

# Claims strategies for a technology-enabled world

A new report by Karin Lloyd and SelectX Ltd

## EXECUTIVE BRIEFING

A popular external message from insurance executives is that their company is in the 'business of paying claims'. Insurers are also acutely aware of the margin implications of inferior claims management, particularly for disability income plans, but also other living benefit products. Add to this the broad agreement on the need for operational efficiencies in increasingly price-competitive markets, as well as the opportunities to link underwriting and claims data across a common platform, and it would seem natural that on-going investment in claims management expertise and systems should never be too far from the summit of priorities for senior executives.

But ongoing studies of insurer decision-making and our recent and unique study of claims technology paint a very different picture. The last decade has seen significant investment in front-office capabilities including underwriting automation, straight-through processing, tele-underwriting, and adviser-focused CRM. Over the same period, investment in claims capabilities and technologies has remained modest, and siloed mainframe-based legacy claims systems supplemented by Access and Excel databases (and many manual procedures) remain the norm.

Longitudinal *Insights* Studies by NMG Consulting<sup>1</sup> demonstrate that the approach to claims management remains consistently underweight in relation to decisions pertaining to product placement by intermediaries. So why doesn't claims management attract more external attention and operational investment? Is it because the competitive value associated with enhanced claims capabilities is not currently visible and thus not properly understood?

Insurers that underwrite risk classes with high-frequency claims profiles have by necessity had to make continuing investments in claims efficiency, and notably also the customer experience. With the increased relevance of living benefit products, comparisons drawn with motor insurers and medical insurers now become more relevant.

Our report, *Claims strategies for a technology-enabled world*, draws on an evidence base of insurance executives at 119 companies across 23 countries. We advance the perspective that the next five years may see the emergence of several insurers with sustainable sources of competitive differentiation arising from their approach to – and investments in – claims capabilities and systems. It is likely that a confluence of factors will drive the timing of these advances:

- New technologies (particularly those facilitated by the Internet and mobile networks) facilitating new ways to communicate with customers and claimants at reducing fixed and variable costs
- Distribution channels that are becoming increasingly competitive, with traditional sources of differentiation harder to achieve and sustain
- Increasing regulatory demands driving the need for better management information, and the reward of lower volatility claims experience with reduced solvency capital requirements
- The gulf in customer experience between front-end and back-end execution that is becoming increasingly obvious to customers and intermediaries.

The recent growth in interest in the claims management function internationally – among insurers and reinsurers – has been the trigger for the timing of this report

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## About the authors

### Karin Lloyd

Karin is a claims specialist with a reputation for innovative thinking, technical excellence and the ability to apply her skills with common sense in a commercial environment. She has run her own successful consultancy since August 2006, prior to which she was a senior member of Swiss Re's global underwriting and claims team. Karin supports the use of technology where it improves transparency, speed and the experience for end customers and distributors, and provides competitive advantage for companies through operational efficiencies and management information.

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### SelectX

<sup>1</sup>Select X is an integrated division of NMG Consulting ([www.nmg-group.com](http://www.nmg-group.com)), a specialist, multinational consultancy focused exclusively on the financial services industry.

Select X is specialised in the enhancement of risk management strategies and outcomes for all stakeholders across the underwriting and claims functions - synthesising technical capabilities, thought leadership and appetite to innovation. SelectX are *the* foremost designers and developers of underwriting and claims manuals for insurers and reinsurers, and have extensive experience in reshaping new business processes to fit with contemporary demand, including the development of optimised automated underwriting rules engines.

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August 2011