



Claims Transformation

Enhancing brand value by delivering on customer commitments, capturing efficiency gains, and optimizing indemnity expenditures



In an intensely competitive insurance market, improving claims management practices can be one of the most important ways to increase market share and spur profitable growth. Highly effective claims practices can be a key contributor to a differentiated customer experience that strengthens customer loyalty and attracts new customers, which is especially valuable in a market with little or no growth. Such practices can also make the overall claim process more efficient, thus removing excess costs directly from the bottom line.

- **Strengthening the loyalty of existing customers:** A claim is a critical “moment of truth” in the relationship between an insurance carrier and its customers. How an insurer responds can often be a major factor as to whether a customer remains with a provider or switches to a competitor—which is critical given that it costs most insurers approximately seven times more to acquire a new customer than to retain one.



Strong customer retention, in turn, correlates directly to the preservation of net written premiums (NWP) and greater operating profitability.

- **More effectively attracting new customers:** An insurer’s reputation for claims service is a critical component for customer consideration in their buying decisions. Furthermore, claims account for such a significant proportion of NWP that these claim costs (indemnity and expenses) significantly impact an insurer’s ability to capture prospective customers’ attention with competitive rates and experience-based premiums. Additionally, accurate claims data is critical to the customer acquisition process, as it supports risk segmentation, accurate pricing, and tight underwriting rules.
- **Improving the efficiency of the overall claims process:** Effective claims management practices can also vastly improve the efficiency of the overall claims process. Globally, insurers spend more than US\$336 billion each year managing and settling claims. In fact, claims costs account for 70 to 75 percent of an average insurer’s combined ratio. By managing claims more efficiently, insurers can substantially reduce their operating costs.
- **Optimizing indemnity costs:** Insurers routinely experience lost opportunities in managing vendors, reducing legal and medical expenses, controlling fraud costs and improving recoveries. For instance, according to the Insurance Information Institute, property and casualty insurance fraud strips an estimated US\$30 billion from the industry each year. Improved claims practices can enable

insurers to reduce fraud and more effectively manage the extended claims value chain while ensuring they satisfy customer commitments.

Yet while insurance firms recognize the benefits of better claims management, improving claims processing can be highly challenging.

Often, inefficient claims processes and disparate systems, data and organizational structures impede an insurer’s ability to scale new capabilities, nimbly respond to marketplace developments, and achieve a lower total cost of ownership. Outdated legacy technology often makes it difficult for insurers to adopt new seamless, efficient claims handling processes, and forces claims adjusters to spend large amounts of time on routine, low-value interactions. Cumbersome legacy processes and technology can also result in severe operational challenges and increased turnaround times, that can prevent insurers from reacting quickly to shifts in products, markets, regulations, and other key variables.

In short, claims processing is the gateway to the customer that will drive improvement in the insurers’ customer acquisition, retention, enterprise business intelligence for product development insights and profitability for the next several years. Insurers evaluating solutions that position them ahead of current obstacles and investing now in establishing brand value based on claims processing will have the strategic advantage as the market continues to evolve in this post-financial crisis era.

Addressing Today's Claims Imperatives

Capgemini offers business-driven, end-to-end claims transformation services that enable insurers to position the claims function as a driver of enhanced brand value and sustained profitable growth.

Creating a claims strategy aligned to the business strategy

To ensure we generate optimum business value, our end-to-end approach begins with confirming the insurer's existing business strategy or building a new one (if needed), aligning the claims operating model to support the business strategy, and then optimizing the claims platform (people, processes, technology) to support that operating model.

