



Mindtree

A Larsen & Toubro Group Company



# How are Insurers **Transforming** their **Claims Function?**

## Introduction

Insurers are in the business of selling peace of mind, and not insurance policies! It is essential for insurers to compete with industries that contribute to the peace of mind of businesses and consumers, for instance, industries that sell IoT based services that will prevent a loss through proactive actions triggered by alerts from sensors. The business of loss prevention and loss indemnification address the same purpose – delivering peace of mind. In this paper, we will predominantly address loss indemnification however let us not forget the boundaries of loss management is expanding to cover prevention along with indemnification.

*Welcome to possible*

*A Mindtree Whitepaper*

The claims process is the moment of truth and defines the experience for policyholders and beneficiaries. Due to intensive paperwork, manual processes, and multiple internal and external stakeholders involved, claim processing has always been a pain point and hence, a key focus area for insurers. Over the years, reducing costs and providing best-in-class claim service has also become a motivating factor.

The pandemic and changing customer expectations have necessitated radical transformation in the claims business process. Now, more than ever, the key business driver for claims is not just operational efficiency or reducing leakage, but also enhancing the end-to-end customer/claimant experience.



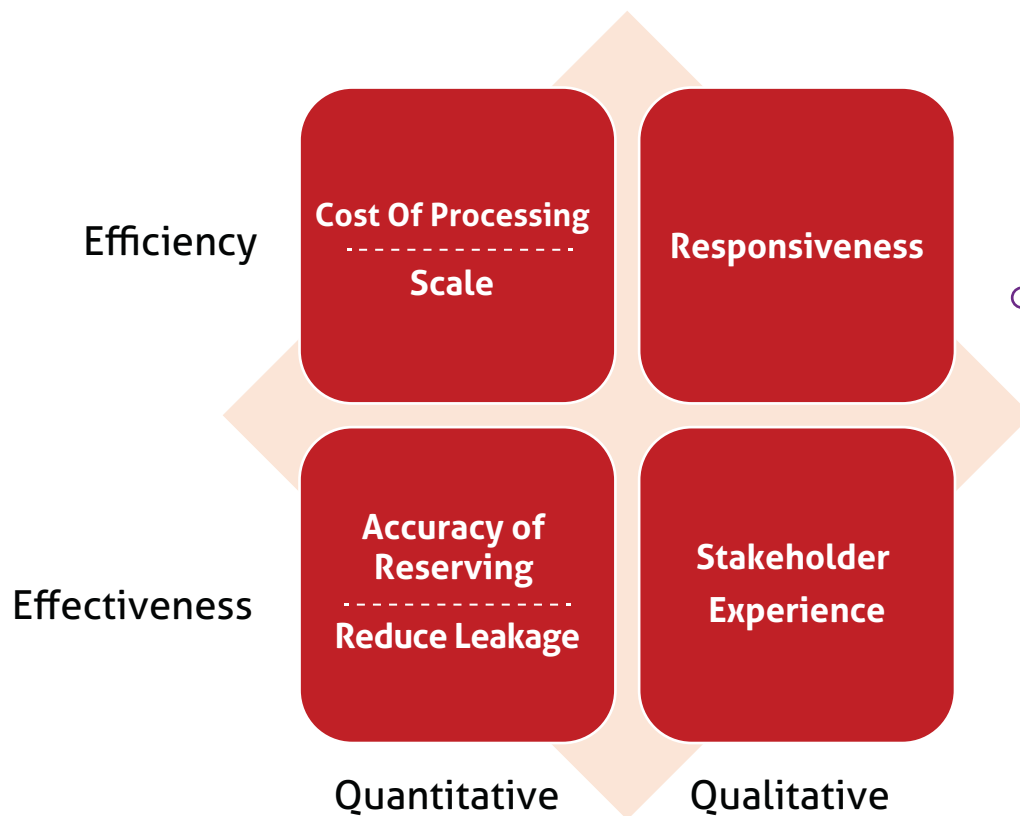
## Claims Transformation Imperatives - A Shift from Paying Claims to Delivering Peace of Mind

The Gen Z and millennials not only expect their claims experience to be simple, quick and easy, but also demand the best-in-class options in terms of accuracy and personalization. It is estimated that millennials will make up 75% of target customers for insurers by 2025, thus necessitating the need for insurers to focus on the experience. Insurers can no longer play a role of a negotiator while paying claims, but need to take ownership of the end-to-end experience for a customer. Today's customers need a reliable partner in an insurer who can not only deliver service, but also provide an experience with empathy and care.

