Breaking with Tradition in the Insurance Industry: Strategies to Insure Operational Efficiency and Future Growth

An Executive Perspective

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"Insurance companies that understand the compelling need for transformation, and improve critical insurance processes, will be leaders in the industry for years to come."

Summary

In the face of challenging economic times, pressing regulatory changes, and increased competition for market share, insurance companies are struggling to maintain their balance.

Companies that focus on the traditional business drivers to deal with shrinking revenue and flat expenses will continue to weather the financial storm - just as they have in the past. The competitive landscape is shifting though and will favor those in the insurance industry who take advantage of today's market to position for long-term future business.

Capitalizing on the current challenges and turning them into real opportunities will require new strategies that leverage human capital and increase productivity. Manual processes, customer retention, underwriter effectiveness, customer service response, and claims cycle times are all areas within typical insurance companies which are ripe for transformation. Insurance companies that understand the truly compelling need for this transformation, and that take advantage of the tools available today to increase operational efficiency and improve critical insurance processes, will be leaders in the industry for years to come.

This paper describes how Business Process Management (BPM) technologies, including adaptive case management solutions and business architecture tools, can help insurance companies apply new strategies to reduce operational cost, eliminate significant streams of paperwork from their processes, improve the customer experience and grow their businesses. We will highlight companies with best practices implementation and proven results.

Challenges

Even before the recent economic crisis, pressure was building for the insurance industry to be more flexible and to approach business in a more dynamic fashion. In particular, keep in mind that while insurance has always been a highly-regulated industry, new regulations and legislation are proposed and adopted on a regular basis. Increasing compliance demands from federal, state and other regulatory bodies demand more agile processes that can evolve and adapt on a continuous basis, but that also offer varying levels of control over how they are executed.

Insurance companies must find a way to break out of the silo'ed, legacy systems which perpetuate a limited view of the customer and books of business. New models of business and enterprise architecture need to arise; where integrating with newer technology solutions and effecting process improvements that leverage the capabilities of existing personnel and applications can become the norm.

There is a need for real process improvements in the insurance industry. As Insurance companies must automate critical business processes with multiple manual touch points, simplify complex workflows and hand-offs, get the right information from disparate data sources for optimum decision-making, and fight patchwork application environments to ease the effects of inefficient business processes. With these issues addressed, companies will be prepared to focus on retaining profitable customers, attracting new customers through a myriad of distribution channels, delivering new products, and providing high quality customer service.

Strategies

Insurance company executives are searching for solutions to streamline processes and deliver improved performance to support profitable growth strategies.

Four key strategies are finding favor with forward-thinking companies:

- Focus on operational efficiency and expense control across the value chain, driving for leverage across silos
- Scale to capture increased demand for select products and support diversified geographic footprint
- Expand distribution channels while maintaining excellence in customer service
- Remove paper and automate case management support to reduce cost and settlement timeframes within the claims life cycle

The push to optimize both personnel and systems utilization for these strategies, and increase efficiencies enterprise-wide is on, and pursuit is hotter than ever.

With a number of overlapping, manual processes, companies need to find ways to effectively manage the people, process and technology aspects of the enterprise to realize the breakthrough change in operations.

By simplifying internal Information Technology architecture and creating standardized, repeatable processes, insurance companies can enhance collaboration among key parties, reduce paperwork, and more effectively manage the overall insurance process from soup to nuts. The results of these efforts to automate and optimize business processes include increased profitability, superior customer service and a significant increase in shareholder returns.

Role of Technology

Insurance is a process and paper-oriented industry. So, it stands to reason that changing the way the insurance industry does business for the better means finding new ways of handling information and revamping manual processes that today push mountains of paper from place to place and department to department. The key is managing the process and the paper optimally to achieve the most effective results.

The first step in overcoming the restrictions placed on insurance by paper files and manual processes is modernizing the legacy systems which drive most insurance companies in terms of core administration. The sheer number of transactions handled and paper generated each day makes business process management a new essential for insurance companies. Since BPM effectively manages complex processes across multiple systems, it can deliver improved process control and increased agility. A BPM initiative incorporating industry standards has the inherent ability to support core business concerns – from legislation and regulation to disaster recovery and business continuity; from security, privacy, and litigation support to efficiency, productivity, capacity, and customer service.

However, equally important are the tools to monitor and alert based on key performance indicators (KPIs). They provide insurance company executives an eagle's eye view of what is going on inside the business on any given day and the means to proactively improve processes, fully-manage workloads, and meet or exceed production and service goals. Without process intelligence, BPM will only perpetuate bad practices.

Proactive insurance companies can utilize BPM today to gain greater control of processes, decrease expenses, and streamline operations. By utilizing some of the best practices defined by successful BPM initiatives, insurance companies can realize a nearly immediate return on investment (ROI).

