



# strategy matters

driving claims to the next level of performance

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## Message from the CII and Ernst & Young

The changing landscape has brought an unprecedented level of challenge for the insurance industry. The fragile economy and increasing financial performance expectations has led insurers to more closely scrutinise their claims function and the contribution it makes to company objectives and bottom line.

The CII and Ernst & Young have worked in partnership to examine how the claims industry is planning for the future, in particular, how they are setting their strategy for claims. Drawing on the results of interviews with senior claims professionals across insurers, loss adjusters, claims handling organisations and brokers as well as canvassing the views of CII members, we have investigated how well claims functions are preparing and what changes the market is already expecting.

We are positive that the report will be a source of informative insights on the future of the claims industry and help claims leaders prepare their teams for the change ahead.

We are delighted to be working together on a third successful project delivered by the CII and Ernst & Young. We would like to thank everyone involved in producing this research report, particularly industry leaders we interviewed and CII members who have provided their insight and time.



A handwritten signature in black ink that reads "A Emms".

**Tony Emms**  
Chair  
Claims Faculty, CII



A handwritten signature in black ink that reads "Imran Ahmed".

**Imran Ahmed**  
Partner  
EMEIA Financial Services, Ernst & Young

## Executive summary

If the insurance industry truly believes that claims service is a differentiator, it follows that claims functions should have a well thought out strategy that is linked to capability development. Our research suggests this is not the case. Many companies face pressure on profitability and a range of external challenges such as claims inflation and Ministry of Justice reforms. This research demonstrates that there is the opportunity for a well prepared claims function to play a pivotal role in creating competitive advantage and delivering value to the bottom line.

Managing costs has always been imperative for the claims industry, but it would appear this has intensified due to the poor economic environment and the soft market conditions. With the claims function controlling the largest amount of spend in an insurance company, there is pressure from corporate boards to understand how claims can contribute more to the financial objectives of the company.

It is against this backdrop that this survey was conducted to understand how industry participants in the UK are planning for the future and setting their strategy for claims. What are the changes they have seen across their operations in people, process and technology and what do they anticipate needs to change in the future to meet these challenges?

The survey was carried out in the 4th quarter in 2009, we undertook 36 face to face interviews with senior claims professionals, across insurers, loss adjusters, claims handling organisations and brokers (representing some 78% of UK claims expenditure). This was supplemented by 714 online questionnaires from the wider Claims Faculty membership.

Our survey confirmed that the market is expecting continued change for claims functions. Cost pressures and changing customer demand are seen as being most critical along with a range of claims specific issues such as referral fees, fraud and the changes to court procedures. These combine to create the need for claims managers to have in place a robust process for translating these considerations into changes to the operating model and its underpinning capability.

The development and articulation of the business strategy is the starting point to set the business improvement agenda. Typically organisations will drive any capability build from this high level direction. When we interviewed senior claims staff, around 90% stated they had a documented strategy. However, it was clear that in many cases, critical elements of a robust strategic plan were still missing.

To understand the planning process and quality of thinking we asked a number of questions around the inputs and drivers for the strategy development. In the case of some organisations, the strategy was well articulated and backed up by clear logic linking back to the internal business and external drivers of change. In many cases, however, organisations were unable to clearly describe their strategy and how it was responding to these pressures. This is a disappointing finding but one which the authors believe presents a clear competitive advantage to those organisations that are more structured in their thinking, and the opportunity for others to invest in further improvements in claims capability.

Whilst respondents recognised the changing environment it is surprising to see that 20% of interviewees only refresh their strategy once every 2 years or longer. There is a strong case to suggest that an annual update is the minimum necessary to keep pace with developments. In addition, whilst 80% of interviewees felt claims had an adequate voice in their company, in many cases the senior claims role no longer has a seat at the board room table with fewer than 45% reporting to the Chief Executive Officer (CEO).

With fewer voices in the board room, and for many a less than rigorous planning process, it could be argued that the claims community are not making a strong enough contribution to the companies' objectives.

Changing customer demand and choice has been at the forefront of driving improvements in many industries and presents a particular challenge to insurers. Customer expectations in insurance are not only being set by their experience within the financial services industry but from outside as well.

Customers who are now used to online shopping, or business managers who track orders and delivery in real-time online systems are looking for a similar experience elsewhere. In this environment it is surprising to see that less than 50% of respondents gathered customer insight monthly or more frequently.

Many of our interviewees agreed that people and people initiatives will be crucial to achieving claims strategy. However, despite this, the range of support available and investments in attracting and retaining the right talent into claims continues to be an issue. This becomes particularly acute when one considers the changing nature of skills required for an effective claims function in the future. Skills in areas not traditionally invested in, such as commercial acumen, data analytics and technology, present a real challenge to the industry. This gives a clear message to organisations that there is much more to do in this space.

Many respondents highlighted the need to reconcile the tensions between the technical challenges of claims and managing a high volume of claims handling. These two aspects require different approaches to skills development, processes (including outsourcing and off-shoring) and technology. There have been numerous companies who have undergone large scale (over £200m) technology changes in the past 3–4 years, this is set to continue with over 50% of respondents anticipating a technology change during 2010. Additionally, at least 50% of respondents expected continued changes at every stage of the value chain over the next 3 years.

Across the claims value chain there is considerable outsourcing and off-shoring of activity today. The highest proportion of outsourcing is seen in the notification and triage area for Lloyd's and London market insurers and for claim validation and reserving for Retail insurers. Going forward we note an increased desire to bring activity back in-house and on-shore. Typically, when questioned respondents cite the desire for greater control of the claims value chain. This poses a challenge to third party claims handlers who will have to innovate to stay relevant in tomorrow's marketplace.

## What can the industry do and what is the prize?

Navigating through the challenges will be difficult and those with a rigorous plan through to capability development process will be better positioned to make the key medium and long term decisions required.

How the plan is reflected in the operating model will depend on individual companies' circumstances but there are common themes. For most there is a need to develop capability to implement new technology and change claims processes. This change will need strong planning, direction and robust execution but for those that succeed there is a substantial prize.

Overall we believe there could be a saving of between £650m and £1bn across the industry for non-specialist classes of business, through effective planning and linking this to focused capability enhancement – this should be set in the context of the 2008 underwriting loss of £245m (non specialist classes). It is clear this could be transformational to the industry.

The claims community must ensure the level and type of training and development stays appropriate to the challenges claims professionals will face, as well as coming together to tackle the industry wide issues such as fraud.

For the claims community taking a lead in addressing these challenges relies on developing a coherent response to them, one that links the business strategy to the claims capability required. For those organisations that get this right the substantial prize is an advantage in managing and reducing ever escalating costs.

## Methodology

### Introduction to the research

The purpose of this research paper is to gain a better understanding of the factors driving claims strategy in the UK insurance market. It seeks to explore what implications the changes will have for the claims strategy and operating models of firms in the claims industry.

### Research methodology

The primary research took place over a three month period, from September to December 2009, and was managed throughout by Ernst & Young's insurance team and representatives from the CII.

### Participants

The research was based on data gathered from two sources.

**Interviews** – 36 structured face-to-face interviews took place with senior executives from a broad range of claims industry firms. These were grouped into four categories:

**Retail insurers** – this includes all personal and commercial lines insurers that operate outside of Lloyd's and the London market, generally large companies undertaking direct or intermediated business.

**Lloyd's and London market insurers** – This includes Lloyd's syndicates and London market insurers operating through brokers.

**Brokers** – for this research we interviewed the claims leaders from 4 large insurance broking groups, dealing with personal and commercial insurance.

**Loss adjusters and claims handlers** – these companies include organisations undertaking both "traditional" loss adjusting, specialist claims services and large scale claims handling on behalf of insurers.

**Online** – An online questionnaire was conducted. 714 members of the CII Claims Faculty responded during October and November 2009.

### Market coverage

The individuals and companies interviewed represented 78% of total UK claims spend. The research was primarily focused on the United Kingdom claims operations to ensure a consistent and comparable set of answers. We included a broad spread of organisations in terms of size and products.

### Interview questions

The questionnaire comprised a mixture of qualitative and quantitative questions.

## **section summary**

The insurance claims market is relatively concentrated with the top 30 firms accounting for 94.2% of the total non specialist claims spend.

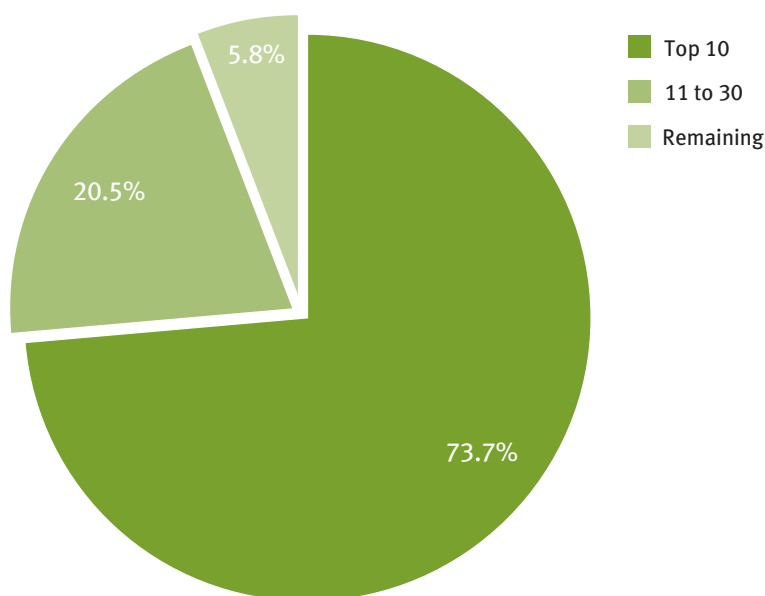
## Sizing the claims market

### Market concentration

In 2008, the total insurance market spent £41bn in claims indemnity across all classes and companies operating in the UK including Lloyd's (source: FSA returns<sup>1</sup>).

For the purposes of this survey we excluded the specialist lines of Marine, Aviation and Transport, inwards reinsurance and health insurance.

Figure 1: Concentration of claims payments for non specialist business



Source: FSA returns and company annual reports

Excluding the specialist lines, this gives a total UK claims indemnity spend of £26.1bn. The top 10 insurers account for 73.7% of all claims payments in the non-specialist GI market. The top 30 firms account for 94.2% of the claims indemnity payments.

1st–10th largest non-specialist claims payers in UK	11th–30th largest non-specialist claims payers in UK	
Allianz	ACE	Hiscox
Aviva	AIG	HSBC
Axa	Allchurches	Legal & General
Fortis	Aspen	Liberty Mutual
Lloyd's of London	Brit	Liverpool Victoria
Lloyds Banking Group	Co-operative	MMA
NFU	FIM	Munich Re
RBS Insurance	FGIC	QBE
RSA	FMIC	Travelers
Zurich	Groupama	XL Capital

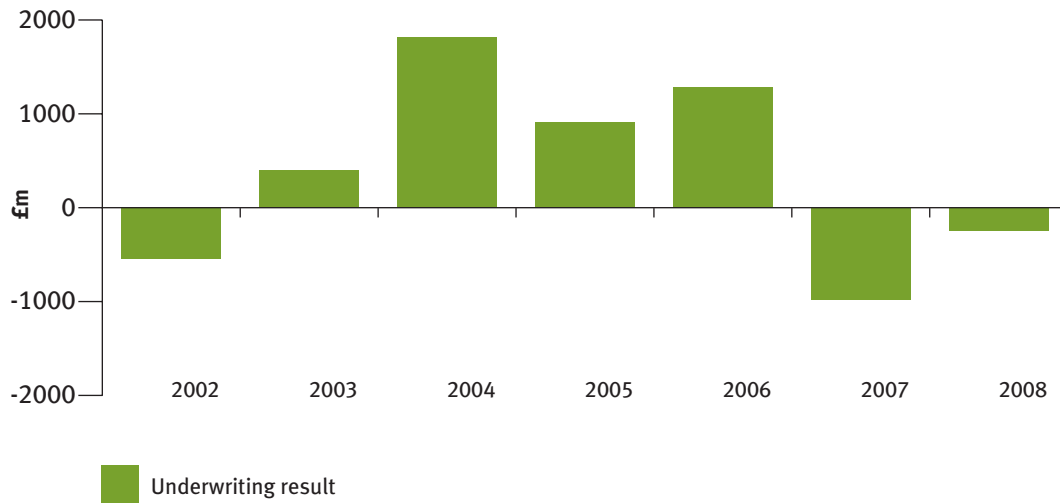
Source: FSA returns and company annual reports

<sup>1</sup> Amount is taken from the FSA returns form 20A and form 24 for Lloyd's. This will include some overseas/home foreign amounts where they are written in the FSA regulated entity.



