



Agile claims supply chains

**Building an ecosystem of
strategic partners**

Claims transformation

One of a series of seven insightful and instructive articles that examine a set of interconnected themes and trends that are expected to drive the traditional claims function into a new future of customer-centric, digitally-enabled, value-driven service and efficiency.

KPMG in Belgium

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While the claims function is a strategic and significant asset for today's insurance organizations, the level of insight and impact that claims can bring to the wider organization is typically underutilized. The claims supply chain is a critical component of the end-to-end claims journey whose costs can represent as much as 80 percent of total indemnity spend.¹ The journey into the future will require strategic initiatives that transform the traditional claims function to improve end-to-end performance, efficiency and value. Supply chain is one of the seven forces that are transforming the claims function and is explored further in this article.

The traditional claims landscape — characterized by manual and opaque processes among claims handlers, supply-chain partners and policyholders — is evolving. Insurers are seizing the opportunity for progress, redesigning claims supply chains to use game-changing digital technology, align supplier and insurer values, increase collaboration and agility, enhance client centricity and optimize efficiency.

An automated, streamlined, secure claims ecosystem can help enable faster, more cost effective, handling of claims while delivering a better client experience. In our view, strategic supply-chain evolution requires:

- 1 digital technology to transform end-to-end supply-chain management
- 2 deeper supplier relationships and strategic partnerships
- 3 ESG-focused supply chains
- 4 new suppliers and capabilities that unlock innovation and enhance value
- 5 rethinking the 'build, buy or partner' question for optimal performance

The power of digital gains a sharp new focus

While headwinds have buffeted the global insurance industry in recent years, COVID-19 is providing the catalyst insurers have needed to accelerate transformational change.² Eighty-five percent of insurance CEOs agree that the pandemic has accelerated business digitization and the creation of next-generation operating models. Nearly 80 percent also said the pandemic has fueled progress toward a seamless client experience.³

A common pain point in claims is the opaque nature of supply-chain activity. Traditionally, each party — client broker, insurer and supplier — possesses a separate view and record of each claim. Clients often don't know where the claim sits, what will happen next and when — making communications a leading cause of client complaints.

Brokers, meanwhile, can also endure time-wasting efforts to track claims status updates or manage clients' claims-service delays. For insurers, the lack of fast, accurate and reliable visibility into the claims lifecycle and supplier actions can result in delays, higher costs, damaged insurer-supplier relationships and client dissatisfaction.

Ultimately, 'If you cannot see it, you cannot manage it, no one has an end-to-end view.' Fortunately, digital technology is unlocking new capabilities for a single timely view of each claim, with secure access provided across the spectrum of clients suppliers and insurers. Digital solutions are giving insurers a new window into the claims journey and its efficient management, including improved workflow, the use of data and analytics to track claims, and updates to clients during the claims lifecycle.

In our view, transformational change must be executed with a holistic view, tying together end-to-end across claims, and integrating the organization's capabilities and systems with its client touchpoints. It means crossing boundaries, tearing down walls, combining silos in order to have a single digital record available for everyone without the need for a specific technology.

Maximizing the value of relationships

Many insurers traditionally depend on their procurement teams to organize and manage suppliers to the claims function. While common practice, this reduces visibility into the supply chain's end-to-end performance and efficiency. When coupled with broader complexities involving diverse geographies, services or product offerings, disjointed and inefficient approaches impair the insurer's ability to maximize the value of key relationships.

Insurers are starting to address this in two ways. Firstly, by rationalizing supplier numbers so as to focus on trusted suppliers possessing relevant scale and expertise to meet today's ever-evolving needs. These suppliers can be integrated into modern digital claims platforms that reduce friction and improve the flow of data and information. We see many claims functions having integrated supplier instruction and invoicing functionality, but with further development required on integration that can help to enhance client experience and supplier performance management. Clients are more often than not left to call claims functions for updates on their repairs or the suppliers service without any automated notifications to provide these updates.

¹ Estimate based on the experience of KPMG professionals.

