

Efficient claims. servicing

Amber Stokes takes a look at some of the innovative technologies that are emerging in the insurance industry to transform the claims process

“Claims is a fundamental function of non-life insurance carriers’ day-to-day business,” says Cindy Saccocia, director of Industry Solutions, Worldwide Insurance at Microsoft. “It is the fulfilment of a promise and often the moment of truth that distinguishes a carrier from their competition. There is little doubt that an efficient claims operation lowers costs and drives customer retention, but while claims is a core part of the non-life insurance operation – the knitting – it is one that continues to be underinvested in and lacking modernisation. So what do companies do to differentiate and drive better performance when all else is equal?”

Innovative technologies are emerging that allow non-life insurers to take advantage of the trends in mobility, social, cloud and big data – in addition to taking care of their knitting.

“It has become essential for insurers to focus on helping customers more and delivering improved services through a more efficient claims service,” says Patti Griffin, managing director at Accenture. “Insurers have to process a lot of information very quickly, and at the same time, consider the data that they want to retain for future use. They need to ensure they have a system in place that allows them to manage all of this data quickly and efficiently.”

But Accenture has found that many insurers’ claims systems are inadequate and are inhibiting them from delivering on customer satisfaction. In response to a survey of North American claims executives, property and casualty (P&C) insurers identified three top priorities for future investment in claims systems: core system replacement, data and analytics, and workforce growth. However, according to the survey, more than 50 per cent of insurers use core systems that are

older than five years old, while 32 per cent use more than five claim applications and astonishingly, 6 per cent use more than 10.

Accenture’s survey also revealed that there is still a lot of offline data being used and processed in the claims process. “Insurers are having to deal with more data than they have had to historically. 80 per cent use offline data such as Excel spreadsheets and only a minority are using social media or location-based data in the claims process,” says Griffin. “But the advantages of harnessing this data can only be felt if the claims systems can handle vast quantities of data from structured and unstructured sources.”

Accenture provides a range of claims software solutions, toolsets and methodologies to help organisations maintain the expectations of their customers. Accenture Claim Components, which is integrated with its Duck Creek policy software, can help reduce





claims expenses, better identify fraudulent activity and provide an enriched customer experience. Claim Components is licensed by nearly 30 insurers worldwide, though one notable implementation was with XL Insurance, where the solution was deployed across the entire process, from loss intake through to settlement. Its claims function 'Global Claim System' is based on Accenture Claim Components and supports the full range of claims processing transactions for all of the XL Insurance companies' P&C business lines. This includes professional liability, aviation, environmental and other speciality insurance coverage, general liability and automobile insurance, and workers' compensation. Through the implementation of Accenture's solution, XL Insurance was able to adapt its business more rapidly to the many different locations, regulatory requirements, cultures and languages that confront it. The adoption of

an advanced, consolidated processing platform also significantly improved communications within the claims function. This project has subsequently led to XL Insurance receiving the Celent model insurer of the year 2013 award.

"Non-life insurers who have not taken care of their knitting lack the foundational components to expand their services to more advanced capabilities, such as those in our next trend, social and mobile channels, which is no longer cutting edge but the hem and collar to any sweater's design," says Saccocia. Relishing their digital lifestyles, customers are demanding that products and services be available anytime, anywhere and on any device. But how does this translate in the insurance industry? Charles Hanna, manager of insurance and financial services for Europe and Africa at Hyland Software, says: "Improved mobility in the insurance claims process can open up an infinite number of opportunities



"Insurers need to understand that social and mobile efforts must be iterative and dynamic, as the technology changes rapidly and the capabilities expand"

Cindy Saccocia

Microsoft

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for insurers to provide an immediate response, which can actually eliminate some steps completely from the process.”

For example, following a car accident, it can take days to gather relevant information including videos, photos and increasingly audio interviews with witnesses. But now, through mobile solutions, insurers can capture all of this data on one device at the scene of the accident. “Introducing mobile solutions in the insurance claims process

can be a game changer for organisations to improve the level of service they provide to policy holders,” says Hanna.