Changing customer demands have ensured a need for new advanced technologies, which are already delivering business value via different claims transformative strategies.



A global claims transformation strategy is defined across two key themes: Efficiency and Effectiveness. Both themes have qualitative and quantitative outcomes for the Insurer. The expected outcome from claims transformation is elaborated below.



1. **Cost Of Processing:** Claims has always been a key driver of costs for P&C and Employee benefit insurers because of number of administrative tasks, multiple internal and external stakeholders involved, and tons of paperwork. For e.g. The claim intake/First Notice Of Loss (FNOL) is a trigger to initiate a new claim and most often, the claims team is burdened with calls, emails, paperwork, and innumerable amount of checklists to create a new claim and assign it to the right adjustor. This leads to an increase in processing costs. Insurers identify strategies like automation and / or outsourcing of such processes to reduce costs.
2. **Scale:** Insurers, especially those exposed to catastrophic risks, face a sudden spike in volumes of claims. This necessitates them to have the ability to scale rapidly on need, in case of a catastrophic event. Automation of business processes and scale applications are key to achieving this.
3. **Responsiveness:** One of the personality traits of millenials is instant gratification. They extend this expectation to claims, thus leading to expectations of faster resolution and payment. This necessitates the use of technology for straight-through claim processing - with the objective of ensuring that most claims are processed as no touch or low touch.



4. **Accuracy of Reserving:** Accurately predict indemnity and expense pay-outs with the help of data and expertise. Loss and Expense Reserving is one of the most critical tasks of a claim's adjuster - the accuracy of reserving is a key metric tracked by the actuarial and claims functions. Reserving figures provides a good understanding of an insurer's exposure, financial status and helps plan for capital needs.
5. **Reduce Leakage:** The primary sources of leakage are severity of claims, processing costs, third party expenses, general administrative /processing tasks, and complex claims, leading to errors in the manual process, in turn resulting in overpayment.
6. **Stakeholder Experience:** Stakeholders in a claims process involve both internal and external parties like policyholders, claimants, agents, TPAs, repair shops, medical providers, litigation partners, underwriters, processing personnel and actuarial staff etc. Delivering superior experience through ease of interaction, convenience, speed, visibility, proactiveness and personalization is a key driver to transform the claims process.