² Source: <https://home.kpmg/xx/en/home/insights/2020/11/the-covid-19-catalyst-insurers-race-to-digitize.html>

³ Ibid.

It's also commonplace for suppliers to be left to mark their own homework with claims functions having no data to assess performance against agreed SLAs and KPIs.

Secondly, insurers are establishing 'strategic partnership' teams that are responsible for top-tier suppliers. These teams focus on deepening relationships with suppliers and coordinating end-to-end services in ways that maximize the value of each partnership moving beyond a contract approach to a joint continuous improvement mindset.

Many insurers could need to develop a more precise, end-to-end view of their entire evolving supply chain and how each supplier is interacting with a claim at any given moment. This requires insurers to pivot their thinking, adopting a horizontal view throughout the claims organization and operating more collaboratively to improve claims outcomes. This will speed service, improve the client experience, reduce costs and optimize efficiency overall.

Keeping a clear view of the environment

Insurers are increasing their focus on sustainability in response to public expectations, and exploring how to enhance the claims function's role in enabling a more sustainable future.

There are, for example, obvious environmental impacts to consider and manage in areas such as materials sourced during claims to repair vehicles, homes and commercial buildings. Insurers will also be expected, where feasible, to establish local 'micro' supply chains that quickly and efficiently connect clients to local businesses and communities.

Insurers are also increasingly considering, the potential for reputational harm that unethical or illegal supplier practices could have on them. Questionable supplier behaviors and practices can reflect directly onto the insurer and harm the organization's reputation in the marketplace. Insurers are therefore looking to deepen their understanding of how their suppliers work and their commitment to upholding ethical practices, ESG policies and more. We explore the ESG force in more detail in our article [ESG in Claims: Visions, strategies and decision making for better outcomes](#).

Consideration is also being given to proactively supporting and enabling suppliers in ways that will enhance service and the overall strength of relationships. For example, are insurers focusing simply on securing preferable rates — or are they looking to ensure that suppliers they work with are paying employees fairly and providing appropriate services? Deeper and more-informed partnerships are the order of the day and critical to future success.

Insurers who become known for looking after their supply-chain partners and building relationships in line with their brand and reputation will likely feel the benefits of early competitive advantage among today's informed and values-driven clients.

Wanted: Innovative new suppliers

Innovative new suppliers who can rapidly enhance speed of service, create end-to-end claim visibility and launch powerful new digital solutions are gaining ground among insurers looking to reshape operations and efficiency. Forward-looking insurers are broadening their options

and looking beyond traditional suppliers in order to take advantage of different types of services and modern capabilities needed for future success. For example, leveraging the gig economy to deliver specific assessment services.

Suppliers who invest to extract maximum value from claims data and provide insights to improve claims management and risk selection will find themselves increasingly at the center of strategic partnerships with insurers.

Actionable insights derived from weather information, travel and navigation data, sensor technology, geospatial data and economic activity indicators — to name but a few — can be of great operational and strategic value, allowing insurers to better assess, manage, resolve and prevent claims.

For large commercial claims, cash settlements are more common as large clients typically prefer to use their own suppliers during a claim. To remain relevant to these clients, and retain sources of differentiation and value, commercial insurers should consider partnering with innovative suppliers to provide additional value-adding services beyond their traditional supply-chain players. For example, a partnership with Disaster Recovery as a Service providers (DRaaS) that allows an organization to back up its data and IT infrastructure in a third party cloud computing environment in the event of a disaster that shuts down an organization's physical site.

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Will you build, buy or partner?

In their efforts to enhance efficiency and competitiveness, more insurers are looking at their supply-chain partners to provide specific services that insurers choose not to perform in-house. These businesses are asking themselves:

- 1 Does owning this part of the value chain give us a competitive advantage?
- 2 Does this service contain a client 'moment of truth' that will influence satisfaction?
- 3 Are we more efficient at carrying out this service than the market?
- 4 Do we need in-house capability in case of business disruption that will affect supplier operations — for example climate or health-related emergencies?

