

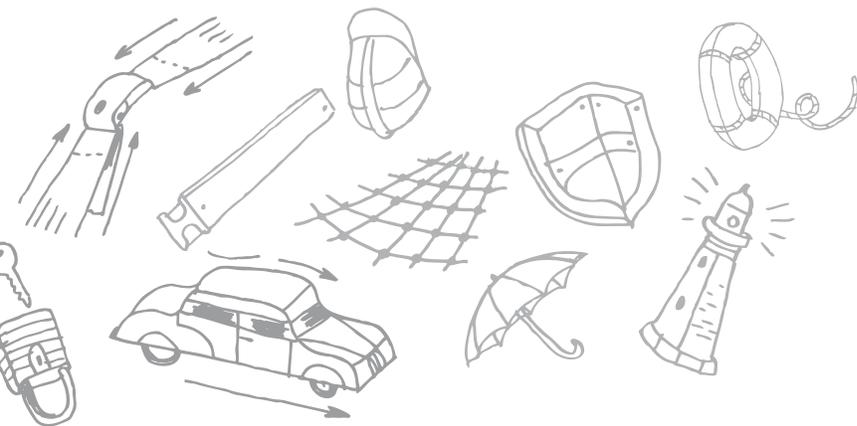


The customer experience: a strategic differentiator in claims

by Nicole Michaels

In recent years, the insurance industry has witnessed intensifying competition for the insured (customers) across every segment of the market. Claims has become a central front in this heated battle for market share. It is no surprise, then, that many carriers have made significant investments in claims transformation initiatives. And forward-looking insurers are adding a higher-quality customer experience to their list of critical outcomes. Market leaders have come to view a quality customer experience as a means to demonstrate true customer centricity and differentiate based on the strength and the stability of their brands.





The business drivers for broad-based transformation are clear and well recognized:

- ▶ More empowered consumers, with higher expectations for information on demand and service efficiency and reliability, and an increased propensity to switch carriers
- ▶ Outdated technology infrastructures that limit the ability of claims organizations to gain integrated customer views and provide tailored and responsive service
- ▶ A proliferation of channels and touch points through which to engage and service policyholders – and which consumers expect to use for a broad range of tasks
- ▶ Intensifying competitive stakes, with rival carriers more aggressively pursuing new customers
- ▶ The imperative to combat increasing rates of fraudulent claims activity, reduce the claims leakage associated with longer claims cycles and increase the accuracy of claims payments

In fact, the customer experience is something of a common denominator in the above transformation drivers, as companies realize it is essential to overall customer loyalty.

The bottom line is that the customer experience has moved up the strategic agenda throughout the insurance industry. Insurance organizations seeking to upgrade and modernize their claims operations should find ways to incorporate customer experience enhancements into transformation programs as a means to enhance overall ROI. Over the longer term, claims organizations can use customer experience upgrades as guideposts on

their continuous improvement journeys. This paper highlights the importance of the customer experience within claims transformation programs, outlines the key considerations for insurers seeking to upgrade some or all facets of their claims customer experience, and defines key metrics for building the business case and for measuring success.