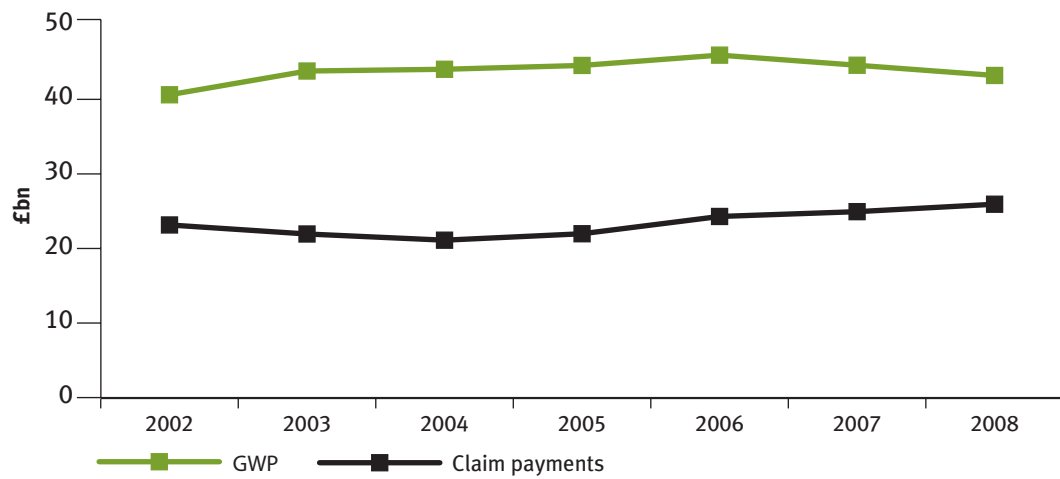
With a recent trend in declining underwriting results and a narrowing of the jaws between GWP and claims payments, it is clear there is a high demand for claims functions to play their part in improving performance.

**Figure 2: Underwriting result for non-specialist classes**



Source: FSA returns and company annual reports

**Figure 3: GWP and claims paid for non-specialist classes**



Source: FSA returns and company annual reports

## **section summary**

Cost management and consumer demand are the key economic factors driving claims strategy

Our respondents felt that external issues that have been tackled on an industry wide basis, such as fraud, have been handled better than those issues internal to the industry, such as referral fees

There is increased scrutiny within organisations of their claims operational performance

These factors have created a need for claims managers to have a robust planning process in place to manage these costs and demands.

## The changing landscape

The insurance industry is facing an unprecedented level of change and challenge over the coming 3–5 years. With a fragile economy, challenging financial performance expectations and a prolonged soft market, the insurance industry is looking with increased scrutiny at their organisations.

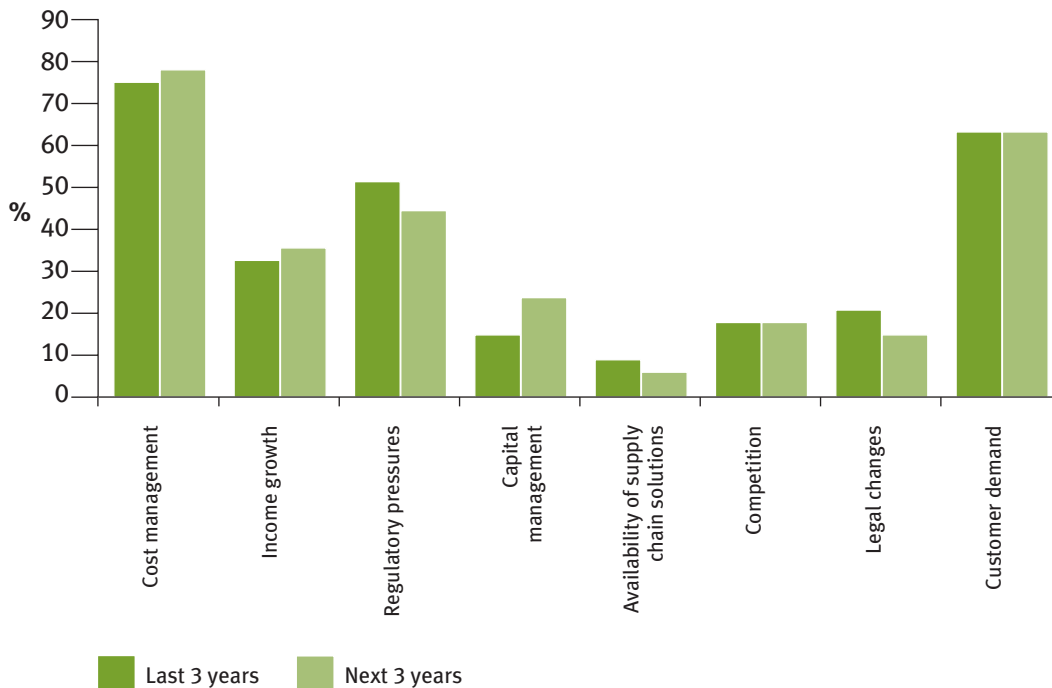
Managing costs has always been an imperative for the claims industry, but it would appear this has intensified due to the poor economic environment and the soft market conditions. With the claims function controlling the largest amount of spend in an insurance company, there is pressure from corporate boards to understand how claims can contribute more to the financial objectives of the company.

Claims managers also have a range of claims specific issues to tackle. These include claims inflation and its underpinning factors, the changing fulfilment expectations from an increasingly sophisticated consumer, the new breed of third party claims handlers from credit hire organisations to third party solicitors and changes to the legal environment.

In the past three years, industry merger and acquisition (M&A) attention has focused on broker consolidation but insurers have not escaped transactional activity. For example, the merger of HBOS and Lloyds Bank Insurance companies, a number of transactions in the Lloyd’s and London market (such as Amlin and Fortis), new entrants in Lloyd’s (such as Renaissance Re or WR Berkley), change in the claims handling industry (such as the Homeserve management buy out), along with likely future changes from those insurers that are now under government control.

## Economic factors driving strategy

Figure 4: What are the top 3 economic factors driving claims strategy over the last and next 3 years?



Cost management unsurprisingly has been at the top of the agenda with 75% of interviewees including it in their top 3 factors. Along with capital management, this could become even more important over the next three years.

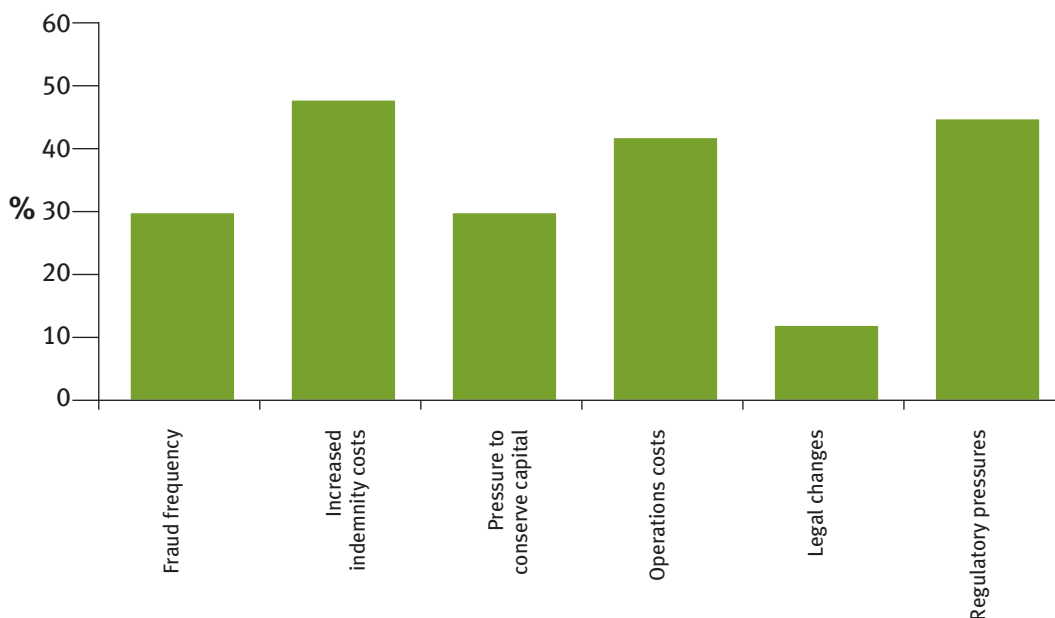
“ These factors are fundamentals so they don’t change but the industry is starting to look at them more holistically ” Claims handling organisation

Customer demand is the second highest factor, although as we note later in the report there is limited evidence that claims functions have found a way to understand this and build it into their service or processes.

Regulatory pressures and legal changes actually reduce in importance although the changes from the review of civil litigation will generate change in the near term. Overall though, the economic factors affecting the industry over the last three years are expected to be similar in the next three years.

“ Regulatory demands are taking most of our senior people out of claims handling ” London market insurer

Figure 5: Please indicate the top three greatest impacts from the global economic crisis

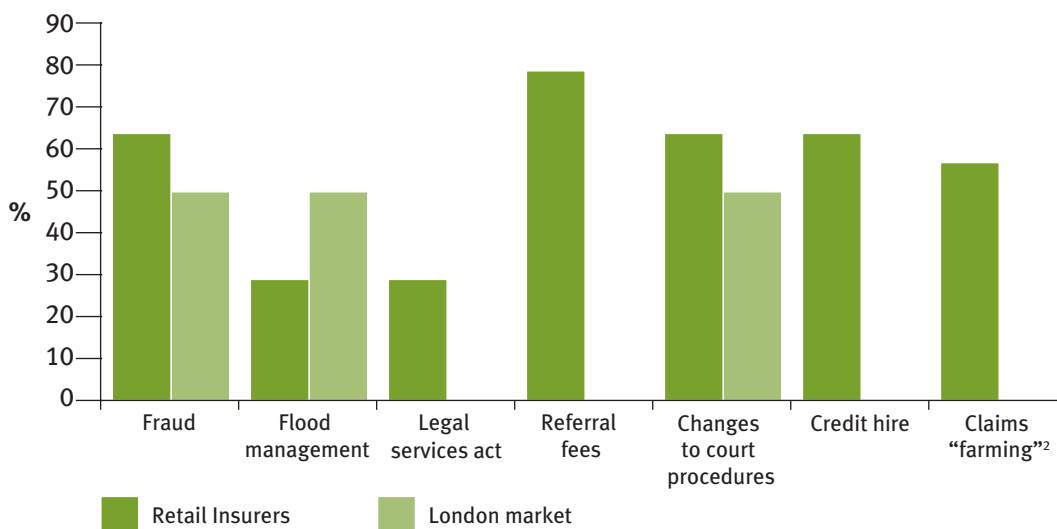


Given the difficult economic conditions we have been experiencing, we asked what the most significant impacts have been on the claims function. The impact on claims costs was clear, with increased indemnity costs coming out top, and operations costs coming in third after regulatory pressures. As a direct result of the global economic crisis, those insurers involved in financial lines products have naturally seen a lot of activity in the claims area with Professional Indemnity and Directors and Officers claims rising.