Insurers who can move with agility to innovate their operating models — connecting to different suppliers and flexibly coordinating effective end-to-end value streams — will increasingly stand out. Achieving optimal approaches to decision making on the ‘build, buy or partner’ question will become key to success.

The future of the claims supply chain is digital

It’s clear that the claims supply chain is critical to the success of the claims functions and today’s insurers should be exploring how they can reimagine their supply chains to enable future success. Digital capabilities

will enhance efficiency, the client experience and the bottom line. Connected insurers are digitally enabled organizations. They are flexible and adopt new digital technologies across front, middle and back offices, with the long-term focus on reducing technical debt.

The choice of environmentally aware and active partners is also more important than ever in an increasingly informed and activist consumer marketplace. Deeper relationships with existing suppliers are required, while insurers can also benefit from the integration of new suppliers who have the ability to deliver a new breed of services that help drive competitive advantage.

Focus areas for a integrated supply chain

With supply chains critical to the future success of claims functions, insurers should be asking themselves how they shape up across these five key areas:

- 1 Invest in digitizing the supply chain.** Make use of technology to help create improved transparency throughout the supply chain and deliver a better, more efficient client experience.
- 2 Consider development of deeper, more strategic partnerships.** Identify the elements of the supply chain which are the most critical and consider moving towards a longer term, deeper relationship with chosen suppliers. This could lead to greater creation of value if both parties can agree to common goals and principles.
- 3 Build in ESG considerations and principles to the supply chain.** Review the ESG position of current partners, and ensure that alignment to ESG goals is a key component within supplier selection and management.
- 4 Look beyond traditional suppliers and services for opportunities.** Understand the new technologies, services and organizations that could offer value and explore options to incorporate elements that may offer competitive advantage if incorporated into the existing organizational supply chain.
- 5 Consider strategic ‘build, buy and partner’ choices.** Look at the end-to-end value chain and identify where it is most critical to have direct control over a service, vs. where partnering with others may deliver better performance.

Explore our [Claims Transformation](#) articles series further to learn how the seven forces are affecting the claims function.

If you’d like to discuss how KPMG professional can help your organization with its claims transformation journey, please contact us.

Global leadership

Laura Hay
Global Head of Insurance
KPMG
E: ljhay@kpmg.com

Mark Longworth
Global Head of Insurance Advisory
KPMG
E: mark.longworth@kpmg.co.uk

Matthew Smith
Partner, Strategy and Transformation and Global Claims Lead
KPMG in the UK
E: matthewg.smith@kpmg.co.uk

Country contacts

Belgium

Pieter Herremans
National Insurance Practice Leader
KPMG in Belgium
E: pherremans@kpmg.com

Canada

Karime Abdel-Hay
Partner, Insurance Advisory
KPMG in Canada
E: kabdelhay@kpmg.ca

Paul Jones
Senior Manager, Insurance Advisory
KPMG in Canada
E: pauljones1@kpmg.ca

France

Julien Pavillon
Director, Strategy, Customer & Operations, Insurance
KPMG in France
E: jpavillon@kpmg.fr

Germany

Herbert Oberländer
Partner, Head of Management Consulting, Insurance Operation, Financial Services
KPMG in Germany
E: hoberlaender@kpmg.com

The Netherlands

Rutger Hagendoorn
Partner, Strategy and Insurance Advisory
KPMG in the Netherlands
E: hagendoorn.rutger@kpmg.nl

United Kingdom

Harriet Kuzemko
Manager, Strategy and Value Creation, Financial Services
KPMG in the UK
E: harriet.kuzemko@kpmg.co.uk

Alan McCormick

Manager, Strategy and Value Creation, Financial Services
KPMG in the UK
E: alan.mccormick@kpmg.co.uk

James Riddiford

Manager, Insurance Operations
KPMG in the UK
E: james.riddiford@kpmg.co.uk

United States

Melanie Henderson
Partner, Business Strategy, Insurance
KPMG in the US
E: melaniehenderson@kpmg.com

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