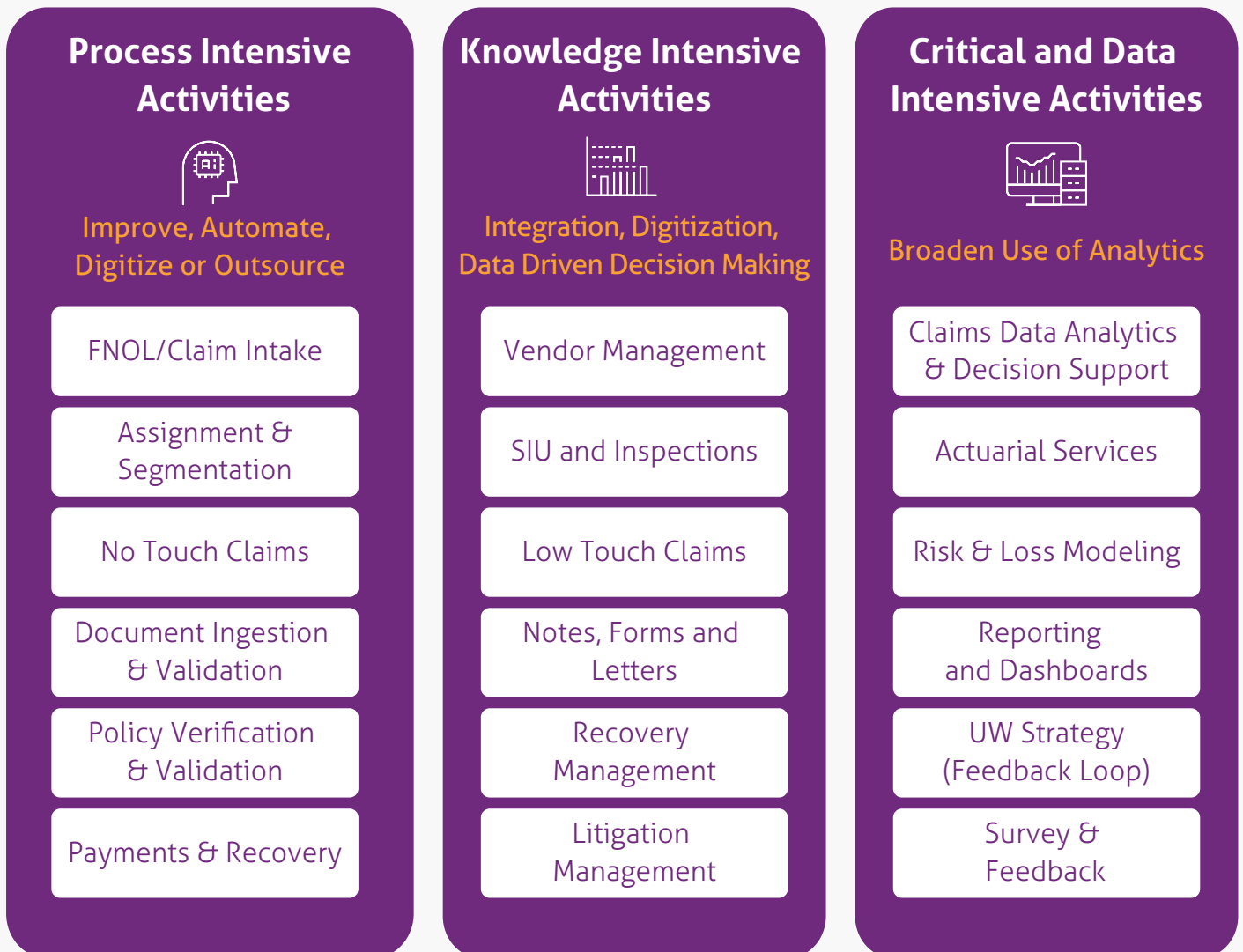
Efficiency and operational excellence were the low hanging fruits for insurers in the early 2000s. Today, more insurers are adding strategies around quality, experience and analytics. Insurers can realize these strategies by adopting a technology and data-driven approach to implement new innovative capabilities. Moreover, it is important to train our internal and external stakeholders to adapt to a customer-centric environment while driving these two business themes.



# Transforming the Claims Process- A Value Chain View

To adapt to the needs of 'new' customers, the industry has changed its perspective on the traditional claims process. While the claims business process has not changed drastically, what has been altered is the perspective with which we view the claims value chain. We no longer view claims as a set of activities spread across the value chain, we categorize them as process/ knowledge/ data-intensive.

This segmented perspective of activities enables us to decide on an appropriate set of initiatives to transform each set of activities in a value chain (as depicted below).



1. **Process-intensive Activities:** These are simple, non-core, standardized and repeatable tasks with minimal requirements for technical/claims expertise. These activities are performed in a controlled environment and the outcomes are measured quantitatively. Such activities are eligible for improvement, automation, or outsourcing. FNOL & data capture, assignment of adjustors, document management and validation, policy validation and verification, collection of documents and statements, review claims history, claim payments etc. are examples of business processes in the operational layer that are manually intensive and high in volume. They directly impact the efficiency of the organization. Hence, there is a need to automate it as much as possible to reduce costs of processing and ensure increased economies of scale.

**Key Traits:** High volume, low complexity, repeatable, low level of human interaction, low skills, process standardization, low risk.

2. **Knowledge-intensive Activities:** These are processes that reflect the tactical layer, which are standardized, but require advanced technical skills and some level of judgement on the part of the claims personnel. These set of activities are related to the definition of rules, reviews, approvals, external level of communication and reporting. These processes include liaison with third party vendors like repair shops, medical providers, attorneys, SIU (Special Investigation Unit) etc., assignment of independent adjustors, evaluation of low touch and medium complexity claims – verification, reserving, policy conditions and deductibles, claim notes, negotiation, settlement and claim closure etc. While some of these processes can be measured quantitatively, most of them are qualitative in nature. While automation and digitization will drive some key benefits related to efficiency, they will also impact the effectiveness of the process due to an increase in responsiveness, quality, accuracy, and experience.