Guiding the course via a transformation roadmap

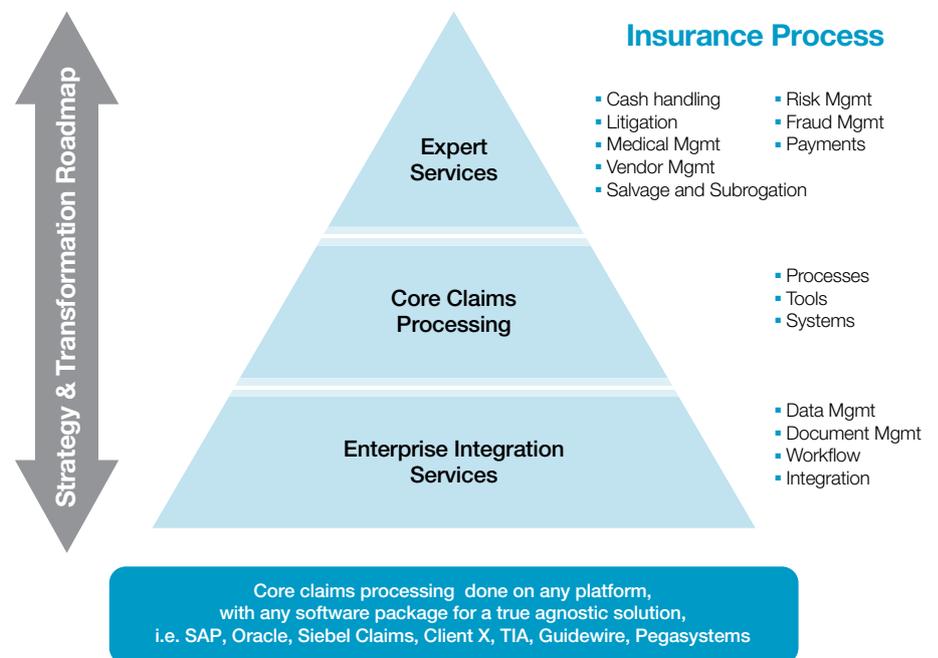
Unlocking and maintaining enterprise value from claims management requires focus. Therefore, we help our clients create a claims transformation roadmap designed to allocate their resources to address the most pressing challenges—and areas of most significant potential payback—first. By conducting a meaningful evaluation of an insurer's organization across the claims value chain, then distilling the results of this assessment into a Claims Success Index to assess the maturity of the insurer's existing claims operations, we can identify key gaps between current and desired capabilities. We establish a portfolio of initiatives to close those capabilities gaps, assigning highest priority to initiatives that both the business and customers value and that address areas in which the company faces the largest gaps.

Implementing claims transformation through three core services

To help insurers implement the highest priority initiatives, our claims transformation services span three capability areas (see Figure 1):

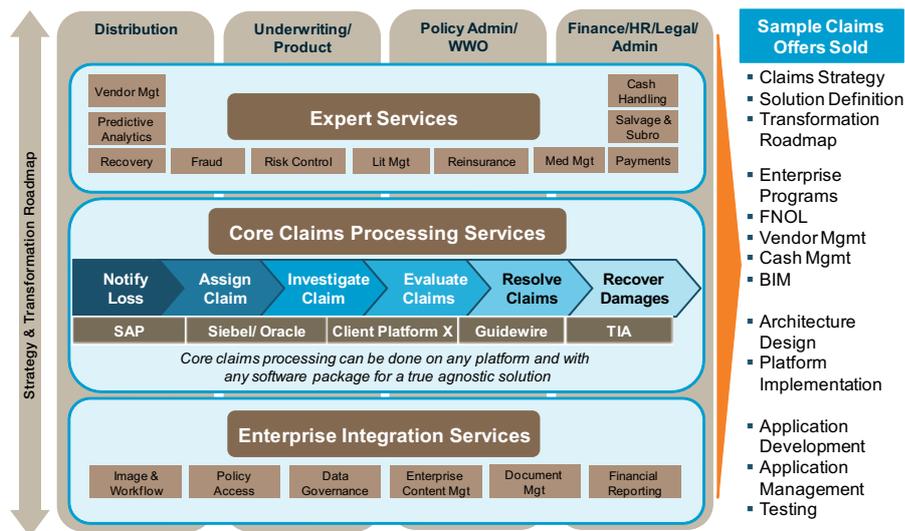
- **Core claims processing:** Designing and implementing a predictable, reliable, and flexible claims platform (people, process and technology working together). This can be achieved using numerous software package alternatives.
- **Expert services:** Specialized services and expertise across cash handling, vendor management, salvage and subrogation, litigation, medical management, predictive claims analytics and fraud management—areas that enable insurers to proactively manage total indemnity expenses and achieve the right levels of enterprise risk exposure.
- **Enterprise integration services:** Connecting claims data and processes to the extended enterprise through services such as data; and document and workflow management.