Other industries such as retail banking and wealth management are today incorporating social media into their business processes to meet customer demand. But why is there a reluctance to adopt it in the insurance industry? “Insurers definitely see the importance of improving customer service today,” says Hanna. “While social media

channels are perfect as a communication channel and for engaging with customers more, policy holders will usually need the claims process to be a lot more personal. So savvy insurance organisations are using social media sites such as Facebook and Twitter for information sharing and the smartphone apps for basic services, but we do see an escalating trend by leaders to now provide a quicker and more efficient service through the use of innovative technology.”



Viewpoint: Uddipan Bagchi, Dell

Change is constant

Uddipan Bagchi discusses some of the innovative trends that are emerging in the industry today

Insurers pay out 50 to 80 cents in claims costs for every dollar earned as premium – a figure that is increasing with mounting cost inflation. Inefficiencies in the claims management process can lead to inaccurate assessments, delayed settlements, losses due to fraud and regulatory non-compliance. At the same time, forward-thinking insurers see claims as a moment-of-truth consumer experience, which is a key driver of customer retention. The challenge is to find a balance between reducing claims expenses, while still keeping a high level of customer satisfaction.

Innovation in claims management promises huge benefits for insurers and can be a major lever and differentiator to sustain as well as gain market share. Change, so goes the saying, is constant. And, change is in the air for claims processes as well. Alongside well-recognised drivers like big data, telematics, and mobility there are some other upcoming drivers of change:

Voice-risk analytics: using sophisticated tools involving detection of changes in voice pitch, intonations and other characteristics, one can figure out the potential for fraud as early as first notification of loss.

Social media: it takes years to build a brand, but hours to destroy it. Social media channels have to be actively monitored and managed, as small incidents can become raging forest

fires within unimaginably short times, leading to brand dilution and loss of trust. There are also significant advantages of social media, as word of differentiated and good claims services can spread fast to create the right conditions for market dominance.

Machine-to-machine communication: huge advances are being made in self-driving cars today, which are set to change the face of auto insurance as we know it. However, hi-tech machines can make mistakes too, so accidents are certainly not going to drop to zero. Hence, auto insurance is definitely here to stay, but whom one will insure against and at what premium will change.

Dell's Claims Transformation practice assists to optimise and transform a carrier's claims operations. The services include process and IT consulting, systems consulting, process right-shoring, and end-to-end implementation services such as package implementation, decision support systems (including dashboards, KPIs and analytics), portals and system integration.



