"Incident" logging and reporting – Professional Indemnity Risk Management

Summary of Content

When it comes to awareness and notification of potential claims in PI insurance, a solution is needed. In an organisation, Senior Management does not always know of problems and issues at the coal face. An incident register could be a powerful tool to assist in monitoring risks, managing exposures and improving service risk quality, and could be as simple as a spreadsheet stored in a shared drive.

> *…Senior Management does not always know of problems and issues at the coal face…*

Many large organisations have in place a system of incident reporting – whether that is to do with complaints recording or recording of compliance breaches for ASIC regulated entities (with which all brokers, as Financial Services Licensees, will be familiar) – or simply recording for service quality monitoring – or as a way to capture early indications of potential future claims and to log details of those at an early stage. Hospitals and health care institutions have had such a system of incident recording for many years. It is not uncommon for these incident reports to be regularly provided to the malpractice insurer of such institutions as a way of registering and notifying "facts which might give rise to a claim" (Section 40(3) of the Insurance Contracts Act). Such incident recording used to be paper based – but many large organisations have employed IT solutions to simplify and make this process more efficient and manageable – and in the process to make the data more accessible and useful by allowing it to be more easily measured, analysed and monitored.

How regularly have insurers had to deal with late notified claims under Claims Made policies (PI, D&O etc)? From discussions with brokers this is apparently more common than it should be! Often an incident will occur (e.g. a disgruntled client, an accident at a real estate managed property, an allegation etc) and it will be managed and regarded as a minor matter or without foundation and for what ever reason no notification is given to the PI insurer. A year or two later (sometimes after insurers have changed) a writ will arrive and insurers will discover that this was a known circumstance – and a coverage dispute will ensue!

What if such insured had an incident recording system (preferably on their intra-net) and those incidents were regularly reviewed by senior management (or the internal risk manager) and provided to insurers with insurance renewal submissions. While this may reveal that some risks may not be the quality that is superficially presented in a renewal submission, it may serve to limit or eliminate late reported claims and non-disclosure issues. Further, it will assist the insured to monitor its risks and to manage its exposures and to improve its service quality and risk quality so that claims do not occur or escalate or be repeated. Would it be worth it?

An Incident Register does not have to be difficult or complex. It can be as simple as a spreadsheet kept on an intranet or cloud share drive – (this could be supplemented by copy files of correspondence etc kept in related share drive folders) - or it could be an Access database file or a more specific application associated with the insured's main IT system. It should always, however, be able to link to

documents/files (emails, correspondence, etc) which are related to the incident and be able to be accessed and monitored by the internal risk manager and senior managers responsible for oversight of quality, compliance and customer service – and for completing insurance applications. Ideally it should raise an automated flag (e.g. email notification) for each new entry or alteration. This will facilitate appropriate monitoring and management action.

Such a system would not only improve risk quality by better managing risks, it will reduce potential coverage disputes and assist brokers in collating risk information at insurance renewal. Further, if the client is not involved in an un-necessary coverage dispute then neither will the broker be!

What can we take from this?

An **easily accessible** and **centrally monitored Incident Register** – ideally accessible on the **company intra-net** - is a **simple and practical solution** which can be used to not only **monitor** problems that arise but will **assist** in providing suitable and timely **disclosure** to insurers.