24. Catastrophic events are inevitably subject to media attention. Insurers who realize that their practices may become the topic for the national news would be prudent to work even harder to
- (A) enhance relationships with their service providers.
 - (B) offer on the spot training for staff to increase their technical skills.
 - (C) lower insurance premiums.
 - (D) provide outstanding claims service.
25. In the context of an insurance catastrophe, organizing and delivering resources to the scene of the loss is known as
- (A) interrogatories.
 - (B) bifurcation.
 - (C) logistics.
 - (D) mapping and indexing.

26. The purpose of daily debriefing sessions for claims staff in a catastrophe is to
- (A) allow the claims team to keep on top of developments in the field, share information, and troubleshoot problems.
 - (B) allow the claims team to keep up on status of claims and outstanding payments needing to be processed.
 - (C) inform the public of developments in the adjudication process, share information, and answer any questions.
 - (D) provide the insurance company with time to organize its day and issue media bulletins.
27. In the case of *Ford Motor Company of Canada v. Prudential Assurance Co.*, policy exclusions raised as a defence by the insurer included damages caused by the cessation of work and damages caused by changes in temperature. The basis of the legal reasoning that finally led to absolving the insurer of liability was
- (A) connotative contextual construction.
 - (B) the priority rule.
 - (C) the fair comment rule.
 - (D) concurrent causation.
28. When a defamatory statement is made in writing, signs, or pictures this is known as
- (A) slander.
 - (B) libel.
 - (C) discrimination.
 - (D) dissemination.
29. Class action is a civil procedure to
- (A) secure a judicial remedy for corporate compliance.
 - (B) ensure that individuals' rights are protected.
 - (C) secure a judicial remedy for a group of persons who have common interests in an actionable cause.
 - (D) streamline and speed up the business of insurance.
30. The purpose of a class action certification hearing is to
- (A) allow a motions judge to assess whether criteria outlined in legislation have been satisfied.
 - (B) ensure that all documents are properly recorded prior to the trial.
 - (C) allow a judge to hear both sides of the action presented for trial.
 - (D) allow a judge to assess the credibility of the case.

(2 marks each = 60 marks)

Section B: Narrative Questions

- Question 2. (a) Discuss the role of the claims manager in an insurance company. (10 marks)
- (b) Identify and explain THREE (3) claims department organization systems. (10 marks)
- Question 3. (a) An insurance company must be made aware of new claims as soon as possible after the loss has occurred. Describe the methods by which a claim may be reported. (10 marks)
- (b) Contrast the TWO (2) elements in each of the following and provide an example for each item.
- (i) Allocated loss expenses with unallocated expenses (5 marks)
- (ii) Outputs with outcomes (5 marks)
- Question 4. (a) As the regional claims manager you have decided that due to time constraints and workload you will be outsourcing the audit functions you usually perform. Discuss the type of external auditor you would seek, their qualifications, what the benefits are to outsourcing and any other issues you would address. (10 marks)
- (b) In managing the litigation process, companies may choose to set up their own in-house counsel. Outline the set-up and some of the advantages and limitations of an in-house litigation team. (10 marks)
- Question 5. (a) Facilitating early settlements in Ontario through case management often provides an option for fast tracking, to avoid delays and exuberant costs. Conferences were developed to promote resolution for parties in dispute. Explain the various forms of judicial conferences available in Ontario. (15 marks)
- (b) Define what **catastrophe** means in general terms. (5 marks)

Section C: Application Questions

Question 6. Ricardo was the catastrophe coordinator for the claims department headquartered in Winnipeg. When the news of a forest fire was broadcast in the province of Quebec, Ricardo learned very quickly that a significant number of the insurer's clients were affected. Large areas of several towns had been wiped out leaving many people homeless. Familiar landmarks and street signs had been destroyed in the fire. Ricardo needed to consider how to overcome the difficulties that had arisen.

Ricardo organized a group of claims people to lead the insurer's catastrophe response team. Ricardo knew that a group orientation session was an essential means of communicating with his catastrophe team quickly and efficiently. He carefully plotted out an agenda covering all of the aspects that the claims personnel would need to know about. Identify each item that would have been included on an orientation session agenda and explain why it needed to be broached.

(20 marks)

Question 7. Coolswim Day Camp is a summer day camp program offering swimming programs for children. The camp has hired many counselors and swim coaches to work with the children. The camp also has a sleepover program one night a week open to all the children. Allegations have been made by some of the children that they have been subject to inappropriate abuse by two of the counselors. The camp was sued as a result. The camp was found to be vicariously liable for the acts of its employees. Discuss the **Salmond test** and the basis upon which the camp can be held vicariously liable.

(20 marks)

Question 8. The Fix It Insurance Company takes its customer claims service issues seriously. When problems arise related to claims service, it is standard protocol to call a meeting to generate ideas for potential solutions to the problems.

You have been chosen to lead this meeting. Outline the analytical framework you would use to simplify and to find solutions for the reported problems. In your answer include the questions that must be raised to achieve your goal.

(20 marks)

