

Mobile Solutions for Claims Management

How insurers can enhance the customer claims
experience and reduce the costs of claims adjustment



People matter, results count.

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1 Highlights

Mobility has been acknowledged as a growing phenomenon in the insurance industry. The rise in penetration of advanced mobile devices and applications is acting as a catalyst for the property and casualty (P&C) insurance industry to adopt mobile solutions, largely to keep pace with the ever increasing demand for real time services. Over the next five years, most young generation consumers are likely to have access to advanced mobile devices, and will in turn expect their insurers to offer services through smart applications.

Customers' experience with regards to claims service is the most important factor in the insurer-customer relationship. To retain and acquire customers and grab market share from competitors, insurers need to focus on enhancing the customer claims experience.

The advent of smartphones offers a new opportunity for insurers to improve customers' experience and reduce loss adjustment cost. By offering convenient claims self-service tools and communication capabilities through mobile solutions, insurers can improve customer satisfaction and fraud detection, and reduce claims settlement time and cost.

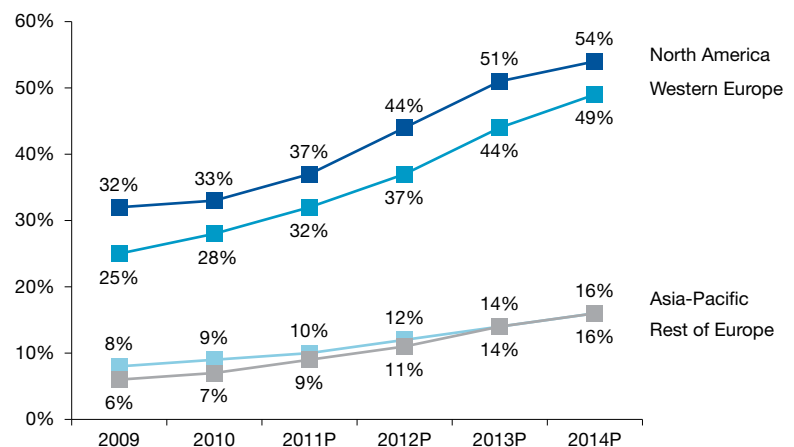
This paper discusses the potential for mobile solutions across the insurance value chain in general, and evaluates the current state and potential of mobile solutions specific to claims management. The analysis also provides an insight into offering convenient claims self-service tools through mobile devices.

2 The Need for Mobile Solutions in Property and Casualty Insurance

2.1. Increasing Penetration of Advanced Mobile Handheld Devices¹

The mobile phone industry has witnessed rapid growth in recent years, with massive growth in mobile marketing, advertising, and applications for users. Over the last couple of years, the growth was primarily driven by a significant increase in penetration of advanced mobile hand-held devices.

Exhibit 1: Advanced Mobile Hand-Held Devices' Penetration and Projections (% of Total Mobile Handsets), 2009 – 2014F



Source: Global Smartphone Penetration, 2009-2014, eMarketer

As of 2011, North America is believed to have the highest penetration of advanced handheld devices at 37%, while Western Europe ranks second and Asia-Pacific ranks third with a penetration of 32% and 10%, respectively. Analysts predict that as mobile technology becomes more advanced and handheld devices grow cheaper, the mobile industry will be dominated by advanced mobile hand-held devices by the year 2014.

Sales of applications for mobile devices are also expected to grow rapidly—annually at 73% for smartphones, and 93% for tablets during 2010-15. The revenue from paid mobile applications for smartphones and tablets is estimated to be \$2.2 billion worldwide for 2010, with an expected Compound Annual Growth Rate of 82% through 2015 to \$37.5 billion².

Newer and more advanced mobile applications are being designed for smartphones and tablets with the phenomenon expected to continue driving higher levels of innovation in the mobile industry.

¹ Handheld devices include personal digital assistants (PDAs), smartphones (cell phones capable of supporting mobile application solutions), and tablet or notebook PCs

² *Mobile App Internet Recasts The Software and Services Landscape*, Forrester Research, Inc., March 2011

“Tablets (iPad and Android tablets, as well as Blackberry) will make outstanding devices for sharing information across the desk or table for illustrations, sales presentations, etc. They also make excellent tools for adjusting claims, loss control inspections, and much more. Consumer use of these devices is growing exponentially, and use of these devices for activities such as getting an insurance quote at a car dealer, an open house, etc. will become the norm.”