Fraud scored 30% which could indicate that whilst important (scoring 5th out of 6 of the top issues) it is not clear there is a demonstrable link between recession and increased levels of fraud being a growing problem for this industry. We also saw more importance attached to this by the personal lines insurers rather than the commercial lines providers.

“ The economic crisis has not really changed strategy in claims although it has changed the underwriting strategy ” Insurer

Figure 6: Claims specific factors driving strategic objectives



We asked respondents to select from a list of claims specific factors that have an impact on their strategic objectives. Given the diversity of the market and the underlying drivers, results are shown split between retail and London market.

“As far as credit hire goes, the market is broken because the customer had a need that credit hire filled” Broker

Referral fees came out on top for retail insurers with 78% stating this as a major factor.

Fraud, flood management and changes to court procedures all received equal scores from the London market respondents.

Other issues discussed included the changing behaviour and expectations of insurance customers. The increasing propensity for retail consumers to shop around fuelled by the significant marketing spend from the aggregators, drives an expectation of ever better deals. Despite the expectation of lower premiums this is not matched by the expectation of lower service, in fact many interviewees felt customers’ expectations of service are continuing to rise. Whilst most insurers have responded with streamlined web based sales and service processes, very few have replicated this in claims.

We were keen to understand how well the industry felt they had handled the key claims issues facing the market. We asked interviewees to score the claims community on a scale of 1–5 (1 being good). On the whole fraud, flood and the changes to court procedures have been handled relatively well (average score of 2.6 out of 5) whereas credit hire and claims “farming”<sup>2</sup> were considered to have been handled poorly (average score of 4 out of 5).

<sup>2</sup> For the purposes of this research claims “farming” refers to the practice of some accident management companies and solicitors to seek out those involved in an accident and facilitate the pursuit of a third party claim where they may not have otherwise done so.

**Figure 7: How well have firms tackled industry wide claims issues?**  
Average score from 1–5 (with 1 being handled well and 5 being handled poorly)



It is interesting to note that the issues respondents scored highly were those where the industry had responded to external factors. The poorer scores were from issues that were partly driven or controlled by the claims community themselves. This could be because it is easier to reach consensus on the external threats, such as fraud, and there are fewer conflicts of interest between members of the industry. It looks like it will take a change to the rules, as proposed by Lord Justice Jackson, to address the challenges of referral fees rather than an industry negotiated agreement.

This raises the question as to what other issues the industry could collaborate on whilst complying with antitrust/competition rules.

## **section summary**

A robust approach to strategic planning is critical to operating an efficient and effective claims function

Despite this, a substantial number of claims functions have no robust process for strategic planning

Fewer than 45% of claims managers had a position on the board with many reporting to the Chief Operating Officer (COO) or Chief Underwriting Officer (CUO)

The use of customer insight is limited for many claims managers

There is a low level of measurement and benchmarking.

## How well claims functions are planning for the future

From the changes described, it is clear that there continues to be a huge amount of change impacting the claims industry. In order for companies to navigate through the conflicting paths and choices and make the right medium- and long-term decisions, a structured approach is required. This will ensure the best path is taken to support both the corporate challenges and the claims specific issues.

### Claims' voice in the company

We asked respondents if they have a documented claims strategy. This means they have a statement of how claims contribute to the business, what customers expect and how performance will be improved.

91% stated they did, however on further probing, it became evident that in most cases the documents referred to were short-term business planning documents, rather than longer-term strategic plans.

The 2009 CII report into the mid corporate market, *"Delivering world class service for competitive advantage in a changing mid corporate commercial insurance market"*, identified claims service as one of the three most important interaction points for winning business. It also noted that claims service was in the top three most important areas to improve.

Given the importance of claims functions, it is critical to both claims functions and the organisation as a whole that claims have a role in the overall strategy development process. 50% of respondents stated they were involved in most strategy discussions, with 47% having some form of input. Only 3% stated their claims strategy was developed subsequent to the business strategy. The fact that fewer than 45% of senior claims roles were part of the executive team must limit the degree of participation that claims can have in corporate strategy.

Overall 80% of our interviewees felt that the claims function had an adequate voice in the company with 7% feeling that this needed significant improvement.

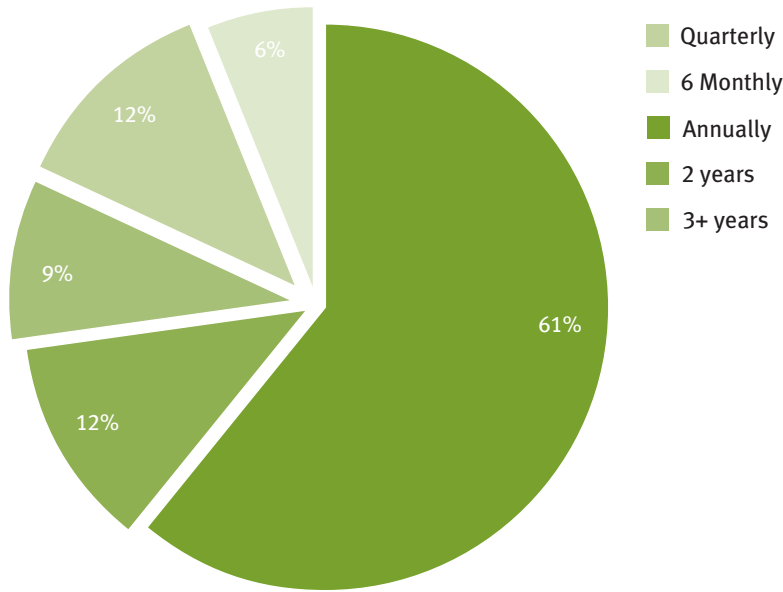
Despite 50% of respondents claiming to be involved in most strategy discussions, for the remainder it seems odd that the part of a company responsible for customer fulfilment and spending the largest budget is not fully integrated into the company strategic planning process.

### The strategic planning process

One indicator of the rigour of the planning process is the frequency in which strategy is reviewed. 60% of respondents evaluate strategy annually, whilst anecdotal comments suggested that a number look at the performance of the function monthly as part of the monthly review and reporting process.



**Figure 8: How often do you refresh your claims strategy?**



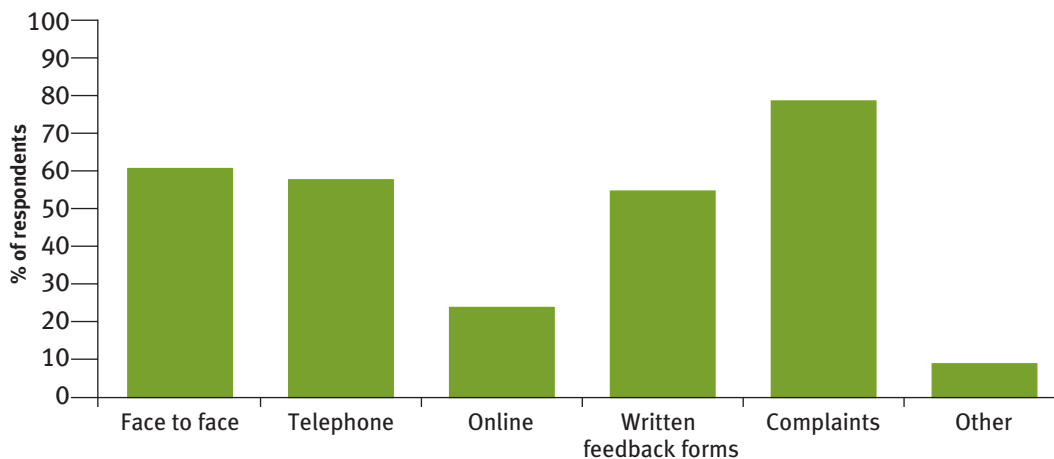
21% only refresh their strategy every two years or more, which is a surprise given the extent of external change. For those 21%, this is likely to disadvantage the businesses, relative to competition.

### Customer insight

The second most frequent external change factor quoted by respondents is changing consumer demand. The survey found that there was a lack of structured processes used to collect customer data.

Only 51% of respondents commented that they gathered customer insight monthly or more frequently, with a surprising 24% never using customer data, or only on an ad hoc basis, to aid the development of the claims strategy.

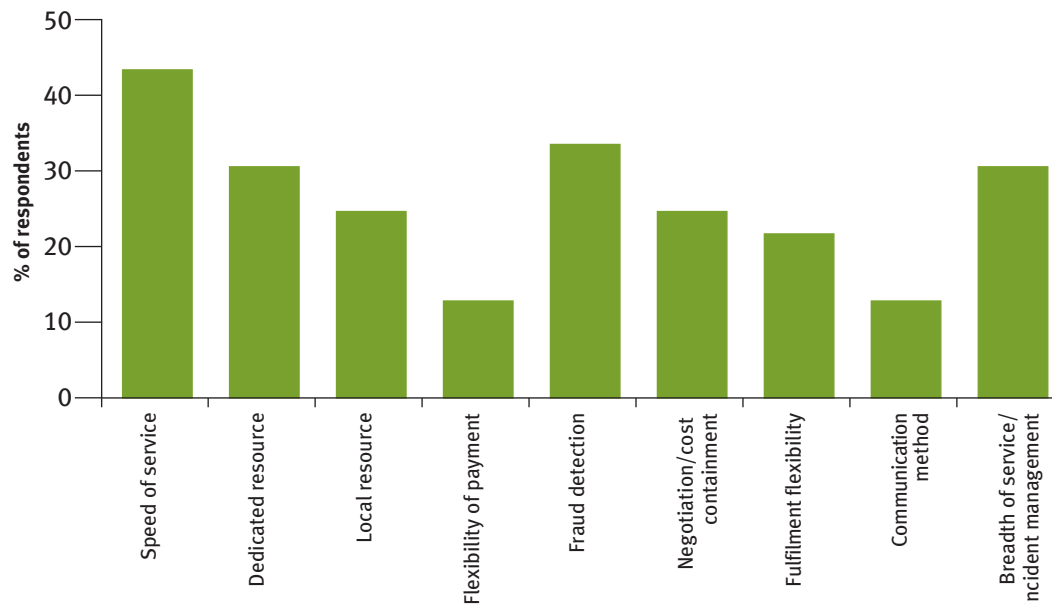
**Figure 9: What methods do you use for gathering customer insight?**



As we might expect, nearly 80% of interview respondents used complaints as a prime source of information, as these are received directly by the company and have to be acted upon. Whilst complaints can offer insight, clearly this will present a skewed picture. Online surveys are still used by a minority, with less than 25% using this method of information capture. With the growth of the online channel and a growing preference for customers to interact with companies in this way, one might expect this to grow in importance and use.

Less than half of the respondents publicise any aspect of their claims strategy or service. We find this surprising as once an insurance purchase is made the claims process will typically be the only point of contact with the customer. The experience the customer has through the claims process may influence their decision to renew or not. Does this suggest a lack of confidence in the industry’s ability to live up to any communicated expectations or deliver on their promises?

