Six Keys to Claims Optimization:

How BPM Can Turn Vision into Reality

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Executive Summary

The Problem

Effectively managing claims is a complex task. With so many steps and variations in each process, it is no wonder that insurers struggle to consistently improve claims operations. Because total cost of indemnity represents a significant portion of an insurer's costs, reducing the expense of claims processing is an imperative for any insurer. However, cost efficiencies cannot come at the expense of a policyholder's service needs and right to receive a fair and equitable settlement for a valid loss. Given that the claims experience is a primary driver of policyholder satisfaction and loyalty, the need to deliver a high-quality experience is equally as important as cutting costs.

Insurers pursuing opportunities to transform and optimize claims functions frequently consider packaged applications. All too often this technology-driven approach ignores the business outcomes an insurer is trying to achieve and fails to consider the people, process and integration components needed to enable holistic improvement. In addition, packaged applications rarely offer the agility needed to support claims operations and processes that undergo frequent change, forcing insurers to adapt their business to the way the system works. The result is isolated and broken processes beset with cumbersome manual handoffs and workarounds that only increase costs and can lead to policyholder dissatisfaction.

The Solution

How does an insurer strike a cost-effective balance between claims efficiency and policyholder service? Insurers can start by optimizing their claims value chain – the people, processes and resources required to achieve the optimal claim outcome – to improve the efficiency and effectiveness of claims operations.

Business process management (BPM) has proven to be a far more effective solution for enhancing claims operations than inflexible packaged applications because it delivers the strategic capabilities insurers need to enable an optimized claims-processing environment. Using BPM, insurers can:

▶ Ensure the application of best practices with rules-driven processes applied across lines of business (LOBs), products and geographies.

▶ Automate core claim processes with intelligent case management so that claims operations function at the highest level of efficiency.

▶ Drive policyholder retention through intent-driven processes that adapt and respond dynamically to each claimant interaction to deliver the best outcome.

With BPM, insurers can unlock the business value of the claims process to substantially improve productivity, drive brand commitment, minimize risk and loss exposure and improve the insurer's competitive position.

This white paper discusses how BPM can revolutionize the way claim organizations drive claims strategy in the 21st century. It introduces six key advantages of BPM that insurers can leverage to transform and optimize claims management.

Six Keys to Claims Optimization

Traditional packaged claims solutions are not helping insurers achieve their strategic business objectives. Whether the goal is to lower claims costs, improve service, or both, insurers need more than inflexible packaged applications if they are to successfully institutionalize and improve the claims practices that drive differentiation in their markets.

BPM offers a distinctly different approach to claims optimization as it delivers the tools insurers need to achieve an optimized claims processing environment that improves efficiency, drives policyholder satisfaction and mitigates regulatory and financial risks.

Let's look at the six key capabilities provided by BPM that enable claims optimization.

1. Leverage intent-driven process to drive the optimal service experience

With rules and process unified in one solution, insurers can seamlessly integrate claims handling policies and procedures into dynamic, intent-driven service processes that automatically match the needs of a claimant with the intent of the business during a claims interaction. The intelligent process automatically guides staff through the optimal process as the interaction unfolds. This means that service staff no longer need to worry about which system to use or step to take next, and can instead focus on the high-touch activities that differentiate their service experience from the competition. By leveraging intent-led processes, insurers can anticipate what a claimant's needs may be and match those needs with the optimal claims or service process. Imagine the power of being able to anticipate and respond to a policyholder's needs before they even ask the question!

2. Drive outcomes with dynamic case management

Insurers can drive claims toward optimal outcomes using dynamic case management to gain a 360° perspective that organizes and executes the optimal process for each claim. Most claims have multiple processes that need to be completed to resolve the overall case. The processes get data from multiple systems, are carried out across departments —frequently in parallel or asynchronously — and one process may impact the way another proceeds. Yet all this complexity must be effectively orchestrated and managed to ensure the claim is progressing toward the right outcome with consistency, accuracy and efficiency.

Transforming FNOL at Farmers Insurance

Using Pega technology, Farmers Insurance has streamlined FNOL for auto claims with unified rules and process that enable intelligent interactions according to the requirements of specific claims transactions.

The automated process triggers the right questions, gathers answers and dynamically adjusts the process based on responses. It is integrated with the existing claim system so that all information becomes part of the case file. Information is automatically sent to and received from the claims adjuster in the field, enabling CSRs to provide real-time information about the claim status to policyholders.

The solution has substantially reduced CSR training time and increased the number of claims processed, resulting in higher customer satisfaction and contact center productivity.

