Next Practices in Insurance: Driving Growth with Better Customer Engagement

How Enterprise Capture Solutions Can Streamline Claims Processing and Transform the Customer Experience

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WHY CUSTOMER EXPERIENCE MATTERS

The insurance industry worldwide stands at a critical crossroads. A combination of sluggish economic growth, uncertainty about the future, and tightening regulatory pressure has put insurers in a bind. Growth and profits don’t come as easy as they once did, and this has left insurers scrambling to find new formulas for success.

Now insurers are facing an even greater threat: the rising power of consumers. Armed with the Web and mobile devices, customers today enjoy tremendous leverage, able to shop around with ease, switch carriers painlessly, and interact with insurers in appealing new ways. Every day, new communication and sales channels open up, carrying the promise of higher levels of convenience and service.

In this new environment, the battleground for customers has moved beyond simply products and pricing. Increasingly what attracts—and keeps—customers are their personal experiences with insurers at key points in the relationship, and especially during the claims process.

This shift has brought into play a range of new competencies that insurers must master if they want to stay competitive. The most innovative carriers have already jumped ahead of this curve, moving from operations- and cost-centric practices to solutions specifically engineered to enhance the customer experience. These customer-centric solutions—we call them “Next Practices”—help carriers deliver better customer engagements across the range of touch points that make up the insurer-customer relationship.

A lot is at stake in this effort. When executed correctly, customer-centric next practices give insurers the power to attract new customers with hassle-free call center interactions, rapid claims-filing experiences, and easy access to everything from policy documents to new product and service offerings.

BOTTOM LINE IMPACT

All of this directly impacts the bottom line of your insurance business. Fast, responsive service instills loyalty in existing customers and attracts new business through word of mouth. Studies show that even a modest increase in customer experience can increase customer loyalty and boost revenue by millions of dollars.¹ Nationwide Insurance, for example, found that a 1% increase in customer retention increased annual premiums by $1 million.²

Insurance customers are especially sensitive to negative experiences, research shows. A single unpleasant interaction with a call-center agent

is sometimes all it takes to drive customers away. Worse is when disgruntled customers spread the word. Compared to happy policyholders, dissatisfied insurance customers are far more likely to tell others about their experiences—and social media outlets like Facebook and Twitter only amplify this effect.

Once lost, insurance customers are notoriously hard—and costly—to regain. Studies show that carriers spend five to ten times more acquiring a new customer than retaining an existing one. In fact, it takes most insurers several years to recoup the costs of winning and onboarding a new policyholder. Satisfied customers, on the other hand, spur demand through word of mouth and online recommendations. Satisfied customers also are more open to buying additional products and services.

In short, while products and pricing will always remain an important factor in attracting and retaining policyholders, customer experience is quickly becoming the next industry battleground for market share, profitability, and even survival. And nowhere does the customer experience matter more than during the claims process.

CLAIMS PROCESSING: CORE TO THE CUSTOMER EXPERIENCE

For most people, it takes filing a claim to really test the relationship with their insurer. The claims process is when the majority of interactions between policyholders and their insurers occur—and it’s a time that is typically rife with stress and emotion for the customer. For property and casualty claims—say an auto accident—the process can extend from the first notice of loss and call-center interactions to the appraisal, repair process, and car-rental experience.

The Power of Customer Experience

- A modest improvement in customer experience at a $10 billion insurance carrier will increase customer loyalty and boost revenue by approximately $298 million (Forrester Research).
- Dissatisfied insurance customers are 40% more likely to tell others about their bad experience.
- A 1% increase in customer retention increased annual premiums by $1 million (Nationwide Insurance).
- Reducing customer attrition by 5%-10% can increase annual profits by as much as 75%.
- On average, one person will tell eight people about a bad customer experience—and one in five of these people will tell 20 more.
- Satisfied customers are 50% more likely to listen to a sales offer, while dissatisfied customers—if they even choose to listen—are twice as likely as satisfied customers to decline an offer after listening to it.

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American Customer Satisfaction Index, quoted in “Insurance Providers: Improving Customer Retention through the Contact Center” white paper by Jacada, 2008.


During this critical period, providing a fast, efficient, transparent experience for customers is crucial to improving customer satisfaction and loyalty and decreasing churn. This conclusion is backed by research from J.D. Power and Associates, which found that better claims processing for homeowners insurance customers leads to policyholder loyalty and advocacy. Specifically, the research firm found that 71% of customers who experienced a “highly satisfying claims experience” said they would “definitely” renew their policies and 67% said they would recommend their insurers to others. Conversely, of the customers who experienced a less satisfying claims experience, only 53% said they planned to renew and less than half said they would recommend their insurer to others.

