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A roadmap for successful claims system transformation

More than ever, a customer's claims experience can determine whether they stay, or switch carriers.

The Accenture Claims Customer Survey found that dissatisfied customers are almost certain to defect. Among customers dissatisfied with their claims experience, the study found that 83 percent were likely to defect to another insurance provider within 12 months.

Customers expect timely, transparent service—through the channels of their choosing—and clearly have no qualms switching providers if they do not receive it. But long-term profitability depends not just on addressing customer expectations today. It also requires the agility required to respond to changes in the future.

Despite this, some insurers are reluctant to implement a new claims system. Cost and complexity are some of the main concerns. Many insurers' systems are a rabbit's warren of antiquated legacy systems and add-ons, held together by decades-old coded rules and supported by limited documentation. In addition, there is the human element: change is difficult, for technical and business users. Indeed, dedication to change management is a critical enabler of transformation success.

The truth is, claims core-platform transformation need not be prohibitively expensive or painful. Regardless of size, budget or ambition, this transformation is within the reach of every insurer.

Carriers that implement a new claims system—or elements of one—can achieve far-reaching transformation, with potential benefits across three critical metrics: people, productivity and profitability. Notably, the benefits extend beyond the claims function. For example, improved data quality can increase the efficiency of peripheral systems; accounting requires the financials that flow downstream of the claims process. More broadly, claims core-platform transformation can help insurers to be more responsive, agile and customer-centric. These capabilities can enable the carrier to attain competitive differentiation in claims, and can make all the difference in customer satisfaction and retention.

This report outlines a straightforward three-step approach for making claims core-platform transformation a reality, and highlights the pillars that can make or break a successful rollout. Effective management and sound strategy can make the difference between a satisfactory project that delivers middling results and true transformation that unlocks new ways of working, enables new business and operating models, and positions an insurer to capitalize on previously unavailable opportunities—today, and in the future.

About the Authors

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"The shift toward customer-centricity is driving many claims system transformation projects as insurers aim to quantify and improve customer satisfaction."

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"People tend to look at claims system transformation as an an '800-pound gorilla'-type of project—but there are ways to manage it so that it's affordable and achievable for any insurer."

Creating a road map for claims core-platform transformation

There are as many paths to claims core-platform transformation as there are insurers. To help define the one that best addresses carriers' needs, we recommend following a three-step process.

1. Establish a strong business case for change

It cannot be overemphasized: a solid business case is critical for success. Developing a business case forces stakeholders to identify objectives and pain points, and document the business value in undertaking change in the first place. Once developed, the business case provides clarity—serving as a playbook for how the project should proceed, what the priorities are and what success will look like.

To establish a strong business case, claims leaders should understand their organization's strengths and weaknesses—and accordingly, where the gaps lie. For example, are call center wait times too long, affecting the customer experience and retention? Is claims data siloed within the function, preventing underwriters from better assessing risk? Are multiple legacy systems elevating operational costs, and preventing the claims organization from effectively interacting with customers through digital channels?

Secondly, claims leaders should establish a clear vision of where they want to be at the end of their transformational journey, and how that might impact business operations. In general, many insurers still operate with a product-centric focus, and are realizing that customer-centricity is the key to value creation in today's marketplace. Insurers seeking to improve their customer-centricity need to understand the implications on their operating and business models—not just within the claims function, but also across the entire enterprise.

Importantly, the future vision should address today's pain points while also equipping the insurer with the agility and ability to adapt to changing conditions and unforeseen opportunities. Change is a constant, whether it is emerging sources of risk, new technologies or shifting customer preferences.

Finally, insurers should outline the benefits they hope to achieve from claims core-platform transformation, with clear and measurable goals that can serve as a benchmark for success. Table 1 shows examples of business cases to drive claims transformation.

