

claims ADVISOR

INFORMATION FOR TODAY'S CLAIMS PROFESSIONALS

VOLUME 3, ISSUE 1

www.claimsadvisor.com

THE CUSTOMER IS KING

Creating
Competitive
Advantage in the
Claims/Customer
Relationship

By Michael Kelly

For years, insurers have been consumed with the high cost of doing business and rising claims costs. Organizational initiatives, wholesale transformation efforts, and IT investments have focused on improving processes intended to minimize leakage and drive expense out of the system. This is no surprise in an industry that pays out 65 to 75 cents of every premium dollar in order to meet its



contractual requirements (not counting associated operating expenses). However, as failures among financial institutions are at an all time high and every day brings new doom and gloom headlines, insurers are facing leaner margins and decreased investment incomes. The reality is that there simply are fewer places left to make cost savings. So while the emphasis on driving out costs has been necessary and well founded, a noticeable shift is now occurring. The customer, often seen as a necessary participant or by-product of the claims process, will need to become the center of the claims universe. Successful insurers will be those that can deliver best-in-class claim service to their customers. One way of doing this is through the intelligent use of technology.

The Customer-The New Priority

To be truly healthy in a financial sense, companies strive to achieve a balance of profit and growth. The profit side of the equation has been addressed by focusing on the loss and expense ratios as mentioned above. Additionally, many cost cutting measures, restructuring efforts, and layoffs have occurred. It is questionable how much more expense benefit these traditional practices can add without jeopardizing loss payments and service.

Growth (much less profitable growth) is particularly challenging in a mature market like the U.S. The potential pool of customers is not increasing, particularly for certain lines of business, such as auto-

The primary competitive differentiator for the future is claims service.

mobile, where insurance is mandatory and everyone who needs to be insured may be insured already. The result of this saturation is that, in order to grow, an insurer must take a customer from its competitors. Price has always been one way of doing this and remains an important part of the equation but, in this market, price isn't always significantly different from one carrier to another.

This suggests that the primary competitive differentiator for the future is claims service. Customer retention is a critical element in (profitable) growth as many customers are likely to jump ship after a less than satisfying claims experience, and acquiring new business may be seven times more expensive than keeping current policyholders.

The changing attributes

and preferences of the insurance customer will be a challenge to manage. Studies suggest that customers increasingly are likely to change insurance providers because of negative experiences, price, product choice, the availability of information, or changing demographics.

The insurance industry traditionally is slow to respond to the environment, but changes in customer demographics are becoming noticeable now. The Gen Xers, and now the Millennials, comprise a greater percentage of the customer base compared to the Baby Boomers. These younger customers demonstrate some different preferences from more traditional customers. Because of the heavy reliance on the Internet, convenience is paramount. Service must be seamless and information must be readily accessible.

How Carriers are Responding Today

All of this does not imply that insurers have turned a blind eye to customer service in the past even though the industry currently does not enjoy an overall positive reputation with consumers. In differing degrees, many companies have taken steps to create a customer centric culture, develop feedback mechanisms, make their processes less cumbersome, and to create enhanced service features. Most carriers sincerely intend to provide competitive service, and many have expended a great deal of effort to improve processes and company culture to provide customer service.

However, the reality is that those carriers who will weather the storm effectively will find ways to raise the customer service bar by improving their response to the increased demands for customer convenience, choice, information, and access (while not underestimating the human element).

In the world of auto claims, the evolution of repair networks and associated programs, such as concierge services, is making the process ever more seamless for claimants. Some carriers are experimenting with Web portals to allow agents and customers to check on the status of their claims. They may be able to monitor the status of their car repairs from the comfort of their living rooms and see regular digital picture updates of the progress of the repair work.

Companies also have grasped the significance of loss exposure and the opportunity for positive (and negative) publicity due to catastrophic events. Rapid mobilization, high touch service, and operational efficiency are emphasized when catastrophes occur.

Leveraging Technology to Respond to Customer Needs

While the development of effective customer strategy, a customer centric claims culture, meaningful service metrics, useful surveys, and enhanced claims services and networks are prerequisite, technology is a powerful tool for creating competitive advantage.

Carriers that remain in a legacy and paper-bound environment will find it virtually impossible to respond to customer needs. A modern



Those companies who can retain their customers through best-in-class claim service will be in the best position to achieve long term success.

claims platform allows for file visibility by various insurance company personnel so that customer questions can be answered quickly, even when the handling adjuster can't be reached.

In the traditional legacy environment, the view of the customer has been claim by claim. Technologies such as Customer Relationship Management (CRM) or Single View of the Customer allow a company to have a total customer view instead of viewing within the context of one claim only. CRM is a third generation customer management solution specifically designed for the insurance industry, and understands the complexities and nuances of the business. CRM technology

not only allows for better information between various systems within the insurance company (claims, underwriting, policy administration, billing), but can provide valuable insights into a customer's preferences if more than one policy or claim exists.

The use of data, rules, and analytics also can have a significant impact on efficiencies and claims loss payments. Tremendous benefits can be achieved by using historical claims data to help understand customer behaviours and preferences, and to design processes to more effectively meet their needs while reducing cycle times. The appropriate use of rules reduces delays and errors associated with the human touch. The effective use of data and analytics also can lead to a new and improved segmentation model which enables claimant self service and auto adjudication for certain types of claims. Processes like this can go a long way toward driving costs out of the system.

Predictive analytics are also an important way to impact financial outcomes on a claim by claim basis. As older workers retire, will there be enough trained and experienced claims professionals to handle complex and high potential claims effectively? Through the use of analytics, immediate insight can be provided into fraud, recovery, reserves, injury potential, and effective adjudication strategies. Predictive analytics has been around for a while now, and is slowly but steadily being adopted by more and more claims organizations.

Other technology tools

also can add potential value to the claims process. Mobile technology can enhance the effectiveness of the adjusting staff in the field by providing the information and tools necessary to further the adjudication of a claim on the spot. Web portals can help satisfy the policyholders' demand for point and click convenience by allowing claim self-enrollment and inquiry capability. There also is the potential to capitalize on the popularity of social networking tools to enhance policyholder experience and improve perception of the insurance company.

The rapid deployment of new technology also has a profound impact in the claims workplace. Legacy systems, paper-bound environments and many other traditional manifestations associated with the claims department are disappearing and new skills are required. Not only is it critical to possess the disposition and training to adopt more highly developed customer advocacy skills, but changes in jobs brought about by technology will create stresses on the workforce. Change management and employee training become critical initiatives for the successful claims departments of the future, particularly since many claims professionals currently may not be technology savvy. There is, however, a real upside to automation as it relates to the claims workforce. Younger and more computer literate workers will gravitate towards those employers who are more advanced from a technology perspective.

Today's insurance companies face a formidable challenge in maintaining and improving their competitive positions. As always, sound financial management is critical, especially in this volatile economic time. But, more than ever, it is becoming evident that insurance companies need to focus on the customer by accepting the new "customer is king" paradigm, developing an aligned strategy and culture, and wisely adapting key technology enablers such as a fully optimized modern claims platform supplemented with robust CRM capabilities. Making these changes in the way a claims department functions will have an impact on the claims workforce, so training and effective change management are essential. Those companies who can retain their customers through best-in-class claim service will be in the best position to achieve long term success. **CA**



Michael Kelly is the CEO for FINEOS Corporation. For further information, please visit www.FINEOS.com or e-mail us at info@FINEOS.com.