

## Loss (Reporting) Control

---

Daily, insurance consumers experience all types of losses to their property. Depending upon how serious the loss is, property owners have to consider their next action. Typically, the next move is to get an insurance company involved. When a loss amount is high, this may be the only practical thing to do. However, when a loss involves a more modest amount, it may be prudent to carefully consider if it is appropriate to file a claim.

Any entity that carries insurance should always evaluate how insurance affordability or availability may be affected by filing minor claims. Insurers are focusing more of their attention on loss history. They closely scrutinize how past losses affect a given business that they insure or are considering insuring. In the current insurance environment, reporting a minor loss could make you a two-time loser. First, depending upon loss circumstances, coverage may be denied. Second, the fact that the loss occurred may cause your insurer to take a closer look at you.

Insurance companies want to have as much information as possible in order to decide whether to offer or continue to offer coverage. Loss history has always been important to insurers. However, an increased emphasis is being placed on using past losses as a way to predict the likelihood of future losses. The difference is that insurers have abandoned asking only about losses that exceed a certain amount. They now look for information on every conceivable loss. This increased sensitivity to losses may cause an insurer to increase premiums or even decide not to renew coverage when, in the past, minor or unpaid claims were not treated as problems.

Insurance consumers need to be aware of how they handle losses and of how insurers currently respond to their customers' (or applicants') loss activity. You owe it to your organization to manage losses in a manner that is in sync with the new reality. Handling more small losses as an operating expense instead of through your insurer may be good business and could help preserve insurance availability for serious situations. More organizations are becoming aggressive and creative in managing losses, especially as insurers have changed their attitude toward losses and underwriting.

---

COPYRIGHT: Insurance Publishing Plus, Inc. 2003, 2008

All rights reserved. Production or distribution, whether in whole or in part, in any form of media or language; and no matter what country, state or territory, is expressly forbidden without written consent of Insurance Publishing Plus, Inc.