

# Central subrogation

It's estimated each year U.S. businesses lose tens of millions of dollars paying liability or workers' compensation claims that – at least in part – should be paid by a responsible third party. In this time of rising costs and eroding profit margins, Sedgwick's goal is to ensure our customers have the best recovery results possible and, at the same time, minimize related expenses.

## Challenges of today

Over the past few years, subrogation has become increasingly complex. One of the challenges with subrogation today is that the process brings considerable jurisdictional variations, making it difficult for the average third party administrator (TPA) or examiner to unravel and identify potential subrogation opportunities.

Today, every state has its own regulations, operational processes and guidelines. Some states have not only their own jurisdictional variations, but also subtle differences in how municipalities and counties govern subrogation – from the formulas used to determine recovery to the overall amount of the subrogation.

Because of this complexity, and the time required to fully investigate subrogation, many TPAs choose not to aggressively pursue it or only conduct a basic review.

## A better approach to subrogation

Sedgwick's approach is different. We know that every dollar matters to our clients. Our focus is on exploring every possible subrogation opportunity available through our team of recognized industry experts – one of the largest, highly credentialed and stable subrogation teams in the nation.

## Who we are and what we do

Our central subrogation services were created to ensure our clients maximize their recoveries. We are dedicated to reducing loss payout and expenses for our clients' automobile, property and workers'

compensation claims – everything from fender benders to multi-million dollar property claims.

Providing this level of service to our customers is a team of industry experts with the jurisdictional training and specific knowledge needed to find subrogation dollars quickly and accurately. Many of them are members of the National Association of Subrogation Professionals (NASP); and have earned professional certifications such as the Associate in Claims (AIC), Associate in Risk Management (ARM), state licenses or the Certified Subrogation Recovery Professionals (CSR) designation. And, we provide continuous training to our team to keep skills and knowledge up to date.

Our central subrogation team has jurisdictional expertise in all 50 states. As a result, they can help clients increase recovery totals while ensuring that your examiners have the time they need to fully dedicate to settling individual claims.

## How it works

The process for identifying claims suitable for subrogation requires experience and skill. Too little focus – or too much effort on the wrong claim – can mean dollars are lost.

Sedgwick's experts know what to look for to uncover optimal subrogation opportunities. For example, a worker bitten by a dog indicates the likelihood that a homeowner's policy – not the employer – should cover the majority of the claim. Similarly, a claim arising from an automobile accident may prompt subrogation if the other party is at fault. We will seek recovery if another party

is responsible for the accident or if the injury is due to any other party's negligence.

Once our subrogation team has identified the potential for recovery, we work closely with the claims department to investigate all aspects of the recovery. If the claim warrants, we will pursue the responsible third party on our client's behalf.

Our decades of experience and depth of expertise allow us to manage virtually any type of file you bring to us.

Our services can be applied to claims relating to:

- Auto (including fleet and rental)
- Aviation
- Bond
- Inland marine
- Liability
- Marine
- Property
- Workers' compensation (including second injury fund recovery)

## Technology

Another important benefit we bring to our clients is our industry-leading claims management technology. Our system provides access to all data and files, as well as a simple workflow and one central access point to find and report all claim information. Plus, because all data is integrated into one system, there are no issues related to providing data requested in a timely manner, overall access or security. The system gives clients one central point to find needed claims information, making it simple and more efficient to manage the subrogation process.

## Lower pricing

Our pricing is different than our competitors. While most companies charge based on a tiered pricing model, which can range from 25 – 40%, we charge a flat 18% recovery – one of the lowest rates in the industry.

## Data mining leads to superior results

In addition to our experts and leading edge technology, we use proprietary processes and approaches that produce exceptional

results. One key area where our team excels is the use of data mining. This ensures no stone is left unturned when it comes to identifying subrogation opportunities. Unlike other TPAs, we have a full-time dedicated team of data mining experts.

We will take a holistic view of an entire program and run a sophisticated filter on every claim with subrogation potential to produce a supplemental, in-depth subrogation report. Our system looks for certain indicators and flags them, identifying areas for our team to investigate further in pursuit of subrogation. This includes:

- Comparing primary claim costs and subsequent bills to ensure all costs are related
- Identifying major costs and loss codes so that future claims can be more fully examined and programs can be developed to address those costs
- Eliminating claims where the client has indemnification with third parties or where there are existing business relationships, which diminish the need for subrogation

## Exceptional recovery rates

As a result of our approach, Sedgwick has one of the best recovery rates in the nation.

*And we only charge you if we make a recovery.*

### Benefits of our subrogation solution

- Highly personalized service
- Increased net dollars
- Recoveries attained more quickly
- Enhanced efficiencies and savings
- Great security of claims data
- Better access to reports and data
- Ease of management and oversight by dealing with single – not multiple – claim vendors
- You pay only if we recover

Our approach is so thorough that we find subrogation opportunities in almost 15% of all cases we review that were previously not identified. Over a brief four-month period, we identified 250 cases eligible for subrogation which resulted in savings of \$2.3 million for our clients.

## Our services in action

Once a potential subrogation/recovery opportunity is identified by the examiner, several subrogation indicators are activated and an electronic referral is sent to the central subrogation team. They will review the new referrals and assign them to the appropriate recovery specialist for handling.

On those claims where Sedgwick does not make a payment but where the client settles the claim directly (i.e. first party collision payment or first party property), the claim is reported by the handling office via an electronic referral to the subrogation unit. In this case, a file is created in our claims management system, a claim number is assigned, a historical payment is entered representing the payment made directly by the client\*, a diary is created and recovery efforts begin. \*This does not occur on a majority of claims.