Chad Hersh,
Principal, Insurance Practice,
Novarica (December 2010)

2.2. Factors Accelerating the Need to Adopt Mobile Solutions

In the near-term, most new, younger generation consumers are likely to have access to advanced mobile devices, creating an increased demand for various services through smart applications. For example, in 2010, 23% of Gen X³ as well as Gen Y³ insurance customers in the U.S. had smartphones, which is expected to grow significantly going forward. Moreover, Younger Boomers and Older Boomers⁴ are also gradually moving towards smartphones.

Similar trends have also been witnessed in other countries, especially Western European countries where the smartphone adoption trend is very close to that of the U.S.

There are also many other factors stemming from environmental, technical, and organizational changes that are influencing the insurance industry to adopt mobile solutions. The following are the five dominant factors accelerating the need to adopt mobile solutions across insurance value chain:

- **Rapidly Growing Channel:** With the increasing penetration of advanced mobile handheld devices, a majority of retail consumers are expected to have access to smartphones and tablets in the medium term, encouraging insurers to offer their products and services through smart applications.
- **Competitive Edge:** To gain an early mover advantage in an intensely competitive industry, leading insurers are already making sizeable investments in mobile solutions. Over the last two years, leading insurers including Nationwide, Progressive, AXA, Zurich Financial, State Farm, and GEICO have launched free, time-saving smartphone applications.
- **Changing Customer Preference:** Mobile gadgets are gaining prominence in the insurance industry with a growing number of customers and agents likely to use smart mobile gadgets for handling various financial transactions. The perceptible shift in consumers' and agents' preference toward mobile capability is likely to drive insurers' interest in mobile applications, such as claims applications, new business applications, and agent applications.
- **Increasing Process Complexity:** Higher number of hand-offs, and redundancies are resulting in larger processing time for processes like claims settlement, policy servicing/change requests, and quote and bind requests. Mobile applications will enable insurers to enhance process efficiency across many transactional areas in the value chain.
- **Rising Claims Cost:** For every dollar collected in premiums, insurers, on average, spend 61 cents on claims pay-out and 13 cents on claim expenses⁵. Mobile solutions can reduce loss adjustment costs by offering convenient claims self-service tools. Although adoption of mobile technology will need additional investment, it may lead to sizeable gains in the medium term.

Clearly, there are ample reasons for insurers to adopt mobile solutions. Insurers need to invest in mobile solutions to enhance customer satisfaction, simplify the process complexity, and reduce administrative costs.

³ Generation X is defined as people born from 1964 to the mid or late 1970s Generation Y is defined as people born from 1980 to the mid 1990s