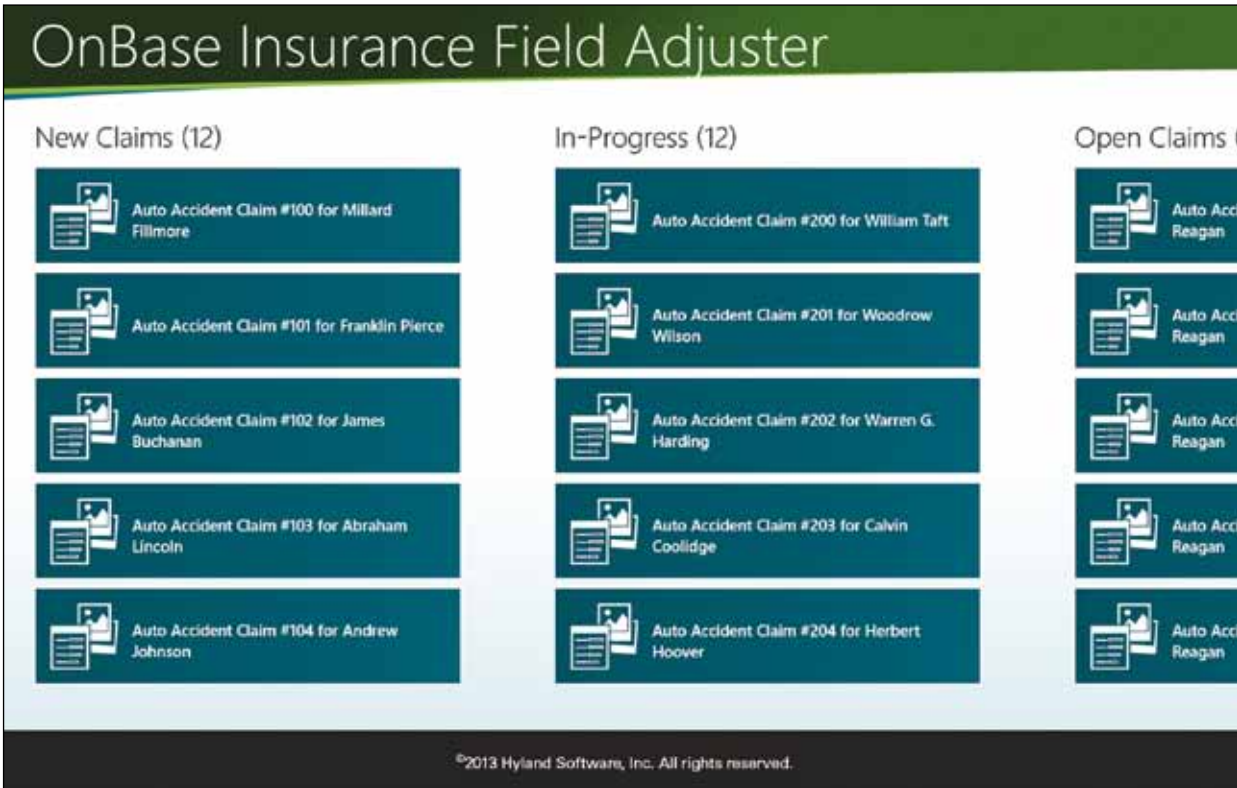
Uddipan Bagchi is insurance practice lead at Dell

The importance of mobile

Hyland has put great efforts into developing mobile apps that don't just provide a platform for insurers to communicate with their customers, but also focus on allowing anytime access to all kinds of data. “As a software developer, we have been excited about the potential of the mobile market,” says Hanna. “We have been developing mobile apps in this space since 2009 because we knew the importance and need for mobility in the insurance industry. Some users have been hesitant to adopt mobile solutions because of security threats. When Windows 8 was released and we partnered with Microsoft, we were able to develop our solution on the new operating system to provide the right tools to insurers on one familiar platform, while providing secure apps for the industry.”

With Hyland's OnBase Insurance Field Adjuster app for Windows 8, insurers can capture all the relevant information for a claim and securely upload it in real time through an easy to use platform. Where previously insurers used three pieces of software to capture the data, now they can use just one, in half the time. Not only does this provide the improved service customers are demanding today, it can also help eradicate the possibility of fraud. “The longer a claims process takes, the more likely it is for the truth to become blurred,” says Hanna. “If you can complete it quickly, insurers can remove this risk.”

“Insurers need to understand that social and mobile efforts must be iterative and dynamic, as the technology changes rapidly and the capabilities expand,” adds Saccocia. “Taking an exhaustive amount of time to develop the killer app with a once and done approach puts them



Hyland's OnBase Insurance Field Adjuster app for Windows 8 allows insurers to securely capture and manage all relevant information for a claim in real time

at risk of losing precious information that can improve their performance."

"Akin to the trends in social and mobile channels is the vast array of data these services and devices gather, which has spawned a new market and an array of solutions for managing it – now called big data. How big? According to Gartner, the current annual growth of worldwide information volume is 59 per cent and

continues to rise," says Saccocia.