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Table 1. Examples of business cases to help drive claims transformation

Pain point	Future vision	Potential benefits
A large claims workforce is required to appropriately adjudicate claims, and highly skilled claims adjusters are becoming more scarce as they retire	Claims that fall within specified dollar and complexity thresholds can be systematically auto-adjudicated and processed, while advanced assignment rules route more complex claims to the most appropriately skilled adjuster	• Improved use of the claims workforce due to a lower volume of claims requiring adjuster assignment • Reduced loss costs as the most complex claims are sent to the most skilled claims adjusters
Poor performance of call center operations due to high wait times, a high abandon rate or inefficient use of call center agents	Multi-channel capabilities can provide seamless mobile and web solutions that help customers and third parties assume responsibility for components of claim processing, such as setting up electronic payments, uploading and signing documents, viewing claim status, and managing rental and inspection assignments	• Fewer call center agents required to support reduced call volume from third parties and customers • Reduced average handle times due to the ability to transition seamlessly from telephone to self-service channels • Improved customer experiences due to a more transparent claims process • Increased productivity due to more accurate, up-to-date data
A large claims field workforce is driving up the time and cost of estimates, as well as increasing claim cycle times	A rules-based engine can intelligently triage each loss to the most efficient method of inspection, and advanced analytics can help enable photo-based estimating to reduce field assignments and overall claim cycle time	• A more efficient workforce reduces loss adjustment expenses (LAE) • An improved claims cycle time drives down loss costs and enhances the customer experience
Elevated loss costs as too few files are sent to the special investigative unit (SIU), or too many files are sent to the SIU with little to no prioritization	A data-driven, rules-based engine and advanced statistical models can help identify potentially fraudulent claims, automatically route them to the SIU, and prioritize files based on the probability of fraud and the potential payment amount	• Highly skilled SIU investigators are assigned to work on the highest losses at the right time • A faster cycle time for identifying fraud enables payments to be stopped • Fewer fraudulent claims and reduced loss costs
The subrogation process is slow and manual, decreasing profitability	Advanced analytics models can help automatically identify subrogation opportunities, automatically assign subrogation representatives to the claim, and integrate seamlessly with electronic subrogation hubs to enable efficient collaboration with third parties	• Reduced loss costs • Improved profitability of the claims function, and of the insurer overall • More accurate reserves for a healthier book of business
A lack of reporting for claims data limits underwriters' ability to assess risk at policy renewal	Shared data across the enterprise helps underwriters better assess risk and create new products	• Improved risk assessment capabilities and more accurate policy pricing • Increased ability to offer tailored products and services at the point of renewal
Manual authority processes are error-prone and result in overpayment	A rules-driven authority process can automatically assess user authority, notify supervisors and enable an automated approval process before processing payments	• Reduced loss costs • More effective use of claim supervisor and adjuster time due to increased automation • Stronger financial health of the claims function
Changes in production require IT coding and/or intervention and are slow to execute	A flexible system can help non-technical users quickly change business-specific items without IT intervention	• The increased ability to make configuration updates in real time helps increase agility and enables the claims function to become more customer-centric • Frees up IT resources to focus on value-added, strategic projects

2. Select technology that aligns with the business case and complements your organization

With a solid business case in hand, insurers can select the appropriate technology. They should ask themselves:

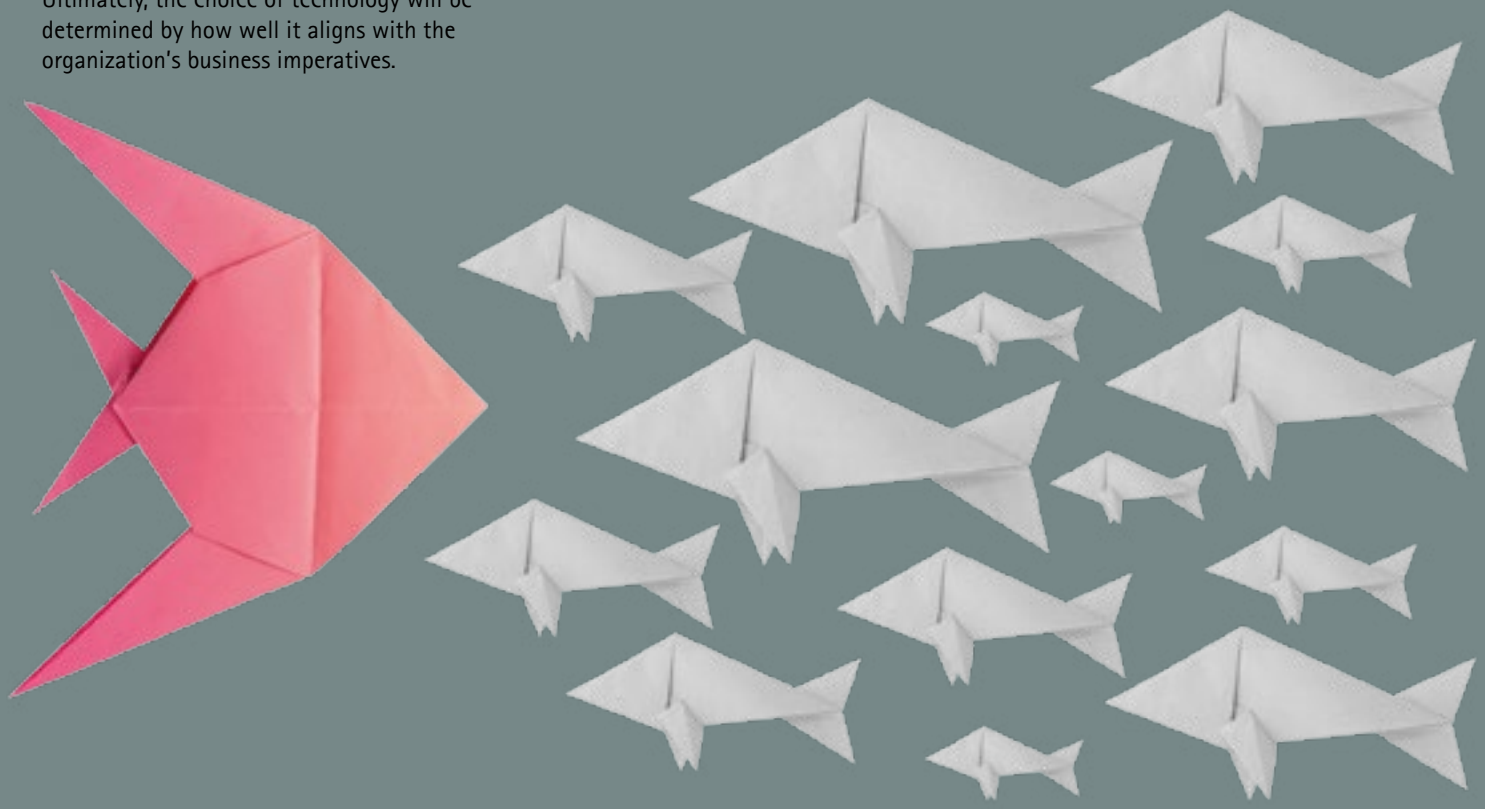
- Will we implement a full suite across the claims function (typically FNOL, adjuster desktop, best practice workflows, supervisory tools, financial processing and reporting functions), or a few select components?
- Depending on the scope of implementation, how will the new technology integrate with existing or legacy systems, and with applications or other technologies that the organization will seek to employ in the future?
- Will we need to convert data from our existing claims system?
- How does the technology enable the future vision we want to achieve and align with our organization's goals?
- How does the technology enable us to respond to evolving consumer trends and expectations?

Ultimately, the choice of technology will be determined by how well it aligns with the organization's business imperatives.

3. Establish a thorough delivery, implementation and rollout plan

Having developed a solid business plan and chosen technology to address the specifications outlined within it, claims leaders should establish a thorough delivery, implementation and rollout plan. The plan should align with the constraints and culture that exist within the organization. Further, the program should be staffed with dedicated business and technology decision makers to seek success in both areas.

Insurers should begin by focusing on core functionality. What really needs to be in place for a successful rollout? For example, rolling out a new claims system would require making sure the new system integrates with the policy system and that downstream data will work within the system. This is the core functionality; any additional features are simply layers on top of it. Indeed, adding features is often where insurers become overwhelmed and get sidetracked. Such features should be validated against the original business case. Insurers should ask: does a particular addition align with my business case and enable me to get closer to my future vision?



Choose a rollout approach

Keeping the core functionality in mind, insurers must establish how they will roll out the implementation. Table 2 outlines five possible approaches.