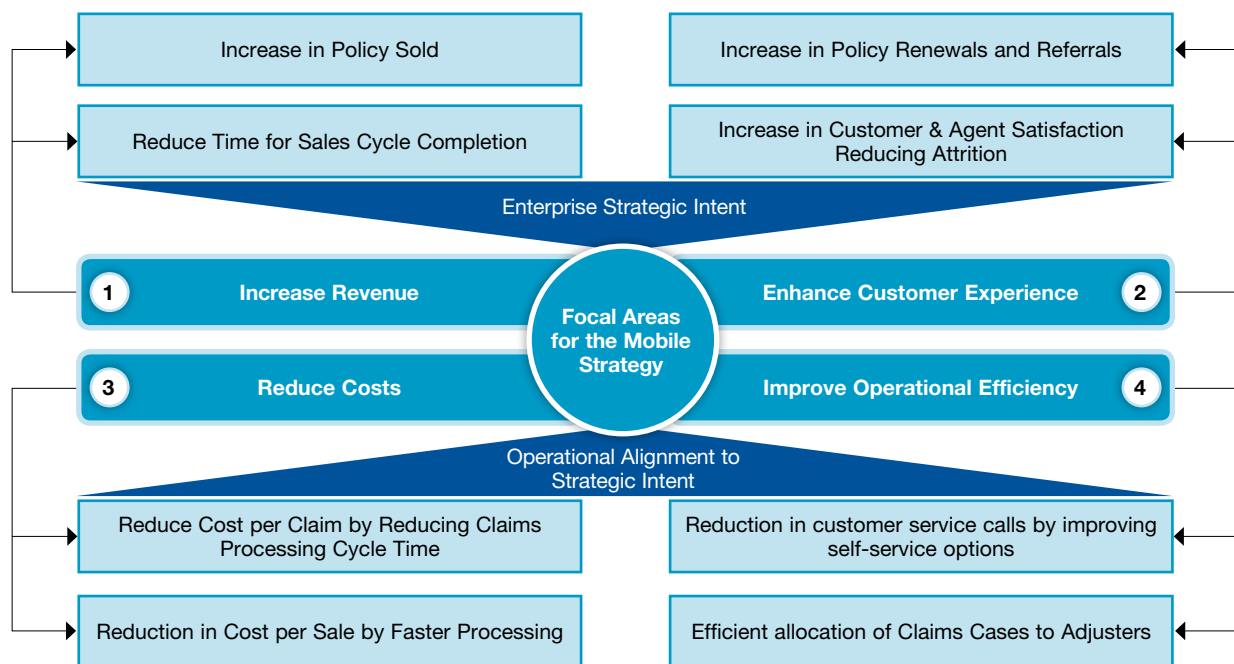
⁴ Younger Boomer is defined as people born from 1957 to the mid-1960s and Older Boomer is defined as people born from 1947 to the mid-1950s

⁵ *World Insurance Report 2011*, Capgemini and Efrma

3 Leveraging Mobile Solutions in P&C Insurance

Although many insurers already recognize that mobile solutions can improve their customer service levels, process efficiencies, and quality, they are also keen to identify the value they can generate for the business by investing in mobile solutions.

Exhibit 2: Benefits of Mobile Solutions in Four Key Areas



Source: Capgemini Analysis, 2011

By investing in mobile solutions, insurers are likely to derive tangible benefits in four key areas:

- Increased Revenue:** To gain a competitive advantage and to improve the customer acquisition rate, several insurers are focusing on a multi-channel strategy that includes alternative distribution channels such as online and mobile channels. Mobile solutions not only offer another channel by which insurers can connect with customers but also allow insurers and agents to reduce the sales cycle completion time, due to the highly portable nature of mobile gadgets.
- Enhanced Customer Experience:** Insurers can improve customer satisfaction by offering self-service solutions through their mobiles. The young, tech-savvy customers are more open to using mobile solutions for insurance purchases as well as services such as policy and bill viewing, claims notifications, and bill payments.

- **Reduced Claims Costs:** Mobile self-service features help insurers lower claims processing costs by expanding their claims processing capacity, optimizing resource utilization, and reducing claims settlement cycle times.
- **Improved Operational Efficiency:** Mobile claims solutions enable enterprise-wide real-time communication, collaboration, and enhanced efficiency by reducing the claims processing time. For example, mobile solutions help automobile insurers to collect accurate accident information directly from the accident site, begin processing the claim faster, and allow for the prompt assignment of the case to the right adjuster. Such a process leads to quicker settlement of claims.

Mobile solutions offer a new opportunity for insurers to increase their top-line as well as to improve their bottom-line by enabling them to provide convenient self-service tools to customers through mobile.

