



White Paper

An Industry Perspective
**Claims Service
Differentiates Insurers**

Enhance Customer Service & Enhance Your Brand

While claims is a “people” business, technology plays a key role in achieving this coveted objective

Claims Service - Insurers' & Policyholders' Consequential Contact

The vast majority of policyholder-insurer dialogue takes place up front as coverage terms and rates are worked out. When the policy is delivered and the first premium paid, the policy goes into force. Client-insurer discussions may cease for the most part. When the policyholder files a claim, however, exchanges between the insured and insurer resume. At this critical moment, the policyholder's service expectations create a prime opportunity for the insurer to distinguish itself from competitors. Delivering outstanding claims service centered on the policyholders' needs changes customer perceptions in a positive way and boosts the brand. While claims is a “people” business, technology plays a key role in achieving this coveted objective.

To Rise Above The Competition

Elevating operations and services above the competition may appear to be a goal easily attained. It's not. Most efforts to differentiate organizations fail. Strategies that promise much but may disappoint include acquiring other companies, restructuring the organization, process improvement initiatives, and increasing the speed of service delivery. Lowering prices, of course, gets in the mix in many industries.

Companies can improve their customers' perceptions. Strategies that pay dividends include advertising campaigns, new branding initiatives, hiring branding consultants and high-profile leaders, and improving services. Improving services offers insurers a way to rise above the competition. The key is to improve claims service, an area ripe with potential. It's here where insurers and policyholders engage each other in a telling way.

Avoid Adverse Opinions

An insurer's ability to rise above the competition has never been more crucial than in today's competitive environment. When an insurer fails to meet customers' claims service expectations, that failure immediately finds its way to social media. When an insurer exceeds a customer's perception that also makes it to Facebook, Twitter, et al. Perception is reality, and word of mouth information takes place via posts and emails around the clock on the Internet.

Efforts to distinguish your company through upgraded claims services require careful evaluation. You can separate your company from competitors in two ways: good or bad. Either way, customers will share their opinions online, providing insurers a rich source of insight. There is one infallible way, however, to improve claims service and enhance the brand: make the policyholder the hub of your service model. Technology can go a long way toward achieving this goal.

Be Customer-Centric

In this era of PCs, iPads, mobile devices, and smart phones, customers have unprecedented ways to share opinions and experiences about how companies do business. That forum mandates that insurers make claims services customer-centric. Elevate claims services to superior levels, and customers will praise you. That's energizing to your brand.

Insurers have never been viewed as at the forefront of technology, but like it or not, that is the world we live in today. Internet pioneers in other industries recognized some time ago technology's potential to optimize customer service. They learned early on to wrap their services around the customer's needs and preferences.

Why shouldn't insurers offer their policyholders memorable claims service as well?

Differentiated Service - A First-Class Example

In just 16 years, Amazon became an Internet giant. The boilerplate of an Amazon news release expresses how the online giant rode distinguished service to marketplace domination.

"Amazon.com Inc. seeks to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices."

Putting the customer at the core of its services—that's how Amazon distinguishes its service. A customer orders an \$8.00 book. Though it's a small order, Amazon fulfills it with a high level of service. First the customer can sign into his account with no need to call and wait for a representative. She's empowered to make her own transactions. The customer enters a site highly tailored to her preferences. Amazon recognizes her, recommends products similar to those she likes, and the website even provides its "Amazon Betterizer" so she can further refine the way she transacts business. Predictive analytics suggest products she may prefer. She can access services around the clock. She easily finds a dizzying array of products at competitive prices. When she orders products, automated alerts confirm her order. She'll know when the order is shipped, and when it will arrive via tracking. After the product arrives, Amazon asks her to comment on her product and service, providing other ways to upgrade her service.

No matter where you are in the world, Amazon treats you like you are the only customer in the world. That makes for a strong, universal brand. Why shouldn't insurers offer their policyholders memorable claims service as well?

When Service Is Your Product

Insurers don't sell tangible products such as books and electronics. In the insurance industry companies market a simple concept, a promise that if policyholders suffer a covered loss or damages they will receive restitution. This promise to act when a claim is filed is, in fact, the insurers' product. The insurer's actions to the claimant are as real as a book but far more important. Getting the policyholder's life back to normal is at stake here.

