The Social Paradigm of Claims Management

To render claims management processes more dynamic and effective, insurers must integrate enterprise applications with data and insights gathered by emerging social tools.

Executive Summary

Today’s claims management processes face challenges of inconsistent data, an ever-increasing number of channels and, perhaps most important, inflexible systems. By executing structured processes on an enterprise application and tapping supporting processes with the help of social software, claims management can be enhanced by reducing hidden costs, increasing operational efficiency and building a knowledge repository that informs continuous improvement to the end-to-end claims management process.

This paper lays out a solution that can introduce efficiency, visibility and flexibility in a standardized claims management process by leveraging an insurer’s internally-focused community, plugging in user-generated insights from social media and adding transactional information from enterprise application data.

Today’s Claims Management Challenges

Insurance products belong to the “experience goods” category. In this category, customer satisfaction is defined only after a customer experiences the service provided by the carrier. With the convergence of product offerings from different insurers, consumers often use quality of service as an important differentiating factor to choose their insurance provider or rate their satisfaction with the insurer.

As an exceedingly crucial touch point for insurance customers, claims management is a critical process that often determines customer experience.

Carriers, however, contend with numerous claims management challenges, including:

- **Unstructured and inconsistent data:** With the increasing use of smart phones and other mobile devices, there has been a sharp increase in customer-generated information. There are countless inputs to a claims process, such as policy forms, amendments, endorsements, customer notices, medical reports, expense receipts, evidence documents and more. It has thus become a big challenge for carriers to manage the growing pool of data in a consistent and cost-effective manner.

- **Rising operational inefficiency:** With the growing complexity of business processes and customers’ demands, carriers often experience an increase in operational inefficiency. This leads to increases in costs and In turnaround time for claims processing, thereby affecting the insurers’ bottom line and adding to pricing pressure for the product offerings.
• **Inflexible or nonadaptive systems:** Enterprise applications such as BPM, ERP and CRM are very structured and process-centric. As such, enterprise applications are often designed with a high focus on structure and efficiency but are not flexible enough to incorporate changes in the organization’s process landscape. Given the big change in the maturity of customer knowledge and demand, structured processes must be more people-centric.

• **Increase in the use of multiple channels:** In addition to Web 2.0 channels, mobile, GPS and user-generated content such as images and video are adding to the data received for claims processing. This is driven both by the increase of smart devices and by the growing number of technologically-savvy customers who are eager to use them. Therefore, irrespective of what the customer is seeking, insurers need to adapt their business process to support such technology and craft solutions that address next-generation customer needs. Due to the above challenges, even the most streamlined and efficient processes become laden with ad hoc, manual processes that affect the efficiency of each and every sub-process, thereby negating the core value provided by any enterprise software suite. In an insurance claims process, for instance, the general investigation process involves several offline and collaborative activities that are not leveraged by enterprise applications.

**Social Solution to the True View of the Claims Management Process**

The claims process can have two major parts (see Figure 1).

• **Core process:** This is the end-to-end process that supports the organization’s primary mission. Such a process will take an input and convert it to the desired output by following a stream of activities, providing value to the end product. For example, an insurance claims verification process relies on an enterprise application to provide a checklist of inclusive criteria for the claim made by the insured indicating if the reported loss is covered by his or her insurance policy.

• **Supporting processes:** These processes do not contribute to the end goal of an organization. They are a set of activities that support the core processes. For example, in an investigation process, the offline chat via phone or instant messaging between investigator and adjustor becomes an integral and important part of the process. However, it takes place outside the online system and is not accounted for in the design of the system.

Existing enterprise systems provide great value in handling the core process of claims management. However, supporting processes are unaccounted for in today’s systems architectures due to a lack of supporting process structure. To get around this, we propose an integration of enterprise applications with social software to tap and account for these unstructured processes that will provide efficiency, visibility and flexibility, and help introduce dynamic behavior in claims processing. Doing so would extend the use of social software tools and techniques into the claims process. Social media helps the insurance claims management process in three major areas: claims submissions, fraud detection and customer support. This approach will benefit insurers by:

• Reducing risk exposure, by providing the ability to identify, manage and reduce such exposure at early stages.

• Improving customer service, by reducing turnaround time for claims processing.