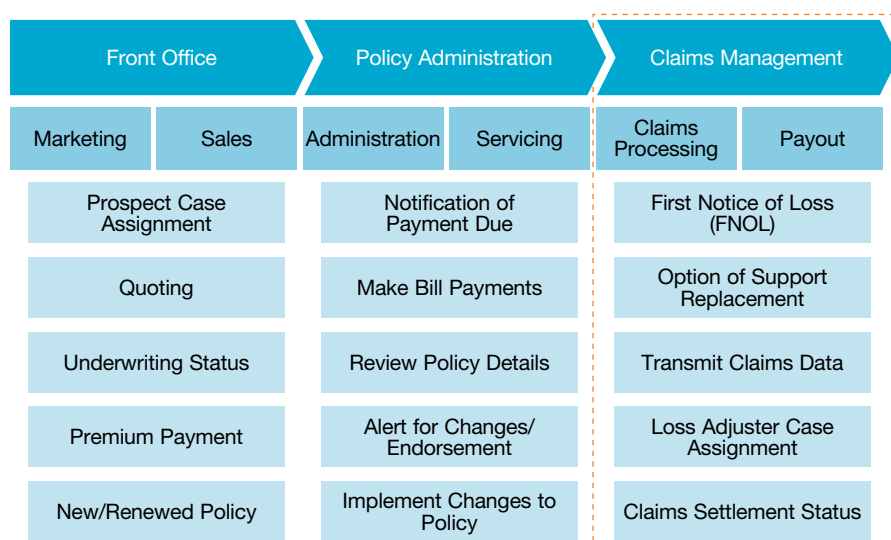
Moreover, mobile solutions can be leveraged across the core elements of the insurance value chain—right from the marketing and sale of an insurance policy through to the settlement of the claim and payout of the final claimed amount.

Claims function is one of the most critical functions for P&C insurers – regarded as the defining moment in customer relationship. The claims self-services tools offered to customers through mobile phones can be one of the key differentiators between meeting (or not meeting) expectations and customer delight.

“Mobile technology use in the insurance space will ‘absolutely’ expand, at least for carriers that want to lead the competitive charge. Portable devices that facilitate virtual meetings between customers, distributors, home office experts, product managers, and claims adjusters in real time, with dual cameras for visual collaboration, will be imperative.”

Karen Pauli-Bradshaw,
Analyst, TowerGroup
(December 2010)

Exhibit 3: Leveraging Mobile Solutions across the Core Elements of the Insurance Value Chain⁶



Source: Capgemini Analysis, 2011

⁶ Functions/services depicted under each element of the insurance value chain are not comprehensive, but have been highlighted due to their relevance to the mobile solutions

4 Leveraging Mobile Solutions for Claims Management

Claims services are critical for achieving customer satisfaction—one out of every five customers⁷ switches insurers owing to dissatisfaction with claims processing.

Hence, it is important for insurers to come up with innovative and proactive claims servicing initiatives, such as self-service tools in mobile applications.

4.1. Key Objectives for Developing Mobile Claims Solutions

A convenient claims service, prompt claims processing, and equitable claims settlement are key to customer satisfaction. Well-designed mobile solutions for the claims function should help insurers in achieving their strategic priority of enhancing customers' claims experience while controlling claims servicing costs. Insurers should focus on the following objectives:

- User-friendly claims applications to assist customers and agents in accessing claims services.
- Intuitive back-office support systems to push claims-related service information.
- Efficient communication channels among customers, loss adjustors, and claims handlers for quick issue resolution.
- Cost reduction by eliminating redundancies in inbound and outbound claims communication processes.

While adopting and implementing mobile claims solutions, insurers should make sure their mobile solutions have useful functionalities and they are user-friendly.