Big data and analytics

Because customers use so many different social and mobile channels today to communicate and manage their lifestyles, insurers often struggle to have visibility across all channels and to mine all of the data that is now necessary in the claims process. "Now, the challenge with big data is that it's not just the velocity of data that's an issue, it's the variety that insurers need to pull together," says Simon Thompson, director of commercial solutions at geospatial solutions specialist Esri. "This can be a rich source of real-time and post event information. The challenge is that it's a poorly structured, massive stream of individual data points – very different from your usual insurance database."

The benefits of mining such data effectively are numerous for both the insurers and policy holders alike. "If insurers leverage big data properly, this rich source of information can

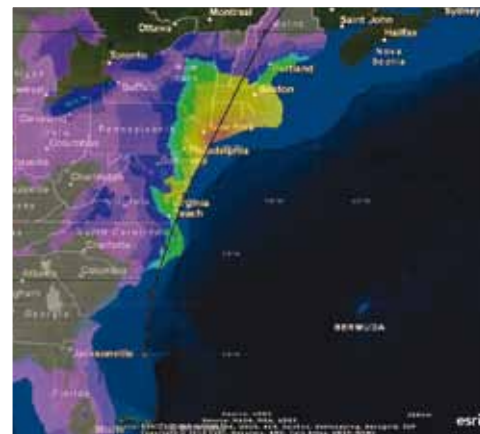
help with the accuracy of a claim but also improve communication and relationships with customers," says Thompson. If we apply this to natural disasters, for example, big data can be leveraged in a truly revolutionary way to respond to patterns quickly so that loss is mitigated. "Location solutions can help organisations leverage big data to model what the impact of an event might be, such as an earthquake or tsunami, before it even happens," Thompson adds. "But when it does happen, not only are all parties involved prepared for the impact it might have on the policy holder's property and assets, the same solution can also help insurers triage and respond better. Mining all the different data effectively throughout the claims process not only speeds it up, it provides ways to connect field-deployed staff and back office workers in ways that deliver a better service for the customer during a potentially distressing period." Thompson explains that insurers can use location in the claims process to actually unify all the different types of unstructured

57%

forecasted increase in mobile self-service insurance claims over the next two years

Source: Capgemini

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Amica used Esri's ArcGIS to track Hurricane Irene and identify customers within the impact area

and loosely-related data to build a better picture of the incident and fully analyse all of the information.

Esri's ArcGIS solution is a platform for insurers to capture, manage, analyse and display geographic data wherever they are. While it supports classic back-office systems, it also allows staff to collect geographic data in the field on a mobile device. In 2011, Amica Mutual Insurance, a US-based provider of personal insurance for motors, homes and boats, used Esri's ArcGIS Online application to analyse maps and data that monitored the progress of hurricane Irene. By viewing live data streams and comparing them with internal policy data, Amica personnel were able to simplify and improve the accurate identification of customers in hurricane Irene's impact area. "Hurricane Irene proved the importance of being able to access different information sources and services and use these to model the potential impact so that you can mitigate

losses by improving both customer and company awareness of potential losses ahead of time," says Thompson. "Rather than asking what went wrong about some predictions, organisations should instead use big data and location analytics to improve the process in the future."

"When insurers invest in data visualisation solutions, extending their data platform and infrastructure

beyond the business system analyst, they significantly enhance business decision making and customer service," adds Microsoft's Saccocia. "The big data trend is also a part of the engine that's fuelling advancements in auto insurance – improving pricing and lowering claims."