Retention Trumps Acquisition

An insurer's focus quite rightly belongs on improving customer service. Mid-1990s work on a low-volume high-value inbound life and investments call center determined that a 7:1 ratio represented the cost to acquire a new customer as opposed to retaining one. Recent Capgemini research reveals this ratio still holds true across the insurance industry.

In today's environment, changing companies is very easy for technology-enabled policyholders. Independent research reveals that retention rates increase linearly once "satisfaction" is reached. Because it doesn't level off, exceeding expectations pays dividends. Recent surveys have indicated that growth is the number one priority among insurers, making customer retention critically important to an insurer's financial health. To succeed in retaining customers, insurers' leadership must, however, be tuned in to their customers' perceptions.

The insurer...
places its
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and way of doing
business

Out-Of-Synch Perceptions

An Axiom¹ survey recently revealed that 80 percent of CEOs believe their brand delivers a superior customer experience but just 8 percent of their customers agree with them. Customer-centric claims service can better align these percentages. Claims service provides a prime opportunity to differentiate the enterprise because the claims process may be the customer's only interaction with insurers. Perhaps they bought coverage through a broker, online, or another distribution channel. Regardless of how people come by their policy, customer-centric claim service can distinguish the insurer.

Bear in mind the obvious that, unlike the insurance professionals who staff claims departments and actuarial offices, most claimants are not experts in claims handling. They may be stressed and in need of a helping hand in a literal as well as metaphorical sense. What better helping hand than customer-centric service.

Become Customer Centric Through Customer Experience Management

One interpretation for a customer-centric service model states that "centric" reflects a "positive consumer experience at the point of sale and post-sale." Another meaning holds that "a customer-centric approach can add value to a company by enabling it to differentiate itself from competitors who don't offer the same experience." This latter definition holds implications for insurers.

The insurer that truly adopts a customer-centric philosophy moves beyond buzzword status to full implementation of a meaningful claims service approach. It places its customers high on its list of priorities and makes its customers part of its culture and way of doing business.

Most commercial-client relationships fall into three distinct categories:

1. Price-driven
2. Product-driven
3. Customer-driven

For insurers, No. 3, customer-driven claims service lays a foundation for loyalty marketing.

Quality Service Outshines Low Price

In many industries, products exhibiting a low-price, indeed, the lowest price can develop customer loyalty, but this won't work in the insurance industry. There's only room for one company at the bottom price-wise. Claims service is where policyholders view a claim's fulfillment as a good or bad product. Quality claims service is where the perception, appreciation, and admiration of your brand soars or crashes.

The oft-used statement "perception is reality" is oft used for a reason. Customers' perception of their service is their experience. And if they don't think it's good, it isn't.

Identify what components constitute your claims experience then solicit feedback from people on the front line of claims services. Trust what they tell you, and talk to your claims adjusters and others whose work touches upon claimants' concerns and fears. Listen to their ideas on improving service. Remember that knowledge is power, and realize that you can't make informed decisions if you're not informed. Nor can you improve what you can't measure unless you design your customer metrics to provide answers that improve the customer experience.

¹ 'The Moment of Truth', Axiom Corporation, Whitepaper, 2010

Paying a claim is not a product; it's a service

Strategic Steps

Determine what your customers' expectations are. Create a culture that exceeds customers' service expectations. Make sure all staff—management and operational—dwell in the same culture of customer service. Empower them to make changes. Promote staff buy-in with training, communication, and senior management's top-down involvement. Get the right processes in place to meet the insured's needs, making sure these processes comply with regulations and industry standards. Put controls in place that demonstrate processes are appropriately used. But remember it's not enough to have the right processes; you need to plan to implement them effectively and ensure they're followed. (Forrester² reports that only 31 percent of employees surveyed believe the quality of interactions with target customers was closely monitored.) Have structures, incentives, and processes that reward behaviors promoting customer-centric claims services.

Don't Be A Copycat

Insurers should avoid replicating competitors' efforts to distinguish themselves. True differentiation comes from within the enterprise and grows out of its culture. Don't overlook critical policyholder touch points. Make your service shine. Put the "wow" factor into your claims service. Put customers in the heart of your business. That is a smart way to achieve loyalty in the digital world as Amazon illustrates.

