



Improve the Bottom Line...

by properly automating the property/casualty claims process.



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Property/casualty insurance companies realize the importance of excellent claim handling processes to achieve bottom line financial objectives. Slow growth in overall premium, poor underwriting results, lower investment income and growing claim severity have all led to a focus on improving the effectiveness of claim handling. The reason for this is that loss costs and loss adjustment expense make up over 80 percent of every premium dollar.

Claim effectiveness is measured as a blend of controlled loss adjustment expense (LAE), carefully managed loss costs and good customer service. The constant balancing of these three factors is critical to the overall success of p/c companies.

World-class claim performance is dependent on three primary components:

1. The development of superb first-line claim handling skills.
2. The application of objective quantitative and qualitative measurement systems.
3. The design of efficient processes that align claim characteristics and complexities to the skill sets of the staff.

In addition to these people and process issues, application of the appropriate technologies is also important to the overall effectiveness of the claim function.

To achieve the goals of the claim function, many companies are increasing investment in a wide range of technologies to support front-line claim representative activities. These technologies include:

- Updated claim administration systems
- Auto and property damage estimating systems
- Imaging
- Workflow
- Medical bill auditing
- Word processing/spreadsheet applications
- Bodily injury negotiation and decision support tools
- Access to case law and medical databases
- Mobile/remote technologies for:
 - Data
 - Voice
 - Images

While these technologies can improve the productivity of claim representatives and the quality of claim adjustment, the sheer number of individual tools used can create problems for claim handlers as well as those responsible for acquiring and maintaining the supporting technology. Companies are finding difficulty in selecting a technology approach that incorporates the current technology and also easily integrates new tools as they become available. They are also experiencing difficulties with the integration of new tools into the claim representative's

system view at the workstation level. In addition, many technologies now being marketed are either partially developed or overlap with other applications. Finally, many technology solutions and systems do not adequately support the needs of both inside and field claim representatives.

A critical technology requirement is integration of the available tools into a claim desktop that provides claim representatives with an easy to use view of the various systems available to them. Conceptually, the objective of claim representative technology should be to provide a claim workstation that provides the claim representative with the applications needed and available, but with a common look and feel that supports easy navigation, minimizes training on the systems and maximizes utilization of the tools.

Keys to Excellence in Claim Handling

- ◇ *Claim Handler Skill Sets*
- ◇ *Effective Processes*
- ◇ *Integrated Technology Solutions*
 - ◇ *Administrative Support*
 - ◇ *Support Tools*
 - ◇ *Simplified Workstation View*

With this in mind, achieving an effective claim workstation requires careful planning and the selection of technologies that can change and grow over time. Basic workstation decisions such as whether the platform should be based on the claim administrative system, a workflow system, or some other choice are critical to good design of systems that will be fully utilized by the claim staff.

As an alternative to looking at claim technology tools and workstation issues as isolated topics, many companies are redesigning the claim function, starting with a careful examination of customer require-

ments. Processes can then be designed to meet these requirements, along with changes in job design and organization structure dictated by process changes. Once these activities are completed, technology requirements can be best identified and defined to support and improve the overall performance of the process.

Taking this approach to claim automation ensures the comprehensive analysis of the technology required to effectively handle claims and retains a focus on the need to provide technology tools in a way that is easily assimilated into an effective claim process. It avoids the mistake made by some companies who have purchased individual tools, like imaging, and then looked throughout the organization for appropriate applications -- in the spirit of a solution looking for a problem to solve. This typically results in wasted expense and effort in trying to apply the technology.

Claim handling excellence is defined in terms of loss adjustment expense, loss costs and customer satisfaction. The key to excellence in claim handling revolves around the effective application of people, process and technology. Once the people and process issues are understood, technology tools must be provided that support the performance of the process and that are integrated in a way that facilitates rather than complicates claim handling. Taking a critical view of technology from the claim handlers' perspective will result in selecting and implementing technology tools that will translate to an improved bottom line. ■

Larry Wood is a senior consultant for the Robert E. Nolan Company. Since 1973, Nolan has helped our clients achieve measurable improvements in service, quality, productivity and costs. Our experienced industry specialists deliver proven results through the optimum blend of people, process and technology.