



**- Insurance Processes -**

**Using Business Process Automation &  
Management to reduce costs and drive  
customer service excellence**

## I Introduction

Insurance companies are continually seeking ways to increase customer responsiveness and satisfaction, whilst simultaneously trying to reduce the costs and risks associated with their day-to-day business operations.

One area that can have significant associated costs is the receipting and handling of inbound documents such as policy applications, claims notifications and customer information changes all of which need to be manually handled, have their information entered into the relevant business application, are often reprinted or re-keyed several times, then need to be sent off site for costly archiving long after their immediate functional requirements have been finalised.

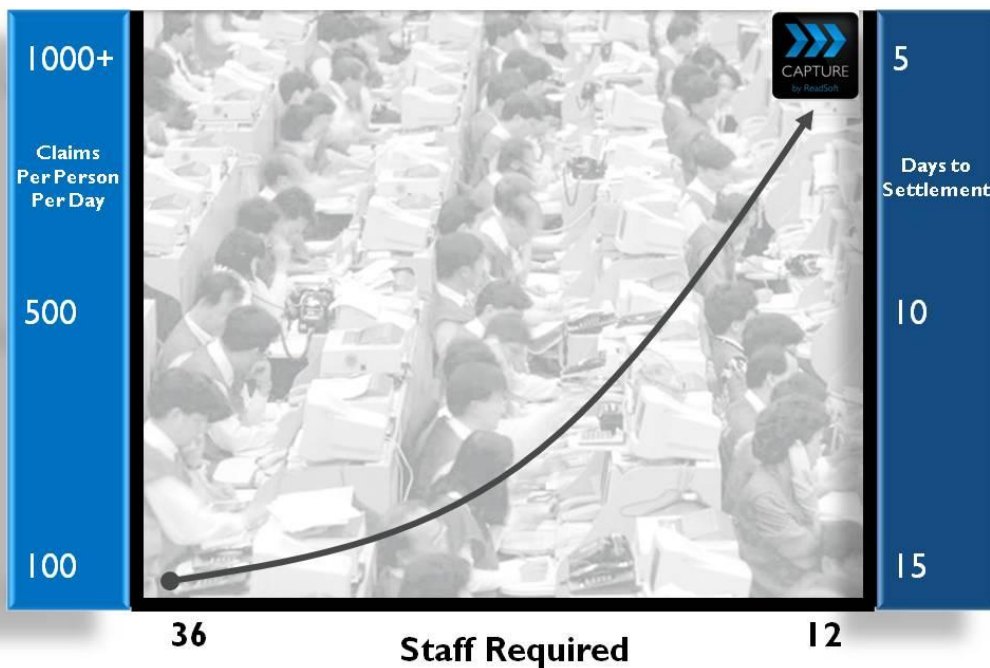
“Our objective was to find an automated solution for handling both the volume of claims received on a daily basis and reduce processing time”

Patrick Shearman  
GM Information Management  
HCF

Is it possible to reduce the cost of processing these types of documents whilst improving customer satisfaction? Is it possible to reduce the risk of leakage or fraud and still reduce the time it takes to perform customer facing tasks?

By introducing Business Process Automation & Management (BPAM), insurers are able to attain massive savings on the processing of inbound documentation, whilst at the same time greatly improving overall customer responsiveness and security.