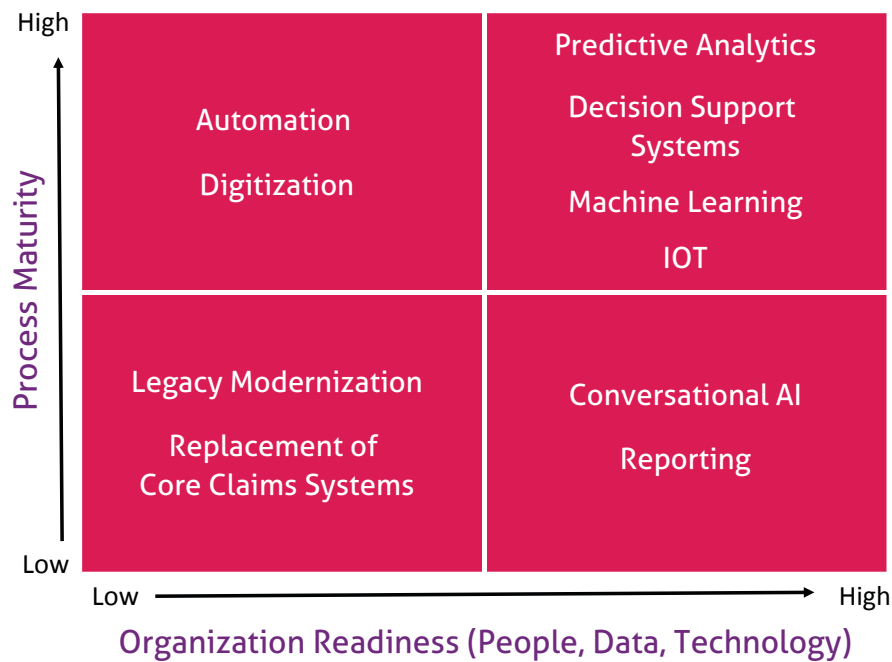
**Key Traits:** Medium volume, medium complexity, repeatable, minimal level of human interaction, advanced skills, process standardization, medium risk.

3. **Critical and Data-intensive Activities:** These processes fall under the strategic layer, which requires extensive judgement and analytics. This is business intelligence unique to each insurer, which pervades the business process in the operational and the tactical layer. These activities give an insurer a competitive advantage and are therefore extremely critical. These activities are highly data-intensive. Actuarials, claims analytics (IBNR (Incurred But Not Reported) statements, incurred claims ratios etc.), decision for approval of high touch claims, analysis of complex claims, negotiations, regulatory reporting, reserve analytics, customer experience management, UW feedback loop etc. are examples of such activities. These processes are not time-sensitive and are dependent upon data availability and the expertise of the claims personnel. The insurer measures these qualitatively with quality, accuracy and stakeholder experience.

**Key Traits:** High complexity, prominent level of human collaboration and expertise required, need for data availability and quality, legal, regulatory and compliance risk, impacted by culture and people.

# Transforming the Claims Experience: Key Initiatives by Insurers

This section covers the various initiatives taken by insurers to address the transformation imperatives. For each initiative, we have covered a few examples from both our experience as well as examples in the public domain through a framework. The sequence of these initiatives and the adoption vary across insurers.



## Initiative 1: Transforming core claims applications for scale, speed to market, and an enhanced quality and stakeholder experience

Core claim applications are the backbone of the claims function. Organizations migrate from legacy applications to market leading COTS products to address scale and efficiency in operations, and ensure agility in terms of accommodating changes in business processes and governing rules.

**Insurer story # 1:** A property insurer in the US was experiencing a surge in claims volume due to significant exposure to property in CAT prone areas, due to which, there was a need to build scale into the system. The insurer was also looking to expand the customer base and ensure a growth strategy. The insurer required a modern system to process high volumes of claims during both CAT and non-CAT situations, respond to customers quickly and ensure data accuracy. The insurer transformed its core claims application with a market leading COTS platform. Key changes brought in include digitized claims intake, automated adjustor assignment and integration with third party data. This resulted in 20X scale in claims processing and 40% reduction in claims cost. Digitization of claims intake and automation of the assignment process resulted in a superior experience for both internal and external stakeholders.

