



EXPLORING THE NICHE: EVOLVE'S EXCLUSIVE ON SUBROGATION MARKET INNOVATIONS

Evolve Blog, February 19, 2024

See this blog on our website [here](#).

EXECUTIVE SUMMARY

Evolve recently had the privilege of engaging with three leaders in the subrogation sector, each heading innovative firms in this space. These conversations offered valuable insights into their business operations, market dynamics, and the distinct factors that set them apart:

- Latitude Subrogation Services, led by CEO Jon Coscia.
- SubroSmart, under the leadership of CEO Greg Zarin.
- The National Association of Subrogation Professionals (NASP), guided by CEO Leslie Wiernik.

Our interest in this particular industry niche stems from its significant value addition to carriers and programs. Evolve believes that Subrogation remains a somewhat unknown area, yet it is rapidly adopting technology to evolve business models. This evolution promises more predictable outcomes and integrates with the expertise of highly-skilled professionals to optimize value across claims recovery of varying magnitudes. Tools like data analytics, machine learning, and AI are key in unveiling complex patterns and potential recovery scenarios, enhancing both the speed and volume of recovery.

The current landscape features a mix of independent companies and internal subrogation departments within larger firms. Independent entities bring specialized expertise and technological innovation, serving insurers who either lack internal resources or prefer to outsource for increased efficiency and effectiveness.

Evolve has seen a rise in acquisitions and investments in the subrogation services and software niche, indicating a renewed interest in the sector. Noteworthy recent transactions include:

- On February 9, 2022, CCC, a SaaS platform for P&C insurance, acquired Safekeep, an AI-driven enterprise platform in subrogation claims management, for \$32.5 million, with an additional earn-out of up to \$90 million contingent on achieving specific revenue targets by December 31, 2024.



- On October 4, 2021, Crawford & Company acquired Praxis Consulting, a firm specializing in outsourced subrogation claims management and recovery services. This acquisition is aligned with Crawford's strategic aim to offer a comprehensive suite of claim solutions backed by profound expertise. Notably, Praxis Consulting had previously acquired Aon's subrogation services business in 2010, which Aon had initially acquired in 2002 for approximately \$100 million.
- On August 4, 2023, SubroIQ, a key player in subrogation identification and recovery and a division of ARMStrong Receivables, a BharCap Partners portfolio company, announced its acquisition of two P&C Subrogation companies, SecondLook and Vengroff Williams. SecondLook is known for its missed subrogation analytics and no-fault subrogation solutions, while Vengroff Williams strengthens SubroIQ's foothold in uninsured motorist subrogation.

Introduction to the Subrogation Leaders Interviewed

- Latitude Subrogation Services is a progressive company led by Jon Coscia (CEO) focusing on leveraging advanced technologies like AI, intelligent automation, DLT and blockchain to enhance their subrogation services. Latitude's approach is characterized by aggressive growth and the strategic use of technology to maintain a competitive edge in the market.
- Subrosmart, under the guidance of Greg Zarin (CEO), is a data driven subrogation management company founded by professionals with vast insurance, legal, and technology industry experience. It stands out for its diverse skill set, combining their leadership's extensive industry and tech expertise with strong marketplace knowledge, and places high value on its independence which has helped drive its success for the past decade.
- The National Association of Subrogation Professionals (NASP), headed by Leslie Wiernik, serves as a pivotal organization in the subrogation industry. It focuses on providing benchmarking studies and educational resources, setting a standard for industry-wide data and training. NASP's role is central to developing and disseminating best practices in subrogation.

JON COSCIA OF LATITUDE SUBROGATION



Jon Coscia leads Latitude Subrogation, a company that uses advanced technology, like AI, DLT, Digital Workers, (RPA), and blockchain, to enhance its subrogation services. Latitude offers subrogation solutions for insurers, self-insured entities, third-party administrators, and specialty risk companies. It was founded in 1997 and is based in Bloomfield Hills, Michigan.

Emphasis on Technology:

- Jon has heavily invested in technology, developing 'SubroChain®' on Salesforce, which he sees as a critical infrastructure for the company's growth and scalability, that supports aggressive growth and integration of new staff and operations. Connecting SubroChain® to industry leaders Gigaforce proprietary and patent pending technology infrastructure allows Latitude to adapt and scale rapidly, a crucial advantage in the dynamic subrogation market. He believes that technology is the foundation of the modern subrogation marketplace.
- Jon points out that while technology is a great enabler, the human element remains irreplaceable in making nuanced decisions in subrogation cases. Latitude, therefore, focuses on a balanced approach where technology is used to augment human expertise, not replace it.