4.2. The Potential of Mobile Solutions in Claims Management

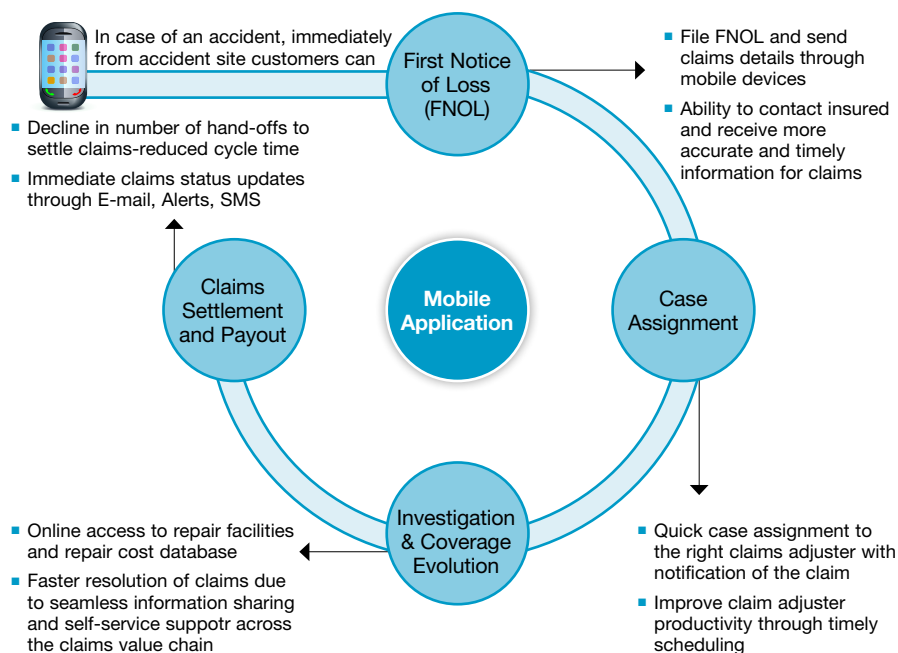
Mobile solutions present a huge opportunity for non-life insurers to enhance their customers' claims experience as well as to reduce the claims adjustment costs by enabling insurers to offer convenient claims self-service applications to their customers. Intuitive and user-friendly mobile solutions can be leveraged throughout the claims settlement process in order to steam-line and accelerate claims processing.

The mobile claims self-service application enables insurers to provide enhanced claims services by allowing customers to:

- File a claim as well as send other claims details directly from the accident site through a mobile device.
- Take a picture of the damaged car using the mobile phone's camera and enable them to upload pictures on insurer's claims system from their mobile.
- Call roadside assistance, such as towing services and rental car services.
- Find nearby approved repair facilities as well as medical facilities using the mobile phone's GPS application.

⁷ World Insurance Report 2011, Capgemini and Efnma

Exhibit 4: Leveraging Mobile Solutions for Claims Processing



Source: Capgemini Analysis, 2011

Moreover, mobile solutions help insurers in the faster resolution of claims by:

- Assisting insurers in quicker case assignment by tracking the adjuster nearest to the accident site or repair facility using the mobile phone's GPS device.
- Enabling seamless information sharing across the claims value chain.
- Allowing insurers to keep customers informed about the claims status at every stage of the claims settlement process through e-mail and SMS alerts.

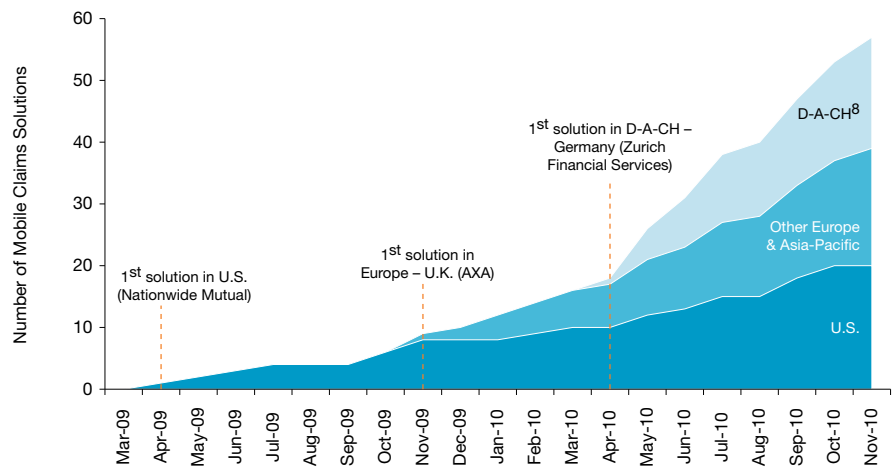
The self-service feature results in improved customer satisfaction through more accurate and timely claim resolution. A mobile claims self-service application allows a policyholder to submit and manage claims without contacting a customer service representative (which reduces the cycle-resolution initiation time). It also helps insurers optimize resource utilization, process the claims faster, and lower the claims processing costs.

