



Claims management for insurance: Reduce costs while delivering more responsive service.



- > SPEED CLAIMS CYCLE TIMES
- > ENRICH CUSTOMER EXPERIENCES
- > STREAMLINE RELATIONSHIPS WITH VENDORS
- > REDUCE FRAUD-RELATED COSTS



Retain customers and promote efficiency by modernizing claims management

As loss costs rise — due to fraud, litigation, high repair bills and medical expenses — insurance companies face extreme pressures to control the cost of doing business. At the same time, commoditized products make it challenging for nonlife insurers to increase profitability and get noticed amid the crowd of competitors.

For more information on this solution, including demonstrations and customer case studies, visit ibm.com/insurance/flexibility





Because as much as 80 cents of every premium dollar that flows through the claims operation is an indemnity or expense,* many insurance companies focus on the claims department to drive efficiency and lower costs. The costs associated with claims management are driven by many factors, including volume, potential number of

workflow steps and sheer variety of people involved in claims resolution, which can include employees, contractors, lawyers and doctors, to name a few. And each claim can create a whirlwind of paper documents, e-mails, facsimiles, phone messages, digital pictures and other data formats to manage. As a result, cycle times can be incredibly long — resulting in complex internal operations and customer experiences that are less than ideal.

Compounding the issue, most claims departments have several semi-autonomous departments with independent business systems — increasing maintenance costs and

complicating integration. To enable smooth, rapid information exchanges — within the company and with vendors — and unite fragmented back-end processes, insurance companies must find a solution to modernize their claims systems. When they do, insurers can help reduce costs, improve customer service, drive internal efficiencies, facilitate compliance efforts and support better fraud-detection techniques.

Turn the page to learn more about how your insurance company can help:

- > **Speed cycle times by boosting efficiency of complex claims administration processes.**
- > **Enrich customer experiences and create enhanced business agility.**
- > **Improve claims management through streamlined relationships with vendors.**
- > **Gain better control over spiraling costs driven by fraudulent claims.**



Leverage IBM's insurance industry expertise to transform your claims management operations

IBM solutions for the insurance industry bring together the extensive IBM portfolio of hardware, software and high-value services — and its wide network of Business Partners — to address the most prevalent challenges for clients in the industry. IBM solutions and insurance industry experience help each client accelerate its progress in becoming an On Demand Business — so it can respond with flexibility and speed to virtually any

customer demand, market opportunity or external threat.

Creating business processes with a *service orientation* has emerged as the best way to achieve that flexibility and speed, as well as agility and resilience. Service orientation takes everyday business applications and breaks them into individual business tasks, called services. These services are shared with other departments within your organization, integrated with your vendor partners and exposed directly to customers to create new or modified business processes. As a result, you have the flexibility to easily respond to changing market requirements. And because these services can tie together

existing enterprise resource planning (ERP), customer relationship management (CRM) and supply chain systems such as SAP, Oracle, Siebel and JD Edwards, there is no “rip and replace” required. Furthermore, these services can be used across multiple processes — rapidly, easily and consistently — to help drive improved time to value and reduced costs.

IBM software, a key building block of the IBM solutions for the insurance industry, is vital to employing a service orientation strategy. It helps our clients achieve business flexibility by enabling them to model, assemble, deploy and manage business processes for today's on demand business environment.



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Using IBM claims management for insurance, you can streamline and automate today's complex, manual claims processes to help lower claims administration costs, improve productivity, smooth internal and external information exchanges, build more effective risk management techniques and drive higher customer satisfaction. With IBM claims management for insurance, you help:

- Increase productivity as you reduce overall claims cycle times.
- Improve customer contact and claims experiences and support more nimble business processes.
- Streamline vendor relationships and simplify the way you conduct business.
- Lower costs by identifying more potentially fraudulent claims.

Drive faster cycle times by improving efficiency of your claims processes

Historically, claims departments have relied on paper-driven manual processes that involve many internal and external

parties — such as adjusters and appraisers, claimants, lawyers, contractors and salvage companies. To complicate matters, the events that drive claims processes are rarely as simple as they initially seem. Because the sequence of events that takes place after a claim is filed is unpredictable, it's difficult to establish an effective method for speeding workflow processes.



As claims management becomes even more complex and volumes increase, new ways to efficiently manage claims must be found.

Because claims transactions may take place over a period of months — or even years — nonlife insurers can clearly benefit by improving underlying efficiencies.