As the primary channel through which claimants interact with their insurer, call centers are pivotal to the claims experience. This underscores the importance of equipping agents with the tools and resources to answer questions quickly and accurately. In a study by Jacada, slightly more than a quarter of insurance customers said they would switch carriers based solely on a bad experience with the contact center.11

To avert negative interactions, more insurers are adopting process-automation technologies to optimize the claimant’s experience and facilitate rapid, straight through processing (STP) of claims. These technologies integrate with the core claims systems, allowing “touch-less” processing of claims documents across the organization. The result: faster claims resolution and prompt, accurate communication with customers.

These new technologies range from business process management (BPM) and enterprise content management (ECM) systems to online portals and advanced capture solutions. Together they form the foundation for Next Practices in the insurance industry. The following sections look more closely at the potential for automating capture across the enterprise and how that helps transform the customer experience.

GLOBAL INSURER AVIVA RETOOLS CUSTOMER SERVICE WITH AUTOMATED DOCUMENT CAPTURE SOLUTION

Eager to sustain its rapid growth trajectory, London-based insurer Aviva Ltd. has made it a priority to strengthen its customer service and compliance operations. But to do that, the world’s fifth largest insurance group realized that it had to remove a critical bottleneck: a rising tide of customer documents that threatened to overwhelm the company’s processing centers in Singapore and Hong Kong.

Aviva found a solution in an enterprise capture solution from Kofax that enabled its processing centers to dramatically increase productivity and accurately digitize more than 5 million pages of documents (both structured and unstructured) per year. Working in tandem with the company’s IBM document management system, the Kofax solution allows Aviva to reduce turnaround time and consistently meet ambitious targets for customer service operational performance.

Productivity has been enhanced further with Aviva’s adoption of Kofax VRS technology that automatically cleans up poor-quality images—a move that eliminated hours of manual rescanning effort and service delays. It’s also improved the document recognition and indexing process by ensuring crisply rendered bar codes on each document. Executives say the move has increased labor productivity by 25% to 50%.

The solution gave Aviva better control over data integrity, helping it comply with strict new auditing requirements imposed by insurance regulators. For example, by introducing more document automation and less manual handling, Aviva reduced the likelihood of data breaches.

“There hasn’t been a single case of confidentiality breaches,” an executive reported. “We are cutting this risk substantially.” Singapore recently certified Aviva’s entire capture and document automation system under the nation’s Evidence Act, which oversees standards for electronic transactions in the insurance and financial services industries.


11American Customer Satisfaction Index, quoted in “Insurance Providers: Improving Customer Retention through the Contact Center” by Jacada, 2008.
NEXT PRACTICE: CAPTURE-DRIVEN CLAIMS PROCESSING AUTOMATION

Enterprise capture solutions employ a range of technologies and tools to help companies efficiently capture, classify, route and archive paper-based and electronic information. These solutions can extract text and handwritten data from a wide variety of documents and convert it into formats that business applications can utilize. Advanced solutions, like those from Kofax, also can “learn” from repeated document processing, progressively minimizing processing errors, time and costs, as well as manual intervention.

In the last decade, a growing number of companies have deployed capture technology to cut back on paper handling and storage and achieve significant cost savings. It’s been estimated that the average knowledge worker wastes as much as $4,500 per year working with paper, and that as much as 15% of an organization’s revenue is spent creating, managing, and distributing documents.  

More advanced organizations are reaping additional strategic benefits by harnessing the power of these solutions to deliver timely information to customers and speed decision-making.  For insurance carriers, automated capture has proven its worth as an effective way to rationalize the claims process, from the initial “ingestion” of a claim all the way through to closing the file.

On the front-end of the claims process, insurers have always faced a tough challenge: how to handle the flood of documents that arrives at its doorstep every day. The information comes in a host of different forms, including paper forms and letters, faxes, emails, texts, and multiple types of electronic file attachments, as illustrated in Figure 1.

The data influx contains both structured and unstructured data — and only a portion of the flow of documents has to do with claims matters. Thus insurers are faced with a dual challenge:

- **Understanding what the incoming information is** — A claim form? Premium payment? Information update? A policy issue?
- **Deciding what to do with it** — Where to route it? (To the claims department. Fraud investigators? Accounts payable? Compliance team? Partners?)

Manually sorting through this mass of documents — and routing it to the right person — consumes a significant amount of staff resources. Moreover, the process is fraught with error and risk and leads to a lengthy claims resolution cycles, mistakes, and poor decisions — all of which can damage customer relationships.

Capture-enabled claims processing solutions — typically involving advanced scanning, indexing, extraction, and

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**Figure 1: Capture Driven Claims for Greater Customer Value**

![Diagram of capture driven claims for greater customer value]

*Sources: Gartner, ARMA, AIIM.*

workflow technologies — “collapses” this process into a single, crisp, automated step, massively shrinking the time it takes insurers to understand incoming documents and decide what to do with them. Figure 2 illustrates the streamlined process.