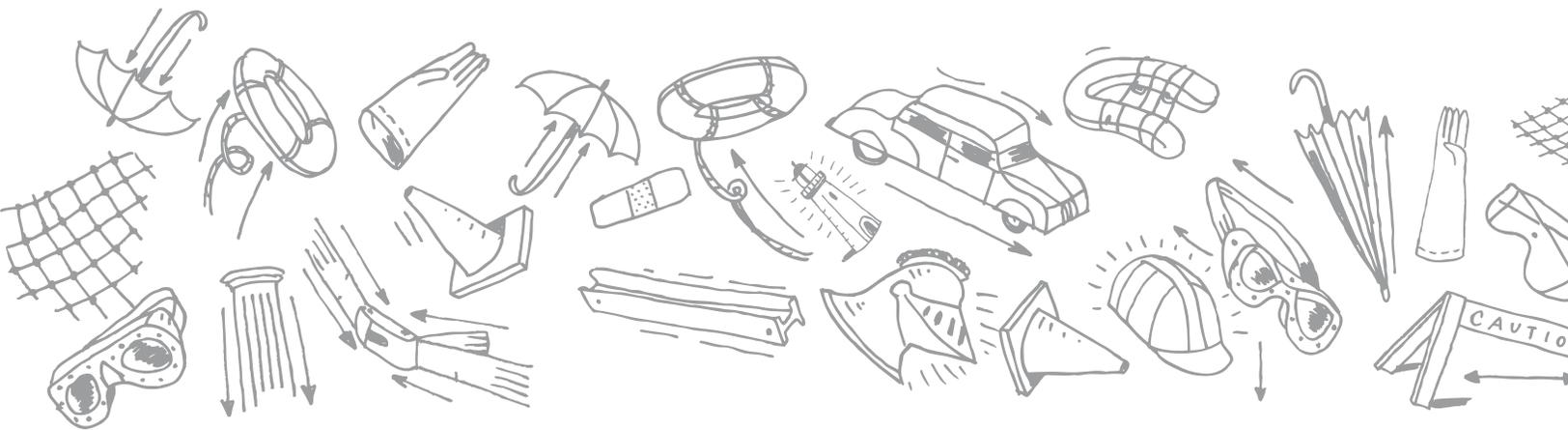
Why customer experience matters

The consumer empowerment revolution that has upended retail, financial services and other industries has more recently begun reshaping the insurance industry. In the last decade, policyholder expectations regarding the service and communications provided by their carriers have increased dramatically, with impacts felt across the enterprise.

Today's consumers expect everyone at the company – including agents, customer service representatives, billing staff, claims adjusters, technical support – to share information and recognize the customer's identity and history. They don't want to be asked the same question multiple times or have to call multiple phone numbers or visit multiple sites to find answers to their questions. Every touch point needs to be equally informed and share consistent, comprehensive data concerning transaction and service histories.

Insurers must consider the customer experience in the context of multiple channels. Today's consumers – both individual and corporate clients – may prefer to research and compare policy options online, buy at a traditional brick-and-mortar agency or through a broker relationship, and then access services (such as claims

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information) through a range of online channels, including websites, apps and live chat. The proliferation and fragmentation of channels have placed great pressure on the technology infrastructures of many insurance companies. Most are simply not equipped to deliver, across multiple channels, the integrated service and complete information consumers expect.

Further, channel proliferation has raised the stakes for delivering a quality experience. When things go well (e.g., a claim is paid quickly), insurers may benefit from the “free advertising” provided by their customers spreading the news among friends and followers via social media. However, if things go poorly, not only are consumers more likely to switch to a competitor, they may broadcast their discontent more broadly than before. In part this is a function of generational change. Younger, more digitally oriented consumers are less likely to be tolerant of companies that do not have broad, integrated views of customer data or claims status. As a result, they are more likely to explore their options and tell their friends if a carrier doesn't provide efficient service or digital channels for self-service. In this sense, a positive customer experience in claims helps eliminate reasons for policyholders to consider a switch.

Beyond demographics, there are also business factors driving the change. In an intensely competitive market and challenging economy, carriers need strong net results from their claims transactions. That means paying the right amounts on individual claims and managing claims efficiently. A quality experience, supported by user-friendly tools, an intuitive process and clear communications, can help in these areas.

Further – and perhaps most important – insurers have come to realize the extra value that accrues to their brands when they gain a reputation for treating customers well, through efficient and responsive service, and quick and reliable claims settlements. However, it's important to recognize the limits of value that a quality claims experience can provide, as well as the precise ways in which it adds value. Because today's customers generally expect to have a good claims experience, it is a baseline, not a competitive differentiator by itself. A bad claims experience, however, is likely to cause policyholders to shop around.

