Benchmarking Claims Management Performance

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Scope of Presentation

1. Elements of Best Practice

2. Measuring Performance

3. Benchmarking Performance

4. Impact on Outcomes

Introduction

- Our assumption is that we all want to strive for "Best Practice"
- Productivity Commission in 2002, concluded it could not identify a single notion of "best practice" claims management
- Claims Branches often treated as a cost centre
- Finity has developed its concept of best practice based on
  - ► Our work with Australian & International Insurers and many Government schemes
    - Forensic and best practice claims file reviews
    - Detailed reviews of insurance operations
    - Development/review of claims management strategies and insurance business models

Key Elements of Best Practice Claims Management

- Claims Management Model
- Early Claims Reporting
- Triage and Segmentation
- Timely Effective Communication
- Proactive Management
- Identify Outliers
- Adequate and Skilled Resourcing
- Provider Management
- Systems

Details of each element will of course vary by the class of business

Claims Management Model

- Articulating and documenting your company's approach to claims management

- Providing guidance, direction and an overarching framework for claims staff

- (**Not a claims manual**)

- Claim management focused on outcomes and delivering to the company's bottom line (not a cost centre)

- Documenting expected claims outcomes and performance standards for claims staff

- Key basis for training / inducting new claims staff

Early Claims Reporting

- Early reporting critical – you can't manage claims if you don't know about them

- Numerous studies show average claims costs increase with reporting delay

- Claims with long reporting delays often have entrenched negative situations

- Timely reporting promoted to frontline staff, policyholders and brokers

- Systems in place to facilitate reporting

Triage & Segmentation

- Claims vary considerably in complexity and severity from minor straight forward claims to large complex matters

- Claims cannot be treated equally if you want to get the best outcomes

- Resources need to be allocated according to the complexity & severity of the claims to get the best outcomes

Timely Effective Communication

- Communication is key to influencing & managing claims outcomes
- Early contact with claimant is important for
  - ► aligning expectations
  - ► identifying and resolving issues before they become entrenched
- Use simple, clear language
- Systematic approach to communication
- Critical for avoiding litigation, minimising fraud, claims escalation and long term claims

Proactive Management

- Target outcome defined as part of claims management strategy for each significant claim
- Actively managing claims to the desired (and defined & known) target outcome
- Deliver on your obligations & promises
- Hold claimants and service providers to theirs
- Establish systems to ensure timely actions

Outlying Claims

- Identify claims not progressing to targeted outcomes, particularly "claims that have fallen through the cracks" and at risk of:
  - ► Becoming Disputed / Litigated
  - ► Being Over-budget / Delayed
  - ► Exceeding the expected cost
- Adjust claims management accordingly, including
  - ► Revising strategy
  - ► Adjusting resourcing
  - ► Consider use of service providers
- Continuous sweeps for outliers

Resourcing

File Loads

- Claims function must be adequately resourced to achieve the desired outcome
- Establish target file loads for claims staff (analytically or using benchmarks)
- Manage these 'targets' sensibly and regularly monitor outcomes

Staff Capability

- Claims staff need to have the skills and capability to manage the parties involved to the desired outcome
- Performance needs to be monitored against outcomes

Provider Management

Procurement

- Provider panel selection procedure

- Performance focused contract – outcome based fees

- All providers should have clearly defined objectives, target outcomes and service level agreements (SLAs) in place

Management

- Provider should be tightly managed by the Claims Officer to the SLA

- Provider performance monitored against SLA and outcomes

- It is critical that responsibility & control is retained by the Claims Officer

- Specialist tasks should be allocated to providers were they can add value but not the overall responsibility – this stays with the Claims Officer (critical)

Claims Systems

- Good claims management systems <u>can</u> enhance efficiency & effectiveness

- Most classes have specialist requirements

- Systems need to be specifically designed to service **your** claims model

- Leadings systems deliver

  - ► Decision support

  - ► Process / Workflow support

  - ► Interconnectivity with key providers

Measuring Performance

- Understanding performance needs measurement & assessment

- In some cases simple quantitative measures are sufficient (but are not always done)

- More often performance is complex & can only be measured using both quantitative and qualitative assessments, often using multiple measures

  - ► Eg file reviews

- Lets look at some examples

Measuring Claim Reporting

Simple quantitative measures

Measures =

Report Date – Date of Loss

Time of report – Time policyholder first aware

Monitor average and median delay

Measuring Resourcing

- Simple to measure resource levels quantitatively

Measure =

$$\frac{\text{Open claims numbers}}{\text{FTE claims staff numbers}}$$

- But equally important to assess the quality of the staff
  - ▶ Best measured based on outcomes.

Measuring Proactive Management

- Simple to develop quantitative measures for timeliness of key tasks, eg
    - ► Decisions on indemnity and liability
    - ► Appointment of service providers

- More important that the decisions are appropriate, consistent with your claims management strategy and conveyed properly to the parties
- Again these must be assessed qualitatively – files reviews for a sample of claims

Benchmarking Performance

- External benchmarks
  - ► Your performance relative to identified best practice attributes
    - From research or someone who has done the research
    - Best practice is not static

- Internal benchmarks
  - ► Portfolio segment performance relative to portfolio average, eg:
    - Claims team / branch
    - Claims officer
    - Broker / service provider
    - Major clients
  - ► Monitor trends over time

Benchmarking Claim Reporting

Loss Date to Report Date

- Benchmarks

    Property   1 Day

    Liability   2 Days

Time Policyholder aware to Time of Report

- Benchmarks

    Property   < 12 hours

    Liability   24 hours

Benchmarking Resourcing

Case Loads

- Benchmarks

    Property   200 – 250 files

    Liability   80 – 150 files

- Range covers different claims management models (eg extent of use of external providers)
- Need to consider the appropriate benchmark for your model

Benchmarking Proactive Management

- Regular file review of sample from each claims officer (at least quarterly)
- Review undertaken by experienced senior claims officer (but ideally not the claims officer's team leader)
- Qualitative assessment of key decisions and actions in the context of
  - ► Your claims management model
  - ► Agreed performance standards
  - ► Provider SLAs
  - ► Expected outcomes for the claim
- Results tabulated, feedback to claims staff, tracked over time and a key component of staff performance assessment

Impact of Best Practice on Outcomes

- Overall company results are predominantly driven by claims costs
  - ► A quantifiable and relatively quick impact
- Delivering a best practice claims management model costs more in claims handling expenses

But

- It has been shown to produce substantial savings in claims costs
  - ► We have often seen examples of better practices delivering claims costs savings of 15% - 25%
- Claims cost savings will substantially outweigh increases in expenses (cost benefit studies)

In Summary

- **Have a claims management model** that has executive buy-in and is well understood by the claims staff
- **Have a proactive not a reactive culture** and positively manage claims
  - ► Reporting, segmentation, communication, outcome driven
- As with all things in insurance, **it is people that make the difference**
  - ► Skill development, manage case loads, qualitatively assess individuals case loads
- To tie it all together **Measure and Monitor**