Best Practices in BPM are Lessons Learned for the Industry

A number of Tier 1 insurance companies worldwide today look to OpenText as an essential partner in the transformation process. These forward-thinking insurance companies know OpenText understand the unique needs of the insurance sector and how business process and case management can help them differentiate through services and business operations.

Given the industry's need for immediate improvements, insurance companies are getting serious about targeting fundamental business processes as key areas where significant gains can be made in the quest to attract new business and increase retention, lowering expense ratios, and improve servicing of customers.

These key areas include:

- New Business, Underwriting and Enrollment
- Claims Management
- Customer Service

Automating New Business

The number and type of distribution channels utilized by insurance companies can vary greatly, ranging from direct transactions taken over the Internet to agent/broker reported transactions and more. Although the goal in the industry is to automate much of this processing, a great number of applications are still received in paper format.

As already discussed, the paper format of new applications means insurance companies face costly and inefficient processes as they try to underwrite new risks. The types of problems this leads to include:

- Long underwriting cycles
- High employee to new business counts
- Poor underwriting results
- Lack of underwriting transparency and accountability
- Physical constraints created that inhibit growth

To meet these challenges, forward-thinking insurance companies are realizing the value of BPM to streamline their new business/enrollment process flows. For personal lines and small commercial policies that means applying straightthrough processing (STP). For commercial and life products, the new business needs to be presented to the underwriter in a single view with multiple third party data sources as well.

To compete for this new business and improve the financial performance through increased productivity, insurers must:
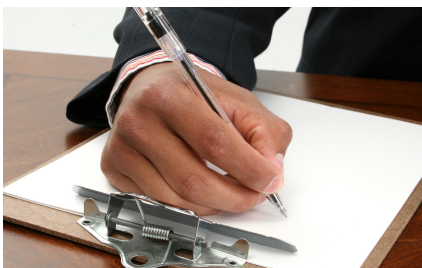
- Conquer the paper avalanche with automation
- Improve underwriting turnaround time on complex risks
- Track all required information electronically
- Reduce new business acquisition costs

A top life insurance company had reached a tipping point in the cost of processing new applications. The company literally had to hire four people for every 100 new applications received because the company's staff had to physically move paper throughout the organization – file it, track it, and retrieve it when requested.

Typical applications for this organization come in the door containing between 10 and 100 pages depending on the complexity of the package, and with the company receiving between 600 and 900 applications every week, automating processing of those applications was critical. With OpenText, the company found the functionality, performance, intelligence and flexibility they were looking for in a business process management solution.

Results for New Business Processing:

With OpenText, Insurance companies can replace paperbased processes with a highly productive BPM solution, automate documents to reduce errors and processing time, provide easy access to information in legacy systems, analyze business performance and worker queue volumes in real-time, and balance workload and staffing for the humanintensive part of the process.

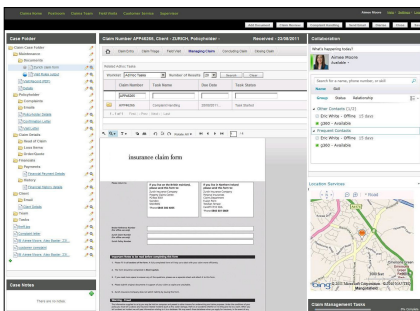*"This investment has enabled the company to handle a 67% increase in applications without increasing staff."*

OpenText solutions delivered the flexibility to handle multiple types of workflows and the ability to automate processes so the company could make more informed decisions. Today, the company is able to handle more applications and is growing the business with no increase in staff. In fact, case managers are handling 30 percent more cases on a daily basis than prior to the OpenText initiative and the company's underwriters have increased their capacity by 20 percent.

By leveraging the OpenText solution, company employees have instantaneous access to the status of a file, the ability to view documents within the file, and can immediately review any of the reports related to the case, all while the agent is on the phone. This investment has enabled the company to:

- Handle a 67 percent increase in applications without increasing staff
- Engage an entire new sales channel by marketing its term life policies through several large financial institutions
- Respond rapidly and efficiently to high volumes of new customers
- Enhance the average customer experience in terms of turnaround time and consistency
- Improve application tracking and compliance monitoring

Improving Claims Management

From a financial viewpoint, it is estimated that insurance companies spend nearly 80 percent of their income on claims. There is a great deal of third party data that is aggregated during the claim management process in order to determine the settlement amount. Much of this data is paper-based, making it difficult for claims specialists to obtain a single view of the claims. Studies have found claim settlement times are directly correlated to the severity of the claim, so efficient processes are a must.

Recently, a leading worldwide insurer needed to unify decentralized claim functions and improve cycle time. Implementation of the OpenText BPM solution began with a project in the decentralized multi-site auto claims department in a single country which handles an overwhelming 230,000 or so new claims per year. Typical auto claim files include approximately 20 pages, and the company employs some 250 claims managers working in seven regional offices to process the hefty claims. To further complicate the process, more than 10,000 documents a day relating to active claims, such as forms, letters, and faxes, arrive in a variety of haphazard ways, from different sources, at different times, and at different offices.