Figure 1: Capgemini's Global Claims Transformation Offering



Capgemini's core claims processing services provide insurers with a predictable, reliable and flexible claims platform that can help them rapidly improve operational efficiency.

Figure 2: Four Core Services Comprise Capgemini's Global Claims Transformation Offering



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Capgemini's **core claims processing services** provide insurers with a predictable, reliable and flexible claims platform that can help them rapidly improve operational efficiency. Such a platform simplifies and streamlines processes and workflows which, in turn, enable insurers to implement straight-through processing for simple claims, improve exception handling, and free technical claims handlers to focus on high value-add activities. The end result is reduced claims loss adjustment expense, lower total cost of ownership, and a 15 to 20 percent reduction in claims cycle time.

Building such a platform requires the insurer to have a clear understanding of the market conditions, the customers they wish to pursue, and those customer's needs and

expectations. Capgemini brings that knowledge to clearly define the operating model for the organization and the platform improvements needed to deliver that model. We then identify and implement the most appropriate tools to support the optimized processes—whether that involves building the core claims systems or modernizing existing ones.

Expert services within Capgemini's claims transformation services can help insurers optimize total indemnity expenditures by improving their efficiency and effectiveness in managing vendors, medical and legal expense, controlling fraud costs, and improving recoveries. Insurers are more able to identify fraudulent claims, reduce fraud levels, improve claim outcomes, and reduce claim leakage.



For instance, Capgemini has built and successfully implemented claims-related predictive models for:

- **Recoveries**, including both subrogation and salvage;
- **Vendor management**, scoring preferences for vendors best suited for claims fulfillment;
- **Claims forecasting**, preparing to make adequate provisions to overcome anticipated losses;
- **Litigation management**, based on historical data predicting the likelihood of potential outcomes.

And, as claims organizations begin to excel in operational aspects of their business, Capgemini's **enterprise integration services** helps the organization progress by using claims

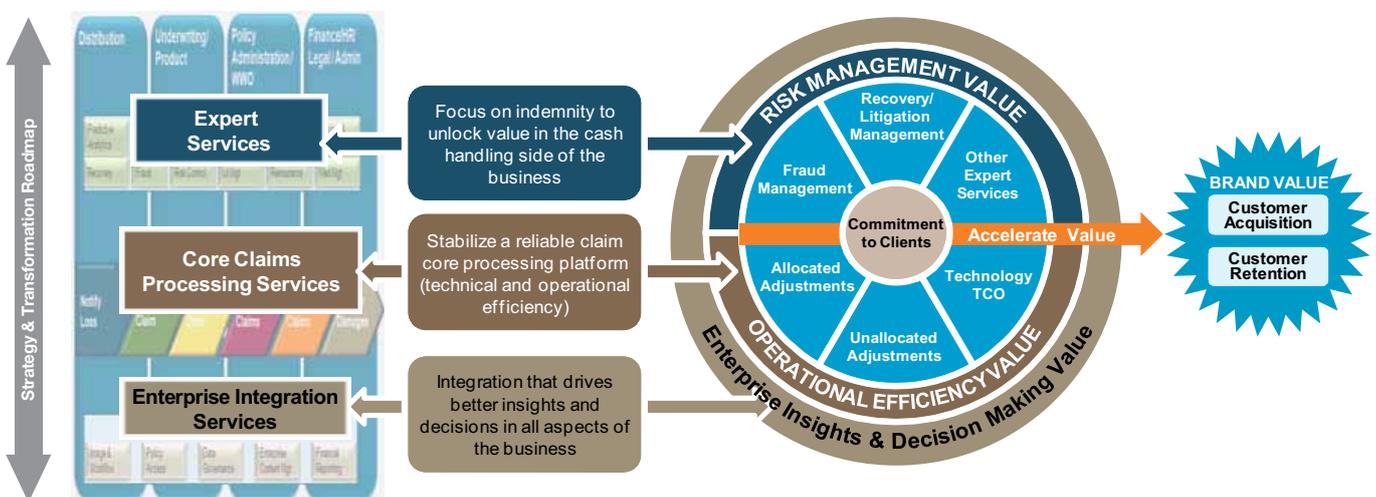
information as a pervasive enterprise asset that supports predictive analytics, improved operational decision-making and more transparent enterprise financial reporting. For instance, transparent data and effective loss reporting help underwriters understand and assess risk better and enhance their ability to underwrite risks, resulting in improved and effective underwriting (see Figure 2).