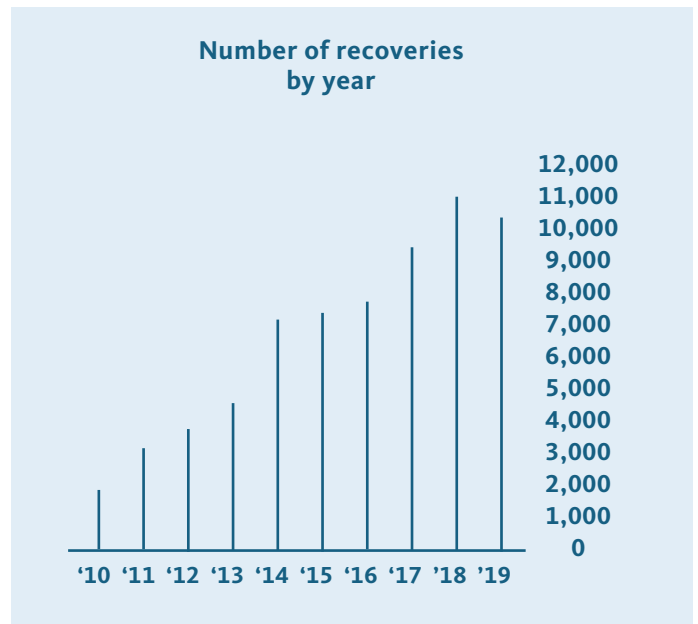
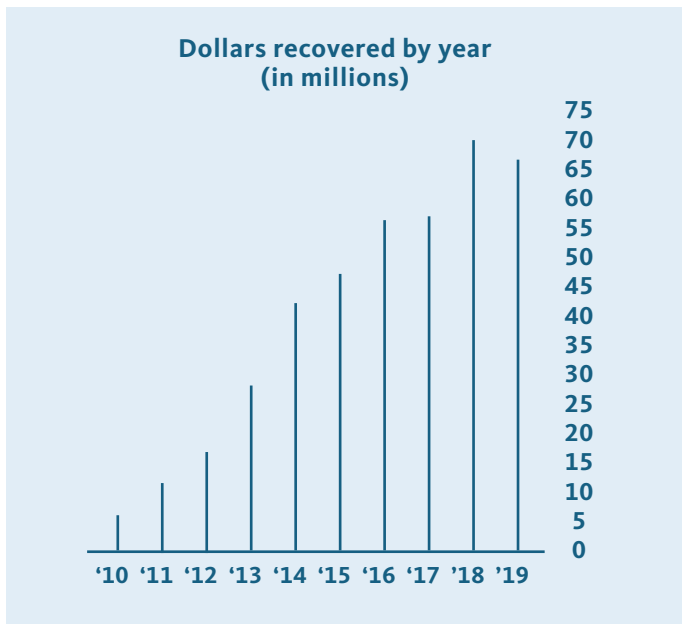
For referrals from a Sedgwick office, the subrogation team member begins working with the appropriate claims examiner to make certain that all opportunities for recoveries are protected. If an existing claim is referred to subrogation by a claims examiner, all recovery activities are documented within the claim file in the system. During the recovery process, the diary and the file remain open rather than unnecessarily closing and reopening files.

## Results that matter

What kinds of results does this level of expertise provide? The best way to show that is to look at some recent examples:

- A claimant in Florida was in an auto accident and was not represented. The at-fault carrier had limits of \$100,000. Our lien was approximately \$75,000. Our recovery specialist facilitated communication with the claimant and the at-fault carrier to get the at-fault to pay out their \$100,000 limits. We also worked with the insurer to secure \$50,000 each for the client and the claimant as they agreed to a 50/50 split. This is exceptional in Florida as their formula for allocation of a recovery is typically just 10-20% of a workers' compensation lien.
- A claimant's attorney wanted Sedgwick to accept a \$50,000 settlement. Our team presented the offer but encouraged the client to press further to ensure optimal entitlement. By working with our client and providing additional information on subrogation opportunities, we were able to recover more than \$101,000 of a \$155,608 lien – helping our client more than double the amount of the original offer.

*In 2019, the Sedgwick subrogation team made 10,341 recoveries on behalf of clients for a total of \$65,506,386.90.*



## Reports and information

We also recognize that clients want to know what is happening with subrogation efforts. Our team provides in depth reports, so you can track the progress and your overall program. Our comprehensive reports include the following information:

- Lag time (time from receipt by Sedgwick to initial contact/notice sent)
- Amount paid versus amount projected for recovery and ultimately recovered
- Average cost per claim
- Average time from receipt to recovery
- Success rate via arbitration
- Subrogation claims closed without recovery; this tracks performance and the quality of claims being referred to the recovery unit by the examiners

## Why Sedgwick central subrogation?

Our central subrogation service is an ideal enhancement to a client's existing claims program. Through our program offerings, specifically data mining, we provide an additional layer of expertise that can help to uncover millions of dollars in potential subrogation.

All the research and reports provided are free. You pay only if we recover, creating exceptional value.

Working in tandem with the claims team, we can provide outstanding subrogation results that aren't available through traditional claims management processes.

## Aligning our goals with your interests

How does Sedgwick continue to deliver such impressive results? We attribute them to our professional expertise in recoveries, our proven processes and our outcomes-driven approach.

Above all, we believe that Sedgwick achieves such impressive recovery results because our goals are perfectly aligned with our clients' interests: reducing loss costs and returning every dollar possible to them.

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To learn more about our central subrogation services, please contact us at:

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*To learn more about our integrated and customized solutions, visit [SEDGWICK.COM](https://www.sedgwick.com)*