

Cybersettle makes a strong case for a new kind of collaboration in the dispute resolution space.

Overview

■ Challenge

Insurance settlement disputes hurt both defendants and claimants. Still, the need to preserve bargaining leverage has kept the resolution cycle long—and very costly for insurers.

■ Why Become an

On Demand Business?

Streamlining and simplifying the claims resolution process enables insurance companies to transform their claims processes and optimize their legal and administrative resources.

■ Solution

Cybersettle combined its patented, breakthrough process with IBM's technology to offer a Web-based settlement negotiation solution.

■ Key Benefits

- US\$1.2B in claims settled
- Average reduction in claims cycle of four to six months

» On Demand Business defined

An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat.



Based in White Plains, NY, Cybersettle is the inventor of the online, double-blind bid system of dispute resolution. Its expedited process allows parties to resolve a wide range of claims quickly and confidentially.

As everyone knows, there's a flood of civil litigation in the U.S. The fact that it clogs the court system, costs the economy uncounted billions and raises the cost of all kinds of insurance has triggered a call for reform of the "system." In many cases, however, both parties—claimants and trial lawyers on one side and insurance claims professionals on the other—have a similar sense of the monetary outcome of their case.

“IBM’s service delivery capabilities have been a perfect mesh with our business model. It has enabled us to fully capitalize on the power of our process.”

— Charles Brofman, President and CEO, Cybersettle

On Demand Business Benefits

- US\$1.2B in claims settled
- Average reduction in claims cycle of four to six months
- US\$1.6 million in litigation and related costs savings (New York City Comptroller's Office) in the first year of deployment
- 85 percent reduction in settlement cycle time (New York City Comptroller's Office)
- Improved customer retention
- Improved combined ratio (loss ratio plus expense ratio) for insurance carriers

“By dramatically improving our productivity, Cybersettle has given us an advantage in the marketplace. It’s helped us retain some very important customers.”

— Steve Hunckler, Claims Manager at CNA Insurance

This notwithstanding, there’s the strong tendency to follow the standard script, with claimants aiming high, claims professionals aiming low and the chasm between them wide. What keeps this cycle in motion is the unwillingness of both parties to put forth offers early on and thereby risk undercutting their leverage.

Finding common ground

Put simply, the longer cases take to resolve, the greater the pain on both sides. In adjudicating claims, for example, insurance companies annually run up billions of dollars in administrative costs alone, in addition to legal fees related to depositions, expert witnesses, travel and the like. In the end, it’s a question of resource efficiency, believes Steve Hunckler, Claims Manager at Chicago-based CNA, one of the largest providers of commercial and property and casualty insurance in the U.S. “The more counsel time we tie up with stalled cases that can be settled, the less we can focus on those cases that need to go to trial,” says Hunckler. “Long backlogs of unsettled cases also hold down the productivity of our claims staff, which in turn raises our costs.” On the claimant side, dragged-out cases mean not only higher legal costs but also a longer wait—sometimes years—to receive payment.

To break this logjam, a small company named Cybersettle (www.cybersettle.com) developed a mechanism—indeed, a disruptive process—that enabled the floating of settlement offers without the fear of losing leverage. In a patented process known as “double-blind bidding,” both sides submit their highest (defendant) and lowest (claimant) acceptable figures that remain invisible to the opposing side, thus shielding their respective positions. If the two ranges overlap, a settlement is declared, with the amount being the split difference. If not, the parties can submit amounts in additional rounds until the process is concluded with or without settlement.

This process shows that breakthroughs don’t need to be complex to change the nature of the game. Delivered over a hosted, IBM System x™ platform (chosen for its superior scalability, manageability and cost-efficiency), Cybersettle’s Web-based alternative dispute resolution service has already begun to make a real difference in the insurance claims processing space. Since its founding, Cybersettle has settled roughly US\$1.2B in claims and, in the process, has reduced the average claims cycle by an average of four to six months. The New York City Comptroller’s Office, which has used the service

since 2004 to settle bodily injury claims, has saved the city US\$11.6 million in litigation and other related costs by reducing its cycle time by 85 percent in its first year. Its two-year savings are expected to reach US\$24.4 million. CNA's Hunckler reports similar benefits, with demonstrable results on the bottom line. "By dramatically raising our productivity, Cybersettle has improved our combined ratio and given us an advantage in the insurance marketplace," says Hunckler. "It's helped us retain some very important customers."

Cybersettle's choice of IBM to host its solution represents a strategic choice on two levels. First and most basic, explains Charles Brofman, President and CEO, was the strong fit with Cybersettle's business model. "A lot of the strength of our business is in the way our breakthrough process is complemented by the reliability, scalability and cost-effectiveness of IBM's hosting technology," says Brofman. "We consider IBM's world-class platform to be our key enabling technology. The fact that we can always count on IBM's technology as the foundation of our offering gives us the assurance that we can grow unimpeded and keep our focus on improving our service."

Sowing the seeds for broader transformation

In the same way IBM's outsourced hosting solution is the enabling technology for Cybersettle's service, the service itself has the potential to be the core of insurance company transformation efforts. This underscores the second strategic reason why Cybersettle opted to deploy its service using an outsourced model—to facilitate its delivery in the context of a broader redesign of the claims settlement process for insurance companies. Thus far, insurance customers have used Cybersettle as a point solution, with little or no integration with or redesign of their core processes. While the returns gained from this model have been impressive, insurance companies stand to create even more value by working with IBM to integrate Cybersettle's core functionality within an environment of more systemically transformed processes. Examples include legal and medical document workflows, document management and claims-related collaboration. Two important factors support this strategy. The first is IBM's expertise—through IBM Global Business Services—in transforming and integrating processes. The second is the solution's stable track record of generating solid results, which can provide insurance companies with a strong basis on which to base the business case for transforming and integrating their processes with the Cybersettle solution.

Key Components

Servers

- IBM System x

Services

- IBM Global Technology Services
e-business Hosting™ Services

Time frame

- Deployment: 6 months
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Why it matters

Cybersettle's dispute resolution offering is a "disruptive" solution that breaks the settlement logjam. Through a combination of IBM's enabling technology and its own patented process, Cybersettle has played an important role in claims process transformation efforts in a number of insurance companies. Leveraging the inherent flexibility of the solution, Cybersettle aims to adapt it to new markets such as tax dispute resolution.

Importantly, though, the applicability of Cybersettle's process breakthrough doesn't stop at claims settlement. It applies anywhere parties need an unbiased process for finding common financial ground in negotiations and where existing processes are lengthy, labor-intensive and bureaucratic. Potential examples include the resolution of tax disputes, health insurance and workman's compensation claims—even parking tickets. By delivering its service as a scalable, reliable IBM hosted solution, delivered on demand, Cybersettle enables its customers to focus on their core competencies and provides a key building block to broader process transformations. Looking at the success of his company, Brofman sees a critical link between its new breed of settlement processes and the technology needed to deliver them. "IBM's on demand service delivery has been a perfect mesh with our business model," says Brofman. "It has enabled us to fully capitalize on the power of our process."

For more information

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