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Findings and Analysis

Property & Casualty (P&C) Insurance Claims Management Global Research Report 2006/7

Claims Optimization Pays Off for a Few P&C Companies

"Fewer than one-third of insurers employ leading-edge claims handling practices, such as advanced segmentation and fraud detection techniques."

Study overview

Accenture Research conducted a survey among North American and European property and casualty/general insurers to determine the extent to which they are capitalizing on industry best practices to optimize their management of claims, and in the process reduce costs and leakage and improve customer service. Interviews were held with 104 executives who make the key decisions regarding claims handling and processing. Respondents are based in North America (49), Europe (38) and the UK (17), with a quarter of their companies earning premium revenues between \$500 million and \$1 billion a year, and three-quarters in excess of \$1 billion.

High-level results

The survey found that while P&C insurers have improved their management of claims over the past five years (Accenture's *Unlocking the Value in Claims* study was conducted in 2001), most are still failing to fully exploit the opportunities

that technology and alternative sourcing offers to improve their claims function, reduce their loss ratio and enhance customer satisfaction. Accenture has calculated that these under-achieving companies could lower their loss cost ratio by between 5 and 10 percent while adhering to good market conduct and quality services standards, and could improve customer retention and cross-selling, by adopting the practices of the high performers in their industry.

The key areas where the market-leading carriers are putting space between themselves and their competition are claims segmentation, fraud detection, and the outsourcing of core and non-core claims processing activities. A third of all respondents say they are using advanced segmentation techniques where claims are categorized by factors such as claim complexity, customer claim history and customer profile. Fewer than one in five say they employ sophisticated IT tools such as expert systems

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and data mining to predict and identify fraud. IT systems are, generally speaking, poorly integrated, resulting in claims professionals having to scramble for the information they need to operate optimally. And fewer than a quarter of the respondents are utilizing business process outsourcing (BPO) at the level that Accenture's *Industrialization Survey* (2006) identified as being characteristic of insurance high performers.

Anticipated industry impact

The P&C insurance industry is anticipating a softening of the market cycle. In this environment, the performance of core operations can make the difference between profit and loss. It therefore becomes essential that carriers turn their attention to achieving maximum precision and efficiency within their claims operations. Fortunately, as the market leaders have demonstrated, these goals are attainable through the right operating model and systems, and through alternative sourcing strategies.

Accenture's Claims Research survey shows that the P&C sector, worldwide, has made some progress toward adopting best practices. However, there is still much to be done:

- Reliance on manual and paper-based systems has declined, although many companies have yet to exploit the advantages of automated electronic systems.

- Only a small minority of respondents close most of their claims in one step at the call center.
- The majority of insurers' call center and claims management systems are still disconnected from their core IT systems.
- While first notice of loss data is, in most cases, available to everyone involved in the claims handling process, insurers are not nearly as good at providing feedback to customers via their preferred channels.
- Despite the development of sophisticated fraud detection tools and systems, the overwhelming majority of carriers are still predominantly reliant on manual systems.
- And notwithstanding the fact that P&C insurers who outsource their non-core and core business processes have reduced their claims management costs by between 20 and 30 percent and their claims leakage by 50 to 75 percent, many in the industry have yet to explore this opportunity.

Business case conclusions

Accenture has tracked claims management performance among P&C insurers for nearly a decade. This, together with our experience working directly with many of the world's leading carriers, has convinced us that the enhancement of the claims function can have a major impact on the profitability of an insurer's operations. The levers for improved competitiveness are the reduction of the loss cost ratio—with the adoption

of best practices leading to a 5 to 10 percent improvement—the improvement in customer acquisition and retention, and an enhanced ability to rapidly launch new products.

The claim is a decisive moment for both the insurer and the customer, yet few carriers have succeeded in establishing and maintaining a competitive advantage in this area. Traditional approaches to improving claims performance—reducing handling expenses and loss costs while improving customer service—typically yield results that fall short of what the industry's high performers are achieving, and are often also short-lived.

If you would like to find out more about the opportunities for claims optimization, and how the market leaders are seizing upon them to achieve a sustainable competitive advantage, call us today for a detailed presentation of our Claims Research Survey findings.

About Accenture

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