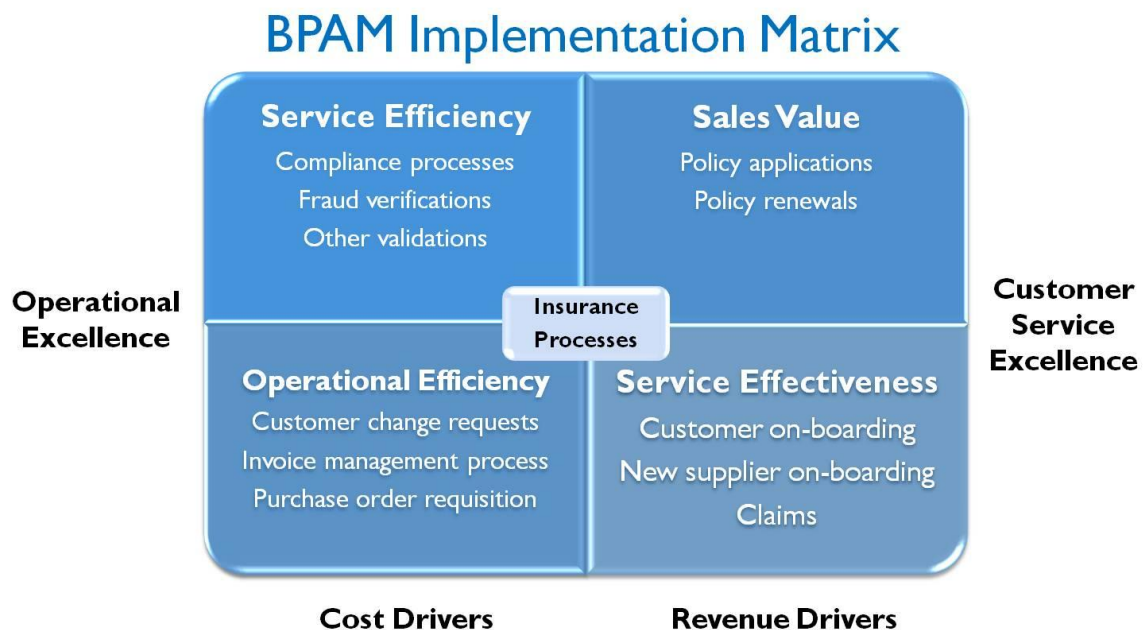
The chart below plots the journey of one of Australia’s leading insurers as they introduced BPAM to their claims management process. Along the way, they were able to reduce their settlement time from 15 days to 5, whilst also being able to significantly reduce the cost of processing the claims.



Actual ReadSoft Insurance Customer - Automated Claims Document Capture

## 2 Business Processes

Business processes may vary from one organisation to another, as do policies and products, yet the fundamental business process requirements are constant throughout the insurance industry. Achieving the balance between delivering world class customer service and efficient operations is as important as driving revenue and keeping costs under control. For these reasons, key processes within the insurance industry offer ROI opportunities for their automation suitability.



### 2.1 Driving Revenues through Customer Service Excellence

The above matrix looks at some of the business processes which companies usually choose to automate in the first stages of a phased implementation. These initial choices vary from company to company and certainly from industry to industry as well, depending which business factors are most important to them.

Within the Insurance industry, the customers' perception of 'good service' is quite often the deciding factor for which product or company they choose to spend their money with. If you were able to offer a customer the product they need before your competitors, you are more likely to get their business.

Customer service excellence is also key when it comes time for policy renewals. If during a policy lifecycle they are forced to make a claim, their direct experience of the claim process will dictate whether or not they will continue to place their business with you. If the claim process is swift and the customer kept informed, the likelihood is not just that they will renew their policy, but that their friends and family will hear of the positive experience and become potential customers as well.

To maximize the value of implementing a BPAM solution, most organisations start with the processes which will deliver the highest ROI. Customer service processes such as claims management or policy applications are usually the first adopted as they tend to pay for themselves in a matter of months.

## 3 Process Automation

Claims and policy applications both rely traditionally on paper driven processes, which by inherent design have limited room for improvement. World class organisations are changing the rules by digitizing the paper content and re-engineering their processes to take advantage of the rapid, accurate and cost effective alternatives these produce.

Business processes that require the distribution of paper or documents become prime candidates for automation and the possibility for Straight Through Processing (STP), a process which can be completed without the need for any human intervention. The cost benefits as a result of introducing STP's can include staff reductions or redeployment well above 50% as has already been seen within the Australian insurance industry.

### **Example - Claims**

A good process to look at for automation is the insurance claims process. The majority of insurance claims, regardless of what they may be for, are quite similar in their stages:

- a. **First Notice of Loss (FNOL) / Claim** - The first step is to report a "Notice of Loss" or "Report of Injury". A document, phone call, fax or other method can be used to initiate this first step. In most cases an 'insurance claim form' is used, with distinct attributes like a case- or policy number. Once a FNOL is received, a check is done to see if the claimant has a valid policy for the claim that is being made. This is usually a quick electronic lookup and is quite often an existing automated process.
- b. **Claims Handler / Loss Adjuster** – Once a claim has undergone policy verification, it is allocated to a claims handler for investigation to ensure the details of the claim are valid. Most claims management systems at this stage will automatically instigate duplicate and fraud management checks and start the allocation of capital reserves against the claim. In some cases, a Business Rules Management System (BRMS) such as IBM's iLOG will be consulted to see whether a quick settlement can be applied.
- c. **Claim Investigation** – the claims handler will initiate any correspondence with the claimant and third parties as required. Reserves will be adjusted as part payments are made and any potential costs or savings are unearthed.
- d. **Settlement** – If the claim is successful the claimant is paid. The final stage is investigating whether the underwriter is able to recover any funds from third parties under subrogation clauses. Regardless of the outcome of the claim, relevant paperwork is usually kept at an off-site document storage facility as required by regulation or policy.