Telematics

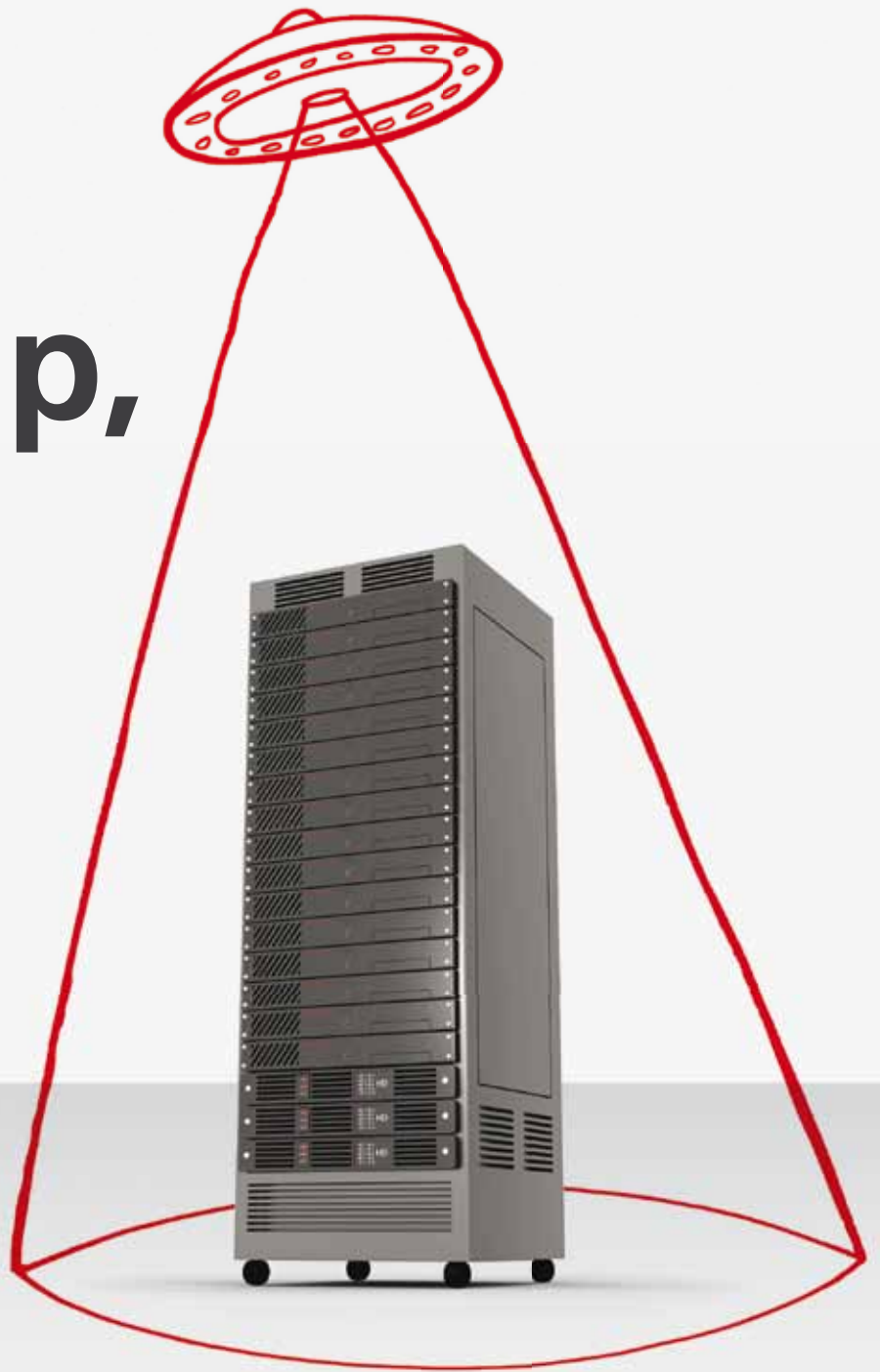
A trend entering the auto insurance industry today is the use of telematics technology, which is furthering the possibility to better estimate risk and provide an enhanced service to customers through precision and accurate pricing. "Insurance organisations today are turning to telematics technology to introduce usage-based insurance," says Robin Harbage, director at Towers Watson. "Insurers already have access to information relating to a driver's location and demographics, but we are helping them to estimate risk on a whole new level. Through our solution, insurers can also

62%

of insurers are now using unstructured data such as voice, text, pictures and video in the claims process

Source: Accenture

Beam them up, Scotty



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judge a customer's driving style."