**Insurer story # 2:** A large North American commercial and specialty insurer was grappling with increasing loss adjustment expenses and increased claims leakage. This was directly impacting its combined ratios. The insurer embarked upon a three-year transformation program of its core claims functions from business and IT perspective. The following are some of the capabilities implemented in the multi-LOB, multi-channel claims platform:

- Centralised multi-country operational centers to manage FNOLs and customer support
- Single customer view
- Ability to report FNOLs 24/7 via preferred channels
- Automated policy and coverage verification
- Automated case management and workflow
- Automated forms and letters, Diary management
- Online self-service capabilities – Claim status, FNOL, upload documents
- Automated payments via ACH, EFT etc., Tracking and notification
- Auto reserving and loss evaluation
- Rule-based fraud detection
- Integration with third party vendors
- Customer satisfaction surveys to collect periodic feedback

The insurer was able to reap multiple benefits including scale, productivity, accuracy, and most importantly, customer retention.

**Insurer story # 3:** Liberty Mutual is working with Duck Creek Technologies to develop a next-generation workers' compensation claims management system. The new system will replace two legacy systems with a single platform. The multiyear effort will produce a new, fully integrated workers' compensation claims management system. Duck Creek will help develop the claims management system using its software-as-a-service, or SaaS, products.

*To enable core transformation for insurers, Mindtree has tied up with leading COTS products such as Duck Creek, Sapiens and Vitech across the P&C and Employee benefits insurance space.*

## Initiative 2 – Driving superior experience through digitization of the claims value chain and ensuring a multi-channel approach

Given the demands of millennials, digitization of the value chain driven by exposure of functionalities through digital channels is a key initiative. This needs to be supported by an API strategy. In some instances, this is also driven by the replacement of older technologies used for digitization.





**Insurer story # 4:** A leading supplementary insurance provider in the US wanted to enhance the experience for claimants through their mobile app. They redesigned their existing mobile app to enable notification of claims, upload documents, track status of claims, register for direct payments etc. There was immediate feedback through improved rating on the app store from 2.5+ to 4.2+. This also resulted in tremendous adoption with close to 1 million downloads within three months of launch.

**Insurer story # 5:** A large personal lines insurer transformed its legacy claims system with automation, digitization, and integration. The insurer wanted a flexible rules driven integrated application to improve time to market, reduce operational costs, increase responsiveness and ensure a better customer experience. The insurer implemented the following capabilities:

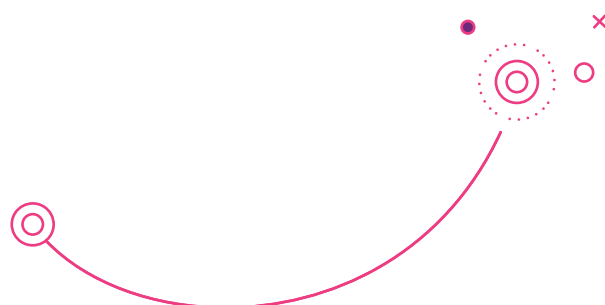
- Online self-service options for FNOL, claim status, upload claim documents and customer service
- Automated segmentation and assignment
- Automated adjudication for low touch claims
- Digitization of forms, letters, diary, and notes
- Integration with various third-party vendors like repair shops, glass vendors, appraisers, medical providers, rental services, and auto inspectors

The web-based system was able to process 5000 claims a day, thus improving the claims cycle times, operating costs, and customer experience.

*In line with the demand from claimants for interaction through multiple channels suiting their convenience, Mindtree has built a conversational solution, 'MACAW,' that enables interaction through chat and voice bots. These bots could also be integrated with messengers on mobile phones, thus eliminating the need for an additional app.*

### Initiative 3 - Delivering operational excellence through technology-led automation and integrated document processing

Insurers have been using automation both as a tactical and strategic tool. In terms of tactical usage, RPA (Robotic Process Automation) is used as a short to medium term solution prior to core transformation and digitization. For instance, RPA is used as a tool to integrate claims submitted digitally where there are no APIs to integrate with core claims system. Strategic usage comprises processes that will remain unaddressed post core transformation and digitization, or be synergistic. For instance, claims submitted physically that need information to be extracted from physical submissions, payments process from invoices, verification of invoices and triggering payments.