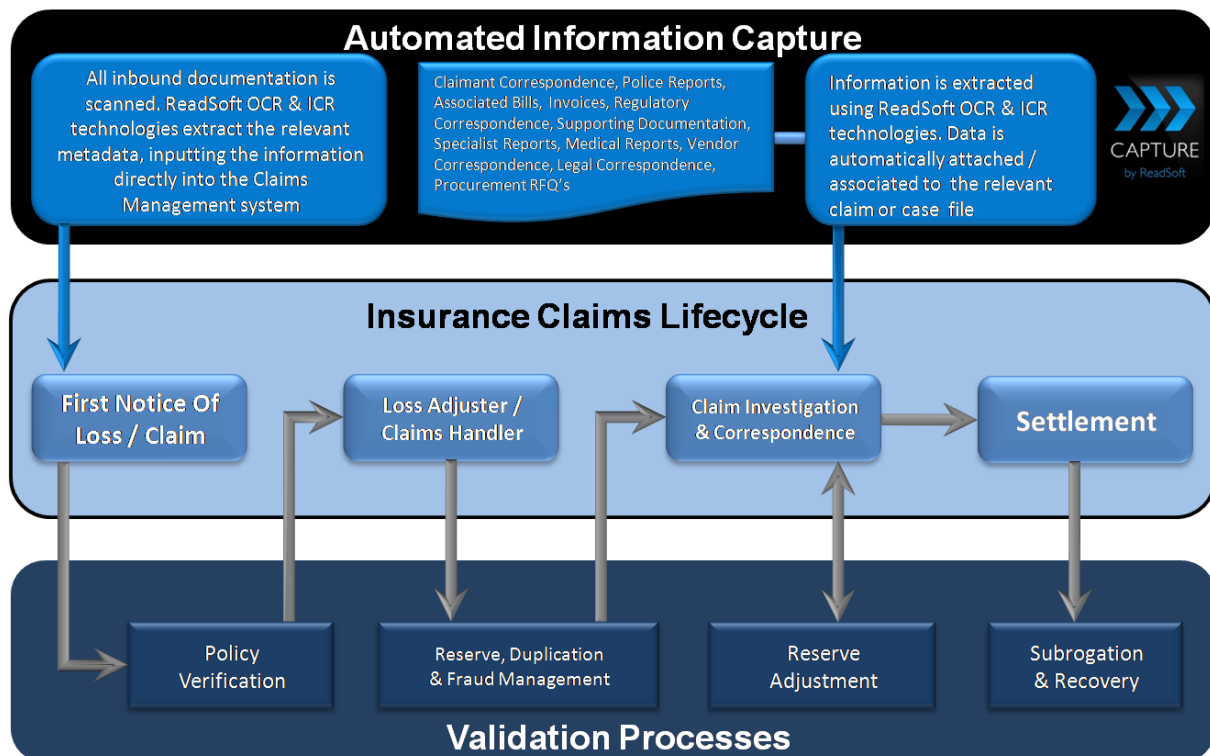
As with many business processes relying on information flow, insurance claims handling is traditionally based on paper and manual handling. Why is it still like this in the 21<sup>st</sup> century?

Paper is slow and prone to getting lost, staff members get sick and claimants get paid twice – why? Whether it's as part of the initial FNOL or the claim investigation correspondence, why does information need to be manually entered into claims management systems from any source? Whether it's from web pages, fax, email, image or regular post, the manual entry of information into any business process is time consuming, expensive and is often prone to unnecessary errors.

## How and where can automation improve the claims process?

An ideal automated solution would involve the capturing of information from all inbound documents and correspondence entering an organisation and electronically extracting the information from them. This information can then be entered automatically and directly into the relevant business process workflow, such as the claims management system, bypassing the need for costly human intervention. Then when additional information relating to an existing claim is received, it can automatically be extracted and attached to the relevant claim file.