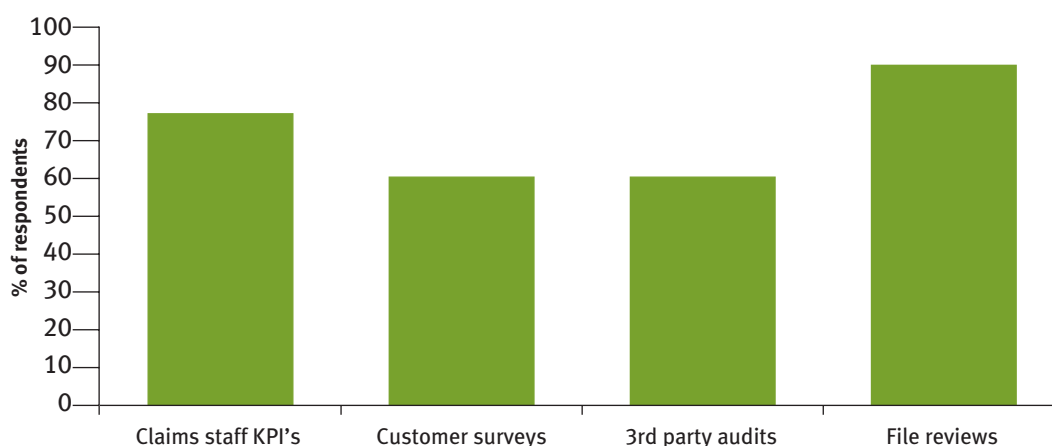
Figure 10: Do you publicise any aspect of your claims strategy or service?



There was a divergence of views around how, and if, using the claims service as a marketing feature should be done at all. One broker we spoke to marketed the fact that they have a network of global claims advocates in place to assist their clients through the claims process. Another insurer said there was little value in trying to do it, as every claim is different and each client needs to be treated in a different way.

### Measurement and benchmarks

Figure 11: What key measures do you use to ensure behaviour aligns to claims strategy?



It is critical that management measure the alignment of behaviour to the strategy set. File reviews are the most common measurement technique, yet these are typically time consuming, narrow in scope and often too retrospective. The emergence of more automated, real time analytical techniques are proving faster, more precise and have far broader coverage.

It was also a surprise that over 20% of organisations don't use Key Performance Indicators (KPI's) and 40% do not use customer surveys. This would suggest parts of the industry are relying on a narrow and restrictive set of measures.

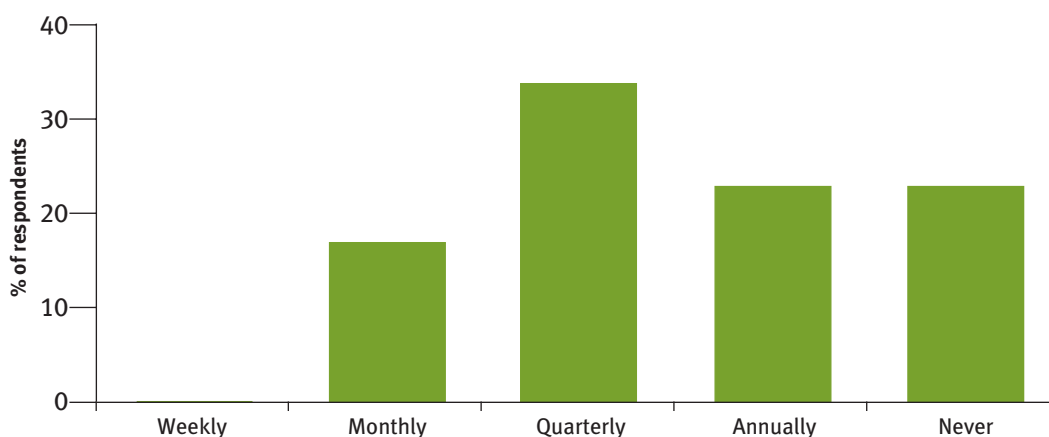
**“ We measure in a coordinated way – treating customers fairly (TCF), claim life cycle, average cost, recoveries ”** Insurer

**“ The combination of performance data gives you the best insights ”** Insurer

Given the nature of the claims environment and function, it is revealing that only half the respondents benchmark their performance against others, either monthly or annually, and 22% do not benchmark at all. A number of respondents commented on the difficulty of obtaining robust benchmarks which, whilst acknowledges, does not feel like sufficiently strong justification as one insurer we spoke to uses a broader data set of non-insurance related benchmarks to measure the non-technical aspects of claims function performance.

**“ Benchmarking; normally never, occasionally ad hoc. Anything we can get our hands on ”** Insurer

**Figure 12: How often do you benchmark claims performance?**



The paucity of robust measures combined with a lack of benchmarking suggests the industry still has some way to go in managing its performance in a holistic way. In an increasingly competitive market, internal and external benchmarking becomes a key tool to understanding the strategy and tactics of rivals and the trends affecting the market. Those who can develop and leverage benchmarking can turn this into positive marketing messages and on behalf of the company could gain some form of competitive advantage over their peers.

**“ Measure performance as part of your staff development programme, KPIs are the main measure. Monthly audits and file reviews are particularly important in technical areas where there isn't necessarily one right solution. Once a month spend time going through files as a group. Peer review and feedback are very important for learning ”** Claims management company

It is clear that whilst claims functions are involved in some level of planning, in many cases this is not a robust process of long-term strategic development. For many this has a limited use of customer insight, narrow measurement and minimal performance benchmarking.

Whilst this tactical planning may enable a function to respond to near term challenges as they arise, with the level of change and the anticipated corporate demands, this may not allow claims managers to navigate the longer term journey.

# section summary

People related initiatives will be crucial to the delivery of claims strategies

Commercial acumen, process management and analytics skills are expected to be in high demand

Customer value is rarely used to segment claims service

For those running large volume driven claims functions, technology is crucial in driving efficiency and process consistency

50% of claims functions expect to refresh their technology in the next 12 months

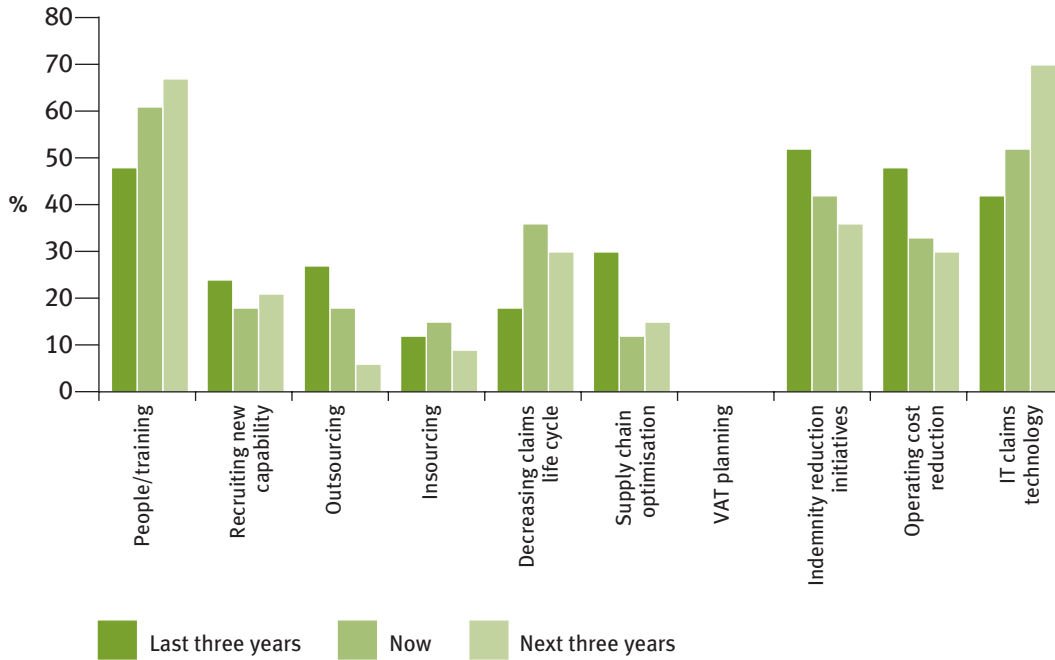
Supply chain improvements are lower down the change agenda with a renewed focus on cash settlement

On-shoring and insourcing are a more likely initiative than off-shoring or outsourcing for companies over the next 3 years.

## What change the market is already anticipating

With such wide ranging and challenging issues, it is no surprise that respondents all anticipated a number of initiatives over the next 3 years.

Figure 13: What are the most important initiatives you feel are needed to achieve your claims strategy?



Claims technology and people initiatives are regarded as the most crucial to support the delivery of the claims strategy. This has increased in importance over the last three years and is expected to further increase in importance over the next three years. This is followed by indemnity reduction initiatives.

Whilst 40% of respondents had some form of outsourcing in place, our survey indicates that outsourcing as a potential initiative falls significantly in importance in the next three years. This raises the question as to whether outsourcing claims has run its course. Perhaps this indicates a view from the insurers that this is not the optimal way to reduce costs at this point in time. Whilst the comparable number for insourcing does not appear high, it is higher than outsourcing over the next three years. Those organisations that mentioned this regarded it as part of a move to exercise greater control of their operations, rather than dissatisfaction with current arrangements.

There is a drop in the number of respondents believing supply chain optimisation initiatives will be as important over the next three years. This could be explained by the move by insurers to make more cash settlements, reducing the volumes going through established supply chains and third party suppliers. This trend of cash settlements has been attributed to several factors such as, the ability to negotiate lower settlements using cash, a reduction in confidence that the suppliers are enhancing the service and the view that cash is what many customers want, so why not provide that option.

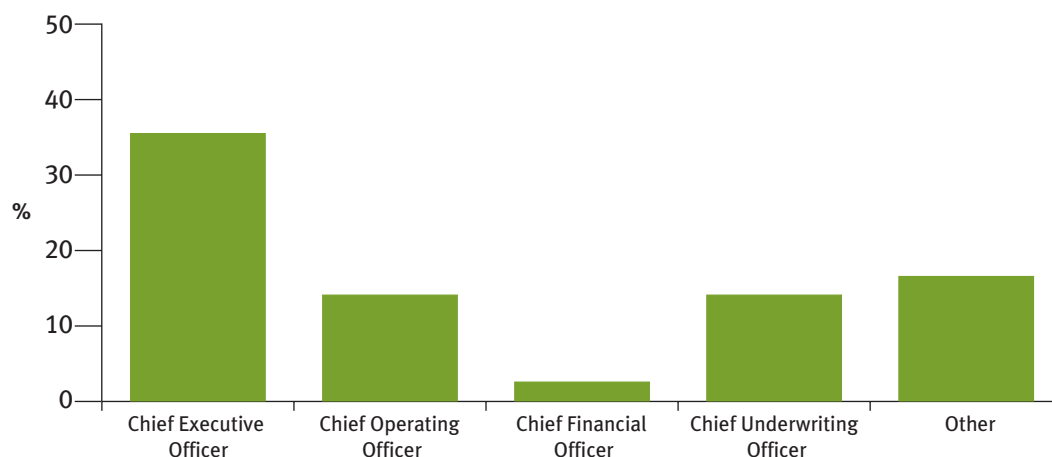
For the next three years claims technology jumps in importance, overtaking indemnity reduction. This is in line with the number of organisations who are seeking to replace their core claims technology in the next 12 months (figure 22).

We explore the anticipated changes in more depth under the headings of people, process and technology.

## People

The structure of an organisation is the feature of the operating model which often generates the greatest interest and emotion. Most structures can be made to work effectively but this depends on a range of factors such as technical skills and experience, the performance metrics supporting the senior claims role, the grouping of responsibilities and not least the individual in the role.