Together, these three capability areas ensure that the claim organization is transformed to strike a balance between efficiency and effectiveness while also delivering exceptional customer service through a highly engaged and skilled workforce.

Beyond providing such operational benefits, business-driven claims transformation can turn claims processing into a core brand differentiator (see Figure 3). A transformed claim processing capability results in faster and more efficient claims settlement and an enhanced customer experience that leads to increased customer advocacy, retention and acquisition. And, as insurers look to the future, the implementation of a simplified, and adaptable claims platform provides them with the flexibility and agility to adapt to changing customer, market, and business needs.

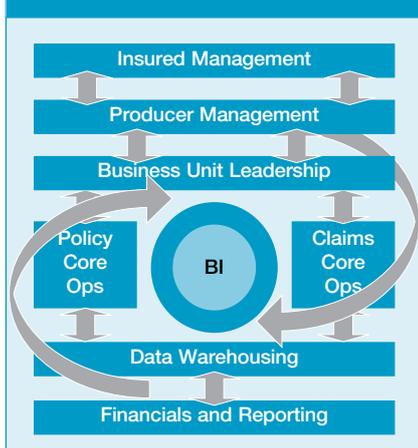
Figure 3: Benefits of Business-Driven Claims Transformation

Capgemini enables insurers to rapidly capture operational efficiency gains, optimize indemnity expenditures, and deliver on client commitments for enhanced brand value



Ensuring Business Value is Delivered

Figure 4: Management Insight Delivered to Support Business Decisions



Capgemini’s approach to claims transformation is designed to quickly identify the major roadblocks to have better claims management performance, and to create a set of prioritized initiatives that can help the insurer improve the most critical aspects of its claims operations to begin generating value quickly.

Throughout the transformation, we ensure the solution provides appropriate business intelligence (BI) at all points in the value chain, and we work with our clients to establish a culture of information sharing across operations for improved decision-making and greater payback.

Through BI, claims organizations can be sure that their spending is as closely aligned to committed coverage

as possible, identify opportunities to control cost, and return greater value to the organization by providing the best insights to underwriting, product, pricing, and distribution.

Demonstrating predictable and sustainable value

Capgemini’s approach to claims transformation is market tested and proven to generate substantial business value for our clients. In fact, our track record of large-scale, highly successful claims transformations includes completing more than 15 claims systems solution implementations in the past five years and helping our clients capture the greatest value from three of the five largest global claims transformation investments companies have made to date.

Some examples:

Figure 5

Client	Project	Results
Top 10 Property & Casualty Carrier	<ul style="list-style-type: none"> Multi-year claims transformation roadmap Claim center consolidation Claims workflow optimization 	<ul style="list-style-type: none"> Client measured benefit totaling US\$75 million in the first quarter Customer satisfaction and retention increased by 4 percent for automobile policy holders and 2 percent for homeowner policy holders
Top 10 Property & Casualty Auto Carrier	<ul style="list-style-type: none"> Development and planning for real-time claims tracking for more than 4,500 in-network auto repair shops Oracle iSupplier implementation 	<ul style="list-style-type: none"> Ability to convert 4,500 body shops countrywide to iSupplier portal Payment delivery changed from handwritten drafts to Electronic Funds Transfer (EFT) payments for all 4,500 shops
Top 5 Property & Casualty Carrier	<ul style="list-style-type: none"> Operating model for corporate claims, including field services Claims litigation operational workflow Strategic platform and Cost Benefit Analysis (CBA) for future operating model 	<ul style="list-style-type: none"> Lowered maintenance cost and improved productivity providing estimated savings of US\$15 million