## Automated Claims Process Diagram



In addition to the capture component, workflow and archiving technologies can be configured against defined business rules to further enhance the automation process. ReadSoft and IBM have partnered to provide insurers with a best practice Straight Through Processing claims automation solution offering substantial improvements to customer responsiveness and much lower operating costs.

## Improvements Realised with Automation

One of Australia's most reputable insurers applied inbound document automation and a BRMS to their claims handling process and within twelve months experienced dramatic results, including:

- A 60% reduction in the number of full time employees required to handle inbound claims
- Their average settlement time reduced from 15 days to 5 days
- A 15% annual growth rate, without the need to increase staff
- All claims reached the appointed loss adjuster the same day
- Cost savings exceeding \$1.2 million

## 4 BPAM

Confusion often exists regarding the terminologies and processes used with Business Process Automation (BPA) and how it may differ or compare to Business Process Management (BPM). Given the similarity in terminology it is not surprising that many would believe them to be closely related, if not identical. However, to experts in these areas they carry very distinct meanings, even if they are ultimately complementary concepts.

**BPM** asserts that before any process can be automated, it is necessary to define (often at a very strategic level) all the business processes running inside an organisation. From this the processes can be re-defined and where necessary optimised, including automation.

**BPA** states that until a process is automated, there is no real value in analysing and defining it, and that the cycle of business change is so rapid that there simply isn't time to define every process before choosing which ones to address with automation, and that delivering immediate benefits creates more value.

ReadSoft takes a more balanced approach with Business Process Automation and Management (BPAM). **BPAM** combines the best of both worlds, believing that detailed business process analysis is as vital as providing a rapidly adaptable solution which will be flexible enough to quickly update as business requirements dictate.

## 5 BPAM Technologies

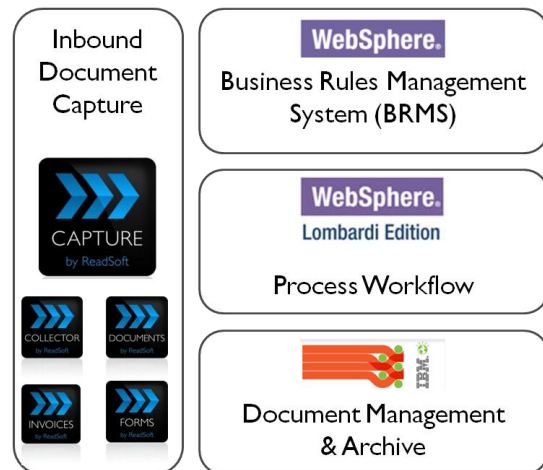
To ensure the best possible performance and ROI outcome from any BPAM implementation, it is recommended to ensure that best of breed technologies are utilised in the delivery of any solution.

Since the early 1990's, ReadSoft have been leading the world in BPAM technologies. The ReadSoft suite of software products has formed the foundation for each specific business process and customer solution. Whatever the foundations of a business process, from the latest web form and email to the tried and tested paper document, ReadSoft has the capability to initiate the BPAM lifecycle.

ReadSoft partners with other world class technology organisations such as IBM, to deliver the complete, best practice BPAM solution.

These partnerships, together with our two decades of expertise with document driven processes, we will ensure the right combination of technologies for your solution.

"Automating a bad business process doesn't actually make things better – it just means that bad things happen faster".



## 6 About ReadSoft

Established in 1991, and listed in Sweden, ReadSoft pioneered technology for invoice processing and was first to achieve accounts payable automation certifications for SAP and Oracle. ReadSoft is now a global market leader in BPAM and is proud to have the largest and most innovative development team in the industry, with professional services to assist customers globally.

More than 5,000 customers including Caltex, Rio Tinto, Intel, HSBC, ING, Siemens, HCF, Kellogg's and Orica have chosen ReadSoft. And since 1998 we have successfully built a highly experienced, market leading Australian team of process automation experts to serve our customers and to assist you with a review of your paper driven processes.

With offices in 16 countries and partners in an additional 70, ReadSoft has the most extensive support network in the business.



*"Since day one we have been fighting repetitive, monotonous — and, yes, expensive—manual office routines. A large number of companies seem to think we are doing all right. They now all enjoy fast, cost efficient, work-saving processes.*

*Some call it the ReadSoft effect. Get in touch, and we'll show you what it means".*

Jan Andersson  
ReadSoft CEO and co-founder

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