



CANON BUSINESS PROCESS SERVICES, INC.

INSURANCE BEST PRACTICES

Achieve Powerful Business Benefits by Streamlining Document Workflows



FORCES RESHAPING THE INSURANCE INDUSTRY

World class insurance organizations have two things in common: an unwavering focus on their core business and improving the customer experience. A powerful strategy that helps maintain this focus is to simplify and streamline the document process workflows that support virtually all insurance operations. This white paper addresses some key ways to effectively implement and continually improve upon this strategy.

Let's begin with three forces that are currently driving insurance operations. Clarifying these forces sets the stage for better understanding why streamlining document workflows can provide substantial business value.

First, insurance enterprises are striving to optimize costs and profitability with an eye toward improving bottom line performance. To accomplish this, they are rethinking business models and simplifying architectures. In tackling these challenges, insurers must provide a seamless customer experience across mobile, traditional and online touch-points.

Second, insurers are trying to achieve smarter risk management by optimizing core business processes and connecting information silos. Insurers want to better understand the portfolio risk they assume for providing coverage that spans workers compensation, general liability and other areas. To meet these goals, insurance enterprises need to connect people, process and content for better business results.

Third, insurance companies are seeking to advance business performance by using analytics to understand client needs and measurably improve service delivery in meeting those needs. Underpinning this trend is the fact that policy holders have made it clear that they want their insurer to "know them" in terms of understanding and quickly responding to their needs.

These trends are in turn creating three major operational shifts within the insurance industry as indicated by our own research and experience working with clients. One change is that most organizations are realizing a return on their analytics investments within the first year. Another shift is that customer-centricity dominates analytics activities. Specifically, a majority of insurers are using data and analytics to improve customer acquisition and to enhance the customer experience. However, many insurance providers are also leveraging analytics to enhance operational processes. The third development is that insurers are integrating their digital capabilities into business processes with the goal of transforming the enterprise.

ADAPTABILITY AND THE FOCUS ON CUSTOMER LOYALTY

Implementation of new technologies, changing demographics and emerging business models will force business leaders to adapt their approach to leadership.

As in any industry, transformation often creates a number of pain points that insurers deal with daily. A few of the pain points specific to insurance include the following:

- **Capital Management:** responding to regulators, navigating market instability and maximize capital return
- **Customer Retention:** managing demanding customers, commoditized products and a crowded competitive marketplace
- **Consistent Multi-channel Experience:** increasing customer and distributor satisfaction with every interaction to build loyalty
- **Cumbersome Underwriting Processes:** ensuring faster approval and pricing accuracy of new policies

- **Claims Processing and Fraud:** fast-tracking simple claims processing and no longer accepting that fraud is a “cost of business”
- **Product Innovation:** rapidly developing competitive products and offerings to attract and retain customers

Of these pain points, many insurance companies put the strongest focus on solving challenges related to customer retention. This is not surprising because retention is based on the adage that it is easier to keep a customer than to gain a new one. Therefore, effectively interacting with customers is critical for maintaining competitiveness and sustaining business success in general. In today's environment, innovative carriers are implementing creative and efficient ways to interact with their customers.



THE IMPORTANCE OF CAPTURING THE RIGHT INFORMATION

As businesses adopt technological advances, they must simultaneously integrate them with legions of eager workers who are ready to learn but have different expectations for interpersonal interaction that were forged by those same technologies.

So far we've focused on three main goals insurers are acting on to support their top business imperatives. These include creating a customer-focused enterprise, increasing flexibility while streamlining operations and optimizing enterprise risk management. (Once again, risk management is defined here as understanding the financial risk of the contracts insurers write or underwrite.)

One way insurers can support these goals is by more effectively capturing the right information (in both structured and unstructured form) and appropriately acting upon this data. Collaboration is an important part of this effort, enabling internal and external stakeholders to better interact with each other and drive good decisions that generate positive business outcomes.

Consider claims processing. In any insurance organization this is a very complex process, involving multiple interactions with various parties, all of whom depend on numerous streams of incoming information to complete business tasks. For example, a workers compensation claim starts with the first report of injury, which requires pursuing a significant amount of information, including medical reports and legal documents. Adjusters and examiners are constantly challenged to better manage this type of information, both structured and unstructured, in order to efficiently and cost-effectively process every claim.

