INSURANCE NEXUS

Modern Claims for the Modern Customer:

Reimagining a Customer-Centric Claims Cycle

Modern Claims for the Modern Customer:

Reimagining a Customer-Centric Claims Cycle

With Contributions from

Klaus Vogel
Senior Vice President
If P&C

Ali Crossley
Customer Director
BGL Group

Andrew Scott
Global Business Development Lead
Vitality

Matteo Carbone
Principal
Bain & Company

Disclaimer

Views expressed by our experts represent their sole thoughts on the topic of customer-centricity in insurance claims. They do not necessarily represent the views of their current organizations and should not be seen as an endorsement of any group, product or strategy.

The information and opinions in this document were prepared by Insurance Nexus and its partners. Insurance Nexus has no obligation to tell you when opinions or information in this document change. Insurance Nexus makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. In no event shall Insurance Nexus and its partners be liable for any damages, losses, expenses, loss of data, and loss of opportunity or profit caused by the use of the material or contents of this document.

7-9 Fashion Street, London, E1 6PX

Author

Morag Cuddeford Jones

Editor

Josh Gordon
Project Director
Insurance Nexus
T: +44 (0) 207 422 4348
E: josh.gordon@insurancenexus.com

Modern Claims for the Modern Customer:
Reimagining a Customer-Centric Claims Cycle

Building customer-centricity in claims

Insurers are rapidly coming round to the idea that customer-centricity in the claims process is a vital part of retaining profitability and guaranteeing growth. But, to achieve both insurers have to understand precisely what the definition of customer-centricity is and how, if it's going to have any impact on these two business-critical KPIs at all, it is far more than an exercise in marketing lip-service.

There is a tendency in today's buzzword-heavy insurance market to throw around the word 'customer' frivolously. 'We're focused on the customer' the spiel goes; 'we're building a customer-first strategy/organisation/campaign/department'. For many, this means bolting on a piece of Software as a Service (SaaS) technology and sending out personalised emails or helping call centre staff deviate a bit from the script.

In reality, becoming customer-centric is an exercise in rebuilding the organisation from the ground up. It's about changing product types to suit new customer behaviours. Customer-centricity means finding ways to anticipate needs that haven't even registered on insurers' radars before.

When it comes to applying customer-centricity to an insurers' greatest point of reckoning, the claims process, there are myriad ways in which to approach the task but all have one common theme - it's like nothing they have done before.

According to the Business Dictionary, the approach can be defined as:

> *Creating a positive consumer experience at the point of sale and post-sale. A customer-centric approach can add value to a company by enabling it to differentiate itself from competitors who do not offer the same experience.*

Which is a bit nonspecific and doesn't really tell us a lot. How about:

> *A customer-centric approach in insurance is about reducing risk and cost for both customer and insurer. Customer-centricity forces the insurer to reassess progressively redundant business models and operations to focus on delivering services that are of value to the customer and as a result, deliver reasons to stay loyal to the brand. Such services extend the lifetime relevance of the insurer and lifetime value of the customer. In extending customer-centricity beyond product level and into the operations function, insurers can also increase efficiency and reduce cost, further improving both their value to the end customer and return on investment.*

Securing an operational win-win

'Offering a new experience' has insurers scratching their heads to find a technology or product that has more pizazz than their competitor's. But, ultimately, the most effective strategy is to get down and dirty with the nuts and bolts that hold the whole process together behind the scenes.

Operational effectiveness may not be sexy, require a flashy ad campaign or new mobile app but it is a sure-fire way to improve an insurer's customer-centricity while also dramatically improving the cost base.

Modern Claims for the Modern Customer:

Reimagining a Customer-Centric Claims Cycle

McKinsey[1] noted in *Successfully reducing insurance operating costs: Insights from McKInsey's Insurance 360⁰ benchmarking*, that the difference in cost performance between the bottom and top quartile players was consistently more than 60% across every business function. Importantly, these costs were not down to 'immovables' such as size, product mix or geography. Instead, management issues and specifically business complexity including customer-facing processes as well as under-optimised operating units were to blame. Workload backlogs, the involvement of large numbers of brokers and spread-out back office functions all added to complexity and therefore cost. It also led, the report noted, to "a drop in customer satisfaction and deteriorating financial performance".

"The cost of claims handling is the elephant in the room," notes Bain & Company Italy's Principal, Matteo Carbone. "Data from black boxes is allowing us to really refine the claims process through telematics. Claims handlers can take better, quicker decisions and optimise the payout for the insurer. There is also a lower overall incidence of bodily injury claims because the insurer has more information."