**Figure 14: To whom does the senior claims role report?**



We asked our interviewees how the senior claims role fits into the corporate structure. We found that there has been a change to the way claims is represented on the executive management team. Fewer than 45% of senior claims roles had a place in the executive team with over 30% of senior claims officer roles reporting into the COO (mainly a trend for larger companies) or CUO (for Lloyd's and London market carriers).

This could be an indication of the relative importance of different aspects of the claims role within these organisations. Those for whom claims poses predominantly technical challenges, run their claims teams through the CUO, whereas those for whom operational efficiency is critical to success run their claims function through the COO. This is important as the reporting lines can be a determining feature of how claims functions respond to the challenges faced.

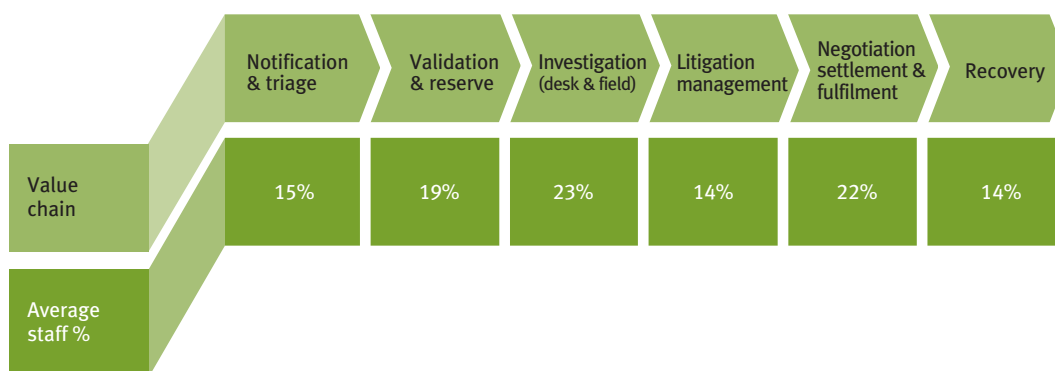
“ There is a lack of representation at the executive committee and this leads to delays in getting messages in either direction ” Insurer

As expected given the nature of the organisations, loss adjusters and claims handling companies generally have a far greater claims focus at a senior level with most of the board having a claims responsibility of some kind. For these organisations the key structural issue is the management of different services delivered.

We also tested the hypothesis that there is an emerging trend of splitting the technical and operational responsibilities, but found this was unusual in the senior claims position (only 3% of interviewees). Generally this occurred at the next level down in the organisation.

To better understand what changes have taken place across different claims activities we introduced a basic claims value chain (figure 15). This indicates the key activities within a function that add value to the business or are important to customers. Whilst it was not always easy to solely allocate individuals to these activities, the general consensus was that the value chain was representative of the claims functions accountabilities.

Figure 15: Percentage staff split across value chain for retail insurance companies



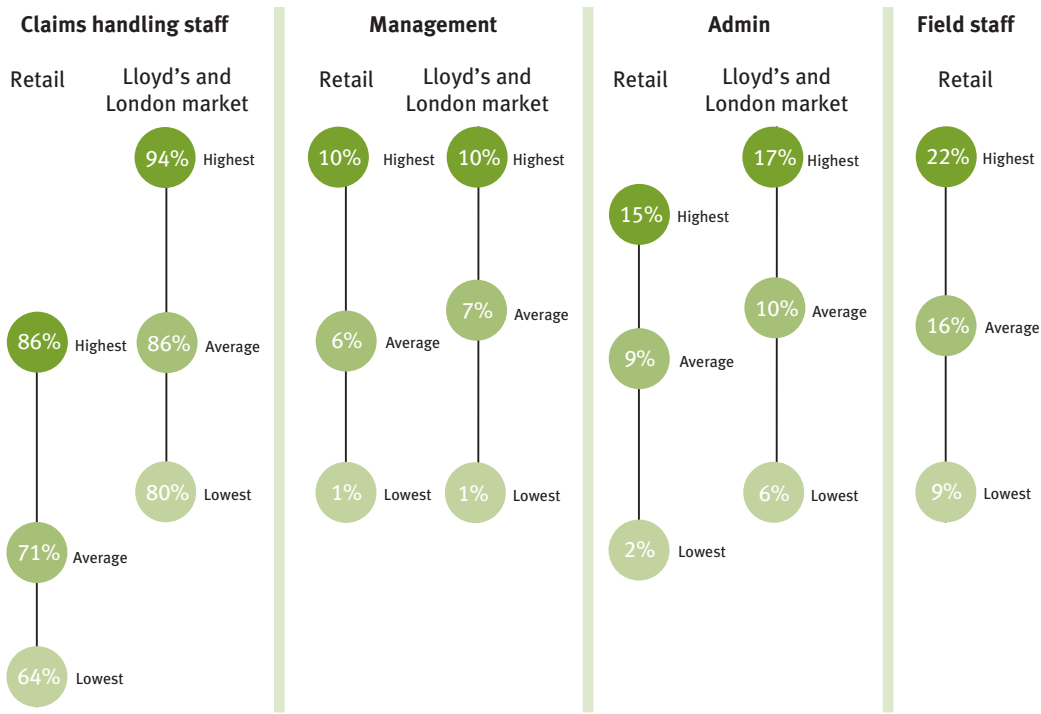
We asked interviewees to indicate the proportion of staff that operate in different parts of the value chain. For the smaller insurers and Lloyd’s and London market carriers, the answer was often that claims staff operated across several or all parts of the value chain (in a ‘cradle to grave’ philosophy). For the larger retail insurers and the loss adjusters there was more specialisation in one or two elements of the value chain. This is almost certainly driven by scale and different philosophies on the design of the claims operating model. As organisations grow in size, scale and specialisation, focused design principles come into play.

We asked our interviewees to indicate the proportion of staff in different types of roles, managerial, administrative, field staff and handling claims. Not surprisingly the majority of claims staff are front line claims handlers with an administrative component ranging from 2% through to 17%, although the nature of this support varies considerably. Whilst there are likely to be good reasons for this variation, we believe at least some of this will be down to organisations operating at different levels of efficiency and having different levels of technology support.

Interestingly the loss adjusting and claims handling interviewees maintained very little administration support, some quoting none at all. The larger retail companies and loss adjusting firms also employ field staff that Lloyd’s and London market firms do not. We also noted that the mix of staff in Lloyd’s and London market claims functions will be impacted by outsourcing arrangements for claims handling.

Figure 16 overleaf shows the percentage of staff within insurers that fall into each category – claims handling staff, management, administrative and field staff.

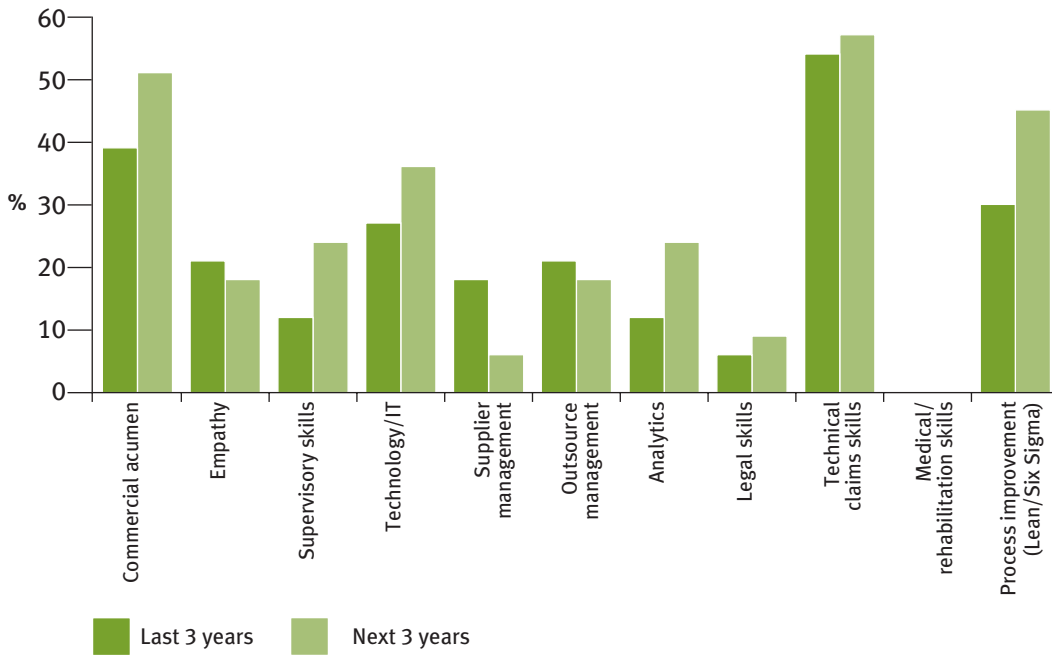
**Figure 16: Percentage of total staff in different roles within a claims function**



We have shown the lowest, mean and highest percentage for both retail insurers and Lloyd's and London market companies. There were no Lloyd's and London market companies interviewed with any field staff.

With people and capability expected to form the basis for key initiatives (figure 13), it is interesting to explore which skills were felt to be in most demand over the past three years and how this would change over the coming three years.

**Figure 17: What skills are most in demand within your claims operation?**





Whilst a strong demand for claims technical skills was expected (57% listed this in their top 3 skills), we also found strong demand for both commercial acumen (51% listed in their top 3) and managerial skills such as process improvement (45% in top 3) and analytics (24% in top 3). IT skills were also seen as crucial with 36% of interviewees putting them in their top 3.

Commercial acumen is a broad term, we have used it to include the ability to understand the wider implication of claims activity and use this understanding to enhance the company's position. This includes the ability to negotiate a good economic settlement to avoid protracted handling and/or litigation, balance the needs of customers and of the business and understanding the impact of claims on underwriting, pricing and profitability.

“ People no longer seem to be aware of how it all fits together, the bigger picture. They need to be aware that one broker might have access to hundreds of clients and millions of pounds worth of business ” Insurer

The demand for commercial acumen coupled with IT skills may suggest that claims operations have become more complex and demanding environments requiring a broad set of skills. With the complexity of future challenges, claims operational management needs to be recognised as a crucial skill set for the future, right alongside technical ability.

For those organisations which process a high volume of relatively low complexity claims, the demand for process management, IT and supervisory skills was critical. For those dealing with more technically challenging claims, the level of claims skills and commercial acumen are in most demand.

Some of the interviewees had increased their use of sophisticated management information and analytics tools. These tools require specialist skill sets to ensure the data is robust and accurate and to actually perform the detailed analytical work. These skill sets are in short supply in claims departments and there are certainly few examples of where claims functions today have teams with these skills employing robust methodologies.

Whether training and development functions within the claims community are adapting to meet this demand is unclear at the moment. Developing commercial acumen amongst claims handlers or teaching analytics skills is very different to teaching technical claims knowledge and requires a blend of experience and aptitude. Clearly there is a need for the industry as a whole to be considering their talent and capability development based on some of the changes identified in this report.

The 2007 CII Claims Faculty report *“The Evolution of Claims”* identified commercial acumen as the most in demand skill after technical ability, followed by empathy. Our research suggests commercial acumen and process improvement skills are catching up with technical claims skills in importance to managing a claims function.