By extracting and routing pertinent claims information, enterprise capture solutions shrink processing time and costs while increasing adjudication accuracy. This naturally leads to a more satisfying customer experience throughout the claims process, encompassing:

- **Investigation and Evaluation.** Investigators gather evidence faster while customers receive timely alerts and communications that promote trust and transparency.
- **Negotiation and Settlement.** Carriers use enterprise capture solutions to ensure access to complete documentation, translating into faster claims resolution and greater customer satisfaction.
- **File Closing.** Enterprise capture solutions reduce compliance risk by providing secure document archiving and ensuring that relevant claim information can be readily retrieved for regulatory audits and other reviews.

**CAPTURE-ENABLED CUSTOMER SERVICE**

Faster claims resolution, more efficient investigations, and error-free settlements — all of this adds up to a superior claims experience for customers and helps build satisfaction and loyalty. At the call center — the venue for most customer interactions — agents can be armed early in the claims process with the full portfolio of documents and evidence they need to answer queries with authority. Insurance innovators are taking their capture solutions further, leveraging the technology to provide customers with convenient, online access to claims and policy information. For example, one global life insurance company is deploying document capture technology from Kofax to extend access to policy documents to millions of customers through a secure extranet.

Other insurers now digitize correspondence as part of a service that reaches out to policyholders with automated notifications via text messages, emails, phone calls, or faxes. Active customer communication like this goes a long way toward securing customer trust and buy-in.

Increasingly companies are integrating automated document-capture solutions with ECM, BPM, and business intelligence (BI) systems that together help consolidate customer information and give managers a comprehensive “household view” of policyholders. Such visibility helps insurers propel revenue with well-crafted sales strategies and marketing campaigns.

A full accounting of the benefits from capture-enabled claims processing includes a host of additional business efficiencies and savings, including faster, more accurate invoice processing, streamlined legal case management, and more effective fraud investigations. Examples include:

- **Global powerhouse Allianz** deployed a capture solution to streamline accounts payables operations at its shared service centers in Europe (see solution profile on page 7).
Aviva Ltd, a subsidiary of the world’s fifth largest insurer, reduced the risk of customer data breaches while improving customer service performance with its capture solution (see solution profile on page 4).

French insurer GIE-UGIM says its document-capture platform is helping it integrate organizations at three remote sites.

U.S.-based Prudential says that deploying Kofax document-automation technologies will enable it to sustain its “continuing and rapid expansion throughout China.”

CONCLUSION

Amid a drastically changed industry landscape characterized by choosier customers and tightening regulations, insurance companies are scrambling to sustain growth and profits. Innovators are taking the lead with strategies specifically designed to transform the customer experience. The most effective of these strategies focus on radically improving the claims process, a time of great stress for policyholders when even one bad interaction can lead to defections.

Remarkably, many insurers are unaware of how poorly they’re performing in terms of customer experience.

Allianz selected an automated document capture solution to power the company’s new front-end invoice processing function. Now local offices scan each invoice and use re-scanning technology (Kofax VRS) to automatically fix image imperfections. The corrected digital documents are transmitted to the service center, where the Kofax Capture solution extracts key information and pushes it into the SAP financial system.

The results, says Rossbach, “speak for themselves.” Today, Allianz pays invoices in eight hours compared to four days before, has cut overdue invoices in half, slashed manual effort, and set up a convenient archive of invoice documents within the SAP system. “We now have faster, more transparent processes, lower costs, more satisfied suppliers, and an always up-to-date view of the company’s cash flow situation,” Rossbach concludes.

According to Bain & Company 80% of companies believe they delivered a superior customer experience, but only 8% of their customers agree.”

That’s changing, however, in light of the rising success of insurers that have adopted customer-centric Next Practices—including new capture-enabled solutions that automate and expedite claims processing and customer service. Insurers worldwide are adopting enterprise capture solutions to:

• Dramatically reduce claims cycles, speeding customer reimbursements
• Empower call centers with timely intelligence, delivering superior customer service interactions
• Eliminate costly manual processing errors, promoting customer trust and loyalty
• Drive proactive customer communications, ensuring transparency during the claims process
• Enhance customer understanding with documented insights into consumer preferences

We expect adoption of capture technologies will become the new normal for insurance companies that expect to compete effectively in the realm of customer experience.

Research and analysis for this white paper was conducted by Mainstay Salire, LLC, an independent consulting firm that has performed over 300 studies and white papers for leading information technology providers including Cisco, Oracle, SAP, Microsoft, Dell, Lexmark, HP, EMC and NetApp.

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