So far so good for the insurer but what about customer-centricity? "Effectiveness is the starting point but you're also speeding up the process so that if the client has been 100% honest you can take a decision quickly and the client then receives a better service," Carbone adds.

In the battle for customer-centricity, incorporating systems for the purpose of rapidly sharing and verifying information is seen as a win-win for both insurers and their customers. "With a telematics box on board you know where claims happen so the insurer doesn't have to wait for the first notification of loss. You can send the client assistance straight away. In a survey we conducted, more than 50% of clients were looking for services that simplified the stressful moments in the claim," Carbone reveals.

Providing information is certainly highlighted as one of the most stressful parts of the claim aside from the accident itself. "There are a number of questions that have traditionally been asked but are not needed today. We could be reducing the number of questions and live with less data than we did in the past. We can still have enough information to settle the claim properly," insists Klaus Vogel, Senior Vice President of Claims, If P&C Insurance.

Where automation gets personal

"This may or may not involve automating services", Vogel adds, and insists that it is making sure the information is in the right place at the right time that is the important part, not necessarily how it gets there: "The main way for customers to get in touch following a claims event is via the call centre. If you just make sure the information is flowing into call centres in real-time you are already improving your processes."

Carbone elaborates: "The key point is that technology will allow you to improve your level of service. Self-service is not a sure-fire way to make clients happy because the frequency of usage isn't high enough. They're not used to using it so it becomes harder to learn. We need to figure out what the customer's experience

1 http://www.mckinsey.com/industries/financial-services/our-insights/what-drives-insurance-operating-costs

is of the business in the moment of claim. For automotive it's a high-stress interaction and not that frequent. Health cover you may well use more often. A simple app that helps them scan in their documents and receipts so they don't lose time managing paperwork is a customer experience leap forward."

Indeed, according to Ali Crossley, Customer Director at BGL Group, it's vital that automation does occur behind the scenes and isn't obvious on the claims front line. "It's all about treating people as individuals in high stress situations. The last thing they want to happen is be treated in an automated way. They want the insurer to know the details of the claim and to not have to repeat themselves."

An important consequence of improving operational effectiveness is that insurers can then build more transparency into their service. Crossley talks about how Uber revolutionised taxi provision. It isn't necessarily the fact that Uber can be cheaper than standard cabs or the fact that you can manage everything from ordering and payment before you get in the cab. It's the transparency that is the key.

"It removed uncertainty," Crossley insists. "The enemy of taxi travel is uncertainty but Uber removed that by showing you where all the cars were and how long it would take one to reach you in real time. Claims is also beset by uncertainty. Will it pay out and when and how can I fix the loss? Customers want answers to that very quickly. Even if the answer is no, they still want the certainty."

Operational efficiencies support transparency because both the organisation and the client can have visibility of where they are in the process. Today's systems make procedures and 'paper' trails eminently trackable and in real time. Automation can improve accuracy, meaning the insurer has nothing to fear from allowing the customer to have visibility on the progress of their claim. But there is a fly in the ointment.

Managing third parties

Third parties have long been an essential part of the claims process but the perception of them by the customer is mixed. The insurer may allow the customer to use a provider that they have a pre-existing relationship with. This is great from a customer-experience point of view but poor for insurer control over the process.

With two masters - the insurer and the customer - it's entirely possible that third parties may not end up satisfying either. Third parties also have the potential to damage the insurer brand by not living up to the latter's efficiency or brand values. It is common for customers to believe third-party provision falls under the insurer's brand and any shortfall in experience here is a shortfall from the insurer.

Of course, transparency of process can go some way to resolve this but insurers have a challenge to bring their providers in line with the same degree of automation, transparency and service that they - as often a much larger company with more resources - are able to provide.

"Third parties are one of the big challenges we have. It's about us controlling that journey as much as we can. The end-goal is either to run the whole end-to-end journey ourselves or do the elements we're allowed to do and then pass over to other companies – on the understanding they match our level of service. We're telling our partners that it's our way or no way. If you want to be on our panel you have to be truly customer-centric," Crossley insists.

Vogel agrees: "This is the change process that insurers are having to go through. In the past they were in full control of the process - they owned it. Now, partners are getting involved and outsourcing is a big challenge. We need to work on getting partners that have the same service plans so that they always work on behalf of the insurer and the customer."

While difficulties are anticipated, Crossley's experience has been positive so far: "We've been getting an incredibly positive response and that's something of a surprise. I was expecting more resistance. Insurers have been saying it's been a long time coming but we're nervous about handing over more control."