Table 2. Possible routes to claims transformation

Approach	Considerations
Big bang release (everything at once to everyone)	• Lower overhead costs for a single release • Users will see only one set of changes • Allows insurers to get the fully functioning system in place • Faster speed to market for the greatest amount of functionality • Potential for higher risk • No time to incorporate feedback and lessons into future releases
Geographic release (for example, by location or by office)	• Targets rollout groups to reduce business interruption • Ability to incorporate feedback and lessons into future releases
Modular release (for example, FNOL first)	• Demonstrates early results • Provides opportunity for user feedback • Helpful if requirements are not well defined • Ability to incorporate feedback and lessons into future releases • Users must manage multiple sets of changes • Potential for higher integration risk
Hybrid release (for example, modular by geography)	• Provides time to refine process and training • Flattens support requirements and keeps training manageable • Ability to incorporate feedback and lessons into future releases • Users must manage multiple sets of changes
Line of business (LOB) release (for example, personal auto first, personal property second)	• Focuses requirements and interfaces for a small number or single LOB • Speeds initial delivery while allowing time for lessons learned for other LOBs

In many cases, a business's organizational structure will determine its approach. For example, an insurer grouped by state or by country might consider a geographic rollout, while one with many centralized operations would be better suited for a big bang release.

Insurers without strict timelines, as well as those with budget constraints, might consider modular, line of business (LOB) or hybrid approaches. By beginning with smaller projects, insurers can establish a framework for implementation, foster confidence in the program and garner additional funding from steering committees for subsequent projects. Yet another approach is to begin with the area of the business that will create an appropriate return on investment, as defined by the business plan.

Following each rollout, a pilot project enables the support team to test the system's performance in a production environment, and verify that downstream financial reporting is functioning correctly. Pilot projects are also an opportunity to gauge user feedback and make quick changes before rolling out to a larger audience.

Three pillars for success

By establishing a strong business case and future vision, selecting technology that enables that future vision and creating a solid implementation plan, insurers can confidently expect successful claims core-platform transformation. In addition, through many implementations with insurers of various sizes, we have identified three pillars that can contribute to success.

1. Use the right metrics

A strong and compelling business case can guide an insurer through the claims implementation process—and must be substantiated with clear and measurable benefits. Claims leaders should examine their transformation efforts across three metrics: people, productivity and profitability. Crucially, in order to measure results at the end of the project, claims leaders must establish metrics for where they are at the beginning of the transformation.

2. Manage integrations and dependencies

Many insurers' back-end systems are messy, with multiple legacy systems, add-ons here and there, and workarounds where direct integrations weren't possible. It's important to understand the full scope of integration, but also to be able to identify the points that are necessary for system launch.

For example, one claims implementation may involve up to 60 integration points, but only require five to launch. Here again, a strong business case can keep the project focused on the core functionality and critical dependencies, and enable an insurer to determine which integration points can be added later.

For insurers with legacy systems, it is particularly important to cross-check the integration points with downstream data requirements—for example, those required by policy or accounting departments. Finally, within an insurer's ecosystem, the claims function depends on input from many third parties. A testing environment can allow the insurer and third parties to test the system and ensure it has the necessary functionality.

3. Commitment to change management

Claims system implementation may appear to be an IT issue, but its success depends on people. Achieving true transformation will require buy-in, dedication and training at all levels of the claims function: upper management, supervisors, adjusters and third parties. Further, all stakeholders should be committed to the program and diligently control the scope of the transformation—and insurers must devote the necessary resources to support the program.

Clear and consistent communication throughout the project lifecycle is also critical. In addition to managing internal change, there must be a clear and open communication line and frequent contact with external users—especially given the claims function's dependence on field users such as agents, brokers and vendors.

Similarly, insurers must consider how changes to a claims system will affect its users—including call center agents and customers using direct portals—as well as peripheral organizations. Ultimately, if end users do not adopt the new tools or functionality, then insurers cannot realize the benefits of their business case.

As with any new tool, users will require training—and in the case of claims transformation that enables an insurer to retool its claims workforce, more extensive change management programs may be required to support the claims workforce as they shift from front-line tasks to more agile, strategic roles.

Summary

High-performance insurers will begin claims core-platform transformation with a strong business case and maintain a laser focus on it. While it may take time to develop the business case and obtain buy-in from key stakeholders, it is time well spent. The business case helps drive the rest of the process and brings clarity—to enable smarter, more relevant decisions and enable claims leaders to set clear priorities. It also answers many questions that can sideline implementation projects: What really needs to be in place for rollout? What can be implemented later?

Importantly, claims core-platform transformation is not simply about replacing an existing system. It requires buy-in from the organization, diligent commitment to maintaining project scope and an effective change management strategy. But the payoff can be significant. Insurers have the opportunity to establish a new framework to help the business adapt to changes in today's market—and evolve in the future.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 319,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.