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The cost of waiting: why recoveries can’t afford to be an afterthought

Recoveries are frequently lost not because liability does not exist, but because the evidence needed to establish it is no longer available. In a market increasingly focused on claims inflation, lifecycle management and indemnity spend, that is a problem worth taking seriously.

Two cases illustrate the point clearly. A recovery claim valued at approximately £77,000 ultimately failed because sufficient forensic evidence had not been secured at the outset. In another case, a recovery succeeded more than five years after the original installation works because the necessary evidence had been obtained and preserved immediately following the incident. The key difference was the approach taken to building a case for recovery.

A changing approach to recoveries

Subrogation and recoveries are not new concepts within the insurance market. Loss adjusters and insurers have historically considered recovery opportunities during the lifecycle of a claim. Over time, however, the process has increasingly become legal-led, with files commonly passed to solicitors once the underlying material damage claim has concluded.

By the time solicitors are instructed following conclusion of the material damage claim, physical evidence from escape of water or fire losses, for example, may have been altered or removed during mitigation and reinstatement works. Witnesses may have become unavailable or their memories faded. Potentially liable third parties - who may later argue they were denied the opportunity to inspect failed components or assess the damage - were never placed on notice. The recovery begins from a materially weaker position than necessary, and in some cases, the evidential trail has already been lost entirely.

The traditional model also tends to extend the overall lifecycle of the recovery claim. Once solicitors are instructed post-settlement, investigations often have to be revisited, witness statements recreated and technical assessments revisited long after the event itself. That duplication adds time and cost to a process that, with earlier intervention, could have been significantly more efficient.

Recoveries as a parallel workstream

This is driving a meaningful change in approach across the market. Recoveries are increasingly being treated not as a post-settlement exercise, but as a dedicated workstream running alongside the material damage claim itself. Under this model, recovery potential is assessed from first notification of loss. Relevant third parties are identified and placed on notice early, contractual documentation is secured, witness evidence is obtained, and forensic requirements are considered before the evidential trail has had the opportunity to weaken.

This does not mean every claim immediately becomes a legal matter. In many cases, recoveries can be resolved through direct commercial negotiation between insurers and loss adjusters, without recourse to litigation. The objective of earlier intervention is to strengthen the recovery position before proceedings become necessary - and where they do, to ensure that solicitors receive a substantially more complete and evidentially robust file.

There is a growing recognition within the market between legal expertise and technical recovery preparation. Where recoveries are managed proactively from the outset, solicitors can be instructed later in the process, if required with a file that is already well evidenced and positioned for resolution. Legal teams are then able to focus on litigation strategy and negotiation, rather than the groundwork that should have been completed earlier.

Cost pressures and proportionality

The renewed focus on recoveries also reflects broader scrutiny of claims costs across the insurance sector. Legal costs associated with recoveries can become disproportionate where strategy is only initiated post-settlement, given the additional investigation, evidence collation and file preparation required before proceedings can even be contemplated.

A more technically led, front-end approach reduces that duplication and shortens the overall recovery lifecycle. This has benefits beyond individual claims. Excessive recovery costs ultimately circulate through the insurance ecosystem, contributing to broader cost pressures across the market. Improving recovery efficiency is therefore not only in the interest of individual insurers, but of the wider market as a whole.

A broader shift in claims strategy

Advances in forensic capability, digital evidence capture and claims analytics are making earlier recovery assessment increasingly achievable. The ability to identify recovery opportunities quickly and preserve supporting evidence is becoming an important component of effective claims handling, rather than a process that follows it.

The more fundamental shift, however, is one of strategic intent. Recoveries can no longer be viewed solely as a post-settlement process delegated at the end of a claim. For insurers focused on lifecycle management, indemnity spend and operational efficiency, they are becoming a core component of claims strategy from day one - and the evidential and financial case for treating them as such is increasingly difficult to ignore.

To discuss how earlier recovery interventions can support claims outcomes and reduce lifecycle costs, please contact Natasha Howles, Recoveries Lead at McLarens, at natasha.howles@mclarens.com.

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