



# Operational management

**Re-setting the foundations  
within claims**

## **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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**Operational management serves as the foundation of an efficient claims function. Its fundamental role will define how effectively today's forward-looking insurers can transform claims to deliver new digital capabilities, enhance customer centricity and optimize efficiency. Operational management has a critical role in positioning claims teams and insurers to thrive in the 21<sup>st</sup> century as fully connected and data driven. Operational management is one of the seven forces that are transforming the claims function and is explored further in this article.**

Making a claim is a 'moment of truth' for any insurance client and operational management is key to shaping the successful claims journey. But many insurers currently face a reality check — one requiring them to get 'back to basics' to improve operational management.

Only with modern operational management in place can the claims function capitalize on the promise of technological advancement and transformation for a new era. In our view, enabling modern operational management will require a holistic view, tying together front, middle and back offices and integrating the organization's capabilities and systems with its client touchpoints. It means eliminating traditional boundaries and combining silos in order to anticipate how one change in the insurer's ecosystem creates a chain reaction across its people, processes and technology.

### **Operational management: the foundation for change**

The global pandemic, with its impact on business models and the rapid shift to remote working by claims teams, combined with a spike in pandemic-related claims, has clearly increased the need for improvement in the operational structure. As claims, such as those related to climate disasters increase, current cracks in the structure could be exacerbated and result in increased service failures, backlogs, complaints and a longer lifecycle of claims.

We see significant room for improvement today in areas such as best practices, performance management, quality assurance, employee engagement and beyond, all of which today's Chief Claims Officer (CCOs) should be focusing on as they pursue change. Management needs to create the right environment as well as the right infrastructure for teams to consistently deliver more for less while meeting client expectations and business objectives.

### **A new focus on performance and client service**

Historically, the claims function has typically focused on the technical resolution of claims — often to the detriment of staff performance and client experience. But as businesses in every sector have discovered, client experience and related employee performance are critical to success. Claims teams are no exception when it comes to putting clients at the center of everything they do and operational management is central to this.

Claims teams are on the front lines of client service and face difficult conversations as clients expect personalized service that's convenient, efficient, responsive and flexible. Today's clients expect greater transparency in the claims process, shorter wait times and new self-serve capabilities to tell them what is happening. Claims teams must be equipped to serve clients effectively, while also being encouraged to identify issues within the claims process that need to be escalated or improved to sustain efficiency, productivity and service.

Claims and operational management leaders should ask themselves if their current approach is enabling an accurate, top-down, fully connected view across the claims ecosystem at any given moment. Insurers need to reliably identify, and anticipate, the number of claims emerging over any given period, the number of people needed to log and manage those claims, and the capabilities, resources and processes required to meet client needs quickly and effectively over the claims lifecycle. Having standard processes and best practices in place to ensure such efficiencies begins with operational management.

A KPMG firm recently worked with a large global insurer that was lacking clearly defined best practices that their claims teams could leverage as standard operating procedures for every claim coming in. As a result, the insurer's claims call center was typically addressing a daily wave of claims with no defined process or practices to reliably gather claims details, identify potential fraud, share information or maintain client service and satisfaction.

KPMG's insurance professionals helped the insurer implement strategically developed and clearly articulated protocols and preferred practices for logging claims — ultimately reducing the usual 45-minute call-in process 50 percent.

“ Claims teams are on the front lines of client service and face difficult conversations as clients expect personalized service that's convenient, efficient, responsive and flexible. ”

## Shaping modern, problem-solving cultures

Claims teams will feature new skills and modern workplace cultures that continually increase collaboration, streamline processes, optimize services and ensure efficiency. This is a contact sport requiring active engagement from all parties.

Creating such a service-based culture requires not only the support, encouragement and upskilling of leaders but also upskilling and cross skilling of claims teams to ensure they possess the capabilities needed to excel in a connected, client centric, data-based environment. Operational management is crucial to success on this journey. There must be clarity over all standard procedures, with updates and improvements shared consistently.

In our experience, however, insurers are facing roadblocks to modernizing teams and cultures. Sub-functions and claims teams from different lines of business often work in silos that hinder communications and service delivery. In cases where a claim lacks a single owner, it may be passed among different teams or to management who themselves may lack the time to focus on required solutions. Issues related to claims might also be passed to the IT function in the search for a resolution that the IT team might be ill-equipped to deliver.