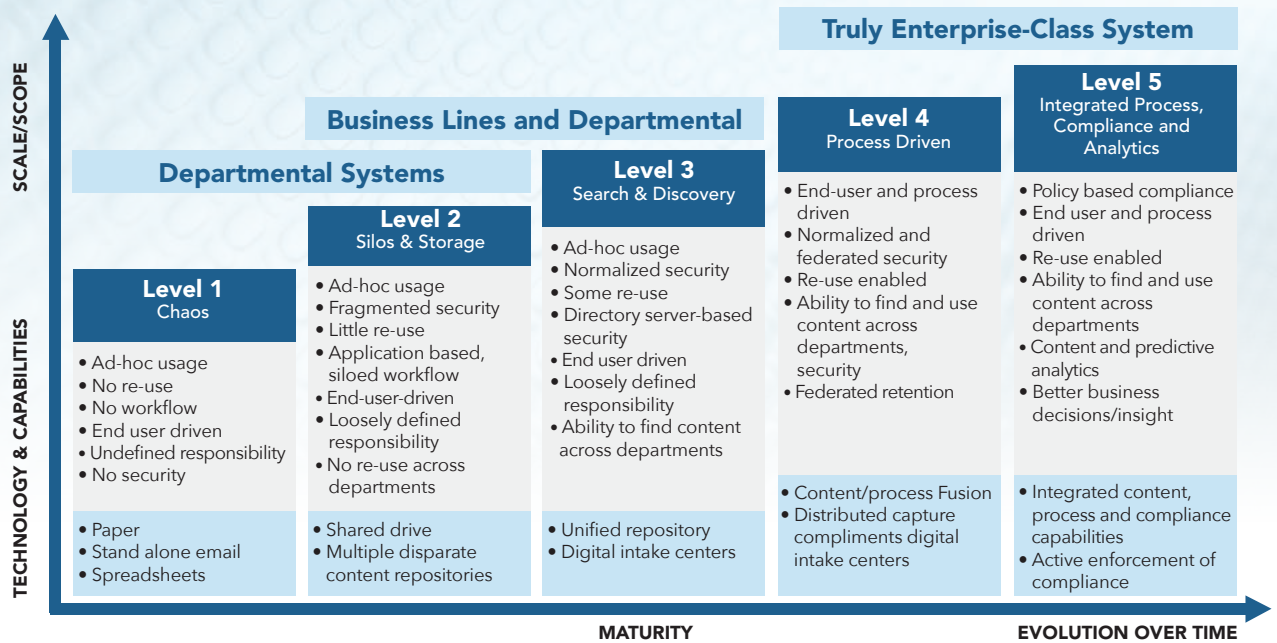
HOW EFFECTIVE ARE YOU AT CAPTURING THE RIGHT INFORMATION?

Figure 1: Enterprise Information Strategy–Maturity Model: The Path To Achieving Greater Productivity

How can an insurer identify the current state of its document process management capabilities and then craft a plan to help the organization advance to the next level of productivity? One answer is to use a tool that we at Canon Business Process Services (Canon) refer to as a maturity model. This guide is designed to help insurers quickly assess their current state so that they can take action to evolve toward a desired future state.

As shown in Figure 1, Level One on the maturity model describes an enterprise caught in a chaotic situation. Paper usage is often very high and information is shared and documented typically in the form of mail, faxes, PDF files and spreadsheets. This data frequently moves throughout the organization with a marked lack of controls for securely managing sensitive and confidential information. At Level Two, the organization is managing information in a decentralized fashion, storing data in departmental silos via separate shared drives, repositories and workflow applications.

At Level Three, the firm is using a unified repository and leveraging imaging capabilities



Source: Canon Business Process Services, Inc.

to enable document digitization. Companies at Level Four have formalized their information strategy, which helps create a process-driven organization supported by security controls, a strong retention program and more efficient reuse of content. Level Five insurers have an enterprise-wide information strategy with

integrated content, processes and compliance capabilities. Most importantly, these companies use analytics to help ensure compliance, improve forecasting and provide timely insights that support better business decisions.