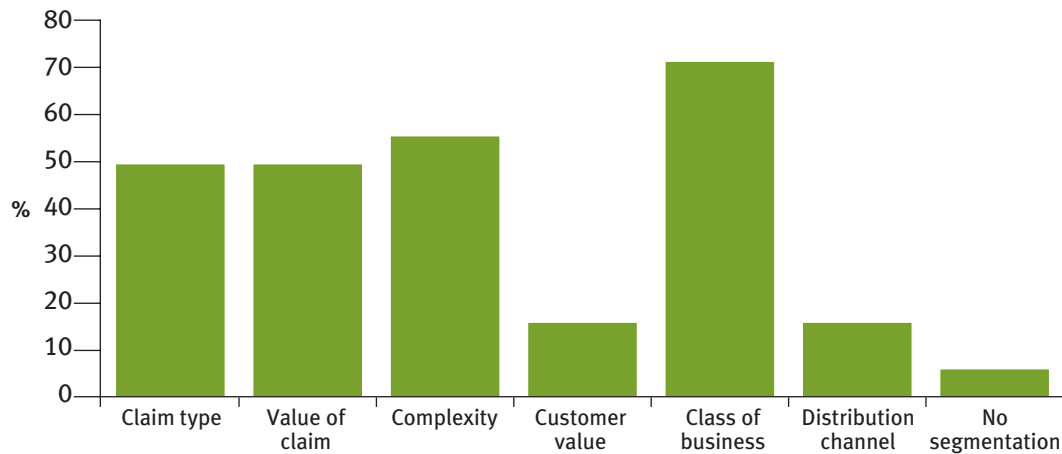
## Process

Within this section we examine how claims service is segmented, the changes to processes undertaken in the last three years and those anticipated in the next three years. We also examine the extent of off-shoring and outsourcing of claims processes.

### Claims segmentation

Claims segmentation and how this is supported is one of the most critical levers for driving value in claims as it is these principles that prioritise and allocate resources to the claim. Organisations often have considerably different approaches to this, driven by their mix of business and claims handling philosophy.

**Figure 18: How is the claims service segmented today**



The first point of segmentation typically occurs at claims notification (which in itself reflects a decision to segment by process stage). Within this stage the most common segmentation of service was to segment by class of business. Most organisations used more than one factor to segment. A common combination was class of business within which claims were further segmented by complexity or size. Only 15% of responses suggested that customer value was used to differentiate claims service proposition and this was only found in brokers and large retail insurance companies. No Lloyd’s and London market or loss adjuster interviewee segmented their claims service by customer value. With many organisations using customer value measures to drive pricing and marketing decisions, it is surprising that this has not extended into the claims environment.

This focus on incident management may make it difficult for companies offering multi-brand propositions to offer a differential claims service to higher value customers. There does not seem to be an insurance equivalent to “premium banking” whereby customers pay for and receive “faster” or “prioritised” banking service. A number of insurers offer a “premium” product whereby policyholders are able to pay for wider policy wordings or “high net worth products” but not, it would seem a “faster response” or “personalised service”. Whether regulatory issues would minimise the degree of upgrade possible may be a consideration and there will be some “high net worth” insurers who feel their product has built in “premium” type services, but for many of those policyholders that claim on personal lines policies, it seems to be the incident that drives the service levels not the value of the customer.

### Process change

Process changes should be driven by defining the customer experience, yet the survey shows that customer insight data is not being used regularly. In addition, in order to complement the online buying experience an increased number of customers require and expect online claims management capability.

**“ We are moving to SMS<sup>3</sup> updates with customers and this has helped reduce the claims lifecycle as letters take 2 days to arrive and might not get responded to, whereas SMS tends to be fairly instant and has a higher rate of response ”** Claims handling company

Process management is increasingly seen as a key tool in the battle to manage costs, both indemnity and handling expense. Many respondents indicate that they have undertaken process change initiatives, and techniques such as Lean or Six Sigma are being reviewed, adapted and applied to claims operations in varying degrees. The amount of detailed process information and data these techniques require will drive a greater understanding of the claims processes and, if properly executed, will lead to improvements in process efficiency.

<sup>3</sup> SMS or short message service – commonly known as text messaging

Figure 19: Which stages of the value chain have undergone process change?



At every stage of the value chain, at least 50% of respondents anticipated process change, although fewer respondents felt there would be as much major change as in the last three years.

The external drivers of change discussed earlier would suggest claims functions will need to change and adapt considerably. This reinforces the anticipated need for claims functions to develop process improvement and commercial acumen skills described earlier in the report.

The challenge is made more complex by the inter dependencies between a number of parties that are involved in the claims handling process. Technology will play an increasingly important role in enabling integration between parties, to share data, reduce frictional costs and improve the customer experience.

“ The vast majority of our complaints have been where there is a supplier involved. We’ve spent a lot of time understanding this and trying to reduce it ” Insurer

Managing the impact on productivity, customer service and retaining or developing talent is considerable. It will be crucial that senior claims management dedicate enough resource not only to managing this, but that a rigorous and robust assessment of the costs and benefits of the change is conducted before it is undertaken. The industry is full of anecdotes of claims functions undertaking major change, resulting in no difference to either productivity or customer service, because of poor assessment or weak governance.

### Outsourcing and off-shoring of processes

Outsourcing and off-shoring have become a familiar part of many service industries. The insurance industry has made use of these options across many functional areas including claims. Dealing with outsourced operations has become a fact of life for most claims staff as our survey illustrates. In fact, claims functions were early adopters of outsourcing through the use of loss adjusters and solicitors to handle and settle various claims and more recently, Lloyd’s has outsourced its provision of claims support.

Whilst the motives for undertaking either outsource or off-shore arrangements are many and varied, the first step to understanding this dynamic is to understand the extent of process outsourcing and off-shoring.

“ We use outsourcing to give us scale as we grow ” Insurer

Figure 20: % of companies currently outsourcing activity



We asked interviewees to indicate what part of the value chain was either outsourced or off-shored. Of these value chain components, notification was the most outsourced with litigation being the least outsourced. As you might expect, loss adjusters and claims handling companies undertook little outsourcing of the claims value chain.

“ The big problem with service level agreements (SLA's) is that unless you have someone at the other end committed to change things they can be just a tick box exercise. It is easy to manipulate SLA data ” Claims handling organisation

Lloyd's and London market respondents appear least likely to outsource their validation and investigation activity, however, this may be influenced by the existing arrangements with Xchanging.

Whilst this centralised and outsourced claims infrastructure for Lloyd's gives efficiencies to syndicates and managing agencies it can make it challenging for those that wish to grow business outside of Lloyd's, as they then need to develop their claims infrastructure from scratch. There are recent examples where new growth plans have been slowed by the lack of in-house claims infrastructure.

Figure 21: % of companies currently operating activity offshore



This pattern changed slightly for off-shoring, with negotiation and recovery being most frequently off-shored. There was very little off-shore activity for Lloyd’s and London market insurers, reserved mainly for scheme business.

Answers to our faculty wide survey revealed that 63% of respondents interacted with an outsourced or off-shored team, with 27% saying they did so occasionally and 36% frequently.

As figure 13 illustrating strategic initiatives showed, the importance of outsourcing as a likely change to the operating model has fallen dramatically. Interestingly there was some indication that bringing back onshore, previously off-shored activity is being considered and that this is a more likely initiative than outsourcing over the next three years.

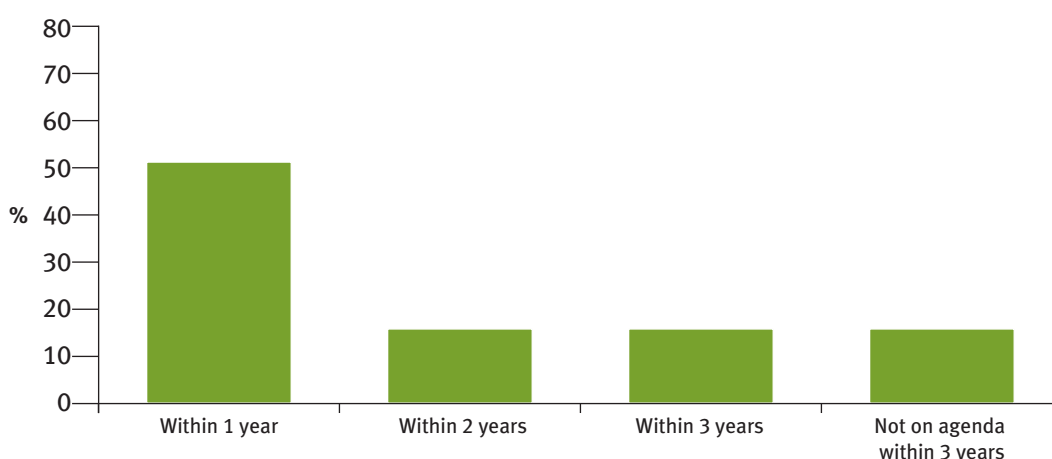
## Technology

We asked our respondents a number of questions regarding the extent of IT reliance, changes to systems anticipated in the next three years and the impact of technology on claims operations. Claims until relatively recently has not had a high level of technology investment. This has changed significantly as organisations have recognised the need and value of investing in technology that is designed specifically for the needs of claims operations.

It is no surprise to find that technology touches almost everyone in the claims community. Our online survey of faculty members found that only 7% don’t use any claims technology and 28% use four systems or more. There was little overlap in the specific technology used, indicating there is no dominant claims system provider. A number of the more established firms had made significant changes to their claims systems over the years.

Technology was the area most interviewees expected to require investment in over the next three years. The combination of recent technology development and increasing cost and efficiency demands has led to high expectations of change.

Figure 22: Do you have plans to refresh your claims technology?



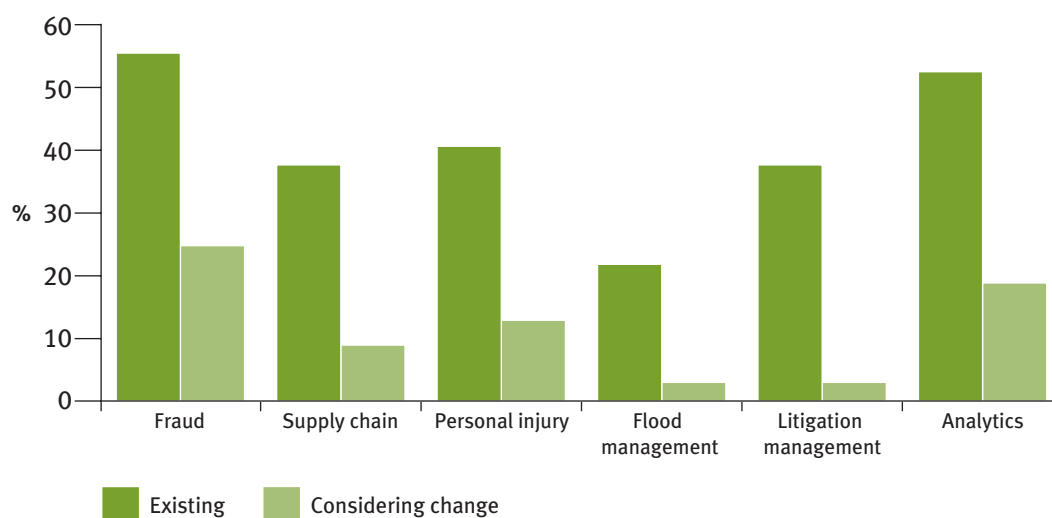
For those organisations running large volume driven claims operations, the focus was on efficiency gains from large scale system enhancement. For those with older technologies, they were likely to consider a more wide ranging major technology implementation. In the past 3–4 years there have been between 8–10 major UK claims system implementations and there are currently 2–3 mid way through a similarly large scale change. For many they see that this, if implemented well, can provide a quick return on investment through significant efficiency improvements and better customer experience.

