Insurance Operations

Property and Casualty Insurance

Implementing Lean Insurance Claims

Situation – Reduce the Claims Loss Ratio and Claims Handling Costs

The questions from the security analysts were spot on, uncomfortable and relentless. "Yes, storms increased every company’s catastrophic losses. But how much progress have you made on improving your company’s ability to reduce loss payouts? Like auto claims?" The P&C division struggled to meet the peer average. The internal operations consulting team used conventional cost reduction to cut administrative expense. But everyone realized that lean management techniques were needed to reduce the loss ratio in insurance payouts. Last year, management promised that a new work flow technology would result in successfully reducing insurance operating costs and lower payouts for claims. That’s what the analyst was asking about now. No progress.

Client Description, Project Scope, Objectives

Management needed an accelerated cost of claims control strategy. The Lab’s database of non-technology, lean insurance templates provided a guaranteed option. In seven months, the loss payout gap with peers was cut in half. It would reach parity before year end. The templates helped knowledge work employees increase productivity by 30 percent. Half of this capacity was taken in the form of claim administration expense reduction. The remainder was redeployed in the business. This leading U.S.-based, multi-line insurer ranked in the Top 5 in the Property & Casualty segment, based on size. More than 5,000 employees in three centers serviced all aspects of customers’ auto and home policies.

Implementation began with a 7-week, Phase I analysis of the P&C division. This generated a guaranteed, self-funding Phase II implementation work plan. Implementation was complete within 7 months.

Claims Handling Best Practices – Implementation Examples

The Lab implemented 300 non-technology claims handling best practices. Examples:

- Standardized Claims Submission — Over half of all inbound claims arrived with insufficient or inaccurate information. The Lab implemented process standardization for claims submission. This improved operational efficiency and reduced claims handling costs by eliminating 80 percent of customer follow-ups.

- Reduced Claims Escalations — First notice of loss (FNOL) adjusters lacked simple guidelines for escalating coverage queries. Roughly 70 percent of escalations were avoidable. The Lab implemented job aids based on lean standard work guidelines. Daily productivity measurement ensured that avoidable escalations were virtually eliminated.

- Improved Customer Satisfaction — Surveys rated customer satisfaction far behind peers at 5 of 10. Most customer frustration resulted from a lack of process standardization among the operations teams: delays in estimates, inconsistent settlement details and repair policies. Roughly two dozen insurance claims management best practices streamlined operational activities that improved satisfaction. Customer contact points were centralized and communications were standardized.