• Driving operational efficiency, by helping insurers adapt to change more quickly and easily.
Claims Investigation Process Use Case

One good example of how social software can advance the claims process is its application to the claims investigation process for fraud detection.

After the first notice of loss, and assignment to the adjuster, the adjuster will decide the necessary skill set required to process the claims. If the adjuster decides that a particular claim requires investigation and fraud detection, it is assigned to an investigator to conduct the investigation. The investigator will focus on various aspects such as:

- Field Investigation.
- Checking past records.
- Investigating insured property details.
- Verifying the first information report filed with the police and/or hospital records.

On completing the investigation, the investigator submits a report to the claims adjustor. From a system perspective, if the report doesn’t reveal fraud, the claim goes through normal processing; if the report suspects fraud, the claim is denied (see Figure 2).

During the process, however, there are various touch points between the investigator and adjustor, before and after submitting the report, that involve untapped interaction. Such interaction may involve:

- **Knowledge sharing:** Before submitting the report, the investigator may want to share his findings with the adjuster to gain a fresh perspective about the claim being processed.
- **Clarification/justification:** After receiving the investigation report, the adjustor may have unresolved questions or may find grey areas in the report. On such occasions, the adjustor will communicate with the investigator to gain clarity and reach a conclusion.
- **Brainstorming:** At any stage of the investigation, before or after the investigator submits the report, the adjustor and investigator may want to debate and deliberate about their findings. For example, the investigator may want to discuss how to approach the investigation or how to define the critical aspects in negating or declaring a claim as fraud.

The investigator and adjustor thus collaborate on several occasions (see Figure 3, next page). We see that current enterprise applications do not:

- Account for collaborative interactions, and thus fail to provide a true view of the process.

**Fraud Investigation**

![Fraud Investigation Diagram](image-url)
• Account for the time invested by the adjustor and investigator in processing the claim.
• Capture the knowledge shared between the adjustor and the investigator, and thus this knowledge cannot be reused by others.
• Account for any emerging pattern in the investigation that may require an update or enhancement in the system’s business rules or processes.

Applying Social Technology to the Claims Investigation Process

A social solution for the claims investigation process can be implemented with the following two steps:
• Integrate the social collaboration platform with the enterprise application.
• Integrate the social listening tool with the collaboration platform and enterprise application.

Social collaboration platforms help build communities for interaction and collaboration among various stakeholders such as employees, customers, partners, consumers, etc. Such environments enable organizations to locate experts and assets across the organization and connect people to people, content and communities.

Integrating a common social collaboration platform with an enterprise application will enhance the process in the following ways:
• Social collaboration software will provide a platform for the investigator and adjustor to collaborate at various stages of the investigation process. It will enable the two stakeholders to receive updates on the state of the investigation and collaborate to accelerate the final decision.
• Using a common platform to enable collaboration will build a knowledge repository that can be leveraged by other investigators or adjustors at any point. Thus, knowledge propagates across the enterprise and through time.
• The platform will also account for the time invested by the two knowledge workers and provide visibility to their efforts by tapping the unstructured data they produced to take a claim toward closure.

Fraud Detection Collaboration Opportunities

* Untapped collaborative interactions between investigator and adjustor can be tapped and improved with social enablement.
Gleaning Insights by Integrating Social Listening, Enterprise Applications and Collaboration Platforms

Social listening tools help insurers to discover real-time, relevant and impactful conversations. These conversations are further monitored, tracked and analyzed to identify trends and issues as they emerge, detect early sentiments of a target audience on key business decisions and identify top influencers across the organization, among other uses.

Monitoring the claims fraud investigation process across several claim investigations can generate insights on several aspects of fraud detection, such as:

- **Trends in the number of frauds detected in claims**: Using text analytics capabilities provided by several social listening solutions, carriers can monitor if there is any increase or decrease in fraud detection. Listening tools will also enable a drill-down into the causes and effects of fraud.

- **Common points where fraud could be detected**: Social listening tools can identify common areas to better inform fraud detection. For example, an increase in the amount of fraud can be detected by cross-verifying first information reports (FIR) filed by the claimant. This would help to dynamically change the fraud detection process, starting by verifying the FIR of the claimant as an initial step in further investigations.

- **Rise in fraud from a particular geography**: Analyze if there is any increase in the number of fraud claims from clients belonging to a particular geography. This would raise a red flag for the adjustor, when the next claim arrives from that geography.