For those claims functions where technical issues predominate, there was a demand for sophisticated associated technology to equip their claims handlers in addressing specific issues, such as litigation management or fraud.

For some claims managers change was anticipated in their core technology. Others plan to make incremental changes to core technology or to improve the associated claims technology such as fraud or analytics capability.

Within claims technology the most frequently cited areas of use were fraud and analytics. Interestingly fraud management was also the area most frequently listed as having potential for future investment or change. Largely this was explained as a tactical decision to take advantage of the increasingly sophisticated fraud management packages that are now available.

**Figure 23: Type of associated technology used in claims departments**



28% of respondents suggested they expected some associated technology change. This underlines the need for robust cost benefit analysis and strong change management capability, not just technology skills to ensure a successful implementation.

Of the respondents, the brokers listed little if any use of associated claims technology. They largely explained that technology investment would be in areas most likely undertaken by the insurer or loss adjuster.

Technology was generally seen as having a positive effect on claims organisations, although it was seen by some as having a negative impact on productivity (21% of retail interviewees and 11% of Lloyd’s and London market interviewees).

**“ We have reduced the level of support staff over the past 18 months through new IT and process improvement ”** Loss adjuster

There was also a sizable minority who stated that technology had no impact in the stated categories which is somewhat surprising.

The effect on leakage and indemnity cost management was seen as positive by retail and Lloyd’s and London market insurers. This may be a reflection of the success of the ECF<sup>4</sup> initiative.

<sup>4</sup> ECF – Electronic claims file – a system implemented in Lloyd’s and London market in 2006 enabling brokers to transmit documents to insurers and Xchanging electronically



The drivers for change identified are likely to impact claims functions in many ways. We anticipate changes to organisational structures, skills, process and technology in an effort to meet the challenges of the next few years.

The breadth of responses from the interviewees suggests there is no single operational blueprint for success. Whilst there was commonality in their direction and many common themes from both interviewees and online respondents, it is clear that there are a multitude of claims operating models operating at varying levels of success.

This should mean that the claims community has the opportunity to be highly competitive and innovative, with claims professionals searching for competitive advantage through differing operating models. The challenge for each is to uncover what the most successful models are for their business and how these could work.



## **section summary**

A robust process for strategic planning leads to improved operational performance

Unless many companies improve the level of planning they are unlikely to be able to take advantage of the opportunities or navigate the coming challenges

The significant benefit will come from expense savings and indemnity spend reduction depending on the maturity of the existing strategic process.

## Realising the benefits from strategic planning

### How functions can prepare for this change

We have explored the level of change that we expect in the claims arena, how well functions are preparing for this and how this change may impact claims operations. We now outline what companies can do to better prepare for the changes ahead and what benefits there are in being well prepared, both for individual companies and for the industry as a whole.

The key to preparing for the challenges ahead is to ensure claims functions have a robust process for strategy development and operating model design.

The development of the business strategy and ensuring it remains informed by current and anticipated external and internal drivers, is one of the core processes for any business. Traditionally, the claims function has had limited input into decisions around the focus of the business going forwards, e.g. customer segments to target, distribution channels to pursue and product design. In many insurers such decisions have been driven by sales, marketing and underwriting. In an environment with greater pressure on the bottom line this needs to change.

It is also not tenable for the claims function to have a description or statement of intent that is not backed up by a plan to develop and enhance capability. The authors would expect, at a minimum, for an organisation to have a description of the claims proposition to customers, in terms of dimensions of service and metrics for performance. This would be backed up by a view on the capability needed to support this proposition in terms of the people, process and technology.

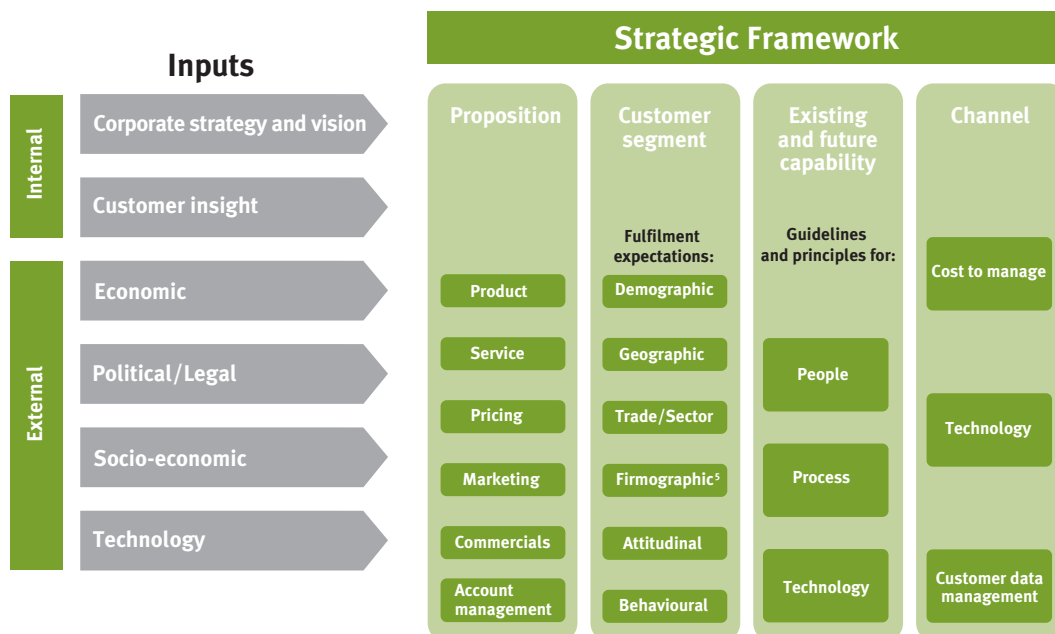
Figure 25 is used to illustrate the cyclical process of strategic development through to delivery, measurement and review, which should be a continuous process. It shows the inputs required to inform the strategic thinking, which is then translated into implementation through the creation of a claims operating model. Once delivered it needs to be measured and reviewed. The process will then start again in order to stay relevant to internal corporate drivers and external market changes.

Figure 25: An example of a claims strategy development process



The content of a claims strategy will vary from one company to another. We have detailed below an example of a claims strategy framework, which outlines the core components that are likely to be included.

Figure 26: Claims strategic framework



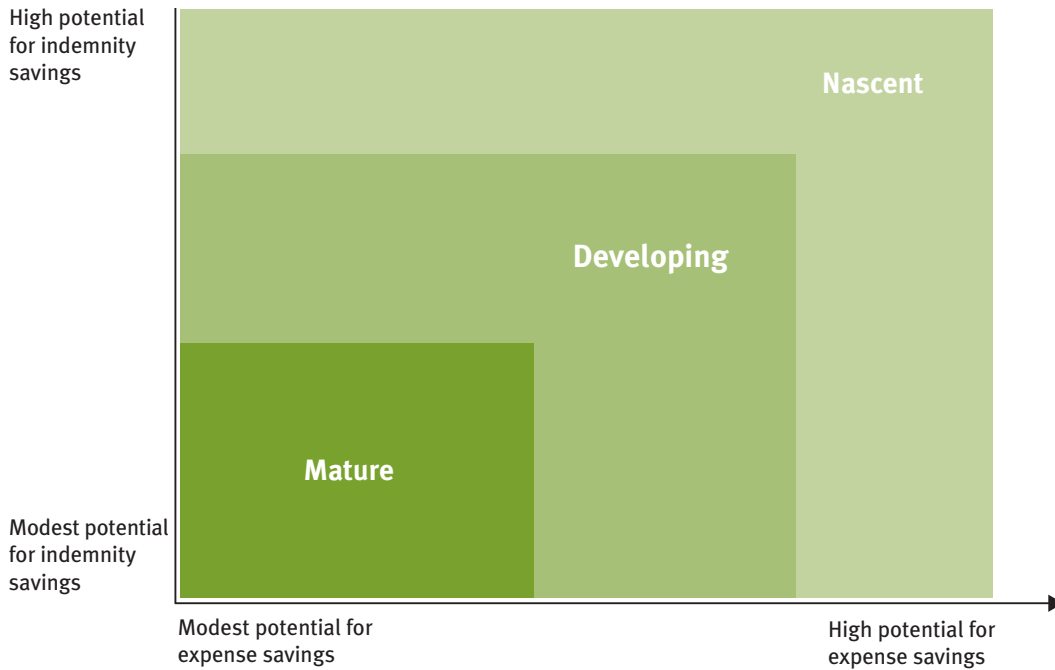
<sup>5</sup> Firmographic relates to a breakdown of the key features of a firm. E.g. size or trade.

In order to understand the potential for individual companies to make savings in either indemnity or management expenses from a more robust claims strategy and strengthened operating model, each company must assess how effective their claims strategy and planning process is. Below is a maturity model which illustrates the different practices that might be observed in companies with different levels of maturity and sophistication in their strategic development or operating model.

Nascent	Developing	Mature
<b>strategy</b> Claims divorced from corporate strategy or just a recipient of strategic messages	Some high level claims strategic direction	Active driver of strategy
<b>customer</b> A claimant is a file on a desk or a problem to fix	A claimant is a customer to be helped through a process	Claimants receive service based on their lifetime value
<b>cost</b> Minimal understanding of cost drivers	Indirect and direct costs broadly understood	Regular leakage reviews embedded in business as usual
<b>process</b> Claims is a technical internal event	Focus on process compliance with settlement timescales and some specialisation	Process compliance supported by technology
<b>process</b> Manual process, settled case by case and limited specialisation	Clear but inconsistent application of process standards and some specialisation	Significant front end claims resolution direct with third parties with use of rules based technology
<b>technology</b> Fragmented or claims centric systems with reconciliation activity required	Hybrid architecture based on legacy and some hub solutions	Fully integrated customer centric architecture facilitating straight through processing
<b>measurement</b> Narrow set of claims KPIs or financial reporting data only	Proactive performance management through regular point in time KPIs	Holistic real time MI with focus on value drivers

Benefits can be realised through both lower indemnity spend and lower expenses costs depending on the current maturity of an individual company. Whilst some individual tactical changes will release benefit, we believe that significant long term benefit can only be realised from strategy led change. This will demand a robust process that links strategy to capability development.

**Figure 27: Demonstrating the impact of strategic maturity on the potential for indemnity and expenses savings**

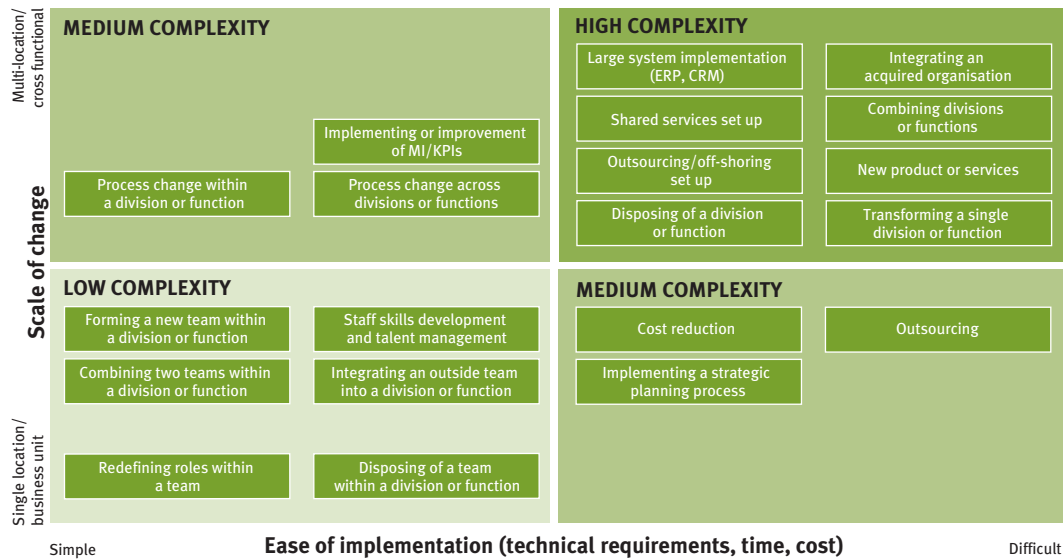


In order to plan the change required, it is critical that any initiatives undergo a rigorous cost benefit assessment. The breadth and depth of effort required can vary widely between companies for the same initiative, however on a relative scale there are similarities regardless of size. For example, on the whole companies may find redefining roles in a single team easier than setting up an outsourcing arrangement.