Why Choose Capgemini as Your Claims Transformation Partner?

Capgemini is helping insurers who seek proven results in accelerated timeframes to generate quick returns while future-proofing their claims business for the next wave of internal and external demands. Capgemini transforms insurers' claims operations with deep industry expertise, unique insurance accelerators, a powerful global delivery model, and the right partnerships with leading claims software providers.

Leading insurers consider these factors when selecting a collaborative partner for global claims transformation services. With Capgemini, you'll quickly see why 12 of the world's 15 largest insurers choose us to help address their most pressing business issues.

Methods, tools and solution accelerators

We bring industry-defining best practices, powered by exclusive methods, tools and solution accelerators that reduce complexity and risk, improve implementation efficiency, deliver consistent, high-quality outcomes, and accelerate benefits capture.

Our architecture services, for example, span numerous technology platforms and are enabled by exclusive Capgemini frameworks such as the **SMART Insurance Enterprise Framework**, which contains best practices in every insurance discipline and aligns the organization around strategic priorities to enable insurers to drive innovation and IT efficiency. Another is our **Claims Transformation Framework**, which includes claims value chain

analysis, use cases, a claims business requirements catalog, business process models, data models and application development frameworks.

Other tools include rapid solution workshops and rapid design and visualization events (which drive accelerated implementation while lowering risk); testing libraries that include test cases, scripts, plans, frameworks, models, in-house testing tools and training materials (which reduce testing timelines); and data management and governance tools (which substantially reduce data conversion time and risk).

These and other accelerators and tools enable Capgemini clients to experience significantly lower system development and maintenance costs, up to 35 percent faster implementation and testing time, and as much as 20 percent lower implementation cost.

Global capability and industry depth

Capgemini is a leading global consultancy anchored by its proven onshore / offshore methodology. With implementation and support capabilities from our Rightshore® network of 32 centers across 15 countries, we have the power to provide the perfect blend of on-, off- and nearshore resources to effectively address any business need. Plus, our Accelerated Solutions Environment (ASE) uses a unique solution development methodology that helps rapidly facilitate decision-making, and align and deploy organizations for highly effective and accelerated implementations.

Third parties also recognize our powerful capabilities. Capgemini has been ranked the number one "Property and Casualty Commercial Business Insurance BPO Vendor" and is one of the top two vendors for "Breadth of Offerings, Client Types & Delivery Excellence", "Best of Breed Technology & Process Improvement" and "Client Relationships" in the *Black Book of Outsourcing 2009 Survey* by Brown-Wilson group & Black Book Research¹.

Our capabilities are further fueled by deep insurance industry and claims expertise. Our single global insurance practice comprises more than 4,500 dedicated professionals with deep industry and claims expertise. With more than 400 insurance clients, Capgemini serves 12 of the world's 15 largest insurers and is a strategic partner to four of the largest five Property & Casualty insurers. Our resources include more than 100 claims strategists and 300 process specialists supporting the claims community.



¹ "Top Insurance BPO and ITO Vendors", *The Black Book of Outsourcing*, September 2009, p. 30.

For more information, visit www.capgemini.com/claims
or e-mail claimstransformation@capgemini.com



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience™ is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-

focused methods and tools. Capgemini utilizes a global delivery model called Rightshore® which aims to offer the right resources in the right location at competitive cost, helping businesses thrive through the power of collaboration.

Capgemini reported 2009 global revenues of EUR 8.4 billion and employs over 100,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com.