SIMPLIFYING DOCUMENT WORKFLOWS

Once a company has a handle on its current state, it is in a better position to craft a strategy that can help solve some of the challenges associated with today's complex insurance environment. This includes simplifying document workflows, starting with the point at which documents enter the organization.

This initial part of the workflow process already poses a number of complexities. One is that separating documents typically involves a significant expense, particularly in high volume operations. It is generally known in the industry that document preparation labor spent on sorting documents and inserting separator pages can be reduced anywhere from 15 to 50 percent.¹ This is particularly true in the insurance industry, due to the fact that documents come in many varieties of length and structure.

The good news is that technology can help streamline processes and lower costs associated with these types of manual document capture activities. For example, companies can now use technology to identify structured, semi-structured and unstructured documents. Automating this and other tasks can help cut operational costs and facilitate making the initial stages of the capture process more cost efficient.

¹For examples that demonstrate these kinds of savings see two case histories by ibml, United Bankshares Selects Intelligent Capture Solution from ibml and "United Acceptance, Inc. Selects Intelligent Capture Solution from ibml," which can be accessed at www.ibml.com



CONSIDER A DIGITAL INTAKE CENTER

Another powerful element that can help reduce insurance process complexity is to consider implementing a digital intake center (Figure 2). This approach is based on putting the mailroom, which handles documents as they are received, under the same roof as the organization's imaging operation.

There are several advantages to this strategy. First, it drives efficiencies, including cross-training staff to facilitate both mail management and document imaging processes. It is also easier to contain operational costs by situating mail and imaging operations in the same location. A digital intake center strategy also enables the enterprise to establish policies and procedures for overseeing other digital content that may be coming into the organization, such as emails. By passing emails through the digital intake center, insurers can implement a centralized, standardized approach to how all documents are handled, whether physical or electronic.

Figure 2: **Creating a Digital Intake Center Drives Efficiencies**

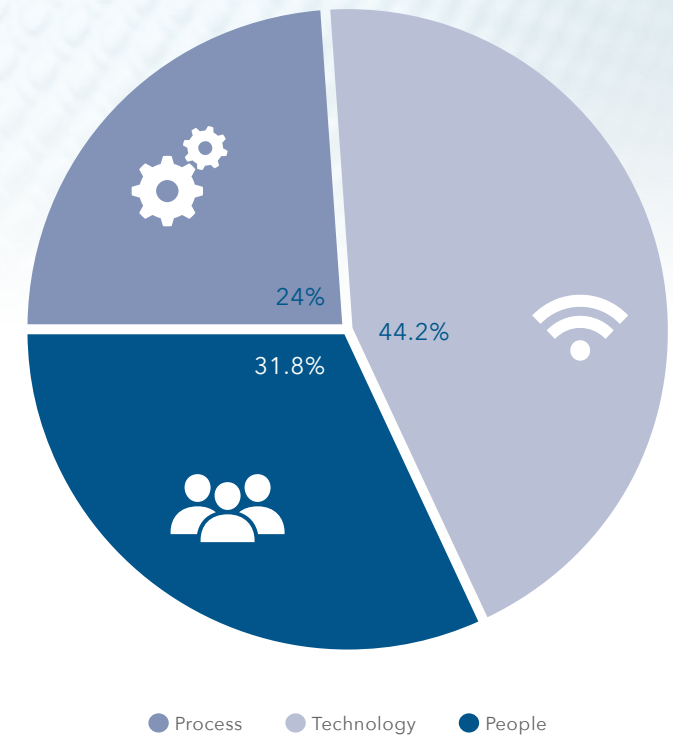


Source: Canon Business Process Services, Inc.

TECHNOLOGY IS A TOP CHALLENGE

While technology can help, it does pose challenges. A recent Canon market survey asked insurance companies about their top challenges. The findings are illustrated in Figure 3. Based on our work with clients across all major industries, the results are not surprising. At 44%, survey participants rated technology currently as their top challenge. The message is clear: even though technology can help meet the need to streamline and automate processes, there is a considerable challenge in implementing, maintaining and updating it.

Figure 3: **Technology** is considered a main contributor to challenges



Source: Canon Business Process Services, Inc.