A 'problem-solving, continuous-improvement mentality' is needed but often missing from today's typical claims team workflow and culture. KPMG professionals believe that a majority of front-line problems could be solved by the team if they have the right skills and capability.<sup>1</sup>

### Four lenses of operational management



Define the client (both internal and external) and understand the voice of the client. How do we deliver what the client wants, how they want it and when they want it?



Understand the end-to-end flow for the client. How do we eliminate waste and streamline our processes to deliver value for our clients?



Managing performance in a structured, visual way that easily identifies improvement opportunities. Ensuring individuals have the right skills at the right time to match client demand.



Supporting managers to free up their time for more one-to-one coaching and creating a vision where people collectively work together and improve their business

Source: KPMG International, 2021

In many claims functions, performance management is being applied inconsistently across different teams. As a result, individuals experience varying levels of structure, guidance, feedback and goal-setting support, often resulting in diverse or competing priorities within and among teams. What's needed is an open and connected environment in which claims professionals can focus more on value-adding activities and ongoing efficiency gains — something that can only come about through effective performance management that provides appropriate practices, support and capabilities.

It's crucial that firms recognize and act on the need for operational management that allows an engaged, seamless and highly collaborative workforce culture, one in which team members feel empowered and valued, and encouraged to raise issues toward operational improvements. In our experience, this is critical in creating a problem-solving culture that will take the claims function to a new level of efficiency, agility and client satisfaction. This important trend is explored in greater detail in the article — [Creating a modern claims workforce: Meeting bold new era of challenges](#).

“ We are transforming our claims business in a sustainable way which will allow continuous improvement and become part of our DNA ”

COO of a leading insurance organization

### Processes and skills for a new era

Claims teams will need to be appropriately skilled to manage complex claims within largely automated claims processes, interpreting and analyzing data with the support of the actuarial team and underwriting. The claims function will focus on analyzing client and marketplace data and trends, while performance management and problem solving will be integral and highly structured.

Operational management will need to ensure that in this future environment, the knowledge base underlying claims processing is not only sustained but continually enhanced so that employees are consistently providing timely and reliable expertise. At many firms, training and coaching programs are not rolled out consistently and tend to stop once the onboarding process is complete. Feedback on issues that came about during claims cases, for example, will be provided by quality assurance teams but often not to the right level or personnel within the claims team. Useful feedback to suppliers or other areas in the value chain might also be missing.

<sup>1</sup> Estimate from KPMG professionals

Embedding new processes through a structured performance-management program, one featuring appropriate coaching, development and feedback mechanisms, will drive consistency and reliance on best practices throughout the claims function. In this way, staff will know what they need to do in order to succeed amid ongoing change. Opening a two-way channel of consistent communication and feedback among teams and leaders is crucial in our view.

Creating a collaborative, service-centric ecosystem is becoming increasingly important as working remotely goes mainstream. Operational management must maintain a clear view and understanding of people and processes as business models evolve and ensure that appropriate skills and capabilities are in place to meet the changing demands and requirements.

### Technology is poised to transform claims

In addition to reshaping teams and cultures to improve skills, drive collaboration, optimize service and maximize productivity, today's claims function needs to capitalize on the power of digital technology. Digital solutions and smart data use will shift the way claims functions are structured and run. An enterprise that is fully connected: end-to-end across front, middle and back offices is required.

Future-focused insurers are already creating virtual investigation solutions, for example, streamlining the claims journey by enabling clients to share claims details and images via video or email. In some cases, clients with claims are selecting their own suppliers directly, speeding up the process for the client while reducing the volume of work for the claims team.