Talent:

- Jon has seen a shift in the job market, with many skilled professionals becoming available due to downsizing at major insurance firms. This trend, coupled with Latitude's offer of remote work and comprehensive benefits, has positioned them favorably in attracting top talent.
- Furthermore, he says that staying abreast of state-specific legislation and court rulings is crucial for effective subrogation practices. To this end, Latitude invests in continuous legal education for its staff, ensuring they are equipped to navigate the complexities of various jurisdictions. This commitment to legal expertise, has been instrumental in maximizing recoveries for their clients.

Client Centric Model and Referrals Driving Expansion:

- Client referrals play a significant role in Latitude's expansion. He said their customer service model, which prioritizes responsiveness and personalized attention to each client drives success. This approach not only helps in retaining existing clients but also attracts new ones through positive word-of-mouth. He believes that in a market as competitive as subrogation, the quality of customer service is a significant differentiator.

Company Culture:

- Jon said Latitude has fostered a strong company culture at Latitude. Jon believes that a motivated and aligned team is essential for delivering exceptional service. Latitude has initiatives aimed at team building and professional development, which are critical



investments in their human capital. These efforts, not only enhance employee satisfaction but also directly translate into better client outcomes.

Views on Market Evolution and Consolidation:

- Jon sees the subrogation market as rapidly evolving with a growing embrace of technology. Regarding the impacts of M&A in the subrogation sector, he said that the importance of a clear brand identity and client communication during such transitions.

Vision:

- The increasing use of analytics and predictive modeling in identifying subrogation opportunities more efficiently is becoming more important. Jon envisions Latitude continuing to evolve, leveraging both technological advancements and their deep industry expertise to remain at the forefront of the subrogation market.

GREG ZARIN OF SUBROSMART



Greg Zarin is the CEO of SubroSmart, a comprehensive, data-driven subrogation management company. Its unique approach, combining custom technology, transparency, and diverse industry experience, distinguishes it from others. SubroSmart provides services to global insurers and captives, specializing in commercial perils of all sizes and types. Founded in 2013, SubroSmart is headquartered in Dallas, Texas, and operates additional offices in the United States, Canada, and the United Kingdom. In 2024, SubroSmart expanded its offerings by founding Amborella Law, an affiliate law firm designed to offer legal services to SubroSmart's clients.

Subrogation Expertise:

- Greg emphasizes that a premium subrogation management company must have a diverse skill set and independence from the adjustment process, combining its subrogation insight with industry knowledge and introducing data driven solutions.
- SubroSmart has leveraged these skills to make precise and informed decisions that best serve their clients, understanding the impact on various insurance industry stakeholders.
- Subrosmart navigates the complex industry landscape by staying proficient in changes and staying updated with the ever-changing environment impacting its industry sector.
- In 2024, the SubroSmart leadership team launched a law firm affiliate, Amborella Law, which further provides additional value to its carrier clients by offering outside legal services, which brings their group's respective skillsets (technology, data & business intelligence, legal services, and transparency) together to introduce additional efficiencies to the process. This helps maximize recoveries, maintain compliance, and ultimately reduce recovery costs.



Independence and Market Position:

- The independence of SubroSmart from others in the insurance marketplace has been key to its success. He also highlights SubroSmart's commitment to ethical practices and corporate responsibility, whereby his company has strict adherence to the highest standards of integrity; he sees as fundamental to building long-lasting relationships with clients and partners. This stance, coupled with their technological and industry knowledge prowess, helps position SubroSmart as a leader in the subrogation management marketplace.

Views on Industry Consolidation:

- Greg expresses caution about his firm joining forces with others through merger or acquisition in different insurance sectors, believing it could compromise their independence and unbiased service to clients. He is wary of industry sector consolidation and while it may bring efficiencies, it may also create challenges in maintaining independence from the adjusting process that could impact decisions and ultimately performance.

Technology:

- Greg emphasized the role of data analytics and business intelligence in SubroSmart's strategy. SubroSmart leverages data to identify trends, optimize subrogation management processes, and help analyze the early potential of subrogation to drive priorities. This data-driven approach has enabled SubroSmart to tailor their strategies for individual carriers, enhancing the effectiveness of their subrogation efforts.