TECHNOLOGY IS A TOP CHALLENGE

For this reason many insurers consider partnering with a managed services provider to implement and manage solutions for capture processes, digital intake centers and more. The rationale is that document capture processes are best managed by experts for whom simplifying document workflows is a core competence.

What is a typical scenario for an insurer working with a service provider to maximize investments in technology? There are many variations but an experienced provider such as Canon will oversee

proactive monitoring and support that includes addressing day-to-day issues. We also provide a defined number of bundled development hours per month. Many insurers implement large technology systems, creating the need to maintain, update and develop these systems so they can accommodate new document types and continue to yield solid benefits. Together, the proactive monitoring and bundled hours can result in a best-in-class capture workflow and yield the business agility with which internal resources often struggle.

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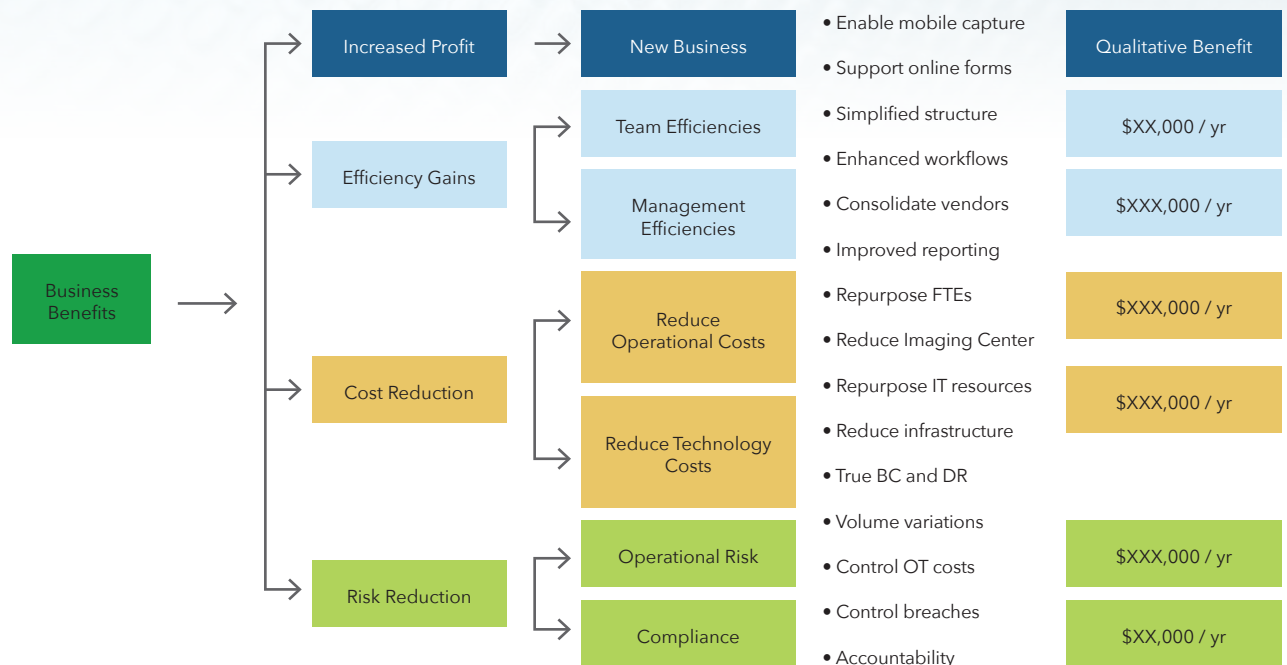
MAKING THE BUSINESS CASE TO OUTSOURCE

How can an insurer clarify the potential value of outsourcing to the organization? One way is to complete a business value assessment. (See Figure 4.) This is an approach that Canon uses to help clients understand where they are on the maturity model and the benefits we can potentially add via our product, technology, domain and client service expertise. When implementing a value assessment, we interview department leads and other executive stakeholders throughout the insurance organization. Our activities include analyzing the details of critical daily document processing tasks, examining security issues and becoming familiar with the firm's technology capabilities. Through this process, the business value assessment can ultimately aid the insurer in identifying how outsourcing can help contain costs and streamline operations within specific areas of the document management workflow.