Imagine a shopping center built on the side of a hill. One day, after a heavy rain, the slope above the shopping center begins to give way — and winds up covering the

parking lot with mud, trees, shrubs and grasses. The shopping center owner wants to get his parking lot cleared as quickly as possible so he can continue doing business. As part of that process, he contacts your insurance company to file a claim. Several other parties may also be involved, such as customers whose cars were damaged and store owners whose businesses were impacted.

Soon after the claim opens, a plethora of information from individual claimants and third parties crosses the desk of your claims adjuster. In a traditional setting, the adjuster has to manually manage this large, complex file as he handles numerous other files — including some that have been open for years. This type of environment is prone to costly mistakes and missteps that can add days or weeks to the overall claims process.

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With an IBM claims management solution that includes IBM WebSphere® Process Server and IBM Workplace™ software, you can automate the steps involved in processing this claim and automatically adjust the workflow to suit the claim's unique requirements. Using business rules and defined workflows, you can connect each element of the claim within a virtual claims file that contains data from integrated databases across your enterprise — giving everyone ready access to the same comprehensive, consistent information. Utilizing this approach, your system tracks where the claim is in your workflow process and provides different employees with role-based interfaces to

the virtual claims file. Through their customized portal views, employees like the adjuster — and nonemployees like the appraiser — can see which steps in the process are and are not complete. You can even use a preset threshold to generate alerts and let appropriate people know if a task is late.

Consider the mudslide example again. Assume one of the claimants whose car was in the lot sends you a notice of legal representation. With the IBM Business Process Management software, when the notice is scanned into the imaging system, your claims management solution can automatically adjust the workflow on the file to meet new requirements. For example,

your system can add new tasks directly to the responsible adjuster's and internal lawyer's calendars. This approach not only helps expedite claims processing — it can also help lower overall administrative expenses.

Improve customer experiences and enhance business flexibility

As insurers know, a customer's experience during the first notice of loss has a huge impact on satisfaction. How a company handles these situations can play a major role in defining the company's image in the marketplace.





Help expedite claims processing and lower administrative expenses



Although many insurance companies outsource their call centers today, they still put a priority on the first notice of loss — being able to ease claimants' anxieties and make sure that their customers get the best possible service. To accomplish these goals while still leveraging the efficiencies of using external resources like third-party call centers, an insurer wants to ensure that its vendors can respond

quickly and appropriately to its claimants and customers. Just as important, it wants to guarantee the proper workflow steps are immediately set in motion, so that even if the call center supports other insurance companies, the things that differentiate the insurer's service are consistently provided.

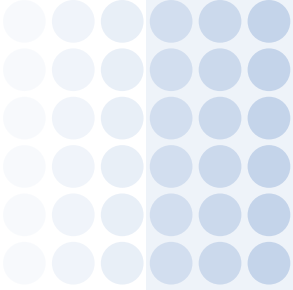
With an IBM claims management solution that includes IBM Business Process Management, insurers can proactively manage the flow of what happens from the moment a call is received to the time the claim is closed — whether it's handled internally or by an external vendor. Consider a claimant who calls to report an auto accident. An external contact center employee takes the call. Because the contact center's applications have been directly integrated

with your company's claims management system, basic information about the claim is automatically routed to your system once the representative begins processing at the call center. At that point, business rules you establish take over and direct your claims management system to assign an adjuster and send an appraiser to the site. All remaining workflow process steps are choreographed, so they happen efficiently.

Because the solution gives you better control over — and visibility into — workflow processes as they happen, it empowers employees to spend more time focusing on the intricate details of each case, and less time coordinating schedules and tracking bits and pieces of information. Customers enjoy faster, more intimate service — and you can reap the benefits of lower

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costs and a more positive image in the marketplace.

The IBM solution also enhances business flexibility and promotes rapid time to market. For example, if you decide to expand your business to another state, you can simply write a set of business rules to expose the components of your internal processes, rather than writing dedicated programs for each new application or partner. By leveraging existing applications and call center vendors, the IBM solution helps make it faster, easier and less expensive to extend your processes and business rules to new markets.

Smooth and simplify interactions with vendors

To process even a single claim, insurance companies often collaborate with a significant number of external parties and vendors. Rather than rely on traditional manual processes to control these vendor relationships, many insurance companies seek to automate and streamline these interactions to cut costs and save time.

