Customer Service as a Competitive Advantage: IBM Enterprise Content Management Solutions in Insurance

Executive Summary

IBM Enterprise Content Management (ECM) gives insurance companies the ability to create and manage electronic files, store documents, distribute information and process payments. A self service approach offers efficiencies, reduces the overall cost of handling customer transactions and reinforces the competitive differentiation for the company as more customers, agents and/or brokers navigate the Web. This paper explains how to excel at customer service using the best tools for the task.

As market and business conditions change, insurance companies must cope with a variety of issues: increasing competition, radical re-alignment of markets as a result of deregulation, aging demographics, catastrophic events, corporate governance and regulatory requirements. While addressing these challenges, it has become increasingly difficult to compete on the basis of price and product. One area that can set an insurance company apart is how it provides customer service. Unlike other types of companies, insurance companies are burdened by legal and regulatory requirements that impact how they deliver customer service. Superior customer service exceeds the expectations of customers, agents, brokers and policyholders for the timely resolution of their inquiries, whether it is a simple address change, change of beneficiary or determining the status of a pending claim.

A Customer for Life

The way in which insurance companies view their customers has changed over the last few years. Because of deregulation and other market factors, the opportunity presented to the insurance company by each customer has expanded from the purchase of a single product to a full suite of products over the lifetime of the customer. As a result, insurance companies are moving away from a product focus to a customer focus, with the objective to attract and retain a customer for life.

For life insurance companies, there are opportunities to cross-sell each customer other products especially for life events such as starting a family. The life insurance company may cross-sell the customer higher value life policies, annuities, mutual funds, longterm care insurance and college savings plans. Perhaps even more importantly, each customer service transaction provides the instant opportunity to execute company strategies such as customer intimacy, segmentation and product persistency objectives.

For Property & Casualty (P&C) companies, the battle for customers, especially in personal automobile insurance, is evident by the sheer volume of media advertising enticing customers to "switch and save." Customer service and satisfaction become the competitive advantage that enables retaining these customers over the longer term. The ability to retain customers against price competition isn't just limited to the obvious claim settlement scenario but also to the experiences associated with routine activities around endorsements, billing and payments, culminating in an overall level of customer satisfaction. Once loyalty is captured through service, the company can then market other products

such as renter's or homeowner's insurance, marine and personal umbrella liability policies. For both life and P&C companies, capturing a customer for life increases the value that each customer offers to the organization.

A Focus on Growth and Profitability

Developing a business strategy of customer retention is the key component in addressing two significant business issues: growth and profitability. It is satisfied customers who make profitable growth possible. To grow an insurance enterprise, customer retention or persistency is vital. An annual growth rate of 5 percent and a retention (persistency) rate of 90 percent require that an insurance company must actually generate 15 percent in new business to achieve a 5 percent rate of growth and the marginal cost of acquiring that new 15 percent is high. Not only are the associated acquisitions costs (commissions, underwriting, account servicing) of new business higher, veteran actuaries and underwriters know that new business represents additional uncertainty of risk to the existing book of business. The introduction of the unseasoned new business can drive loss ratios upward and reduce profitability. On the other hand, companies that can generate a higher retention rate and introduce less new business risk create more growth and ultimately, profitability.

Often, the quality of service that a customer receives makes a bigger impact than other factors, such as the insurance product itself. The level of quality of the service greatly contributes to a company's competitive advantage and helps drive profitability. As long as the customer continues to receive quality service, the company will be able to tap the available potential value of the customer by gaining referrals as well as cross-selling other product lines.

Blending Customer Service and Sales: The Opportunity

A key element in many insurance companies is to grow business by selling additional coverage/policies to their existing customer base, increasing the proverbial "wallet share." This strategy satisfies the dual goals of growth and customer retention. As research studies have proven, customers who have three or more products from one insurance company are more profitable for that company and likely have a higher retention rate because of their hesitation to switch policies to another company due to the time and cost involved. However, each service interface with the customer still must improve upon or extend the relationship.

Customer service becomes more than a call center or a contact center but rather an extension of the sales function allowing customer service representatives to identify and qualify those customers who present opportunities for cross-selling. The ability to mine this type of information during the course of a customer inquiry helps companies identify opportunities for cross-selling, of particular value in light of the U.S. "National Do Not Call Registry" and similar laws in other countries.

