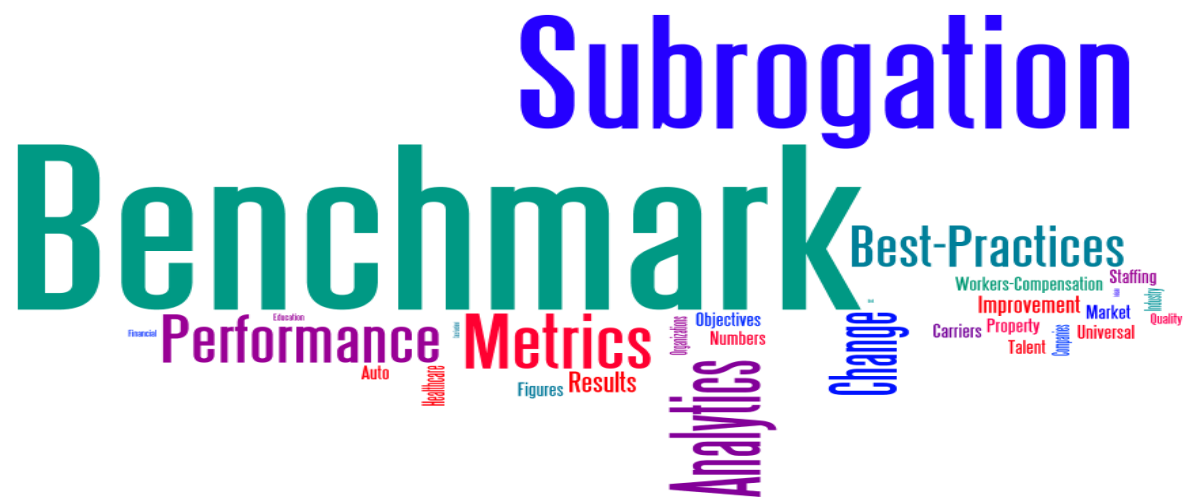


Subrogation Benchmark



Auto Benchmark Definitions

Allocated Loss Adjustment Expense - costs that are typically assigned to specific claims (examples: attorney fees, independent adjuster fees, doctor fees, court costs, police report costs).

Audit – a review and evaluation of claim work to detect whether procedures have been followed and appropriate decisions reached according to organizational practices.

Auto Adjuster – A person who handles claims only and does **NOT** handle subrogation.

Auto/Subrogation Adjuster – A person who handles both the auto adjustments and subrogation pursuit on a given claim.

Auto recalls – An Auto related (product liability or workmanship based) occurrence that is related to or caused multiple claims to occur. Example: Manufacturer defect that creates a pattern of auto losses, usually reported by NHTSA. (This question was moved from below -This should be in the glossary as well)

Average In-Force Policy Count – This figure is based on beginning and end of year average, or preferably, based on end of month average. Policies should be reported on an annualized basis (6 month policies should not be doubled).

Cause of Loss – Term used to describe the peril or event description (example: fire, collision, theft).

Collections Vendor – Outside, third party vendor solely dedicated to pursuing subrogation recoveries on behalf of a company.

Commercial Auto – Any vehicle used for business purposes that is insured with a Commercial Auto Policy (may be referred to as Business Auto).

First Subrogation Close Date – the first date that Subrogation completed work on the claim and closed the claim in the system.

Gross Recovery – Total Insured and Uninsured collision recoveries before removing any expenses incurred during the recovery process. Recoveries will exclude the following:

- Reinsurance
- Allocated Loss Adjust Expense (ALAE) recovered (if any)
- Deductibles
- Anything that is recovered that is not included as part of the paid loss.
- Salvage Recoveries
- Catastrophic Recoveries
- Class Action Recoveries

Intra-Company – Refers to a subrogation matter being pursued against another insured that has their policy with the same company or subsidiary.

Net Recovery – Total gross recoveries less expenses incurred on behalf of the subrogation process (including internal and external expenses).

Notice of Loss Date – The date the loss was first report to the carrier.

Out-of-Pocket Expenses – Any damages incurred by the Insured which are not covered / paid by the underlying insurance policy other than the insured deductible.

Paid Loss – Loss payments only (excluding reserves) prior to subrogation offsets less deduction for salvage. Paid loss will exclude the following:

- Allocated Loss Adjusting Expense (ALAE)
- Deductibles
- Salvage Paid Losses
- Catastrophic Losses
- Class Action Losses

Personal Auto – Insurance purchased for cars, trucks and other vehicles used for personal use only. The type of policy that covers the insured for personal liability, physical damages, medical expenses, uninsured or underinsured motorist protection in case of an accident.

Reported Claim – A new file opened or accident reported on a calendar year basis. Claims should be reported at the claim-occurrence level (rather than on the feature or coverage level). Only include claims where you paid at least \$1.00 of a collision payment.

Subrogation Assignment – A claim assigned to a Subrogation Professional for pursuit of a recovery.

Subrogation Expense – Expenses to pursue subrogation.

Subrogation First Recovery Date – The date the first subrogation recovery on the claim was made and credited to the claim.

Subrogation Professional – The Subrogation Professional only handles subrogation files.

Subrogation Referral – A claim referred to the Subrogation Unit for review and potential pursuit. A referral may or may not be assigned.

Unallocated Loss Adjustment Expense (ULAE) – Those claims settlement costs that either cannot or for practical reasons are not directly allocated by individual claim (examples: Claims department salaries, travel, postage, rent, equipment).

Sample Calculations for Auto

Example: A claim is reported with \$10,000 in paid losses and is subrogated. \$1,000 is recovered in Salvage. The Insured paid a \$1,000 Deductible. The Insured incurred \$2,000 in subrogation expenses on the claim. The Insurer recovers \$6,000 in paid losses.

Paid Loss Calculation:

Initial Loss Payment	\$10,000
Less Deductible	- \$1,000
Less Salvage	<u>- \$1,000</u>
Paid Loss	\$8,000 (Do not include ALAE)

Gross Recovery:

Recovered Amount	\$6,000
Paid Loss	\$8,000
Sample Equation	$\$6,000/\$8,000 = 75\%$ Gross Recovery Rate

Net Recovery:

Recovered Amount	\$6,000
Less Subrogation Expense	<u>-\$2,000</u>
Net Recovery Amount	\$4,000
Paid Loss	\$8,000
Sample Equation	$\$4,000/\$8,000 = 50\%$ Net Recovery