Think of a situation where a claimant is involved in an auto accident and her car sustains significant damage. Your appraiser has already assessed the damage and authorized work with a body

shop. But as the body shop begins the repairs, they find more extensive damage that entails additional labor and parts — along with a steeper repair bill.

Before they can continue work, the body shop needs to get authorization from you. To request approval, the body shop manager sends digital pictures of the car to your adjuster through e-mail, along with an explanation. Although the adjuster may receive the e-mail that day, it could easily get buried among the pile of correspondence he's already managing.



With a claims management solution from IBM that includes IBM Workplace software and IBM DB2® Content Manager, you can automate receipt and disposition of this request to expedite your customer's claim — and enable the body shop to quickly complete the repairs and make room for the next vehicle. For example, your system can automatically alert the adjuster and appraiser to review this particular e-mail. Then, the system can add an action item to their diaries and route new photos of the damaged vehicle, along with the corresponding explanation, to a virtual claims file

where all related information is centrally stored.

If the appraiser needs to talk with other experts before making a decision about the additional damage, each expert can open a customized view of the virtual file to help them collaborate more effectively. Afterwards, the appraiser can either visit the body shop again, or quickly approve the request by e-mail. Not only does this expedite claim resolution, it also enables the body shop to complete the work and return the car faster — helping to make the partner more profitable.

Reduce costs created by fraudulent claims

As fraud-related costs continue to grow, insurers search for innovative ways to combat the problem. But today's fraud rings are more sophisticated than in the past; because they understand how to work the system, they typically appear and disappear within a couple of months.

For example, imagine an auto fraud ring that hits your company. Their strategy is simply to make as much money as possible and

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avoid detection by driving a large volume of small claims. Because of the way they disguise each claim — and because they can rely on most companies to have preset flags that only detect claims involving higher dollar amounts — this ring could successfully operate for as long as 90 days before they have to move on.

IBM Entity Analytics Solutions are claims solutions that can help you mine data more accurately and precisely to detect subtle patterns and relationships that are not apparent with many of today's techniques. For example, the software can alert your special investigative unit to the fact that a certain doctor has seen perhaps 30 of your claimants within a matter of a few days. Because the IBM solution encompasses complex relationship mapping and anonymous data sharing,

it helps you to more conclusively determine who is really who — and it updates in real time to reflect new information as it's received.

The solution also helps allow you to consider the impact of obvious and nonobvious relationships in conjunction with each other — even though claimants may deliberately try to confuse or misrepresent their identities. By helping to uncover true identities and critical relationship information, the solution helps you detect fraudulent networks faster so you can use your special investigative unit team more effectively, while providing better coverage and rates to the people who truly need your services.

Thoroughly plan process changes — and adjust implementation as needed

When you use a service oriented approach to optimize the business processes involved in insurance claims management, you can obtain the flexibility and responsiveness needed to bring innovative products, services and strategies to market. But successfully improving your processes depends on having a good plan and diligently tracking your progress. As many as two thirds of process implementations fail to produce the expected benefits because their true impact is not known prior to execution.**

That's why IBM offers industry-leading tools to help your staff plan, monitor and adjust the implementation of process changes. Leverage easy-to-use tools that help your teams:

- Easily reuse, create, modify and collaborate on process models.
- Simulate and analyze the impact of processes before implementation.
- Enable your IT team to quickly create supporting applications by leveraging your process models.
- Monitor and optimize processes by specifying key performance indicators during process design.



Business Partners help further leverage IBM software capabilities

IBM claims management for insurance is complemented by applications and services provided by our IBM Business Partners — including the hundreds of Business Partners

specializing in service orientation — helping to make this solution a world-class foundation for optimizing both service and loss administration costs. Working together with our clients, IBM and IBM Business Partners can help meet the needs of today's insurers.

For more information

IBM is unique in its combination of unmatched insurance industry experience, deep service orientation skills, unparalleled Business Partner network of more than 800 leading firms, and software and technology product excellence — and as a result is a clear leader in service orientation. We can help you get started with service orientation, whether for the enterprise, a departmental initiative or a single project. IBM is the ideal resource for insurers seeking to meet the challenges of streamlining internal processes, driving faster cycle times, reducing loss administration expense and finding new ways to counter the rising costs of fraud.

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**National Underwriter*, October 2005.

**Omar A. El Sawy, *Redesigning Enterprise Processes for e-Business*, 2001.

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