Customer service is the public face of the company and impacts the value held by its brand in the marketplace. Today's customer includes anyone who influences the purchase and retention of an account such as agents, brokers, consultants, producers, family members, providers, employers, CPAs, attorneys, financial planners, and individuals responsible for repair of an auto, home or boat. Independent of how it is delivered to the customer, companies must provide customer service accurately, quickly, responsibly and comply with legal and regulatory guidelines. And more importantly, insurance companies can deploy a

variety of customer service interfaces that are individually suited to how the customer prefers to obtain customer service and to the transaction at hand. Matching the desired customer experience through the use of personalization appropriate to customer's preference as well as the transaction type and using technology to help manage the customer experience enables insurance companies to build an advantage for their customer service over their competition.

An Enterprise Focus for Service

Companies are moving away from an isolated perspective where each business segment manages its own service function, billing, agent licensing, quality assurance and administrative services to one in which they approach it from an enterprise perspective using shared services. With this approach, insurance companies can prioritize their inquiries and present a cohesive and consistent look and feel to the customer. Whether in writing, electronically or via phone, insurance companies want to enhance customer communication and drive revenue opportunities; however, as costs for delivering customer service continue to rise, companies require innovative solutions that minimize these costs and deliver ROI.

Finding the Answer

Insurance companies often maintain separate legacy databases to keep track of applications, policies, claims, accounting data, Web sites and policy output. These legacy systems represent tremendous investment in terms of available information and cost, and in many cases, they are still the workhorses of the company. Often, these systems are disconnected from each other, and it is the customer service organizations that are faced with dealing with the burdens presented by these legacy systems. A common desire of most insurance organizations is to create a "household" view of the customer, one showing all of the insureds, policies, accounts and coverages in a particular household.

To respond to customer service inquiries, customer service representatives must be trained on how to access data in all available systems including legacy systems. It is the customer service representative who must access this information quickly and efficiently to respond to questions about change in beneficiary, redemption values or claims status. A customer's seemingly simple question can initiate a convoluted search for the answer causing customer service representatives to access multiple legacy databases to find the answer, resulting in longer call times and decreased customer satisfaction.

While legacy systems can inhibit the organization's effectiveness, many companies are evaluating ways to leverage their legacy systems while transitioning to a more cohesive and agile enterprise source for information. One way for insurance companies to manage content, streamline processes and seamlessly connect to existing legacy systems is by implementing Enterprise Content Management (ECM), Business Process Management (BPM), and Compliance solutions from IBM to overcome the boundaries of paper-based systems and manual processes. As a unified ECM and BPM enterprise platform, IBM FileNet P8 is designed to help insurance companies improve business agility, cut costs, and manage risk and compliance.

By implementing IBM FileNet P8, companies have a foundation upon which they can implement a service-oriented architecture (SOA). Adopting SOA provides companies with the ability to maximize the reuse of content in their various business processes,

especially content stored in legacy systems. In addition to enabling more efficient business processes, SOA also allows companies to gain greater business flexibility and visibility into processes with the ability to track their progress against various standards and expected service levels.

From a Product-Centric to a Customer-Centric Focus

The changing orientation from a product-centric focus to a customer-centric focus also requires companies to offer customer service via multiple service interfaces. Companies cannot dictate to customers a preferred method for seeking service as customers may prefer a phone conversation, written inquiries via mail, or email. Customers who have thoroughly embraced technology usually prefer the convenience and speed of the Internet. Online self-service helps improve efficiency, provides 24/7 availability for transactions, and reduces the time required to handle a transaction. In light of all these options for providing service, insurance companies must consistently address the quality of each of these types of interactions and relationships with their customers.

Similar to how a personal umbrella policy works by filling the gaps in coverage, IBM ECM, BPM and Compliance solutions bring uniformity to the massive amounts of enterprise content, yet also integrate with various legacy systems. IBM FileNet P8-based enterprise solutions help customer service departments streamline their processes and make more informed decisions. The suite of products includes IBM FileNet Business Process Manager, IBM FileNet Content Manager, IBM FileNet Email Manager, IBM FileNet Forms Manager, IBM FileNet Image Manager Active Edition, IBM FileNet Records Manager, IBM FileNet Team Collaboration Manager, and IBM FileNet Web Site Manager.