The OpenText BPM solution brings all this information together and routes it to the right desktop, automatically assigning claims, smoothly channeling incoming information, bundling documents connected to the same claim, and prioritizing the work. At each auto claims office, incoming documents are sorted by type, scanned into the OpenText system, indexed, and electronically documents relating to the same claim are automatically bundled together.

OpenText's BPM solution improved claims processing for this leading insurer by:

- Automating claims case management
- Optimizing customer service
- Reducing claims settlement timeframes
- Cutting costs in areas of archiving and staff overhead
- Expanding reporting capabilities to proactively manage workload
- Enhancing compliance monitoring and management

Results for Claims Processing:

With OpenText, Insurance companies can bring the sources of data together for the claims specialist to obtain a single view of the claim for improved assessment, enable faster claims settlement times to decrease the severity of the claim, enable brokers and claimants to track progress of claims, provide self-service from first notice of loss (FNOL) to status inquiry and information provision and support transparent decisionmaking to minimize the risk of fraud or manipulation.

Delivering Superior Customer Experience

Many insurance companies differentiate themselves from competitors in today's market based on the level of service provided to customers. Call centers are an integral part of efforts to deliver and maintain high service levels, the veritable front lines of customer satisfaction and retention.

Developing a high quality call center is in large part about making certain the data provided to the front line resource is timely and accurate. Keep in mind, call centers and customer service units are measured not only on average call times, but also on the quality of the answer provided. The types of issues found in the service area typically include:

- A lack of metrics to manage the effectiveness of the unit
- No access to an integrated customer view to manage the customer issue
- Numerous legacy systems that need to be interfaced with separately
- Growing pains for existing units attempting to handle business that is increasing in size and complexity

By allowing insurance companies to automate workflows and processes, BPM decreases the time necessary to handle customer and agent issues and ensures a high level of customer service. That is why following a thorough evaluation of their business processes and a review of the company's needs for the future, a large single-line insurance company recently decided to utilize the OpenText BPM solution to deliver superior customer results.

With the business growing rapidly, adding four to six new states every year, the volume of documents was also growing significantly as new customers were added. The solution was first implemented in the company's two largest business units, claims and underwriting. This implementation was executed as a multi-domain installation which provides the company the ability to support users in multiple locations and push work items to local domains with optimal performance.

For this insurance company, improving customer service was key, and by leveraging OpenText's BPM solution, the company has been able to:

- Decrease customer request response time
- Improve the customer experience in terms of both turnaround time and consistency
- Remove paper from the process
- Reduce the number of "missing in action" items

Metrics are also available to manage the effectiveness of the customer service unit – both from a call center perspective as well as written correspondence. Customer service excellence is achieved while reducing the cost of customer service units – and thus providing for growth of products without incremental staff.

Next Steps

Insurance companies rely heavily on business process to provide the services that customers expect. Yet it is the people, the processes, and the data that must work together to execute those processes and deliver improved customer relations, reduced costs, and increased profits. OpenText has demonstrated through many successful installations that it understands industry needs and more importantly how BPM provides a sustainable and competitive advantage. That is why we invite you to experience our distinctive viewPoint Assessment service.

Results for Customer Management:

With OpenText, insurers can provide an effective and efficient technology enabled customer service experience by enabling Customer Service Representative access to data held in back office functions, such as policy processing, billing and claims, in a consolidated view. Critical information is then available when working a call or performing research opportunities.

OpenText's viewPoint Assessment provides a unique role-based approach to identify and prioritize high-value areas where BPM can generate significant gains in people, process and business productivity.

The viewPoint Assessment will assist your organization to:

- Discover improvement opportunities for your most critical business processes
- Identify and empower the individuals and roles that participant in and support your processes
- Establish key process indicators (KPIs) to measure and ensure desired improvements

About the Author

Deb Miller is Director of Market Development for Business Process Solutions at OpenText. Her work with the OpenText solutions team focuses on industry strategies for business process improvement. Her career includes more than 20 years of global industry experience with GE. Since 2002, she has been a study group contributor to the President's National Infrastructure Advisory Council. Ms. Miller is a Phi Beta Kappa graduate of Syracuse University with a degree in Mathematics and a dual Masters in Education and Mathematics. She has attended GE's Management Development Institute and is a Six Sigma Green Belt. You can follow Deb at @DebsG360 on Twitter.

About Business Process Solutions

With the focus of BPM shifting from automation to innovation and improved customer satisfaction, OpenText BPS's software suite provides the necessary solutions to retain competitive edge. With over 300 customers and 20 years of experience, we are recognized by industry analysts as a leading Business Process and Case Management provider. OpenText solutions provide high impact, high-ROI solutions for company executives.

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