**Insurer story # 6:** A P&C insurer based in Australia embarked on a strategic automation initiative covering its value chain across new business, policy servicing and claims. Specifically, on the claims side, they automated processes such as first notice of loss, preliminary loss assessment, payments, recoveries etc. On the payments side, the company was handling 80% of their invoices from 100+ suppliers with 50+ invoice templates. By utilizing RPA and intelligent document processing technologies, the company has automated extracting information from invoices, the verification against estimations and approvals and triggering of payments.

**Insurer story # 7:** A global commercial and specialty insurer embarked upon a customer-centric claims journey. The insurer's aim was to remain competitive by providing a customer-centric claims experience along with superior operational efficiencies with automation and a comprehensive digital strategy. Even with large commercial insurance where the processes are still so manual, cumbersome and paper intensive, there is wide scope for automating process-intensive activities. The insurer invested in modern technologies to simplify, automate and evolve their processes to adapt to the need of the new age customers. They implemented a series of capabilities across the claims value chain.

- Robotic Process Automation: Reengineering, simplification, and automation of key claims processes like document indexing, ingestion (FNOL/claims intake), customer servicing using intelligent process automation
- Digitization: Adopting a digital strategy around FNOL/claims intake, policy verification and coverage validation, claim segmentation (No Touch, Low Touch, High Touch) and automatic adjustor assignment
- Mobile and Self-service Options: Meeting the demands of the internet and digital savvy customers with options to report claims online and provide evidence in the form of self-clicked photos and/or onboard cameras (for a virtual inspection of the damage), as well as the ability to upload digital documents
- Digital Payments: Offering various claim payment options through online or mobile payments
- Straight Through Processing: Rule-based intake, adjudication, and payment of No Touch claims

**Insurer story # 8:** AXA UK is piloting a machine learning tool for claims handlers that will support them in making quicker and more accurate decisions regarding repair or replace intelligence in motor claims. The tool captures the relevant data from the phone conversation using machine learning tools and assesses how much it would cost to fix a car as against how much it would cost to write it off; the idea is to take the right decision on repair vs replace as soon as the claim is notified.



## Initiative 4 - Technology innovation through vision learning, IoT, AI and Geospatial Technologies

To push the envelope on experience and efficiency, insurers are utilizing emerging technologies such as IoT, Artificial intelligence etc.

**Insurer story # 9:** A large commercial insurer enabled drone-based damage assessment and sensor-based loss prevention for commercial properties, farms, and industrial equipment. Given that physical inspections are cumbersome, expensive and time consuming, spatial reports display damages on a map view of the factory layout. Defects are symbolized based on the count, severity and category. Such reports, along with the structure location, are transmitted to claims adjustors/investigators in real-time, thereby reducing costs, and improving the accuracy and quality of assessment.

The insurer also enabled loss prevention for commercial properties using sensors, computer vision analytics and predictive analytics models. Early detection of potential perils and hazards could help prevent severe damage and reduce thousands of dollars in paying claims to repair and replace property. They installed IoT-enabled sensors in facilities such as hospitals, hotels, banks etc. to monitor water leaks, vibration and temperature changes, and send proactive alerts. These alerts helped trigger automatic shutdowns based on triggering events, thus preventing losses. The insurer not only reduced loss payment and reduced leakages, but also improved the customer experience.

**Insurer story # 10:** Covéa Insurance struck an industry-leading deal with global technology provider Audatex, making it the first UK insurer to implement fully integrated image capture technology to simplify and streamline the claims experience for its motor customers. The modern technology enables Covéa Insurance's customers to send pictures of their damaged vehicle directly to their chosen repairer via a smart mobile-friendly portal. The portal is fully integrated into both Covéa Insurance and the repairers' systems, making the claims process slicker and more convenient than ever before.