Carbone advises: "Some pools of services are working well and this is often down to outsourcing to third parties. But more and more insurers are going to need to develop an ability to orchestrate these providers. We're really at the beginning of experimenting with this, it's not standard in the market yet.

Bain's Carbone goes on to say that success in managing the claims experience is down to organisational strength. "The organisation of an insurer is really based on silos. A lot of work needs to be done in creating multifunctional teams across business lines. If you look at an innovation unit, you find product, marketing and sometimes actuarial but very rarely will you see a representation from commercial or claims."

Vogel summarises the three-point strategy he believes insurers should adopt to build customer-centricity into their claims processes:

"First it's about meeting the customers as individuals. Then good customer experience comes in three layers. The basic layer is to meet the customer's needs and find them a fast, fair and correct settlement. The next is that a claims organisation should be easy to get in contact with. There should be several contact channels so the customer can choose how they prefer to interact. Finally, it's about going the extra mile. Normally, you don't associate an outstanding experience with claims settlements, but it is possible."

Reassessing redundant business models

Ultimately, to deliver customer-centricity in claims, insurers should be starting way back at the beginning in product development. The very nature of risk is changing and so insurers must change if they are to be seen to deliver value at the point of claim.

This is particularly stark in the area of life and health insurance, two coverages that are not valued highly by consumers. Indeed, an Ernst and Young study[2] found that life and annuity consumers have limited trust in the life insurance industry with only 69% trusting their provider, a lower score than pharmaceuticals and beaten by banking.

2 http://www.ey.com/Publication/vwLUAssets/ey-life-insurance-distribution-at-a-crossroads/$FILE/ey-life-insurance-distribution-at-a-crossroads.pdf

Modern Claims for the Modern Customer:
Reimagining a Customer-Centric Claims Cycle

Claiming on health insurance is seen to be fraught with exceptions and exclusions with the balance seen to swing firmly in favour of the insurer. Life insurance suffers from the obvious drawback that the policyholder is rarely around to enjoy the proceeds. Altruism does figure but it doesn't go a long way to mitigating the monthly pain of premiums.

To better engage customers, health and life insurers therefore have to move the perceived benefits of the 'claims moment of truth' further back down the customer journey.

"We are in a unique position as insurers because we can monetise better health. It's in our commercial interests to encourage our policyholders towards better health," explains Andrew Scott, Global Business Development Lead, Vitality UK.

The Vitality product doesn't rely on customers needing to claim to deliver mini moments of truth all along the customer lifecycle. It is a model based heavily on incentivisation. The company found consumers' short-termism about their health led them not to take on board the long-term implications of poor lifestyle choices, preferring to focus on immediate gratification.

"We transformed from a system that underwrites once at policy inception to a system that actively supports people living healthier lifestyles. We use that information to price risk dynamically over the course of the policy. And we give credit to customers up-front for leading a healthy lifestyle, so in a typical Vitality life insurance product, this manifests as a discounted premium at inception."

Of course, creating positive moments of truth during the customer lifecycle has to be followed through at the moment of actual claim and Scott insists that customer-centricity is very much in evidence here too: "When members do claim, the procedures are always built with them in mind, whether through electronic submission or claims via an app, even direct settlement with a healthcare provider in the case of medical insurance."

Technology has a role to play in this but it is an enabler rather than creator of customer-centric strategies. Connectivity is allowing insurers to deliver more efficiently by removing some of the time-consuming procedures from the process. "In our Vitality Shared Value Insurance model applied to motor insurance in South Africa, the telematics technology detects that a severe G-force has been exerted on the vehicle and emergency medical services are dispatched to that location. The measurement of G-force at the point of collision also allows the team to predict the level of damage to the vehicle and anticipate claims accordingly."

This is quite clearly of value in the UK, where a government motion was required to halt the abuse of Whiplash claims which cost the sector and estimated £2bn a year[3]. The consequence being that there is a far greater burden of proof required from the insured if they have suffered a genuine injury to get a payout. Forcing policyholders to fight for claims that are rightfully theirs runs completely counter to any sense of customer-centricity, although a necessary protection for insurers

3 https://www.gov.uk/government/news/insurers-vow-to-pass-on-whiplash-reform-savings

revenues. Being able to remove all doubt benefits both parties. Scott adds that no-quibble guarantees are a vital part of any claims process:

"We offer a full cover promise to our members, which ensures that the full cost of the treatment is paid for - all consultants and anaesthetists' fees for in-patient and day-patient treatment as long as the treatment is eligible on the member's plan and the consultant is recognised by Vitality Health," he explains.