Streamlining Customer Service for Increased Efficiency and Profitability: Gaining Control over Content

One of the most common inquiries received by customer service departments concerns the status of information: whether it's claim information, an application, or a beneficiary change. To respond to these types of inquiries, insurance companies must be aware of all information submitted and be able to find the information in a timely manner. For unstructured content (paper documents, correspondence, faxes, e-mail, voice, and rich media), IBM FileNet Capture provides the ability to acquire, image-enhance, index, OCR, distribute and stores this content in IBM ECM repositories. With its direct integration with FileNet P8, FileNet Capture enables insurance organizations to efficiently and effectively capture, secure, and distribute information according to specific business process needs.

To securely and permanently store immense volumes of fixed information in a highly available environment, companies depend upon FileNet Image Manager Active Edition to provide highly scalable, high-performance access to billions of objects for its business users along with integration to other enterprise applications and systems. For example, one insurance company captures more than 4 million pages daily using Image Manager Active Edition. Once content is scanned and indexed, the paper documents can be shredded, eliminating the need for off-site storage and the associated costs.

Along with integrating this critical content among business applications and processes, Image Manager Active Edition enables the right information to be immediately available to customer service staff to respond to inquiries. Searching electronic files is

much faster and easier than locating paper files within underwriting or claims departments. In some cases, companies have been able to handle 95 percent of customer inquiries on the first call by using Image Manager Active Edition.

With the content securely stored and indexed, FileNet Content Manager is a comprehensive solution for managing any form of digital content and uniquely combines document management with out-of-the-box workflow and process capabilities to automate and drive content-related tasks and activities. With Content Manager, customer service representatives, claims examiners and underwriters have access to the most relevant information as they make critical business decisions; however, access to sensitive data can be restricted and tracked to demonstrate compliance to privacy guidelines. Content Manager delivers the unique advantage of Active Content — content and documents that actively drive process automation to completion. With Active Content, documents and other forms of content can drive task resolution and reduce time, cost and risk.

The explosive growth of content is a challenge for all organizations. It is estimated that the volume of content is increasing at 92 percent Calculated Average Growth Rate (CAGR). Combined with increasing compliance requirements to better manage corporate content and critical business records, insurance companies must find a way to access and manage information stored across the enterprise. This requires access to multiple business systems and numerous repositories. With IBM FileNet Content Federation Services, insurance companies can leverage the value of enterprise content by providing access to multi-vendor repositories, as well as existing IBM repositories, to draw on critical information that customer service representatives may need to access anywhere in the enterprise.

Managing Records and Email

To address key business requirements for recordkeeping and compliance, FileNet Records Manager powered by IBM FileNet ZeroClick allows insurance organizations to securely capture, declare, classify and dispose of both electronic and physical records. With Records Manager, a document is identified as a "record" upon receipt and is managed as a record immediately. As a record, the document become a digital object and cannot be altered or changed.

ZeroClick ensures best-practice records declaration, classification and records administration while minimizing the impact on the business user and the records manager. As a result, ZeroClick ensures employee participation because it is integrated into their daily work routines and invisibly enforced.

FileNet Email Manager is a rules-based email management solution that simplifies and automates the process of capturing email messages as business records, addresses records management and compliance issues related to email, and delivers additional benefits by providing an effective way of leveraging and sharing email content to improve business processes across the enterprise. Email Manager makes email content an active element integrated with other business content, transactions and processes.

The tight integration of FileNet Email Manager and FileNet Records Manager allows for the automatic declaration of email as records during the capture process, regardless of whether automatic or manual capture is preferred. This integration automates and simplifies the process of declaring email content as business records and manages the entire email lifecycle to satisfy the record management guidelines of the insurance company.

ZeroClick also provides fully automated email capture: messages matching business rules are automatically indexed and archived in the IBM repository. Insurance companies can guard the integrity of their documents to help reduce the risk of litigation, especially in situations where prior circumstances must be recreated to demonstrate proper processing and handling of a claim(s) by the insurance company.