Client Education:


- SubroSmart places importance on client education in the subrogation process. He believes that informed clients are better equipped to understand the complexities of subrogation and the value that SubroSmart brings to the table. To this end, his company invests in educational initiatives and regular communication, ensuring that their carrier clients are aware of the nuances of the subrogation claims they handle.

Talent:

- Greg acknowledged the importance of technology in subrogation but stresses the importance of human expertise. He points out the challenges in finding skilled professionals with the right mindset for subrogation, underlining the importance of diverse industry experience and decision modeling in assessing the value of subrogation claims. SubroSmart's approach to staffing revolves around creating a team that understands the product better than anyone else, which he believes leads to better results.

Regulatory:

- SubroSmart effectively navigates the complex legal landscape that varies significantly across states and jurisdictions. He emphasized that their legal team is not just proficient



in subrogation laws but also stays constantly updated with the ever-changing regulatory environment. This agility in legal expertise is essential for maximizing recoveries and maintaining compliance.

Vision:

- Greg shared his vision for the future of SubroSmart and the subrogation industry. He anticipates further technological advancements, particularly in artificial intelligence and machine learning, to revolutionize the way subrogation claims are identified and processed. His vision for SubroSmart is to continue leading these advancements, ensuring that the company remains at the cutting edge of the subrogation sector.

A key takeaway is that Greg truly stresses the importance of technology, independence and having a deep understanding of SubroSmart's carrier clients' needs.

LESLIE WIERNIK OF NATIONAL ASSOCIATION OF SUBROGATION PROFESSIONALS (NASP)



Leslie Wiernik is the CEO of NASP, an organization that plays a pivotal role in the subrogation industry by offering benchmarking studies and educational resources. NASP's unique position in the market is centered around providing industry-wide data and training.

Industry Association Leader:

- Leslie Wiernik provided extensive insights into NASP's role and its impact on the subrogation industry. Celebrating its 25th anniversary, NASP stands out for its agility and technological adeptness compared to more tenured associations. Leslie, with her unique perspective as a past carrier executive, a former board member and the current CEO, emphasized NASP's commitment to innovation, particularly through its benchmarking studies and educational initiatives. Leslie highlights the unique position of NASP in conducting these studies, which have become a contentious point regarding intellectual property rights due to their industry significance.

Landscape:

- Leslie notes the importance of distinguishing between true subrogation firms and those in the retail collection space. This differentiation is crucial due to the unique nature of subrogation work, which requires a deep understanding of tort claims as opposed to mere contractual debts.
- Additionally, they stressed the need for companies in the subrogation industry to have the necessary expertise and resources to handle such complex claims effectively.

Role of Technology in Subrogation:



- Leslie sees an increasing role for augmented intelligence and other technologies in enhancing claim handling processes and identifying subrogation opportunities. However, Leslie cautioned against over-reliance on technology, emphasizing the continued importance of human expertise and judgment in the subrogation process.

Talent:

- Leslie also touched upon the challenges of talent acquisition and retention in the subrogation industry. Leslie points out that while technology can aid in this aspect, an unanticipated draw for professionals is the sense of making a difference and contributing to societal change through subrogation work. Adequate training for staff is a critical first step for retention. NASP's educational programs and certifications play a crucial role in this, providing essential knowledge and skills to those entering the field.

Consolidation:

- Leslie sees the subrogation market continuing to grow, with a shift in carriers' perceptions of subrogation as a profit center. Increases in net subrogation revenue can be more profitable to a carrier than issuing a new policy.

Vision:

- Leslie shared her vision for the future of subrogation and NASP's role in it. Leslie anticipates further growth in the industry, driven by carriers' increased focus on subrogation as a key revenue source and as a benefit for policyholders. Additionally, Leslie foresees a growing need for effective subrogation practices, and education, not just for financial recovery.

CONCLUDING REMARKS

These companies both underscore the critical importance of technology in enhancing subrogation processes. Emphasizing advancements like AI and data analytics, they are at the forefront of integrating these innovations to improve efficiency and effectiveness in identifying subrogation opportunities.

Equally important to their strategies is the emphasis on skilled personnel. Recognizing that technology alone is insufficient, both prioritize acquiring and nurturing talent adept in both technological and legal aspects of subrogation. This balanced focus on technology and human expertise is a key factor in their success and helps position them as leaders in the competitive subrogation market.

Lastly, maintaining specialized legal knowledge, particularly in understanding and navigating the variances in subrogation laws across different jurisdictions drives successes. This understanding is crucial for effective and compliant operations in the subrogation field. Integrity and trustworthiness are vital in building and maintaining long-term client relationships.