4.3. Mobile Claims Solutions Trends

Mobile claims self-service solutions offer insurers an opportunity to gain a competitive edge by turning a customer's unpleasant and stressful claims situation into a positive service experience. Insurance companies that can successfully transform a customers' claims experience through mobile solutions are likely to gain a competitive edge in the P&C insurance industry.

As mobile technology becomes more advanced and mobile handheld devices become cheaper, the adoption trend is likely to gain further momentum across regions in the near-to-mid term.

Exhibit 5: Mobile Claims Solutions Adoption Trends, By Region, 2010



Source: Mobile Claims Management: Smartphone Apps in Motor Insurance, I-Lab, March 2011

Worldwide, 57 insurers had already introduced mobile claims solutions by November 2010, with U.S. and European insurers leading the trend and Asian insurers in the initial stages.

The trend started with the U.S. insurer Nationwide launching the first mobile claims solutions in April 2009. Nationwide launched a custom, free downloadable application for the iPhone to help customers file a claim and to offer customers self-service on the road. By November 2010, nine out of the ten⁹ largest U.S. motor insurers started to offer corresponding solutions. Moreover, some large personal lines insurers in the U.S., such as GEICO, have already developed mobile claims solutions for diversified mobile platforms such as the iPhone, Android, and iPad.

While mobile claims solutions have progressed rapidly in the U.S., Western European insurers are not far behind. During the last couple of months of 2009, the trend reached Europe, with AXA becoming the first insurer to launch an iPhone claims application there. Moreover, in April 2010, three out of the five⁹ largest motor insurance companies in Switzerland launched mobile claims applications.

While most European insurers still offer their mobile solutions in just one country, a few insurers successively released solutions in several countries. For example, Zurich Financial offers mobile claims solutions in Switzerland, Germany, the U.K., Turkey, and the U.S., while AXA offers mobile claims solutions in the U.K., Germany, France, Luxembourg, and Switzerland.

In the Asia-Pacific region, in early 2011, Tata AIG became the first Indian insurer to provide a round-the-clock, free helpline number and SMS facility to its customers to provide first notice of loss, while AIU Insurance introduced iPads and iPhones applications in April 2011 in Japan to facilitate claims adjustments and expedite claims payments. Moreover, AXA is aiming to launch a mobile claims application on Android in Singapore in late 2011.

As mobile technology improves and mobile handheld devices become cheaper, the adoption trend is likely to gain further momentum across regions in the near-to-mid term.

⁸ D-A-CH represents the German speaking countries; where 'D' – Germany, 'A' – Austria, and 'CH' – Switzerland

⁹ Mobile Claims Management: Smartphone Apps in Motor Insurance, I-Lab, March 2011

5 Challenges to Mobile Claims Solutions Adoption

Although insurers can derive significant benefits by investing in mobile claims solutions, there are certain technology-related obstacles that may act as barriers:

- Ensuring the security of customers' sensitive personal data is one of the biggest concerns related to mobile solutions. The importance of securing customer data makes it critical for insurers to ensure that their mobile solutions are robust in terms of encryption and device access control.
- Storage capacity is also a barrier, since the in-built storage capacity of mobile phones is very limited. However, advanced mobile handheld devices generally have an extendable storage facility, which somewhat compensates for constrained storage capacity in advanced handheld devices.
- Lack of proper infrastructure needed to support seamless transmission of data and issues related to network standards such as inconsistent and insecure network connections also act as major barriers to the widespread adoption of mobile solutions.

