

Revamped Onboarding Process for Life Insurers Can Cut Costs, Improve Customer Experience

Executive Summary

The competitive environment, regulatory requirements and tightening economic conditions have forever changed the life insurance industry. Capital-constrained insurers are now working overtime to maximize their returns with available resources. To ensure long-term success, forward-thinking insurers recognize the need to adopt a more customer-centric approach.

This white paper explores the specific challenges of the new business process in the life insurance industry and introduces a customer acquisition framework to help companies simplify, streamline and significantly reduce the cost of customer on-boarding and enhance the customer experience with fail-safe reliability.

The global recession has impacted life and health (L&H) insurers by reducing portfolio returns, lowering fee incomes and increasing hedging costs, among other effects. Given the challenging macroeconomic conditions, the L&H industry suffered negative growth in 2009.

With tightening underwriting guidelines hurting the bottom line, insurance companies are looking for ways to reduce operating costs and improve customers' overall experience.

A Challenging Environment

L&H insurers face a variety of challenges, including the following:

Underwriting issues: Industry research indicates that the vast majority of insurers still use paper-based manual underwriting. Participants are looking for faster application processing, so insurers need to automate the underwriting process to improve application turnaround time. Getting underwriting right the first time is a critical competitive differentiator; achieving this can improve the bottom line by reducing the insurer's underwriting loss ratio and reducing total payout.

The industry is facing a further bottom-line squeeze due to rising underwriting error rates and leakage. For instance, inefficient screening of new applications forces underwriters to spend their already limited time ensuring that customer-submitted information is complete. They often do this by accessing and retrieving data from several sources and verifying the information before making a final decision.

Product creation efficiency: Insurance products are governed by multiple rule sets, including product, state and regulations. To retain market share and their competitive advantage, insurance companies are launching new and innovative products. Updating rules in existing systems involves more IT than business effort, which impacts time to launch new products.



A system that can externalize these rules, follow industry standards (e.g., ACORD) and provide a platform to implement rules in “English-like language” can help insurers compress the new product launch lead time significantly. While the penetration of such rule-based systems is still relatively low, a large percentage of companies have shown a potential interest in using such systems, indicating the potential for growth.

Incomplete/erroneous data: Customers have multiple channels to buy insurance products, including online/e-forms. Though these alternative channels provide convenience to customers, they can also result in incomplete and erroneous data. Capturing the additional information requires reaching out to the customer, which takes considerable time and resources.

Reducing Costs, Improving Customer Experience

One way to resolve these challenges is through a single platform for application data capture, validation and underwriting automation capabilities. We have developed a customer acquisition framework that helps carriers improve the completeness of data captured the first time, enable straight-through processing and improve underwriting efficiency, thus reducing overall customer acquisition costs.

Figure 1 below shows how our framework enables insurers to generate quotes by integrating with a rules engine. By enabling a Web-based data capture mechanism, the rate of data errors seen in manual data capture is significantly reduced. The integrated metrics dashboard provides key performance indicators for effective management and efficient resource utilization. The rules engine houses validation and underwriting rules. Externalizing the rules component provides for a more intuitive platform for faster rule creation and implementation by business users, without any IT intervention. The integrated document management system allows for faster visual data validation and document generation.

Benefits

Our customer acquisition framework can offer tangible value-add across multiple stages of the on-boarding process.

Data capture: Web-based data entry ensures completeness of data through efficient error handling and can reduce the time required to gather relevant data significantly. Our preliminary study of the developed solution indicates a possibility of improving cycle times by up to 20%.