A Claim Is Service

Put customers first and give them stellar service. That's the key in claims. Paying a claim is not a product; it's a service. Product implies a "thing," something static, whereas service suggests "action" and immediately sounds more useful. Even better, actions that go the extra mile boost the brand. Such service is nothing new to select insurers in the Workers' Compensation market. These insurers expend time and effort to get injured workers back to work with innovative programs that institute a plan of care, monitor progress, and suggest alternative treatments when progress lacks. When a return to the original position isn't possible they propose other jobs or careers and recommend appropriate training programs. Some insurers even help claimants write resumes and complete job applications. This proactive approach improves workers' lives and helps the business of the worker's employer.

Claims Processes Belong Up Front

Customer-centric claims service is so important it belongs up front in the company store. How do you create this attractive service? First, by remembering that customers don't access or use the product until they make a claim. All they have meanwhile is an agreement, a promise. Design insurance products with the claims process in mind. The first question on designers' minds should be, "How will people access and use this product?" Design points should stress efficiency, transparency, and flexibility as to when and how claimants file for and receive restitution. Provide claimants quick, easy ways to check their payment status. Clearly state what factors determine the payment and design ways to handle claimant inquiries expeditiously.

This promise is like owning a car you don't drive. You choose the color, engine size, comfort, and accessories. You make the transaction—and then the car sits unused in the driveway against some potential need when you may need to drive it one day.

² 'The State of Customer Experience', Forrester Research, 2010

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Making The Customer's World Right Again

Insurance is like owning a car you never drive. The insurance industry puts a heavy focus on the front-end distribution of insurance products—the sale. Driving the car—the back end—attracts less attention and the role of claims often remains one of compensation but here is where the rubber hits the road as service goes.

“Well,” you say, “that’s what insurance is for.” Not quite. What people really need when they are in the unfortunate position of making a claim is not compensation but restitution. If they’re ill or injured, they want to be fit and well again, to return to work and pay the mortgage themselves. If their car is damaged they want to continue not just the day’s journey but driving thereafter with as little disruption as possible.

When we look at claims for what they truly mean to people, we realize claims bursts with potential for customer-centric service. And the payoff—brand loyalty—comes in happy policyholders who aren’t likely to go shopping for another insurer.

A Customer-Centric Culture Supported by Technology

Technology can support a customer-centric culture. Web-based, customer-centric claims processing software provides measurable claims management improvements. It provides fully automated claims and case management, integrated customer management, comprehensive financial management, optimal provider management, and a flexible, modern, rules-driven technology platform. It empowers the staff. Faster capabilities and easier access to information lets claims handlers quickly and accurately answer customer questions. Strong case management capabilities permit collaboration among the claimant, service providers, and claims personnel.

How an insurer manages its service providers impacts on how the customer experiences the claims process. Today’s customer requires more than claim payment. They expect emergency services at the accident and expect the damaged vehicle to be repaired with minimal effort on their part. This requires the insurer to employ an ecosystem of providers. An addendum ... Never forget that your claims service largely depends on a network of third-party professionals. Salvage experts, specialist adjusters, medical staff, and brokers, special interest groups, and group policy managers should benefit from and be part of your excellent customer service. (Effectively managing this network of service providers in a legacy environment, however, is another matter.)

Many factors contribute to customer-centric claims service: the organizational culture, personnel and management quality, accessibility to services, and fast turnaround times. A modern web-based claims system supports faster claims turnaround, response, and resolution. It differentiates insurers through exceptional customer service. The system’s functionality forms the core of the service experience providing distinct advantages. Robust business rules can automate claims processes, which benefit insurers and claimants in several ways:

- Fewer manual handoffs that eliminate workflow chokepoints
- Fewer frustrating delays resulting in a more customer friendly process
- Reduced cycle times leading to better service levels which significantly impact loss and adjustment expense
- Consistent practices that enhance the claims experience
- Straight-through processing for certain claims, resulting in a seamless, instantaneous service experience for claimants

Customer self-service via the web or mobile applications has become an expected way of doing business in many industries and insurers should expect this trend to accelerate

Empowered Consumers – Some Examples

Powerful technology isn't just for insurers. The man on the street uses technology that was once the domain of the corporate world. Consider how easily claimants can access insurance services. Laptops, smartphones, tablets, and emerging technologies are blowing open the distribution channels. Soon claimants will participate in the claims process like never before. They will expect to access claims processes on the go. Mobile media are inherently social, highly interactive, and they set expectations among the populace as to how companies could and should communicate with customers.