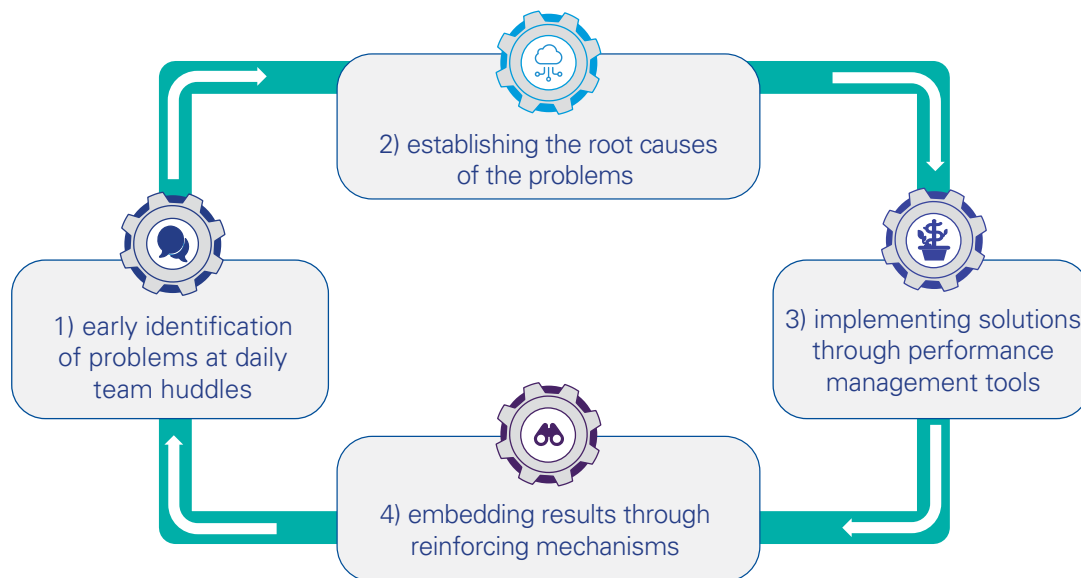
Currently, however, many legacy processes remain in place across the entire claims value chain, from first notice of loss (FNOL) to settlement, and inefficient manual tasks typically prevail amid ad-hoc system upgrades and add-ons. This has

prompted workarounds to transfer data and share information, increasing error rates and process times. Claims teams end up linking together disjointed systems and interfaces to make the legacy process work, duplicating efforts, introducing inconsistencies into the data and wasting valuable resources. Bringing together a focus on enterprise-wide architecture and relevant key performance indicators (KPIs) will enable claims handlers to spend their time on value-adding work rather than data transfer.

Digital capabilities and smart reliance on data is the way forward. How to get there? Here are the key steps needed to drive tangible progress:

- 1 Identify the 'ideal state' for overall and individual processes and take action to get there.
- 2 Identify client expectations during claims and use technology to meet them consistently.
- 3 Focus on creating an engaging workplace environment featuring digital capabilities that enhance the employee experience, claims workflow and client service.
- 4 Focus on data to drive informed and strategic decision making.
- 5 Review data analytics and identify what is required for solid demand and supply management, as well as performance management.
- 6 Regularly map out processes, identify waste and create an action plan to drive efficiency.

### KPMG's self-correcting system



Source: KPMG International, 2021.



Future operations management will therefore look different as the claims function continues to evolve. CEOs and CCOs will certainly need to be aware of emerging needs and ensure that they have the right digital infrastructure in place for claims teams to respond with the modern skills and capabilities that will keep operations efficient and competitive.

As insurers invest in automation to streamline claims processes, enhance services and drive new efficiencies, the cost benefits will be significant. Digital capabilities will also free up claims teams to continually enhance client service, as well as enabling new processes to identify

fraudulent claims. clients, meanwhile, are sure to embrace new ways to interact and settle claims quickly.

## The future of operational management is fully connected

The future has arrived for the insurance claims function and modern operational management will be crucial to future change, competitiveness and success. The journey toward fully connected digital capabilities, smart data use, sustainability and beyond begins with a 'back-to-basics' approach that delivers the fundamentals of operational management.

### The future of operational management is fully connected

The future has arrived for the insurance claims function and modern operational management will be crucial to future change, competitiveness and success. The journey toward fully connected digital capabilities, smart data use, sustainability and beyond requires a 'back-to-basics' approach that delivers the fundamentals of operational management. We offer these key guidelines for close consideration by today's claims leaders:

1

#### **View the claims function through the four lenses of operational management.**

Apply the four lenses of customer, process excellence, high performing teams and people engagement to understand how claims can build strong foundations and take steps towards a more engaged and collaborative culture.

2

**Embed a continuous improvement mentality across the claims function.** Introduce a constant problem solving mentality into claims teams, dedicating time to identify problems early, implement solutions and reinforce successful results.

3

**Implement best practices to future-proof the claims function.** Build a view of what the future holds for the claims function and understand how best to arm teams against future challenges, for example sustainability, requirements of the workforce of the future and use of data and analytics.

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.

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