

Fragmentation Frustration

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As the dust settles on today's more consolidated general insurance market, certain issues remain. For many, the end result has been significant fragmentation, particularly of systems and processes. For claims alone, the systems for managing these are often complex and disparate, making the delivery of consistent customer service a major challenge as well as contributing towards leakage - this alone can make a real difference to the bottom line.

Fragmentation and Complexity

When you consider the parties involved in a claim - claims handler, claimant, assessor/adjuster, lawyer, doctor, witness, police, repairer, supplier, salvor, to name just a few - it's easy to see how fragmentation can occur.

- Do they all have a consistent view of the claims process, their part in it, or of the relevant data?
- How many ways of interacting with the insurer's claims process are available? Phone, paper, email, fax, web pages? Do all result in the same 'view' of the claim or does

some media, or the way they are captured by systems, inhibit people's ability to see a consistent view?

- Do the systems and processes demand too many specialist functions and the risk of 'silo' operations proliferating within the claims operation?

Reviewing these questions leads us to see a complex, and perhaps sometimes tangled, web of interactions and relationships. In some cases rationalisation may help, but in others we may find we need the complexity for good business reasons. However, greater consistency, in all areas, will improve claims management, leakage reduction and customer service. And that consistency needs to be not just in what we do internally but in everything done on our behalf or in our name for the claimant.

The Supply Chain

Success in claims management comes from good management across the entire supply chain and most insurers have examined costs and savings in that area.

This has led to collaborative engagements with suppliers acting on the insurer's behalf to fulfil claimant needs. Joint processes and systems must therefore be considered – supplier systems and processes may appear to meet the needs of the insurer's claims operations but, in reality, are often limited in scope, and may do nothing to reduce costs further along the claims fulfilment supply chain. Indeed some processes merely re-create the 'balloon' problem, where apparent solutions such as time or money savings in one area, pop out as different problems or costs in another area.

This 'disconnection' between external suppliers' processes and the insurer's internal claims process will only increase the risk that the claimant is on the receiving end of a series of uncoordinated activities that may leave them less than delighted, to say the least! And, even if things have gone smoothly with a satisfied claimant, at what cost to the insurer? How much frantic paddling goes on beneath the surface of the water, to give the impression of serenely gliding above it? To achieve the graceful progress we promise and not just its perception, we need to effect seamless processes that span the boundaries between claimant, insurer, and supplier.

Achieving end-to-end supply chain process management is the main objective here and the tools exist today to do just this. It is the combination of today's BPM (Business Process Management) capabilities with systems designed to adopt a Service Oriented Architecture (SOA) approach that enables a multitude of discrete business services (many from existing applications) to be used as 'piece parts' in the creation of coherent business processes. And, because these are deployed as Web services, there is less limitation on time and place – flexibility of deployment wherever and whenever needed, right across the entire value/process chain, is the expectation.

Consistency and Accuracy

The leakage debate might appear to demand a focus on accuracy in data capture, loss adjusting, settlement estimates and so on. However, perhaps it should focus on consistency. Being able to deliver service and manage costs consistently can bring greater returns than a focus solely on accuracy.

Whilst one can debate whether the actual payment or cost for any claim is correct, can one guarantee that two similar claims will be managed in a like manner at a like level of cost with the same processing or administrative overhead? Take any set of like claims and look at the settlement figures and associated costs. Are the discrepancies really a result of case differences? If they had been treated more consistently, would there be a saving? Improving consistency will quickly expose where accuracy needs attention.

Despite having prescribed processes, much inconsistency is derived from human involvement. Even assuming the operations manual was 'right' to start with, it is certainly acted on inconsistently. This is not to say that claims people are not good at their jobs, more an acknowledgement that 'to err is human' and humans bring personal interpretation and experience to bear – qualities that are not consistent over time or from one person to another, however much the prescribed process and operational manual might assume otherwise.

Whilst rationalisation of fragmented processes and systems and more integrated processes along the supply chain will provide a more consistent support environment for people, the line of business or claim type will differ, even across a generic claims process, and so require different support.

