

Finding and recruiting new customers is a huge expenditure for any company, so the best way to save costs is to keep them. And the best way to do that is to offer the best claims service, writes Michael Kelly.

Finders keepers

FOR YEARS insurers have understandably been focused on their financial positions. The high cost of doing business and rising claims costs have consumed general insurance companies. Organisational initiatives, wholesale claims transformation efforts and IT investments have centred on improving processes to drive expense out of the system and minimise leakage — all in an effort to achieve competitive advantage. While this emphasis has been, and continues to be, necessary and well-founded, the game is changing for the industry of tomorrow.

The paradigm shift underway in the insurance industry means that the focus is no longer just about internal efficiency. The customer experience of the claims process is becoming more important as the battle to retain clients and grow business comes to the fore. It is far cheaper to retain customers than to win new ones but you will only lose them if they feel their claims experience is not satisfactory. It is not just a question of paying the claim; it is about their perception and experience of dealing with your organisation. The customer, often seen as a necessary participant or by-product of the claims process, will increase their demand to be treated as the centre of the claims universe. Otherwise they will take their business elsewhere.

No room for manoeuvre

Growth is particularly challenging in a mature market like the UK. The potential pool of customers is not increasing, particularly in certain lines of business, like motor, where insurance is mandatory and everyone who needs to be insured already is. The result is that in order to grow, an insurer must win a customer from another insurer. Price has always been a good way of doing this but increasingly insurers simply have no room for manoeuvre. This suggests that the only real future differentiator is building a reputation for claims service. Acquiring a new customer is considered to be seven to 10 times more expensive than selling to an existing one, so this is an opportunity insurers must exploit.

The changing attributes of the insurance consumer is exacerbating the problem. In a downturn they feel more empowered and their demands increase. Studies suggest

that customers are likely to change insurance providers because of negative experiences, price, product choice or the availability of information.

Traditionally, the insurance industry has been slow to respond but changes in customer behaviour and demographics are now becoming more important in terms of driving the need for industry change. Younger customers especially demonstrate different behaviour than traditional ones. Because of their heavy reliance on the internet, speed and convenience are paramount and service must be seamless with up-to-the-second customer information readily and easily accessible.

None of this implies that insurers have turned a blind eye to service in the past. But the carriers who will effectively weather the storm will find ways to improve their processes to respond to the increased demands for customer convenience, choice, information and access.

A powerful tool

While the development of a customer-centric claims culture, meaningful service metrics, useful surveys and enhanced claims services and networks are prerequisites, technology is a powerful tool to create competitive advantage. Insurance companies that remain in a legacy and paper-bound environment will find it virtually impossible to respond to their customers' needs. A modern claims platform allows for secure visibility into a customer-centric information file by insurance personnel, agents, brokers and even the customer themselves, so a customer's questions can be answered quickly.

In the traditional legacy environment, the view of the customer has been claim by claim. Insurance-specific customer relationship management and single view of the customer technologies allow an insurance company to have a total customer view instead of looking at the customer within the context of the claim only. The insurer also gets to see all the other parties involved in the claim including brokers, agents, lawyers and investigators.

Many insurance companies had negative experiences wrestling with CRM vendor technologies 10 years ago. However, the principles and benefits promised by CRM vendors then were correct and desirable. The

problem was that the solutions on offer were not designed for the scale and complexities of the industry and failed to deliver on their very big promise.

Insurance CRM is a third generation customer management solution specifically designed from the ground up for the industry. It understands the scale and complexities of the business and recognises that insurance in no way relates to other more simplistic industries. Insurance CRM not only allows for better information between various systems within the insurance company but can provide valuable insight into an insurance customer's total business if more than one policy or claim exists. Customer history, as opposed to claim history, can be interrogated for customer behavioural analytics, which as well as the obvious fraud management use, can be used for other types of predictable behaviour and preferences such as contact, buying and payment preference.

The use of rules

The use of customer data, rules and analytics can also have a significant impact on efficiencies and claims loss payments. Tremendous benefits can be made by using historical claims data to help the underwriting process and, in addition, to understand customer behaviours and preferences and to design processes to more effectively meet their needs. The appropriate use of rules reduces the number of human 'touches' and the delays and errors associated with manual processes. The use of customer data and analytics can also lead to a new and improved segmentation model that will allow for claimant self-service and auto adjudication for certain types of claims.

Mobile technology can enhance the effectiveness of the field adjusting staff by providing the information and tools necessary to further the adjudication of a claim on the spot. Web portals can help to satisfy the demand for point-and-click convenience by allowing claim self-enrolment and inquiry capability.

Today's insurance companies face a formidable challenge in maintaining and increasing their competitive edge. As always, sound financial management is critical. But more than ever it is becoming evident that insurance companies need to focus on the big picture by first accepting the 'customer is king' paradigm, developing a sound strategy and culture, and wisely adapting key technology enablers such as a fully optimised modern claims platform that incorporates robust insurance CRM capabilities. Those companies who can effectively retain their best customers through best in class claims service will be in the best position to achieve long-term success.

POST

Michael Kelly is chief executive officer at Fineos