The type of initiative is also crucial to the degree of investment made in the change and the complexity of implementing the initiative. In figure 28 we have set out, for a selection of initiatives, how the mix of scale and difficulty is reflected in the complexity of the change.

Although this is just an illustrative example it shows that for larger organisations most change will be complex, if it is being implemented across the whole organisation. For smaller firms, the implementation may be less complex but will still require some skilled and dedicated resource to manage the change programme.

Figure 28: Scale of change versus ease of implementation



**Implications of complexity :**

- Low complexity** – likely to have skills in-house, lower investment and faster payback time. Greater certainty over outcomes and therefore lower business risk
- Medium complexity** – may have some skill sets required but ability to manage change across multiple locations or specialist knowledge required. Has the potential for poor management of the change to result in an escalation of complexity and risk
- High complexity** – unique skill set to manage technical changes over multiple locations. High investment cost and operational disruption. Longer payback and less certainty over outcomes. Far greater business risk

This means careful consideration is required before investment is made and for the larger scale changes, initiatives should rightly undergo challenge from the board. Articulating the cost and benefits is rarely simple, as understanding the change in productivity and performance, customer service and indemnity cost can be complex and uncertain. This uncertainty increases as the implementation gets more difficult or the scale gets larger, such that in the top right segment of the chart, these change initiatives will put the most strain on the organisation. Of course these initiatives are also likely to bring the most benefit, so the incentive to implement these is significant. Ensuring the board understands this balance, complexity and uncertainty is crucial to successfully managing the necessary change programme.

## What does this mean for the industry?

The degree and complexity of challenge faced will not just affect individual claims functions but also the claims community as a whole.

We have summarised 4 key themes where the claims community will feel the biggest impact although success in these areas is predicated on the individual companies within the claims community having their own strategies and plans.

### Customer insight

Issue	What action can the industry take?	Benefit to the industry
Despite being the delivery of the promise and service, there appears to be few examples of claims functions actively seeking and using customer insight. With a small number of notable exceptions the insurance industry has emerged relatively intact from the global economic crises. However, the crisis has damaged the reputation of the financial services industry.	Although some have taken steps to change processes to improve customer experience, companies should employ better methods for collating customer insight and use this to inform and change strategy, operating model and service delivery.	Improving reputation of the industry, improved customer retention and more efficient delivery/fulfilment. Customers' perception of the value that insurance brings should increase.

“ We are just starting a customer satisfaction survey. Not just asking about their experience but what would have been optimal ” Insurer

“ We don't leave information floating in the business, we require a defined response to all feedback ” Loss adjuster

### Strategic planning process/capability

Issue	What action can the industry take?	Benefit to the industry
There is a range of success in developing robust planning processes within companies in the industry. This will hamper the industry's ability to meet the challenges ahead.	Although some have improved, there is a need for many in the industry to develop a more robust planning process. This will ensure their claims function has the operational capability to meet the challenges of the next 3–5 years.	Having a clear strategic plan and executing this well will contribute to the profitability of companies. It will also bring an increased competitiveness to the insurance industry and bring better value to consumers.

“ Difficult to commit to a documented strategy. Short term is tactical and on the hoof ” Broker

“ Our claims strategy evolves over time but we have an annual claims business plan ” London market Insurer

“ We have a 5 year rolling strategy, updated each year and a separate claims philosophy ” Insurer

**Operational management**

Issue	What action can the industry take?	Benefit to the industry
The internal and external challenges have made the claims operation more complex. Whilst technical aspects of claims handling are key, so is the management of processes, technology change and management information.	Claims should act as a business which requires a strategy and set of operational plans to ensure effective delivery of customer service. Better managing the complexity of claims should reduce costs and deliver the service customers expect.	Managing the costs of claims to deliver on promises to customers and commitment to the company's owners. This provides a source of competitive advantage.

“ Claims costs are increasing in personal lines but our approach is that if we are proactive and doing our job properly then a lot of problems fall away ” London market insurer

“ Client service. Emerging markets in the Middle East look like they could hold the future: new better systems, no legacy problems, speed of response and proactivity. Service has got worse in London as lots of people are involved in process now, which slows them down, the greatest complaint is speed of settlement. London markets has always been seen as best but the Middle East is a real threat ” Insurer

“ Technology: You can buy coverage in a very slick way on the internet, but fulfilment is light years behind. On the internet everything is very easy to buy, research and view; claims is very behind ” Insurer

“ Thinking about claims as a business related not just professional discipline and what customer interaction comes from this ” London market insurer

**People and skills**

Issue	What action can the industry take?	Benefit to the industry
In order to support any of these initiatives, people are key. It is not just technical skills required but new skill sets such as analytics, process management, change management and commercial acumen.	Building the reputation of claims as an attractive place for talented people to have a career. Planning change robustly to demonstrate commitment and recognising the value of new skill sets through investing in the development of these skills.	By being able to attract, develop and retain good people who have the capability, knowledge and skills to lead, manage and deliver value to the customer the industry has an opportunity to undertake the initiatives required to remain competitive and rise to the challenges it faces.

“ The rush to off-shore/outsourse has deskilled the staff ” Insurer

“ We need to replenish the pool of people in the industry ” Loss adjuster

“ People are key, without the right people it is very hard to put in place any strategies ” London market insurer



The ability to successfully innovate is crucial to competitive advantage in any industry. The survey asked an open question of interviewees, to outline what they saw as innovative in claims. The results were varied but with many responses looking at technology solutions. Innovations quoted included:

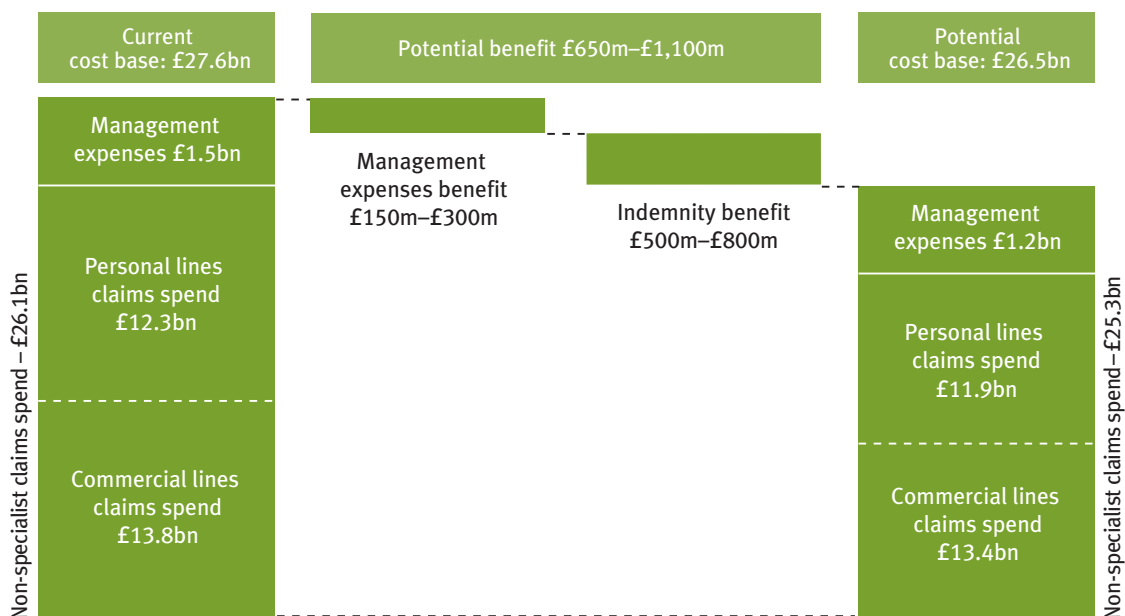
- Mobile technology such as using mobile phone video feed from policyholder to adjuster
- Straight through processing
- Analytics in fraud detection
- Claims segmentation
- Rehabilitation
- Electronic Claims File (ECF)

## The potential benefit to the industry

The research has proposed that a robust strategic planning process leads to more efficient and effective operations. We have estimated the benefit to the industry of improving the level of rigour in strategic development and the impact this has on the operating model. We have drawn together a number of benchmarks regarding typical improvements in performance following strategy driven operational change.

We have based this estimate on the indemnity spend across the UK non specialist market in 2008 for companies and Lloyd's. We have used the claims management cost declared in the FSA returns to indicate the cost of managing claims functions.

**Figure 29: Estimate of potential savings to the industry (based on 2008 figures)**



To this estimate we have applied an average leakage percentage and a typical improvement factor following implementation, derived from our experience of implementing claims improvement initiatives.

This is a medium- to long-term benefit that would require time and investment but which will ultimately move the industry into a far more competitive position. Typically, major change programmes cost between 15%–25% of first year benefits to implement, but this varies according to the type of initiative and of course how well the implementation is executed.

We estimate a potential benefit across the industry of between £650m–£1.1bn depending on the rigour with which the industry pursues the required change. This should be set in the context of the 2008 underwriting loss of £245m (for the non-specialist classes – figure 3) and is therefore a significant prize to those who pursue it effectively and an opportunity to transform the industry.

## Conclusions

It is clear that the claims community is made up of a diverse set of firms and skills. As a profession in the UK alone, they manage some £41bn of claims indemnity spend (from a total of £68bn gross written premium<sup>6</sup>) across all lines of business.

As claims are the largest expense in the insurance industry, we might expect that in managing their operations, insurance organisations would apply strong strategic management and planning. This survey has suggested that this is often not the case.

Whilst many claims organisations indicated they had a documented strategy, too often we found that in place of a clear claims strategy was an annual budget or forecast with some head count and expense targets set from the company executive. Whilst this is a key component for managing a claims function it is unlikely to provide, on its own, the vision and framework to make long-term decisions.

However, some companies have taken a more robust approach to generate unique or strongly competitive positions. Some insurers have made significant progress in driving customer service and process efficiency, through a clear long-term plan. The loss adjusting firms have had the advantage of a claims only focus and have developed clearer strategic visions and a far greater breadth of services than they had 10 years ago. In this landscape we firmly believe those with more robust planning capability will prosper in the long term.

With a genuinely strategic vision for the claims function, the claims management team have the chance to take control of their investment and change portfolios throughout their operating model.

**With this substantial change and pressure on the claims function, the companies that win will be the ones with a good plan of how to navigate through the turmoil, and the right focus and investment to execute the plan. For those that get it right, there is a substantial prize and, for the industry as a whole this could be up to £1bn in claims cost reduction.**

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<sup>6</sup> Amount is taken from the FSA returns form 20A and form 24 for Lloyds. This will include some overseas/home foreign amounts where they are written in the FSA regulated entity.

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With over 93,000 members in more than 150 countries, the CII is the world's largest professional body dedicated to this sector.

Success in CII qualifications is universally recognised as evidence of knowledge and understanding. Membership of the CII signals a desire to develop broad professional capability and subscribe to the standards associated with professional status.

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