Discovery and validation: The information required to perform effective underwriting is

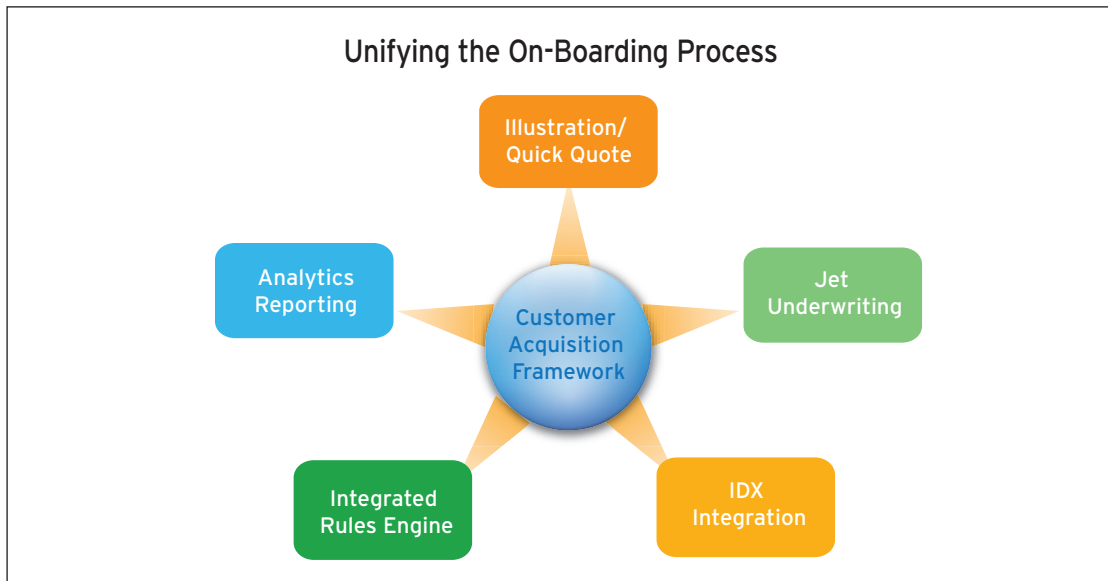


Figure 1

validated against a set of business rules for a seamless underwriting phase.

Risk classification and rating: Our studies on rule-based systems have shown that automated underwriting systems are capable of handling over 65% of cases with minimal underwriter intervention. Even in cases where manual underwriting is required, our approach reduces the time required by the underwriter to reach a decision by producing decision reports that facilitate risk classification. For a typical company handling thousands of policies every year, implementing a next-generation rule-based system could help insurers save millions annually, thereby augmenting the bottom line.

Conclusion

In the current business climate, life insurance carriers need to grow their books of business, expand portfolios by entering new markets and design new products and policies to target a wider consumer segment. They need tools that can enable real-time collaboration, straight-through processing, exception-based underwriting, knowledge management and a user-friendly, Web-based model for optimal utilization of resources. Using a process framework that is based on industry-leading technology, leveraging insurance best practices and domain experience can dramatically assist carriers in improving their customer acquisition process.

About the Authors

Ratnajyoti Choudhury leads the CRM Insurance Consulting Practice at Cognizant. He has over nine years of process consulting experience, covering business strategy, IT and outsourcing strategy and implementation. Choudhury has helped many large Insurance clients define and implement modernization strategies and build business capabilities. He can be reached at Ratnajyoti.Choudhury@Cognizant.com.

Karmendra Jain is Associate Consultant at Cognizant Business Consulting. He has gained extensive experience in process consulting in the insurance domain and has helped conceptualize and implement CRM-based solution offerings in the insurance industry. He can be reached at Karmendra.Jain@Cognizant.com.

Antara Choudhuri has more than seven years of experience in CRM. As a Senior Consultant in Cognizant's CRM practice, she has gained extensive experience in CRM solutions for insurance, banking and pharmaceuticals. She can be reached at Antara.Choudhuri@Cognizant.com.

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Cognizant
Passion for building stronger businesses

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
Email: inquiry@cognizant.com

European Headquarters

Haymarket House
28-29 Haymarket
London SW1Y 4SP UK
Phone: +44 (0) 20 7321 4888
Fax: +44 (0) 20 7321 4890
Email: infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraiipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
Email: inquiryindia@cognizant.com