> "We selected Pega because it is agile, is less costly than purpose-built solutions and met functionality and scalability requirements. The idea behind the road map was to decouple certain processes and functions to get the most out of a solution, change our view of technology and the current environment, and move toward a service-oriented architecture environment."

**VP, Claims Applications Farmers Insurance Group**

Case management provides insurers with a strategic platform that organizes and manages complex pieces of claim work across silos and core systems. It enables insurers to orchestrate the multiple processes of a claim and allow the organization's goals, embodied by the business rules, to drive the processing of the claim from the top level down to the most minor adjudication task. Unified policies and procedures further this capability by enabling a "channel agnostic" claim intake strategy and seamless handoffs to the optimal claim resources. Business rules ensure that adjudication steps, assignments, SLAs, and so forth are processed in the same manner and tracked at both the claim and sub-task level. With an intelligent system managing the process steps that need little or no human intervention, insurers can automate low-complexity claims or claim activities to better contain costs and achieve gains in efficiency and productivity.

3. Maximize the impact of the claim value chain

By combining rules and process with case management, insurers can manage the orchestration of a complex claims process across multiple systems, analytic tools, data stores or third-party services. This unique capability allows insurers to marshal the right resource at the right time in pursuit of the best case claim outcome. Because BPM provides rules-driven processes, insurers no longer have to rely on adjusters to be the key drivers of the claims process. Instead, automated case management can be easily integrated with back-end systems, accessing and using appropriate assets in real-time as part of the streamlined process.

4. Convert insight into action

Increasingly, insurers are driving improvements in service or operations results by incorporating business intelligence and analytics into their claims management processes. However, many insurers are just beginning to scratch the surface and have yet to realize the full potential of this capability. In addition, while the insight these tools provides is high value, many insurers lack the means to turn that information into the next best action.
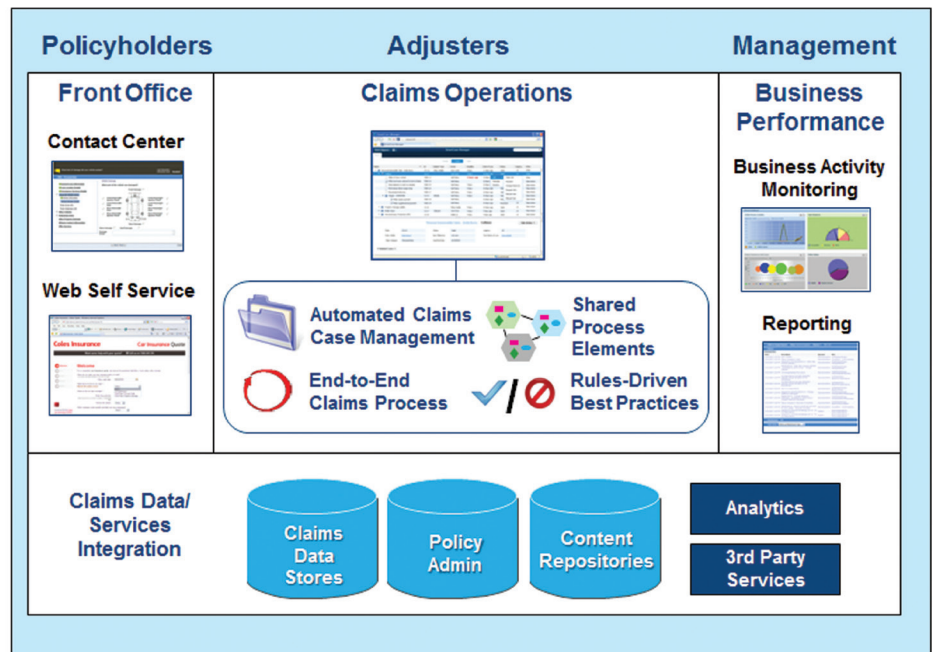

BPM-enabled claims solutions allow insurers to rationalize their support infrastructure to drive towards the optimal claims outcome.

Insurers need claims solutions that can help them gain greater leverage from analytics by making them actionable. With BPM solutions that embed analytics within the claims process, insurers can use business insight in real time, such as fraud scores, settlement potential, churn risk and so forth, to drive the next best action in the claims process. This allows insurers to invoke the right processes to actively address any claims issues and remediate potential risks.

5. Create competitive advantage with strategic reuse

To reduce costs across claims operations – and the enterprise – insurers need to share best practices across the entire claims organization. This requires the ability to make changes holistically to all of the processes used to manage claims.