Streamlining Processes through Business Process Management
To create differentiation in the market, an insurance company must execute on its customer service objectives more efficiently and profitably while using technology to make better business decisions. Business Process Management is one way that helps insurance companies increase the speed and quality of decisions by unifying process, content and connectivity with other applications. IBM FileNet Business Process Manager automates, streamlines and optimizes critical business processes by managing work between people and systems. It also allows insurance companies to control who gets access to what information while expediting and streamlining a company's work processes.

Using IBM FileNet BPM, insurance companies can streamline customer service inquiries by providing instant access to critical information and optimize complex processes by managing the flow of work throughout the customer service department as well as the enterprise. The event-driven architecture of ECM allows companies to track all subsequent changes and their impact to the handling of the inquiry. With access to critical information, customer service representatives can determine the cause for the delay in processing an application or a claim and advise what information is needed for resolution.

Workflows can be established for the handling of customer inquiries based on the type of inquiry using FileNet BPM. Customer service managers can use FileNet BPM to more effectively manage the workload within the customer service department by analyzing processes, identifying bottlenecks and inappropriate work assignments, and then correcting these processes. IBM FileNet Business Activity Monitor provides real-time visibility into the effectiveness of business processes and business performance by monitoring key metrics and alerting business managers to deviations. Business managers receive alerts via customizable dashboards and can automatically initiate action or workflows based on these alerts. With these dashboards, business managers have the ability to monitor these processes and related analytics against the company's key performance indicators.

Modeling and measuring business processes improves the accuracy of the processes involved in handling a customer inquiry. To test out simulations of workflow prior to implementation, IBM FileNet Business Process Analyzer allows customer service managers and managers to examine different workflow scenarios prior to the actual release of a change to the process.

Collaborating on a decision is a challenge for any organization, including insurance companies. IBM FileNet Team Collaboration Manager can help insurance companies optimize interactions among key participants and facilitates both structured and ad hoc processes to speed completion of claims or underwriting applications. For complicated customer service inquiries, Team Collaboration Manager provides the customer service representative another avenue toward the speedy resolution of an inquiry.

IBM FileNet Application Connector for Siebel adds ECM functionality to any Siebel implementation for quick and easy capture, access, management and integration of valuable content to improve decision-making throughout the enterprise. Using IBM FileNet Application Connector for SAP, insurance companies can access content associated with R/3 data or documents generated by SAP and stored in the IBM repositories using any standard Web browser from any authorized desktop within the organization.

Shifting to Self-Service

Important to insurance companies is the range of customer service interfaces that they offer including online self-service portals. Conducting business via the Internet and portals helps insurance companies reduce costs and increase efficiency; however, some companies are concerned about security and are reticent to allow customers behind their firewall. Other companies may use their Web site as a source of information rather than as a service center.

More and more insurance companies are realizing the value of offering personalized services portals to address the specific needs of their policyholders. For life insurance companies, customers can make contract and policy changes, check the status of premium payments, request forms to process a loan, estimate their estate tax, or manage investment accounts, all online. For P&C companies, policyholders can request information about their billing statement, report a claim, or locate a mobile service center.

The adoption of portals as a customer service channel can drive customer loyalty, help companies attract younger potential customers and help cross-sell products in a less threatening environment. A well-designed portal will increasingly offer the ability to differentiate the insurance company in the marketplace. And, conversely, a poorly executed portal can have a reverse impact on the company's image. For customers who expect service via a portal, their expectations are quite high, allowing them to obtain the answers to their questions and initiate business transactions, at times when it is most convenient for them.

Agents and brokers find that a self-service portal is instrumental in their ability to conduct business because it allows them to get answers quickly and they can demonstrate their value to their prospects and customers. In the initial phases of the sales cycle, agents or brokers can obtain a quote online for an individual or a group, request further information and after the application is submitted, monitor its status during the underwriting process. The staff of the insurance company benefits from effective Web technologies to help them improve productivity, quality and job satisfaction.

A component of realizing online self-service is IBM FileNet Web Site Manager that manages the business user experience and delivers content for large numbers of global Web sites, all from a single platform. It can control vast amounts of dynamic Web content across globally distributed sites and provides integrated process management capabilities to ensure secure and accurate publication of Web content. It can also reduce the complexity of building and maintaining a portal, especially attractive for IT resource-constrained insurance companies.