Therefore, it's critical that insurers understand the experiential touch points, steps or sub-processes with the highest loyalty impacts and focus their transformation efforts on those. These “leverage points” vary by policy and customer type, as well as carrier. Thus, insurers should base their technology and process re-engineering efforts on a clear and granular understanding of where their current processes fall short and then prioritize where new technologies may help them streamline communications or provide more flexible options for individual consumers.

Elements of the claims customer experience

In the past, customer experience was often thought to be the realm of consumer researchers and digital marketers. In fact, the rise of ecommerce and online shopping in the 1990s inspired a rapid evolution and maturation of customer experience knowledge and best practices. For insurance companies, as with businesses in other sectors, the customer experience is best viewed as the entire, interdependent network of touch points



and channels through which interactions are made with customers and prospects across the full relationship life cycle.

Within claims organizations, those touch points include all interactions and communications throughout the claims process, and may even include preliminary steps such as policyholder education about how to submit a claim. The claims customer experience therefore may incorporate:

- ▶ Conversations with agents and contact center representatives
- ▶ In-person visits from claims adjusters
- ▶ Online tools and apps for submitting claims data
- ▶ Standard, automated electronic updates about claims status

Mastery of the customer experience is all in the details. For instance, customer-service or claims agent scripts and email alerts

should use consistent language and data to minimize customer confusion. Online instructions for claims submissions must be clear and provide easy ways to receive more information. Further, customer preferences must be taken into account. Just because it is possible to automate notifications every time a new piece of data hits the claims files does not mean every customer wants to receive a text message about it.

Planning for and designing a quality experience

For claims executives that understand the potential value of a quality customer experience, the question becomes how to identify, prioritize and plan for those improvements in the context of broader claims transformation programs. To a large extent, it starts with planning and ensuring that customer experience impacts are

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accounted for as early as possible in broader program planning and at all relevant phases of the implementation.

Executives overseeing claims transformation initiatives should consider the customer experience as a sort of strengthening lever in terms of contributing additional ROI from their programs. Therefore, they should explore specific process improvements as they begin to assemble the business case and ROI models.

An audit of current practices and capabilities, as well as a mapping of existing customer experience, may raise important questions:

- ▶ Where are the current pain points and bottlenecks within existing operations?
- ▶ Is there a clear understanding of how today's policyholders feel about existing processes?
- ▶ What ideas do front-line, customer-facing staff have about improvement opportunities?
- ▶ What leading practices and lessons learned can be applied?
- ▶ Which channels do our top customers want to use?

The questions can proliferate as insurers consider all their channel options, which makes prioritizing action plans more difficult. It is also important to note that answers will come from various sources across the organization.

In looking outward to a future state, primary market research can augment existing institutional knowledge about what customers want. Further, it can help sort through the many options and potentially predict customer preferences based on core objectives. Primary market research can also

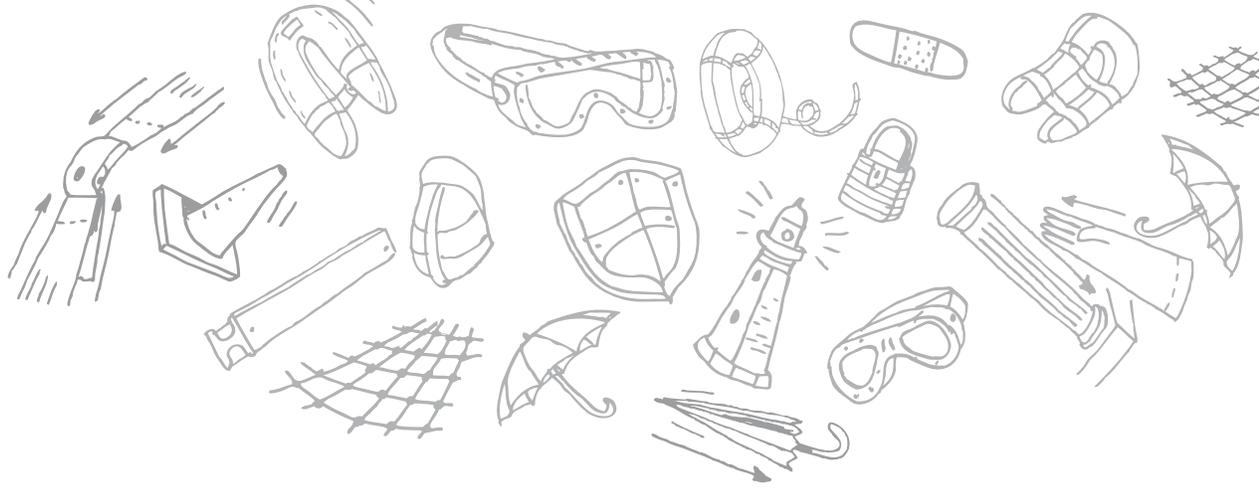
help define success metrics for evaluating experience design or other, even broader, claims transformation programs.

