



As Third Party Intervention (TPI) becomes a commonplace feature of the claims management landscape it is right to ask searching questions of practices, processes and even the morality of these activities and to determine their real worth to the insurer, customer and supply chain.

Seen by some as a pure defence mechanism against the rampaging hordes of the credit hire operators and Personal Injury claims farmers this article argues that TPI has a much more central place in the corporate tool bag and deserves a greater prominence in both the non-fault and the fault market. .

Arguably, having been forced into action by the credit hire operators, insurers have embraced TPI but the 'stand alone' and often isolated nature of many of these TPI offers can serve to mask the broader implications of TPI for the market as a whole

The TPI Offer

At its core the TPI offer is no more than that of a standard offer to a fault policyholder i.e. repair, continued mobility and customer care. The advent of the credit hire operators has meant that the mobility solution often has to be upgraded to a 'like for like' vehicle but, interestingly, up to 60% of the third parties who are captured and

converted accept a standard garage provided courtesy car—thus giving some support to the argument that credit hire operators artificially stimulate demand for higher grade (and more costly) vehicles that wasn't there in the first place.

However, therein lies some of the problems inherent in TPI work—by focussing on the cost savings to be achieved there is a danger that the offer itself becomes undermined and lost in the arguments surrounding the validity of customer representation and independent advice. The simple truth of the matter is that most consumers want a speedy, effective and convenient service and the best placed organisation to achieve this is surely the insurer that is paying the bills. They may have a vested interest in reducing the costs, certainly, but they also have an equally strong motive to manage the customer and to meet or exceed their expectations.

In doing so they would achieve the best of all worlds - cost effective service provision that keeps customers and suppliers on board in the short term, whilst ultimately helping to keep premiums down in the longer term. Where the moral validity of the TPI offer suffers is when artificial incentives



are deployed purely to reduce costs. The offer of televisions, holidays and Marks and Spencer vouchers instead of repair, mobility and legal solutions can only serve to undermine the standing of TPI as a valid claims management tool. The same could also be said for the 'in house' provision of

legal services and Personal Injury case management. The institution that reputedly appointed a legal

are also involved in the credit hire market and unfailingly demand and accept high commissions

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services firm to lead their TPI effort on the basis that PI settlement costs would be lower is surely guilty of every possible breach of the principles of Treating Customers Fairly

Be that as it may, TPI has proven to be a hit with customers and a major tool to save costs for the insurer

Setting the Standards

A typical hire period for a TPI case would be in the region of 11 days. In quieter periods this can fall as low as 8 days and perhaps rising to 15 days in the depths of winter. Why then does an average hire on the same type of vehicle for the same repair from a credit hire operator have a typical outcome of 21-23 days?

The answer, of course, is that the CHO has no incentive to reduce hire periods and, in fact, will seek to extend them wherever possible because of the extra earnings that this generates.

The complicating factor is that a great many insurers

which can only be realistically generated from extended hire periods.

It has long been recognised that this double standards is unsustainable in the longer term and one has to wonder when commercial pressures from TPI activity will spill over into the credit hire market and begin to eat into the current earnings being enjoyed by the insurers and their commission paying suppliers.

One also has to wonder where the FSA would stand on the issue of differentiated treatment for customers? Insurers are effectively providing a better grade of mobility solution via their referrals to CHOs but at the cost of an extended repair and hire cycle.

Simultaneously those same insurers will provide an equivalent mobility solution to the non fault policyholders of *another* institution with a much shorter cycle time being the outcome.

In amongst all this confusion is the poor 'at fault' policyholder who has

KEY TPI CONSIDERATIONS

DATA: What new elements of institutional culture, first notification practices, customer motivation and in-car aids need to be in place to capture third party data?

LIABILITY: Speed of decision making is critical. How will you achieve fault decision making in minutes rather than hours or even days?

LOGISTICS: What are the mechanisms in place to deliver the promised services?

LEGAL: Sourcing legal services from your traditional panel is fraught with perceived (and possibly real) conflicts of interest. How best to achieve effective and genuinely independent legal advice for the consumer?

TPI DELIVERY: At the front end of capture and conversion TPI is not a 'claims' service. Instead it is a telephone and direct marketing sales exercise. Who is best placed to undertake this role either inside or outside of your organisation?



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faithfully paid their premiums, made their claim and is left with what they might perceive to be a second grade mobility solution and a standard repair service.

Outsourcing Solutions

Insurers vary on their attitudes towards outsourcing TPI activity. Arguably it is the job for the entrepreneurial specialist driven by the need to make profits. Equally, it is possible to build internal teams that can also do a good job although in this instance the emphasis can

be too focussed on the cost savings being made.

Outsourcing works best where there are shared cultures, close integration and total transparency between insurer and supplier. Both parties need to understand the overall objectives and the insurer needs to be aware that they are in a race to be first to the customer. TPI is not a claims operation but a sales environment in which the quick and the speedy gain the spoils

This in turn puts new strain on a front-end delegated liability structure that is slick, efficient and includes

automated transmission of information to all the stakeholders in the process.

In turn this may well imply that a wholesale review and redesign of the claims process will be needed and extensive internal reorganisation. With average savings in excess of £1500 per case (before PI settlement is taken into account) the long term gains of an effective TPI effort are worth a little short term pain.

Finally, let us not forget the myriad of other service suppliers involved in TPI activity: repairers, car hire, salvage, legal, medical, and others. TPI requires a high degree of seamless integration that is different in nature to that of the fault policyholder given that the third party has plenty of other options available to them. Bringing all this together into a deliverable proposition is not a task for the general claims handler or well meaning First Notification desk.

“Pre-packaged solutions rarely fit the bill. Claims process redesign may well form part of the overall service provision”



Written by Eddie Longworth, MD of Gemini Vehicle Solutions. Contactable on: elongworth@geminivehiclesolutions.co.uk