With a unified BPM solution that provides a common repository of claim-specific policies and procedures, the best claims process is always available and can be invoked by any adjuster within any area of a claims organization. Leveraging dynamic rules, each core process can be readily specialized and extended based on the markets an insurer serves. The uplift comes from the fact that insurers need to make changes only to the deltas between the core best practice and unique process requirements via specialized "layers" of instruction to the baseline process. Rather than having to build the process from scratch every time, an insurer can focus on the deltas and the deltas alone – greatly reducing operational expense while ensuring best practices are embedded in every claims process.
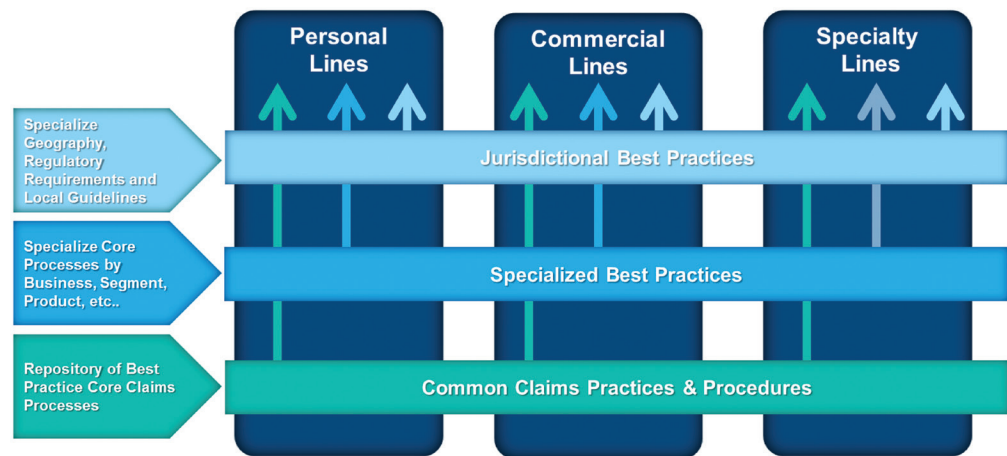
With the ability to create core common elements that can be shared between claims processes and to add "layers" of specialized rules to account for the unique needs of each process, insurers can apply best practices consistently to all claims operations.

6. Maximize Business Agility

Insurers also need a business-focused platform that can support the constant change that besets claims operations. Unlike rigid packaged offerings, sophisticated BPM solutions take advantage of familiar, configurable business tools, such as Microsoft Visio or Excel, to enable rapid design and delivery of enhanced claims functionality in a matter of months. Changes can also be dynamically applied across the board to any process where the change is applicable.

By eliminating the need for custom coding and the need to maintain multiple versions of a single process, insurers gain unparalleled business agility that facilitates rapid ROI through reduced operational costs and dramatically improved time to market. As insurers continue to carve out new market opportunities or are confronted with regulatory changes, the business-focused BPM tools allow them to quickly and easily modify their claims processes and tailor them to match market drivers. Compared to a packaged application that requires extensive customization or workarounds, the dynamic flexibility of a BPM solution offers a significant competitive advantage.

Conclusion

As insurers drive their visions for the future, BPM is the enabling technology required to truly transform claims operations. By focusing on opportunities to optimize and reuse intent-driven, best-practice business processes in combination with intelligent case management, insurers can break the manual or exception claims processing that they have grown accustomed to supporting. With BPM insurers can transform claims operations to:

▶ **Gain competitive advantage** with an agile, strategic platform that can rapidly adjust claims processes to meet regulatory, business and market changes.

▶ **Reduce costs and risk** by leveraging best practices via dynamic process automation that ensures every claims interaction is consistent and compliant.

▶ **Increase ROI** with intelligent processes that support the business intent of each claims interaction while delivering outcomes that promote customer satisfaction and brand commitment.

▶ **Proactively mitigate financial risk** by optimizing existing infrastructure to identify and remediate claims leakage or fraud potential.

As a result, insurers can spend more time delivering on their customer commitments and better managing total indemnity expenditures. BPM also offers insurers the ability to implement claims processes that provide real differentiation and enable substantial gains in customer satisfaction, retention, market share and competitive advantage while reducing losses and claims leakage.

About Pegasystems

Pegasystems (NASDAQ: PEGA), the leader in Business Process Management, provides software to drive revenue growth, productivity and agility for the world's most sophisticated organizations. Customers use our award-winning SmartBPM® suite to improve customer service, reach new markets and boost operational effectiveness.

Our patented SmartBPM® technology makes enterprise applications easy to build and change by directly capturing business objectives and eliminating manual programming. SmartBPM® unifies business rules and processes into composite applications that leverage existing systems — empowering businesspeople and IT staff to Build for Change®, deliver value quickly and outperform their competitors.

Pegasystems' suite is complemented by best-practice frameworks designed for leaders in financial services, insurance, healthcare, government, life sciences, communications, manufacturing and other industries.

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