# INDEMNIFICATION WOES

KCIC eases the pain of managing transferred risk

MajorMedDev, a major medical device company, had sold its long-established wheelchair manufacturing business to a medical supply company.

An indemnification agreement established that MajorMedDev would share some responsibility for personal injury claims related to design and manufacturing defects that predated the business sale. They would also replace parts, seeking reimbursement from the new owner.

But managing the transferred risk proved to be a headache; the liability was larger than expected. With a constant onslaught of relatively small claims that could continue for up to 20 years from the sale of each wheelchair, MajorMedDev turned to KCIC for a solution.

CASE STUDY
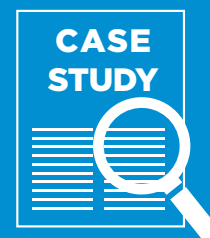
SNAPSHOT OF THE STORY:

- MajorMedDev lacked an efficient system for processing personal injury and parts replacement claims.

- The company also needed to get its historic sales data in order.

- KCIC diagnosed the problem, then built a custom, cloud-based solution to seamlessly process future claims and generate robust, real-time reporting.

- Today MajorMedDev always knows what level of indemnification is being paid, enabling them to accurately plan reserves and respond to audits.

> " KCIC streamlined and automated how we manage the indemnification agreement, which translated into significant savings and faster claims processing. "

THE CLIENT CHALLENGE:

The challenge was that the indemnification agreement had established a tiered approach, with MajorMedDev assuming varying responsibility for future claims.

Claim Type	% MajorMedDev Will Indemnify
Wheel Defect	10%
Personal Injury < $5,000	25%
Personal Injury > $5,000	50%
Legal Fees	100%

However, MajorMedDev's initial system for processing claims was not serving them well. Resources were stretched thin by both manual and redundant effort. Contributing to the inefficiency, the client's data was in chaos. File cabinets were filled with legacy documents, and there was no consistent method for collecting critical information. This made it difficult to evaluate claims and know MajorMedDev's share – even just determining if a wheelchair in question had been produced by them or by the new owner.

Without centralized data, MajorMedDev had no reporting capabilities. Financial risk was unpredictable. MajorMedDev didn't have a sense for how the indemnification issue was impacting the company. Further, with no cap on the amount of a claim, they required a reserve estimate each year. However, there was no way to accurately plan reserves or respond confidently to audits and potential litigation.

MajorMedDev needed a way to:

- Efficiently accept claims under the indemnification agreement
- Review claims systematically and consistently while imposing established rules
- Communicate with claimants
- Initiate the parts replacement process and make payments efficiently
- Gauge the impact of the liability on the company
- Conduct legal review in the event of litigation

MajorMedDev considered many off-the-shelf products, but nothing fit their precise needs. KCIC could see that a solution would require more than just technology. It would require custom software built by industry experts — consultants with a deep understanding of indemnification agreements.

THE CUSTOM SOLUTION:

At KCIC, we see it all the time — product liability data in chaos. In this case, we began by collaborating with the client's outside counsel and in-house personnel. Using an iterative process, our consultants worked to develop detailed protocols for every step of the claims and payment processes. Next, our technology team translated those protocols into a new, easy-to-use, solution-based website that many different parties could access across the claim lifespan:

1. CLAIM SUBMISSION

The claimant enters personal information, date of purchase, supporting documents, the type of claim, etc. Afterward, the claimant receives confirmation that their claim was received and will be reviewed, or that it was automatically rejected (purchase date not within indemnification period, etc).

2. INITIAL REVIEW

A KCIC consultant reviews the information and indicates whether the claim is valid based on the agreed-upon protocols. The system automatically notifies the claimant about approval or denial, and an email tracking system enables KCIC to respond to questions.

3. CLIENT REVIEW

When a claim is determined to be valid, MajorMedDev reviews the claim data and determines the indemnification value — the cost to repair or replace the wheelchair. The system also cross-references the claim type, per the indemnification agreement, automating payments appropriately.

4. LEGAL REVIEW

When personal injury litigation is commenced, MajorMedDev's legal team can view the entire claim history — which is helpful for communicating case specifics, as well as for negotiating a settlement. Legal documents are also uploaded to the electronic claim file.

THE RESULT:

Hand-in-hand with designing the system, KCIC managed MajorMedDev's historical data, digitizing paper documents and attaching them to individual claim and payment records so they are readily available to the client. KCIC also migrated and reconciled other sources of data into a relational database structure. Centralizing document storage helps to automate the workflow, which is now handled almost entirely by KCIC.

Unlike before, all conversations and transactions are now captured in one secure place online. Further, KCIC provides online reporting on claim filing and dismissal rates, duration of indemnities still in effect, payments to the buyer, and more — giving MajorMedDev a clear picture of their liability in real time.

Company management says the impact on internal resources and operations has been dramatic. The client says, "KCIC streamlined and automated how we manage the indemnification agreement, which translated into significant savings and faster claims processing."

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