

# Claims

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## The Future of Customer Service

By David M. Siesko

North American insurance carriers have not properly invested in cutting-edge claim systems and technology innovations – and they are starting to pay the price.

In fact, carriers often make the mistake of pressuring claims and customer service departments to reduce internal expenses at the cost of quality. This is especially common during softening market cycles, like we are in today. It is more critical than ever for carriers to adopt progressive systems in order to promote service excellence, reduce costs and deliver significant return on investment.

Through a few basic steps, carriers can improve service excellence and efficiency in their claim departments that will benefit both customer and carrier.

First, services must be delivered seamlessly across all departments. This can be accomplished through segmentation techniques, which categorize claims by complexity, customer claim history and customer profiles in order to streamline processing cycles and ensure precise and accurate handling.

Seamless operations benefit both the customer and carrier. For customers, it makes them feel that every service offered by the carrier is synchronized to provide a comprehensive strategy designed to enhance value. For carriers, it gives them an enhanced picture of all customer needs. As a result, additional marketing and service packages can be developed

to better serve customers while increasing sales. Less than half (44%) of North American insurers, however, are currently using advanced claims segmentation, according to a recent study from Accenture.

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Second, services must be delivered consistently over time and the customer’s expected coverage interpretations should not change. Loss evaluation and claim reserving practices must remain consistent. Any deviation in best practices here gives the impression that a carrier’s claims process is disorganized and arbitrary. Consistency within these practices will provide the carrier with superior predictive capabilities when assessing future loss expenses.

Next, a carrier should assess its customers’ experience through crucial, consolidated data mining of claim results and trends. A sophisticated review of quality data provides deep insights into areas where improvement is critical, not only from a service perspective but also in efforts to cut costs. Performing this step today can help prevent unnecessary headaches later.

Finally, reducing costs within a claims department hinges on the efficiency and speed of claims resolution. Fortunately,

these factors also improve service excellence simultaneously. Access to key accurate and reliable information must be simple for management, vendors, underwriters, and other parties involved in the claims process.

Implementing the aforementioned strategies, of course, requires investment in state-of-the-art claims systems. These innovative technologies provide centralized internet-based reporting, remote access to carrier claims systems, user-friendly interfaces, automated task management, and automated billing review, yet most North American carriers are not using these options. Nearly 90% of them, in fact, said their claims processing technologies are disconnected from core IT systems, such as policy-administration systems, product catalogues and central customer databases, according to the Accenture study. The savings associated with integrating these programs into a claims department can be significant. Failing to take on the initial cost of implementing these programs will only perpetuate unnecessary expenses over time.

Even though most claims officers are aware of the technological enhancement options described above (and I expect most will implement these systems into their claims departments at some point in the future), we are still left to deal with the inherent conflict in carrier customer service – that of providing excellent service while declining coverage.

Traditional solutions to dealing with the inherent conflicts in customer service are still helpful:

- Claims staff must present a clear and firm carrier position
- Coverage issues must be explained while taking into account the customer's perspective
- Claims departments must aggressively manage the reservation of rights letter through any process deemed most successful in each respective market
- Settlement should be reached with as little confrontation and unnecessary expense as possible.

However, a somewhat less pervasive technological solution exists which helps to alleviate the customer service conflict while providing additional efficiency – Online Dispute Resolution (ODR).

ODR provides parties with the opportunity to submit offers and demands online confidentially allowing disputes to settle automatically whenever the demand is less than the offer. ODR cuts liability expense ratios lowers litigation and claims handling expenses, and closes claims quickly and fairly. Cases are resolved in minutes as opposed to days or months while both policyholders and carriers are more satisfied with the resulting settlement. This technology is currently being utilized within major carriers and corporate and governmental self-insured programs.

One of the most common difficulties with implementing these changes can be how time consuming it is for internal staff to select the appropriate vendors, implement the changes, and ensure that all programs are running smoothly. In order to affect these changes with a high degree of success, external auditors and customer service experts can be retained to ease antiquated claim operations into next-generation technologies. These resources can perform pre-implementation audits to provide an overall assessment of claim department service quality, strategize with claims staff as to the appropriate claim systems, and develop an implementation plan with an efficient and conclusive timeline. Finally, post-implementation audits should be performed to ensure that all systems are operating consistently and efficiently.

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