

PRO support for Faraday

Introduction

The Faraday Group comprises two risk bearing entities: Faraday Re, a AAA rated London market reinsurance company, and Faraday Syndicate 435 at Lloyd's, both part of Gen Re Corporation, a wholly owned subsidiary of Berkshire Hathaway.

Premium income for 2009 is forecast to be circa £470m, being sourced from both the Lloyd's and company markets and a diverse range of worldwide insurance and reinsurance classes.

Faraday's Requirements

The Faraday management team, as part of its ongoing review of operations and underwriting support, identified a number of key requirements:

- efficient turnaround of operational support functions with a high level of accuracy;
- a consistency of service delivered through a reduction in staff turnover and subsequent dilution of knowledge;
- a more flexible approach to staffing levels to match peaks and troughs in the underwriting cycle;
- release of management time to focus on value added business activities.

The Solution

The Faraday team explored a number of solutions for underwriting support, including a competitive outsource tender. Following a review of the options Faraday selected PRO as it was able to provide:

- a bespoke service, auditable against a Service Level Agreement and against the client's own reporting systems;
- a core team dedicated to meet Faraday's requirements with a low staff turnover;
- additional flexible resource to cope with increased volumes during busy renewal periods;
- support from PRO's in-house IT department to assist in the design and implementation of secure infrastructure, allowing offsite access to the client's core systems with minimal disruption to ongoing operations;
- an alignment of interests whereby PRO is rewarded for meeting SLA requirements for throughput and quality;
- billing transparency and a clear audit trail

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Specific Services Provided

From the full underwriting support package, the client selected those elements which it felt would add most value:

Indexing of risks and the analysis, calculation and entry of slip and endorsement data - The risk / endorsement information is scanned by the underwriters at the box in Lloyd's or in the office. Documents enter into a workflow procedure and are retrieved by PRO staff who review and extract the information for input to the client's risk capture system. Input conforms to agreed guidelines which are tailored to meet business and reporting requirements. The connectivity of the systems between both parties allows Faraday to review the progress of the data at any stage in the process. Circa 4,000 slips and 7,000 endorsements are managed in this way in a typical annual period.

Property schedule manipulation and Geocoding administration - A key challenge for international insurers is the capture and management of global exposure data relating to insurance risks. Underwriting data is received in a wide variety of formats. To input this information into loss modeling software and to conduct subsequent geocoding of the risks, PRO manipulates the data, primarily in relation to property exposures. This service saves the client from the time consuming process of manipulating data into the required format and entering the formatted data into the risk modeling software. During the previous year 2,000 quotation schedules were manipulated by PRO on behalf of Faraday.

Contract Certainty checking and reporting - PRO assists the client in the achievement of post-bind Contract Certainty by ensuring that all contract terms are clear and unambiguous. All lead risks plus a proportion of non-lead risks are reviewed, in line with the specific requirements of the client. PRO integrates with the client's operating and workflow systems to enable direct access to the risks and, using Adsensa's Wordsensa QA, policies are analysed by identifying key words and phrases against a pre-determined check list. The findings are recorded as required by the client and any failures in respect of lead risks are reported to the underwriter to ensure problems are addressed on a timely basis. Circa 1,000 contracts are checked in a typical annual period.

Technical processing and reporting - There are certain business functions which are essential but time-consuming and not core to the management team. Outsourcing of these functions allows a greater focus upon core business objectives. Linking to the client's mainframe and workflow system enables PRO to provide a range of both premium and claims technical processing services: automated processing from both the Lloyd's and Company bureaux and manual entry of transactions outside of the bureaux. PRO's service includes matching and interrogating items against EPI at risk level and the correction of EPI entries where necessary by referral to Underwriters, Brokers and Xchanging. A query log is maintained and monitored to ensure that queries are resolved on a timely basis.

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Comments on Performance

Richard Emmett, Head of Portfolio Management at PRO, said *"Working with the Faraday team has been a mutually beneficial experience. On the one hand we have learned a lot from the vast underwriting experience and integrated systems employed by Faraday and on the other PRO has been able to provide a tailored, flexible solution to suit Faraday's business needs. We are sure that we can continue to build on this relationship in the future"*.

Quotes from Faraday on the performance.

John Connors, Head of Operations at Faraday said *"PRO has delivered what we wanted; a consistent level of turnaround and quality irrespective of workload peaks. They are proving to be an excellent out-sourcing partner"*.

PRO's Support for Live Underwriting Operations

In a competitive marketplace based on high volume processes, the right administrative support is vital. Our large, multi skilled support team enables clients to reduce the overhead costs normally associated with our industry. Additionally, we can provide resources on a flexible contract to meet seasonal peaks or to help clear backlogs.

We offer expertise and support in all these key areas:

- Underwriting contract processing, full risk input;
- Premium processing and collection;
- Broker ledger reconciliation;
- Advice on extracting an improved level of service from brokers;
- Credit control collection services;
- Claims adjusting;
- Inspections and audits;
- Commutations.