COVERAGE INSIGHTS

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Insurance Loss Runs Explained

Claims history is one of the main factors that insurers evaluate to determine organizations' commercial insurance premiums. As such, it's crucial for organizations to have a sufficient grasp on their past losses. Fortunately, that's where insurance loss runs can help.

A loss run is a report generated by an insurer that records the claims made against an insured's policies. These reports are utilized for various types of commercial coverage and provide a detailed snapshot of an organization's claims history. Loss runs are most frequently used when organizations apply for policies with new carriers. Underwriters will often require organizations to submit loss runs for the past three to five years along with their applications.

Keep reading to learn more about loss runs, what these reports include, how they impact organizations, and what policyholders should keep in mind when obtaining and reading such documents.

What's Included in a Loss Run?

Loss runs include a variety of information related to organizations' past insurance claims. Although the specific layout of these reports may vary, they are usually structured similarly between different insurers. A typical loss run generally provides the following details:

- The insured's and insurer's names
- The policy number and term
- The date of each reported claim
- The loss report valuation date
- A description and reason for each claim
- The type of claim filed for each loss
- Expenses paid by the insurer and the amount the insurer has reserved for future claim costs
- The status of each claim

In the event that an organization has not filed any claims, its loss run will state that there are no reported losses available.

How Loss Runs Impact Organizations

Loss runs can affect organizations from both an underwriting and risk management perspective. Specifically, an underwriter can use the report's information to help determine the level of risk an organization presents. A loss run that contains many claims may indicate that an organization is not a good risk for an insurer to take on. On the other hand, if an organization has a relatively clean report, this could be an indicator to the insurer that the organization performs better than its peers and may be a profitable risk to write. In other words, loss runs can play an essential role in determining whether organizations are eligible for coverage and what their premiums will be.

Organizations can also leverage loss runs to manage their exposures. By evaluating past claims and loss trends, organizations can better identify primary cost drivers and gaps in their risk management programs. Then, they can implement additional risk management techniques to reduce the frequency and severity of claims, therefore improving their loss runs and keeping their future insurance expenses under control.

Obtaining and Reading Loss Runs

Organizations can obtain loss runs from their insurers. Each insurer has specific processes for submitting loss run requests; typically, organizations need to consult their insurance professionals to make these requests. In most states, insurers are required to provide loss runs to their policyholders within 10 days of receiving requests.

Upon receiving their loss runs, organizations should consider the following best practices when reviewing these reports:

- **Look for any errors.** Organizations should closely review their loss runs to ensure all the information provided is accurate and let their insurers know if they find mistakes, as any undetected claims errors could go on to affect their overall coverage costs.
- **Assess the status of claims.** In addition to searching for potential inaccuracies in their loss runs, it's important for organizations to monitor the status of their individual claims. In particular, organizations should focus on which claims have been closed, which are still open, how much their insurers have paid on open claims to date and how much funds have been set aside in reserves for these claims. In the case of open claims, it may be best for organizations to determine a clear course of action to help resolve them as quickly as possible.
- **Identify possible loss patterns.** Organizations should analyze their loss runs for any patterns (e.g., losses repeatedly resulting from the same types of incidents, occurring during the same time period or happening at the same location). After all, these patterns could highlight the need for targeted loss control strategies and enhanced risk management protocols.

Furthermore, organizations should note that they don't have to navigate these reports alone. Insurance professionals are highly skilled at evaluating loss runs and can help organizations assess their reports, answer their questions and develop proper risk management tactics based on the specific findings.

Conclusion

As a whole, it's evident that loss runs can provide organizations with valuable information regarding their claims history, giving them the resources needed to help minimize future losses and manage coverage expenses.

Contact us today for further insurance guidance and solutions.