Using usage-based insurance (UBI), insurers measure risk based on actual vehicle use. At its simplest, UBI, also known as pay-as-you-drive, might charge for miles driven or time spent running the engine. More advanced implementations might calculate risk exposure based on use by time of day, location or even something as discrete as an individual's personal driving style. Insurers benefit, of course, from reduced loss costs and also significant product differentiation from the competition. This kind of insurance still appears to be in its infancy, most probably because insurance organisations need to be able to illustrate the very clear benefits for the customer. "Insurers may be reluctant to adopt UBI due to a belief that policy holders will have privacy concerns," says Harbage. "But these concerns seem not to be prevalent based on consumer surveys, and benefits to drivers include the ability to control their rates and learn how to reduce accident frequency and severity. 'Good drivers' with low risk profiles may pay lower insurance rates, while

all drivers can improve their driving. In terms of the claims process, telematics and analysis of the data can significantly reduce the rise of fraud. If you are involved in an accident that is not your fault, insurance organisations can now prove that a lot quicker."

Alongside this, insurers still need to gather data and use it to understand driving patterns so they can make informed pricing and product choices. Towers Watson is a leading organisation in this space. "We deliver telematics products, collaborating with our device partners, and provide all of the support services they need in order to efficiently manage the data and also pass on benefits to their customers," says Harbage.

Towers Watson and Vodafone are currently working together on the development of telematics usage-based insurance offerings for motor insurance companies operating outside of the US, and insurance provider AIG Europe has agreed to run a pilot. The combination of Vodafone Vehicle Connect, the company's telematics proposition, and Towers Watson's DriveAbility program enables insurers to

gather detailed per-second interval data on driving performance. The solution can also offer customers optional value-added services, which could in the future include automated emergency calls and the tracking of stolen vehicles. DriveAbility is a comprehensive solution designed to fully host a vast quantity of data, apply proven analytic skills and deliver a UBI score with proven power of loss cost prediction for improved pricing.

Usage-based rating is seen as inevitable, but there are still real hurdles to manage. These might include translating the data into risk exposure; managing the costs, including the substantial cost of wireless data transfer; integrating massive amounts of new data into existing systems; and selecting the right telematics solution to fit current and future needs.

"If non-life insurers simply stick to their knitting, they will continue to do what they have always done, instead of trying to do something new," concludes Saccoccia. "The knitting is, however, critically important to enable advancements and diversification to new areas such as social and mobile channels, cloud and big data. But non-life insurers need to know what they do and don't do that makes their company stand out among the others. Expanding claims capabilities and services increases complexity, so you have to make a trade-off between being more modern but more complex and being traditional in a well-worn sweater."



Solution profile: Accenture Duck Creek

Proven performance

Accenture, Intel and Microsoft have recently collaborated to test the performance and scalability of Accenture's policy administration software

Accenture, Microsoft and Intel have tested the performance and scalability of Accenture Duck Creek Policy software for personal lines and commercial package policies running on SQL Server 2012, Windows Server 2008 R2 and servers based on the Intel Xeon processor family.

Less than 18 months since Duck Creek's acquisition, it is important that Accenture can explain to organisations the benefits of implementing its solution. "We see evidence that the industry is evolving at a faster pace, and with this, insurers are increasingly looking to change and modernise their core systems with software," says Bill Bond, P&C technology and engineering director at Accenture. "So the point of this benchmark testing was to provide

an existing customer base, which is looking to grow, with key data to help mitigate the riskiness of replacing core systems." And the results should certainly boost insurers' confidence in the solution while also illustrating the benefits they can pass to their customers.

"By combining the flexibility of our configuration tools with proven performance it means organisations can be agile, bring products to market sooner and deal with challenges in a way they hadn't been able to previously," adds Bond.

Combined with its claims management solution, which Accenture has also produced benchmark testing for, the company can offer plentiful benefits to insurers looking to significantly improve customer service.

US\$17.4m

the average investment
by carriers in claims
processes over the next
three years

Source: Accenture