*Mindtree, through the acquisition of NxT, brings platform-led IoT and geo-spatial capabilities to insurers to enable loss prevention and efficiency in processing. Also, partnerships with insurtechs such as Inspektlabs brings capabilities that enable a holistic transformation for insurers.*

## Initiative 5 – Measuring and creating impact through analytics

While organizations are transforming themselves, it is pertinent for them to understand the business impact these transformation initiatives elaborated in this paper are creating. Organizations have embarked on building a KPI framework across key functions that helps measure the business outcomes these initiatives create. This involves building a data lake, and standardizing data marts and dashboards that serve as exploratory analytic tools in the hands of an insurer.

Insurers also take advantage of investments in data through predictive analytics with use cases around fraud detection, straight through claims processing etc.

**Insurer story # 11:** A global insurer had made substantial investments in digital and automation programs across the geographies in which they operate. In order to understand the operational and strategic benefits derived from these initiatives, the insurer embarked on a global business insights program spanning 15 business units covering multiple lines of business, functions and geographies. The insurer designed a uniform dashboard framework covering strategy, experience, process and capabilities. This enabled them to compare and benchmark performance when deemed necessary and feasible.

**Insurer story # 12:** Data scientists within LV= GI looked for opportunities to supplement their existing claims processing expertise with machine learning to increase certainty in claim resolution. They concluded that a machine learning solution would improve on the existing approach but were unsure how to implement a real-time AI system. LV= GI already used Microsoft's Azure Cloud for data hosting - so they turned to Microsoft Services to provide additional capabilities, experience and expertise. By intersecting the customer's verbal explanation with static field data and vehicle damage information, LV= GI created an amalgam that can determine the outcome of a disputed claim more accurately.

## Conclusion

Insurers are continuously rethinking their claims business processes, and striving to be innovative and use technology and data to transform the claims experience. Innovative technology-led capabilities are helping insurers not only improve the way they perform the claims function, but also gain visibility into the experience of both internal and external stakeholders.

Transforming the claims process is a business-led initiative. It requires a careful evaluation of intended objectives, desired outcomes and interventions through business and technology initiatives that will drive this. An 'outside-in' view to identify interventions and the appropriate technology is key to success.



# About the authors



## Dinesh Kalidoss

Dinesh is the Head of Mindtree's Insurance Industry Solutions Group, and is responsible for strategy, go to market, solutions, consulting and business analysis. He has over 20 years of experience in delivering consulting and IT services to the insurance industry. His experience includes delivering digital and core transformations, setting up of greenfield insurance companies, strategy, business process redesign and architecture advisory engagements for insurance companies.



## Sowmya Devulapalli

Sowmya is a Business Architect in Mindtree's Insurance Industry Solutions Group. She is an insightful leader in business consulting and architecture with more than 16 years of experience working with some of the world's largest P&C insurance companies in North America, Europe and India. Her areas of expertise are claims and policy administration in P&C commercial and specialty insurance.

# References

1. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dttl-2014-millennial-survey-report.pdf>
2. <https://www.duckcreek.com/blog/liberty-mutual-partners-with-duck-creek-on-claims-system/>
3. <https://www.axa.co.uk/newsroom/media-releases/2020/axa-uk-deploys-machine-learning-for-motor-claims/>
4. <https://www.coveainsurance.co.uk/news-hub/press-releases/covea-insurance-announces-industry-leading-partnership-with-audatex/>
5. <https://customers.microsoft.com/en-gb/story/lv-and-microsoft-azure-machine-learning>

## About Mindtree

Mindtree [NSE: MINDTREE] is a global technology consulting and services company that enables enterprises across industries to drive superior competitive advantage, customer experiences and business outcomes by harnessing digital and cloud technologies. A digital transformation partner to more than 260 of the world's most pioneering enterprises, Mindtree brings extensive domain, technology and consulting expertise to help reimagine business models, accelerate innovation and maximize growth. As a socially and environmentally responsible business, Mindtree is focused on growth as well as sustainability in building long-term stakeholder value. Powered by more than 31,900 talented and entrepreneurial professionals across 24 countries, Mindtree — a Larsen & Toubro Group company — is consistently recognized among the best places to work.

To learn more about us, visit [www.mindtree.com](http://www.mindtree.com) or [@Mindtree\\_Ltd](https://twitter.com/Mindtree_Ltd).