

## Getting the Most Out of Claims

*This is our third letter on what companies can do to become more competitive in today's economic environment. It focuses on the claims operations in P&C and Medical insurance companies.*

Most property casualty and medical insurance companies are paying at least 10% too much for claims and getting nothing for it. Customers don't understand they are receiving this gift and therefore do not appreciate it. And it does nothing to improve customer satisfaction. On the other hand, customers do understand and pay attention to the price they pay for their insurance. This extra cost increases their premiums and causes companies to lose current customers, new sales and market share . . . and it is unnecessary.

How can this be true in the face of all of the new technology that companies have installed that is meant to backstop and assist their adjusters? It is because most of these solutions rarely get to the core of the problem: the fundamental way you adjudicate claims. Instead, they usually only help in an incremental manner, resulting in low single digit improvement at best. You can see this most clearly when you look at the three to five year or even longer amortization schedules for most of these systems.

The basic problem is that most companies have been nibbling around the edges of the real problem. They bought technology to add to what they have always been doing. The result has been only incremental improvement. The better solution is to dissect the way you pay claims at a desktop level, ensure key decision points are identified and then redesign the work to ensure the best result at each stage in a claim's development. This means redesigning and realigning tasks properly, triaging work properly using Pareto's Law and ensuring everyone is accountable for their results using appropriate metrics. Going through this process will create the following results in most companies:

- Improved bottom line results -- the biggest impact is a lower loss ratio from reduced claims payouts. There may be some staff and process efficiencies but this isn't the primary focus of the effort. The result is usually at least a 10% reduction in overall claims payout, sometimes higher.
- Enhanced customer service -- from better and faster communication and decision-making.
- Improved employee morale -- as tasks are redesigned and individual skills are better matched to jobs, competency increases and cycle times shrink. Work goes quickly to key decision-makers who are accountable for their results. Morale improves with success.

The goal of this effort is to look for ways to pay valid claims, timely and accurately. This ensures the company pays every dollar it owes -- and not a penny more or less. This process works well in either a functional or multi-functional team environment.

Is your company a candidate for this type of project? The only way to know is to have a claims expert do an analysis for you. Our firm has perfected this approach and we routinely do a three day analyses of claim operations to answer this question. There's no downside to having this done and the benefit can be huge. If you would benefit from this type of change effort, the facts will be obvious and you will probably want to make the changes we suggest. If not, you'll have the satisfaction of knowing you have an excellent claims operation and you don't need to change.

Please call me to set up an appointment or talk about our past successes in this area. Also, please visit our website at [McDonaldConsultingGroup.com](http://McDonaldConsultingGroup.com), where you'll find further explanations of these ideas (and other exciting ideas) in our Concepts and Ideas section.