

# Discontinued Binders

## A Legacy Perspective

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# Agenda

1. Non-renewal of binding authorities
2. Practical implications of disputes
3. Claims run-off

## Key messages

- Important to consider implications of termination before entering in to a binding authority relationship
- Disputes with coverholders can be costly, time consuming and hugely distracting for insurers – but sometimes necessary
- Ensuring alignment of interests in a claims run-off may require changes in approach

# Non-renewal

# Terminating agreements at expiry

- Stakeholders
- Communication
- Form of notice
- Staffing
- Maintaining relationship

## Risks to consider

- Activity during notice period
- Adverse risk selection (conscious or unconscious)
- Turning off the tap
- Return of materials
- Data transfer
- Future co-operation

# Terminating agreements mid-term

- Mostly strategic
  - › Unless well understood, can lead to relationship issues
  - › *Temple vs. QBE Insurance Europe Ltd*
- Occasionally due to breach of agreement
  - › Breach of regulations / sanctions
  - › Exceeding income thresholds
  - › Writing outside scope
  - › Dishonesty
  - › Fraud
- Proceed quickly, but with caution
- Fully consider the practical implications before acting

# Managing disputes

# Practical issues

- Legal action can be necessary
  - › *QBE Insurance (Europe) Ltd v Surety Guarantee Consultants Ltd & others*
- But: you still have a run-off to manage
  - › Recovery of records & data
  - › Knowledge & skill
  - › Claims run-off
  - › Time / distraction
  - › Expense
- Policyholder & Regulator perception

# Claims run-off

# Claims run-off

- Benefits in outsourcing claims management
  - › Expertise
  - › Cost
  - › Policyholder relationship
- In a run-off situation, additional risks can arise
  - › Prioritisation of service
  - › Alignment of interests
  - › On-going oversight
  - › Loss funds

# Claims run-off

- Aligning interests
  - › Service standards
  - › Motivated to close out the portfolio
  - › Hourly rate vs. Per claim fees vs. Closure fees vs. Contingent fees
  - › Performance related remuneration
  - › Reducing funds under management
- Consolidation of service providers
- Level of oversight

## Loss funds

- Consider how your accounting may have changed over time
- The legacy sofa



## Key messages

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# Questions & answers

# Thank you

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