Ideally, the future-state claims customer experience is defined through input from a range of stakeholders across the business. Including representatives from various functional areas helps ensure that hidden impacts from redesigned processes are identified in advance. For instance, different functions should have access to the same customer data so there is no need to ask customers the same question more than once.

As plans progress, transformation leaders must ensure customer experience impacts are not overlooked as project teams focus on the evaluation, selection and implementation of new technology. Putting technology before the needs of users and customers is a common risk in transformation initiatives.

The incremental investment in the customer experience can add value by making it easier for insurers to serve customers at every point in the claims process, but specific improvements must be identified in advance and then incorporated directly into configuration and deployment requirements. Further, training should also feature in project plans. Customer-service representatives and claims handlers should understand exactly how new customer interactions will be structured and how their roles may change based on new interaction models.

Even more importantly, changes to the customer experience – like claims transformation initiatives as a whole – should be tailored to enterprise strategy. Insurers that gain insight into and reach consensus about the types of customers they want to attract have a leg up in defining the optimal



experience. Such strategic alignment and focus are critical given that today's claims technology enables virtually an infinite variety of options in configuring interactions and matching consumer preferences.

The task of improving the customer experience can seem daunting. Indeed, it is unlikely insurers can succeed at addressing all the dimensions of the customer experience – the people, process and technology – simultaneously. However, an approach centered on quick wins and building momentum through incremental improvement has proven to be effective at many early-adopting organizations. The key is to identify changes that can deliver immediate-term value.

Building the business case and capturing the value

While it is clear that the customer experience should be on the radars of senior executives, presenting them with a pragmatic and targeted approach will improve chances of approval and implementation. Claims leaders are uniquely positioned to build an objective and compelling business case that can point the way to prioritized deployments and near-term value creation.

Building a business case based on quantifiable improvements can be difficult. Not unlike branding or advertising, customer experience improvements involve factors like “positive buzz” or “word of mouth” that are notoriously hard to measure precisely. However, given the importance of the customer experience in claims and the large scope of investments in claims transformation, project teams should conduct scenario-modeling to establish

baselines and parameters for the business case. Among the metrics to consider:

- ▶ Increased retention and loyalty
- ▶ Reduced churn
- ▶ Increased acquisition through recommendations
- ▶ Cross-selling volume – increased share of wallet
- ▶ Cost savings from lower call volumes to contact center and increased first-call resolution rates
- ▶ Cost savings from shorter claims-handling times and per-claims expense
- ▶ Reduced claims leakage

As insurers gain more sophisticated analytics capabilities and as customer experience standards emerge, these pillars of the business case will only become clearer and more quantifiable.

Conclusion

As insurers strive to become more customer-centric and win over today's more demanding consumers, they are rightly focusing on their claims processes as an important part of the overall policyholder experience and life cycle. Customer centricity has become synonymous with competitive advantage and market leadership – and the highly visible, customer-facing claims function is one area where the battle can be won or lost. Certainly, it is where the value of transformation initiatives can be maximized, and where insurers can gain real traction with a new generation of highly empowered, digitally engaged consumers. ■

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