Such support may be provided by specialist automation tools that dramatically improve consistency in

claims management, whilst also reducing leakage, in areas such as:

- Ensuring a higher percentage of, for example, damaged vehicles are properly inspected, with the minimum resource overhead, and using standard estimating tools. Even with the high impact that advances such as digital imaging, remote inspecting and automated estimating have had in the car repair area in some markets (notably UK), inspection levels are too low and take too long. The same is true for many other (non-motor) areas of property damage, where faster inspections of more such damage would similarly reduce leakage.
- Ensuring that personal injury damages are assessed and settled consistently from case to case. This is a key area where consistency must be addressed before accuracy and where two similarly experienced PI claims people will rarely volunteer the same (or even close) settlement figure on reading a case file.
- Ensuring that liability is properly determined consistently and that this determination is properly applied to the final settlement. Apportioning liability is an activity that may appear a bit of an art, but technology is already being used by some insurers to apply rules to ensure consistency of liability determination from case to case. And once a view on liability is reached, we see cases where, because this isn't fed back into the overall claims process, only a partial payment is made, or a recovery is made.
- Ensuring that potentially fraudulent claims are identified consistently and referred automatically. Many insurers have set up Special Investigation Units to focus on these. However, if the claims referred to them as suspicious are only referred on the basis of a claims handler's word, how many of those are genuinely worthy of investigation? Which should be prioritised for investigation? Much suspicious claims referral is still done solely on the initiative of the claims handler, and yet systems are readily available today that enable certain key aspects of claims to be reviewed automatically, thereby producing a far more consistent set of referred claims to investigate. Is it any wonder that there is so much insurance fraud when the chances of getting spotted are often down to the ability of an individual human being to see it – someone who is tasked to process a volume of claims, not take time out to actively look for potential fraud – rather than a rigorous and consistent analytical process?
- Enabling claims to be easily and swiftly allocated to the appropriate resources, whether a claims handler or supplier. Take any part of the claims fulfilment supply chain and, whilst large insurers will have a range of suppliers, sometimes it is not clear what the basis for referral to them should be. Is this claim to go to supplier or resource A because they are next in the queue? Or to B because they have more spare capacity at this moment? Or because this type of claim is in an area where their recent performance has exceeded other suppliers – perhaps because of new resources or training? Using modern process management tools it is possible to have far more dynamic allocation of work amongst resources of all types and to monitor the performance that is delivered.
- Ensuring that costs incurred with suppliers (lawyers, adjustors, repairers, replacement goods providers, etc.) are appropriate to the actual services provided and that the costs are always in line with the agreed service levels or contract terms. Again we are often reliant

on people a) having the time and attention available to review supplier invoices in detail and b) having sufficient knowledge of the Ts & Cs or SLA under which the supplier operates. Without this it is easy for erroneous invoices to be paid, and having an audit process – usually a sample only – does not seem to cut it when there are tools available to automate this process and ensure 100% compliance first time round. And how much more productive might the business relationship between supplier and insurer be if both parties were able to focus on the purpose and development of the relationship rather more, and on re-work and financial adjustments rather less?

- Ensuring that the vast amount of highly granular data that is, or could be, captured by such systems is made available to management for analysis to suggest future actions. Surprisingly little management information is available today across the whole claims process at a sufficient level to really inform management as to where to focus.

Many of the above tasks are currently undertaken by individuals applying their best practice, training and experience. However, by providing support tools to ensure consistency and at the same time improve the skills of those responsible, can provide huge benefits.

Aligning Business and IT

Claims management strategies need to take a holistic view of all parties, both internal and external to the insurer, from claimant to supplier side. A set of business processes that integrates the inputs and involvement of all parties and manages their interactions with the insurer and their systems in a consistent manner will reduce frictional overheads, providing a foundation for going much further in addressing many of the key leakage areas already described.

With the new breed of BPM tools, and today's SOA-designed applications, the technology is sufficiently powerful, flexible and agile enough to enable streamlined and automated processes that could not have been considered only a couple of years ago. No longer need 'rationalisation' conjure up images of a re-build from the ground up of multiple disparate systems. Business and process transformation can take place now, as never before, and in a way that, because of its very infrastructure, is built to adapt and change totally, in line with the changing business environment.

This article started with a comment about the dust settling on industry consolidation. In reality it will never settle, of course. Whatever the cause, we are always in a state of flux. Today, at last, we can envisage the types of systems that will help business continuously adapt to such a state.

Never before has there been such opportunity and never before has it been so important to align business and IT strategies and embrace the new world enabled by today's technology.

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