Once the organization has completed the assessment and has crafted a plan, they are in a good position to succeed in working with their service provider to simplify document workflows and other insurance processes. A key point is that many companies outsource to achieve operational cost reduction.

However, increasingly insurers are looking for a strategic partner that can help them maintain an ongoing transformation by continually leveraging digital technology and re-engineering workflow processes. This requires a managed services provider that thoroughly understands the dynamics and unique challenges of the insurance industry.

Figure 4: **Business Value Assessment: Getting Help Writing the Business Case**



CASE HISTORY: A VISION FOR THE FUTURE

A case history example brings to life many of the concepts highlighted throughout—digital intake center, managed services, outsourcing and business value assessment—focused on simplifying insurance operations.

A leading insurance company worked with a services provider that was scanning, indexing and coding documents, including claims and customer correspondence. The insurer believed that the provider lacked a clear vision on how to use technology and automation to take it to a higher level in efficiency and cost-effectiveness. Parts of the document conversion processes were automated, but some key elements were missing. One of these elements was a comprehensive performance management system that could provide insights and critical data in near real time, drive continuous improvement and measure the extent to which the outsourcing provider was meeting its service level agreements.

The insurance company reached out to Canon based on the company's experience

and leadership in business process imaging. Through conversations with Canon executives, the insurance company learned that Canon could manage the insurance company's document imaging processes using advanced Six Sigma®-based methodologies and technology to drive continuous process improvement. This included the type of process monitoring and performance management the insurance company envisioned. Canon's approach enables clients to systematically measure, benchmark and drive continuous improvement in outsourced document imaging processes.

Canon implemented a three-phase plan designed to take the insurance company's mail and document imaging processes from

CASE HISTORY: A VISION FOR THE FUTURE

its current state to a desired future state. The plan detailed the resources required by the insurance company and Canon, the potential return on investment of each phase and the time it would take to transition to the next phase. The roadmap clarified exactly how Canon was going to implement the insurance company's vision for the future via a Digital Intake Center. In phase one, Canon assumed management of staff and operations for receiving, prepping, imaging and coding time-sensitive insurance documents and entering them into the insurance company's business process workflow by consolidating mail and imaging operations. Canon collected, sorted and preped the mail before scanning and indexing about 31,000 pages a day, totaling more than 11 million images annually. We call this initial phase "centralize and digitize."

In phases two and three, Canon is addressing the need to reduce costs while maintaining or increasing efficiency. This includes moving some of the document imaging activities to Canon's business processing centers in the U.S. and the Philippines. About 40% of the indexing and coding activities are now handled in the Philippines center while the U.S.-based centers manage special projects that include receiving and processing paper documents and uploading them into the insurance company's content management system. The final phases of the plan also include implementing a fully automated system for the imaging processes. This will help the insurance company evolve from manual data entry to an automated process for extracting and digitizing data from the paper-based documents and entering the information into the company's systems for downstream processing.

Results of the project include the following:

- Creation of a clear roadmap for leveraging automation and advanced document management solutions to enable the insurance company to realize its vision of operational excellence in business process imaging
- A performance management system that tracks volume and performance against SLAs for numerous insurance documents in near-real-time
- Canon retained 80% of the insurance company's existing team
- Average cost savings of \$140,000 annually due to increased operational efficiencies and reduction in labor costs by moving some of the indexing activities to Canon's offshore business processing center

SUMMING UP

In their ongoing mission to provide the best services, insurers today face many challenges. These include simplifying document management processes, especially at the point where data enters the organization.

The reason is that reducing complexity can help advance operational efficiency and reduce costs associated with document process workflows that support many critical insurance operations. By implementing such strategies as creating a digital intake center and partnering with an experienced managed services provider, insurers can help maintain a competitive edge and continue to deliver best-in-class service in the days ahead.

How Can Canon Business Process Services Help?

Canon uses an optimum mix of people, process, technology and performance management principles to provide insurance processing services that can deliver improved efficiencies and results. You can increase customer satisfaction and gain access to trained personnel and sophisticated technology by outsourcing all or part of these functions.

Call 888-623-2668 for an assessment or visit cbps.canon.com to learn more.