In life insurance, Vitality is trying to introduce an element of customer-centricity to a segment where holders routinely see no value from the policy during its (and their) lifetime and especially not the claims process.

"Life insurance is necessary and there are a whole lot of important reasons to have it. What Vitality brings is a dynamic and engaging policy. It's not just about future financial security but actively engaging the policyholder from day one. Not only are we pricing risk dynamically but we're also giving rewards to people who are doing healthy things. Every week they hit their step targets their wearable or phone links to Vitality and unlocks a free coffee for example. It transforms the product from a distant payout to something people engage with week to week," Scott reveals.

Conclusion

Insurers will do well not to confuse customer-centric with customer-facing. There is a great deal that insurance companies need to do behind the scenes in terms of managing data and insight, implementing technologies or working with the information that flows from consumer technologies.

Customer-centricity in claims means removing a great deal of the friction that remains in the process from finding ways to eliminate unnecessary forms and administration to improving lines of communication between company and customer.

It is undeniable that the nature of risk is changing dramatically, some of it as a direct result of the technologies that are creeping into customers' daily lives. It is down to insurers not only to improve customer experience at the point of claim, but to respond to these changes in consumer environments.

"We've seen that by creating a new category of insurance, Shared Value Insurance has proven to be a tremendously effective structural transformation. Technology hasn't created our business model but it's turbo-charged it. When we get the balance right there are no losers. Monetising better health creates a surplus which we can invest in further incentivising positive behaviours which in turn creates more surplus. And in the process, there is positive social impact. What we need to get right is the level of reward that motivates behaviour change. How much of that change reduces claims and how much incentivisation actually creates that surplus?" concludes Scott.

Building customer-centricity across the whole organisation will impact the volume of claims, the type of claims and inform the customer's behaviour at point of claim. For many sectors outside health and life provision, the end claim will remain the absolute moment of truth and the change will not come overnight.

"The answer is to improve incrementally. The customer experience won't be any worse than it is today. We need to identify key moments of truth in their journey. What can we do at each to massively improve the experience and pick them off, one by one. Whether it's giving quicker answers or automating payouts it's going to be an iterative improvement rather than a big bang," Crossley says.

However it is achieved, for Vogel, customer-centricity will be the absolute point of differentiation for brands going forward: "This is where the battle will take place for claims organisations in the coming year. Those with the best customer-centric culture and the best customer experience will have a clear advantage."

INSURANCE NEXUS

Modern Claims for the Modern Customer:
Reimagining a Customer-Centric Claims Cycle

Contact Us:

Josh Gordon

Project Director
Insurance Nexus
T: *+44 (0) 207 422 4348*
E: *josh.gordon@insurancenexus.com*

Connected Claims Europe 2016

Conference & Exhibition, 28-29 November, London

The contributors of this white paper: Klaus Vogel – *Senior Vice President, Claims* at If P&C, Andrew Scott – *Global Business Development Lead*, Vitality and Matteo Carbone – *Principal* at Bain & Company are all speaking at **Connected Claims Europe (November 28-29 2016, London)**

Klaus Vogel
Senior Vice President
If P&C

Ali Crossley
Customer Director
BGL Group

Andrew Scott
Global Business Development Lead,
Vitality

Matteo Carbone
Principal
Bain & Company

The purpose of this white paper was to develop thoughts and ideas in the run up to Connected Claims Europe.

Connected Claims Europe is a 2-day summit bringing together C-level and senior insurance decision makers from across Europe. It is the only event custom-built to deliver the future of insurance claims, with a focus on harnessing technological and strategic innovation in order to: revolutionise customer experience, streamline services and reduce claims costs whilst driving cost-efficacies.

Connected Claims Europe has been created for the community by the community with research spanning over 6 months and an anticipated audience of over 120 expected at the event.

Connected Claims Europe will provide you with invaluable insight on how to:

- Revolutionise your claims back-office, provide connected insights and deliver the modern insurer
- Leverage technology that will deliver operational excellence in claims assessment, monitoring, communication and prevention
- Transform customer claims through innovation
- Reinvent your claims centre to drive customer engagement, provide a seamless level of service and foster client-loyalty
- Utilise automation to transform your claims process
- Bring clarity to the entirety of the claims process

To receive an additional £100 off of current booking rates, quote 4791CNT100 on the registration page:

http://events.insurancenexus.com/connectedclaimseurope/register.php