Figures 4 and 5 illustrate how social listening tools can capture and analyze unstructured and structured data from both the enterprise system and the collaborative platform.

Similar to what is detailed in the investigation/fraud detection process shown in Figures 4 and 5, the social software platform can be extended to incorporate the following claims management sub-processes:

- General investigation, damage processing and liability evaluation.
- General investigation and injury tracking.
- Negotiations and litigation management.
- Claims conclusion.

**Benefits of Social Software Integration**

The benefits that insurers can derive from such an implementation in a claims process include:

- **Increase operational efficiency**: As highlighted in the fraud detection example, greater
Collaboration can reduce the turnaround time of the claims process and ensure faster processing. Increased collaboration will lead to a reduction in redundant tasks and faster knowledge transfer. For example, posting activity updates on a collaborative platform will ensure that everyone in the team is in sync on case activities. Everyone is aware who is doing what, thus eliminating duplicate efforts. This reduces time spent on e-mails, status updates and other such activities, resulting in increased efficiency and productivity improvements.

- **Build knowledge repository:** Claims management is a judgment-oriented work that is highly reliant on individual expertise and experience. A common collaborative platform will create a knowledge base that is accessible to a larger audience, enabling faster decision-making. For example, take a claim processed by a senior investigator that experienced exceptions. These exceptions will be captured via the collaboration between the adjustor and the investigator. This can then serve as a good case reference for similar future exceptions and can be accessed by junior investigators. Similar knowledge repositories are built for case handling in support processes of various industries.

- **Process agility benefits:**
  
  As complexity and exceptions in a claim increase, the expertise and judgment of the stakeholder handling the claim becomes more crucial. Since the claims process can vary on a case-by-case basis, a standardized and automated process can constrain faster resolution of a complex claim. Such a constraint can be overcome by encouraging expert stakeholder collaboration at an early stage to mutually agree on exceptions, and on the best possible way to handle a complex claim. This approach makes the claims process more agile and adaptable to the business needs of the insurer.

As a social listening solution monitors knowledge exchanges in exception processing, it can inform analysis and interpretation of a new repetitive sub-process within the claims process. Doing so will enable the insurer to quickly adapt its core process and originating system of record, thereby responding to customers’ changing patterns.

- **Provide a true view of the process:** Integration of any enterprise suite with social software will enable an organization to monitor activities that take place outside the system, and thus
incorporate the same in calculating the metrics for process efficiency and effectiveness. This ensures that such unaccounted but critical activities are being monitored and can thus undergo business process analysis and optimization to increase their effectiveness.

• **Reduce hidden costs**: As a core process becomes laden with unstructured and manual activities, there is an increase in hidden costs in the form of redundant efforts, poor decision-making, increased time for decision-making and unbalanced workloads due to poor visibility. Using collaboration software with an enterprise application will ensure a reduction in these hidden costs, as discussed in the fraud detection example.

By integrating social software with an enterprise application, the claims management function will enable the enterprise application to handle and account for supporting processes along with the standardized process as elaborated on above. Social software, by its inherent characteristics and ability to handle unstructured data and activity, will introduce agility into claims processing. Thus, insurers can guarantee a better customer experience with faster claims processing, which should increase the organization’s bottom line performance.

**The Way Forward**

Insurers need to understand the change in behavior and demands of various stakeholders with the advent of social technology. Social software can be embraced across stakeholders and processes to advance business goals, strengthen stakeholder understanding and adapt to the changing business environment. Insurers that want to remain relevant are experimenting with various social platforms, often in an ad hoc fashion.

One thing is clear: Organizations that treat social as a stand-alone avenue for communication will find themselves deep into social technology myopia. To overcome this, insurers must focus on business objectives and aligning business goals with social technology initiatives. For example, will social technology help enable better knowledge management and collaboration across the organization? If yes, who are the target stakeholders and what are the processes of this initiative—customers, employees, executives, vendors, agents, the fraud management process, investigation process, etc? Are these processes/people sufficiently mature to go social? Other relevant questions include the following: What will be the change required? How will the transition/transformation be governed? How will the organization gauge the improvement in collaboration? What metrics will be used to determine success or failure of the initiative? What will be the process to incorporate timely checks and feedback in the implementation?

**References**

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