Customer self-service via the web or mobile applications has become an expected way of doing business in many industries and insurers should expect this trend to accelerate and prove contagious. Already, some claimants want to manage their claim and check its status online and via mobile applications.

The United Services Automobile Association (USAA) realizes how today's customers want to do business and it is giving them what they want. As a result the company enjoys a very high degree of loyalty. Though USAA isn't typical of insurers, the company works hard to earn customer loyalty. The company knows its customers intimately and organizes its service around them. Its website provides policyholders a straightforward, easy way to establish an online presence. Registering is a clear and concise five-step process and once policyholders create an account they can securely access their insurance information online, enjoying empowerment that gives them a sense of control.

"Your Life Events," a dropdown form, gives customers a way to participate and manage vital information in key areas ranging from home financing, retirement, home purchasing, personal finances, getting a new career started, and more. Under "Your Car," USAA gives policyholders an online claim filing option. Customers find links for reporting claims, claims forms, and a link for finding USAA-approved service providers. That's the kind of service that endears customers and the payoff for USAA is loyalty.

Several Tier 1 property and casualty insurers have responded to changing demographics and customers' desire for instant access to information, self-service, and empowering technology. Today they empower their customers through portals, self-service, and mobile apps. As seen below, Allstate gives policyholders an enthusiastic way to log in and securely see where their claim stands. Moreover policyholders can forego sluggish paper processes to instantly manage their own information.

View Your Claim Online

Allstate Policyholders

Welcome, Allstate policyholders! You can log into your online account to view your claim. Don't have an online account yet? Register now to get the convenience of online account management today. Benefits of having an online account include:

- Viewing the status of your claim
- Managing your policies, 24/7
- Paying your insurance-related bills
- Updating and viewing your policy
- Going paperless with eBill
- Managing your contact preferences

Giving
policyholders fast,
timely, accurate,
appropriate claims
restitution - served
with a smile - is
good for them
and good for
your company's
reputation

Stay A Step Ahead

Like USAA, Allstate and other insurers' claims departments should develop a digital customer experience strategy that stays a step ahead of customer expectations via any channel they use. However an insurer responds to claimants—in person, email, via the telephone—it's essential that the claims organization shares all customer interactions and provides claimants guidance, advice, and insurance know-how. Help a claimant, for instance, file a claim online and provide them a secure way to follow the claim to resolution. Follow up to be sure all went well.

A Mandate

Implementing customer-centric claims services is a mandate in the digital, ever-connected era. Make claims services into a point of company pride, and everyone wins. Giving policyholders fast, timely, accurate, appropriate claims restitution—served with a smile—is good for them and good for your company's reputation. Less fortunate insurers will suffer quibbles, disputes, and lawyer involvement plus bad press in the social media.

Customer-centric claims service can grow your company image with every fulfillment of the promise you made when you wrote the policy. Growing the image also grows the business by retaining good customers and attracting new customers who demand the type of service you provide. True customer-centric service will get the word out on social media and that is some of the best advertising money can buy (though it's free).

FINEOS Claims

FINEOS Claims provides insurers with the ability to make their claims services more customer-centric. FINEOS Claims provides claims solutions for insurers who specialize in Property & Casualty, Disability, Life, and Government Insurance.

FINEOS Claims is a complete lifecycle claims solution. It supports industry best practice from first notice of loss to payment, recovery, and closure and helps organizations improve claims workflow processes while reducing expenses and increasing productivity.

The case management capabilities of FINEOS Claims enable claims handlers to be guided through the multi-dimensional process of dealing with all parties related to the claim. It informs and alerts claims supervisors and senior executives by providing vital claim operating information through real-time dashboards and regular information reports.

About FINEOS Corporation

FINEOS is a market-leading provider of core software solutions for Insurance. Our flagship product, FINEOS Claims, is the insurance industry's best-in-class solution for all Property & Casualty, Life, Disability, and Government Insurance. Established in 1993, the company delivers innovative solutions to a global market and has customers, employees and established bases in North America, Europe, Africa and the Asia Pacific markets. For more information, visit www.FINEOS.com