Business processes within an insurance company may span different functional departments and being able to access the right form at the right time is essential to resolving a claim or processing an underwriting application. With IBM FileNet Forms Manager, business users can access e-forms from a Web browser. For online self-service, e-forms are an essential component

to provide customers and policyholders with the ability to initiate the process to change their address or beneficiary online. Once completed, these e-forms can be automatically routed via email to other departments. FileNet Forms Manager makes e-forms available to a wider audience but also ensures that these e-forms are always accessible and up-to-date.

Because e-forms are integrated seamlessly with existing legacy systems and applications, these e-forms can trigger processes. As a result, usable forms can be integrated into the intelligent workflows of FileNet BPM that automatically verifies the content against the company's criteria or template. Missing information can be automatically requested and then matched to the claim or application upon receipt using FileNet BPM.

With the Electronic Signatures in Global and National Commerce Act of 2000, e-signatures can be accepted for reviewing and amending documents online such as those required for 401K administration. E-signatures and portal self-service provide immediate turnaround, complete accuracy and easy access to plan documents by authorized individuals.

Impact of Regulatory Requirements on Customer Service

By establishing appropriate business processes using IBM ECM, customer service departments are able to comply with various regulatory requirements. Insurance companies also providing financial services must be reasonably certain as to the identity of their customer and also determine the source or destination of customer funds to comply with the USA PATRIOT ACT of 2001. If a change in a mutual fund is involved, the insurance company must adhere to SEC requirements. In preparing for a NAIC Business Conduct Review, insurance companies must be assured that all the information is completely captured and retained for evaluation.

Privacy requirements such as opting in or out must also be tracked. For insurance companies that deal with personal health information (PHI), these companies must demonstrate compliance with HIPAA privacy guidelines. Customer service representatives must guard the privacy of the health information such as paper files, correspondence and emails. To ease compliance, IBM ECM establishes guidelines for those who have access to PHI, creates and monitors an ongoing audit trail of the use of PHI within the company. By also leveraging IBM's FileNet BPM capabilities, FileNet Records Manager enables companies to prove adherence to privacy requirements.

First Call Resolution

"First Call Final" is possible with the ability to manage content and gain instant access to up-to-date customer information. Customer service organizations require access to all information that will allow them to complete the customer inquiry on the initial call. Customer callbacks are costly to organizations in terms of direct labor expenses and the impact on customer satisfaction expectations. Customer service organizations may implement a concierge-type service for customers where the customer service representative will shoulder the responsibility to follow-up to obtain any missing information to resolve a customer inquiry.

The fully integrated IBM FileNet P8 platform offers insurance companies solutions for managing content and business processes while connecting these assets with applications and legacy systems across the enterprise. Using IBM ECM, BPM

and Compliance solutions, insurance companies can provide customers with accurate and timely information that directly impacts customer satisfaction as well as their ability to cross-sell other products. The fully integrated FileNet P8 platform offers insurance companies solutions for managing content and business processes while connecting these assets with applications and legacy systems across the enterprise.

The ability to create and manage electronic files, store documents, distribute information and process payments has opened a new window through which customer requests are handled, improving the overall delivery of customer service. With a self-service approach via a portal, companies can reduce the number of incoming call center inquiries, allowing them to redeploy workers. Self service offers efficiencies, reduces the overall cost of handling customer transactions and reinforces the competitive differentiation for the company as more customers, agents and/or brokers navigate the Web.

IBM ECM: Industry Leadership
IBM's ECM solutions are installed in 24 of the top 25 Insurance Companies, including Property & Casualty, Life and Annuities, and Health Insurance making it the leading ECM provider in the industry. IBM provides an integrated ECM platform enabling insurance companies to better manage content and business processes while connecting these assets with applications and legacy systems across the enterprise.

About IBM ECM
As the clear market leader in Enterprise Content Management (ECM), IBM's ECM solutions help organizations make better decisions, faster by managing content, optimizing business processes and enabling compliance through an integrated information infrastructure. IBM's ECM portfolio delivers a broad set of capabilities and solutions that integrate with existing information systems to help organizations drive greater value from their content to solve today's top business challenges. The world's leading organizations rely on IBM enterprise content management to manage their mission-critical business content and processes.