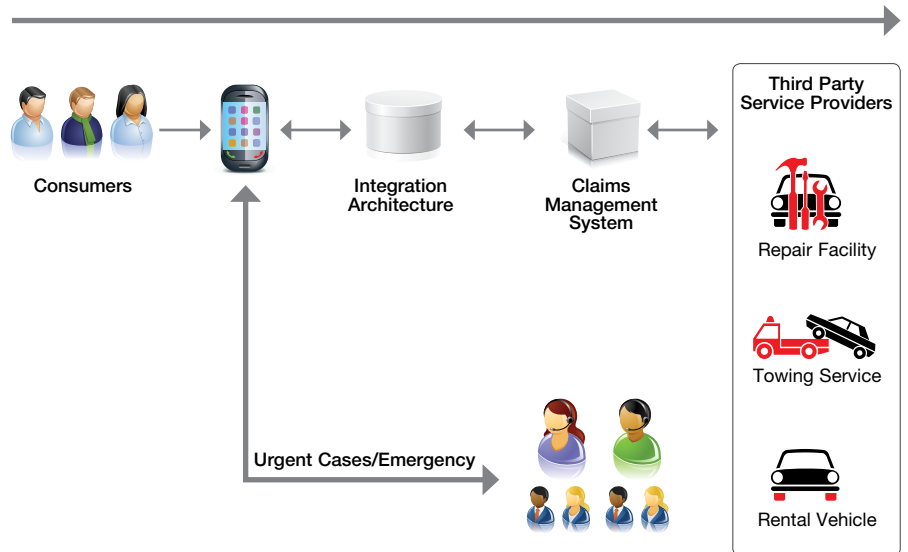
However, industry experts suggest that most of these issues will be automatically resolved going forward as mobile technology and solutions get more and more advanced.

6 Critical Success Factors

Although insurers can improve customer satisfaction through mobile claims self-service applications, integrating mobile solutions with the enterprise claims management system is critical to successfully leverage the full potential of mobile claims solutions.

Exhibit 6: Technical Integration between Mobile Solutions and Enterprise Claims Managements System

Using Integrated Mobile Solutions to File a Claim Directly from Accident Site Through Mobile



Source: Mobile Claims Management: Smartphone Apps in Motor Insurance, I-Lab, March 2011

Dedicated integration architecture is vital to reap the benefits of mobile claims solutions in terms of process efficiency, data accuracy, and business partner integration.

Dedicated integration architecture is vital to reap the benefits of mobile claims solutions in terms of process efficiency, data accuracy, and business partner integration. Moreover, the integration architecture can facilitate enriching the loss report with supplementary information such as pictures of the accident scene or data about the other party.

While implementing mobile claims solutions, the insurer should also focus on developing a dedicated integration architecture that connects mobile claims solutions with the enterprise claims management system.

Furthermore, the insurance companies also need to take into consideration a few more factors while implementing mobile claims solutions:

- User-friendliness is one of the most important deciding factors in adoption of mobile solutions. A simple but resourceful interface that avoids complex user interactions is critical. Customer/channel education around usability of mobile applications is also a key factor.
- To reach to a larger customer base, insurers should focus on developing mobile solutions that have scalable architecture and that are supported by a broad range of mobile platforms such as Blackberry, iPhone, Android, and iPad.
- While developing a mobile solution, insurers must have separate internal (employees) and external (customers) strategies. While the focus for an internal mobile strategy should be on improving the claims staff productivity and enhancing the claims processing efficiency, external strategies should focus on making customers' claims experience pleasant.
- Insurers also need to ensure that their mobile solutions allow for integration with third-party service providers, such as car repairs facilities, in order to generate cost benefit and to derive enterprise value from mobile claims solutions.

7 Conclusion

As competition continues to intensify in the global P&C insurance industry, attracting and retaining the next generation of customers and fortifying market share have become serious challenges for most insurers.

The key for insurers to succeed in this intensely competitive market is to focus on improving operating efficiency in order to meet customers' evolving demands in the most cost-effective way.

Mobile claims self-service applications enable insurers to provide enhanced claims services to customers and to increase the productivity of claims staff, process claims faster, and lower claims processing costs.

The use of mobile solutions in the insurance industry is likely to continue expanding going forward. The insurance companies who want to gain a competitive edge are already developing and implementing mobile solutions for claims. Without mobile solutions, insurers will be challenged to differentiate themselves and maintain and grow their market position.

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About the Authors

Vikash Singh is a Lead Consultant with the Market Intelligence team in Capgemini Financial Services and has over eight years of experience specializing in insurance.

Ramesh V. Darbha is part of the global insurance practice for Capgemini Financial Services and has over 11 years in the insurance and financial services domains.

Sree Rama Edara is a Manager in the Insurance Center of Excellence for Capgemini Financial Services with over 10 years of experience in the insurance domain.

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



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