



POINT OF VIEW

# Rebooting claims processes to boost the bottom line

The real competitive advantage for insurers



*Up to 75% of insurance companies' premium income goes toward paying claims. That's why reducing the cost of claims processes offers insurers the best opportunity to impact their bottom lines. Companies that achieve operational excellence and differentiation in claims management can realize a competitive advantage resulting in better claims outcomes, reduced costs, and greater efficiency. By carefully evaluating and optimizing end-to-end claims processes, managing the quality and cost of the claims supply chain network, and capturing and sharing meaningful data analytics, insurers can transform the claims process to succeed in today's market.*

# Transforming the legacy claims process

Insurers using traditional legacy claims processes are paying a price, and the costs aren't just financial – they include opportunity costs and reputational damage, too. Bottom line: insurers who aren't using the latest technologies to improve the way they conduct business are at a disadvantage.

Certainly, claims processes are ripe for optimization. Just consider the way insurers typically handle them now. Unlike other functions, the claims department works with multiple vendors, as well as with internal and external stakeholders. A single claim often goes through many touch points that demand different decisions. With so many parties involved, the process – or communication – can break down at any stage. This inefficiency increases costs and often delays settlement time – and that means angry customers. In fact, at each stage of the settlement cycle, value leakage can impact business outcomes. On the other hand, a high-performing claims process can create a competitive advantage. With one in place, insurance companies can improve claims outcomes, reduce costs, and achieve greater customer satisfaction.

## Why you need a high-performance claims process

To build a high-performance claims process, you need a clearly defined vision, strategy, and target operating model, all aligned to drive business outcomes. Think of the claims process as a balancing act between claim efficiencies, claim effectiveness, and customer satisfaction. The process must be agile – consistent, compliant with regulations, and responsive to customer needs – to produce the most favorable claims outcomes for all stakeholders. And to deliver the most benefit to the business, it must take advantage of technology and insights derived from analytics.

Several factors are triggering change in the claims space. These triggers include:

- **Changes in business strategy.** Competition is forcing carriers to become more innovative in **product design** and more flexible in **underwriting**. Every change has a cascading effect on the claims function. **Integrating** new products, lines of business, and acquired companies is critical for success, but making ad hoc changes can result in variations in the claims process and unpredictable process outcomes.
- **Financial/economic cycles.** Mergers and acquisitions are increasing. So are aggressive growth targets driven by strong capital adequacy.
- **Digitization and new technologies.** Technology is changing processes across all areas of operations, including the claims process. **Mobile** and **Digital** mean people expect to access information anytime, anywhere. Meanwhile, **robotics, telematics, drones, and 3-D printing** are revolutionizing the claims process.
- **Access to Big Data.** More sources and types of data are available today, which can help build proactive claims operations and improve the claims decision-making process. Moreover, advanced analytics can influence claims segmentation, fraud identification and prevention, liability decision and subrogation recovery, customer communication and experience, and CAT loss management.

With all these changes influencing the insurance industry, the case for claims transformation is clear and compelling. But simply addressing commonly perceived issues and plugging in off-the-shelf technology solutions may not generate strong ROI. Instead, the critical foundation for successful claims transformation is to **identify the unique challenges and solutions specific to each organization.**

## Solutions with impact

To transform your company's claims procedure, you need to take an **enterprise-wide view** of the process and examine drivers and gaps across the value chain. It's vital to engage the right **approach, framework, and people** to help build an effective transformation roadmap.

Keep in mind that transforming claims can have a huge impact on a company's bottom line. What's more, the claims process is intricately linked to customer satisfaction. Our research shows that less than one-third of customers worldwide are happy with their insurers – and poor claims handling is a major reason why.

You can take different approaches on your journey to a new claims paradigm. Some companies hire strategy consultants to advise them. These consultants usually focus on business- or product-level changes. For their part, technology consultants advise on technology architecture and application design, but offer limited process consulting. A option is **process reengineering**. It's an innovative, bottom-up methodology that focuses on designing and implementing IT and analytics in line with your business strategy.

Process reengineering usually involves the following three steps:

- **Diagnostics and analysis** to assess and optimize process, analytics, and technology. This includes

cost-benefit analysis, industry benchmarking and a transformation roadmap.

- **Designing a new target operating model that reimagines** processes, workforce, and organization. Our process engineers automate and enhance your system's functionality, baking in business intelligence and analytics as they do.
- **Transformation.** With the new process, analytics, and technology solutions in place, the focus shifts to change management and project management as well as to documenting how the new system is improving business outcomes.

You can improve your claims process by first taking an objective, diagnostic view of the data problems it creates in order to map out potential solutions. Once you've identified and improved claims processes, your claims process leaders will find it easy to recognize issues as they arise, evaluate opportunities, and make the right decisions about process optimization. Even better, they can then objectively monetize the costs and benefits of transformation.

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## About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. We obsess over operations and focus on the details - all 78,000+ of us. From New York to New Delhi and more than 20 countries in between, Genpact has the end-to-end expertise to connect every dot, reimagine every process, and reinvent companies' ways of working. We know that rethinking each step from start to finish will create better business outcomes. Whatever it is, we'll be there with you - putting data and digital to work to create bold, lasting results - because transformation happens here, at Genpact.com.

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