

Claims Education: More Critical than Ever

BY DONNA J. POPOW, JD, CPCU, AIC

With changes come challenges. And in the insurance industry, change is universal and constant. During the last decade, there have been increased merger and acquisition activities, expanded global competition, new regulatory initiatives, technological advances, and innovations to products and services. Add to that a more knowledgeable customer base and ever-changing case law, and the picture of life in a claim department is complete. An important challenge confronting the industry today is to ensure that the knowledge and skill levels of claim

professionals continue to meet the demands of the complex property/casualty marketplace.

Technological Changes

When it comes to claim handling, gone are the days of manual processes, volumes and volumes of paper files, and protracted document retrieval delays. Most insurers have upgraded their legacy infrastructures and implemented innovative automated services that can save money, increase revenue, and improve customer satisfaction.

Moreover, insurers have become even more aggressive in leveraging technology to differentiate themselves from their competitors and to target specific organizational goals.

Technology has greatly impacted the job functions of claim handling and processing personnel. Claim handlers are doing more data entry work than ever before. First notification calls by claimants are now taken by call center personnel using automated web-based systems rather than by more experienced claim representatives, who now use expert systems to detect fraud, set reserves, and value claims.

As a result of insurers' reliance on claim technology, claim personnel often no longer get the needed experience of actual investigation. Companies determine training needs based on compliance measures rather than on quality and career development issues. Demand for more information has resulted in a disconnect between purpose and process. Much of the training given to claim personnel now focuses on how to use technology rather than how to handle claims.

Unfortunately, this dependence on technology for decision-making is creating a knowledge gap for claim representatives, adjusters, and supervisors, who are not receiving the exposure they need to effectively handle the more demanding and complicated losses. Companies need to begin developing their personnel on multi-dimensional levels to ensure their claim professionals achieve and maintain core competencies, cultivate intuitive abilities, and fine-tune customer service skills.

Workforce Demographics and Bench Strength

According to a 2004 study titled "How



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Insurance Companies Can Beat the Talent Crisis,” published by Deloitte Research, the insurance industry will soon face “an impending shortage of critical talent,” due largely to two factors: the baby boomer generation is nearing retirement age and there is a growing skills gap. In claims, the more experienced representatives and adjusters are leaving the field or retiring, and they are being replaced with less experienced personnel who depend on technology for their investigation and decision-making, rather than on experiential technical competencies and solid claim-handling principles and practices. Currently,

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there’s a lag in providing the insurance knowledge and skills claim personnel need to meet the increasing complexities of the marketplace, to seize opportunities as they arise, and to support personal career development.

Bench strength is something the property/casualty insurance industry is sorely lacking, not only to meet current staffing requirements but also to realize future succession planning. At the same time, there is a lack of new talent entering the industry. At this juncture, the importance of education and training on technical claim-handling issues can not be overstated. Unless companies and organizations seriously consider increasing their education and training budgets, the problem will intensify, not moderate.

Aiming for a Balanced Scorecard

According to a 2004 poll conducted by Insurance Services Office (ISO), 78

percent of U.S. insurance companies identified cost reduction in claim-handling processes as their most important goal for the year, and 58 percent singled out increased knowledge and staff training as key to improving claim handling. To stay competitive, insurers must provide claim adjusters, representatives, and processors with a strong foundation in insurance coverages and claim-handling principles and techniques, as well as coaching and mentoring by experienced personnel who have kept up with the emerging issues and trends of the marketplace.

Without the right blend of knowledge and skills, a less experienced and untrained claim staff may make costly errors, such as the following:

- Misinterpreting coverage
- Failing to comply with unfair claim settlement acts
- Carrying out poor documentation and diary management
- Decision-making without any knowledge in claims law
- Failing to investigate all aspects of the claim
- Reserving improperly
- Failing to see the big picture
- Performing poor coverage analysis
- Failing to recognize subrogation opportunities
- Decision-making based on lack of ethics
- Exhibiting a fear of decision making
- Providing unsatisfactory customer support.

Importance of Personal Development

Current training tends to focus primarily on skill development. For example, if an audit reveals that a claim representative has not been proactive in making offers, then the claim representative gets training in negotiation skills. The problem, however, may be much deeper. Possibly, the claim representative is struggling with decision-making, which results from a lack of confidence or unfamiliarity with the material. Training on decision-making and strategic thinking would be helpful. Vendor management and use of Internet tools are other areas for training.

Furthermore, courses and seminars on contract interpretation, good faith, interpersonal skills, personal organization and productivity skills, and negotiating skills, for example, would also be beneficial. While seminars are widely available, the preference is for in-house training on subject matter related to a claim representative’s current work. The bulk of the responsibility for CE compliance rests on the individual, while the accountability lies with the managers.

Claim Handling and Customer Satisfaction

Each year, JD Power and Associates, a global marketing information services firm, conducts a national survey on customer satisfaction levels of automobile insurers. In reviewing the results of their 2006 study, Jeremy Bowler, senior director of the insurance practice at JD Power, said, “Carriers achieving high levels of satisfaction retain 90 percent of their customers compared to those carriers with the lowest satisfaction levels, who retain an average of only 78 percent of customers It’s important to invest in the areas that truly resonate with customers. Often, this means investing in developing the skills and empathy of the front-line employees and agents who serve customers day-to-day.”

An insurer’s response time following an accident is critical to customer satisfaction, but so is the company representative’s personal interaction with the policyholder about the claim. Customer service skills are based on much more than correctly taking down claim reports and doing it quickly. The quality of claim handling is equally important to the quantitative measure of the transaction. A claim representative needs strong coverage analysis skills, a clear understanding of claim-handling policies and procedures, and experience in investigation, negotiation, and settlement.

Moderating a Litigious Climate

One of the best ways an insurer can limit the possibility of extra-contractual litigation is to ensure that a policyholder’s allegations have no merit. Ensuring that

their claim personnel are highly skilled and knowledgeable is one way insurers can mitigate assertions of improper claim handling, wrongful denials of coverage, and so forth. In addition to practical skills and in-depth knowledge of claim processes, claim personnel in all areas need a solid understanding of insurance operations, including the areas of law, regulation, and compli-

The American Institute for CPCU and the Insurance Institute of America help risk management and insurance professionals develop the knowledge and skills they need...

ance as they apply to insurance and risk management. Management consultant Peter Drucker is often quoted as saying, "Making good decisions is a crucial skill at every level." For claim personnel, making good decisions is critical.

Institute Programs

The American Institute for CPCU and the Insurance Institute of America (the Institutes) help risk management and insurance professionals develop the knowledge and skills they need to be successful in a changing and challenging marketplace. To satisfy the training needs of individuals, organizations, and the industry as whole, the Institutes offer a variety of professional development learning solutions.

For less experienced claim professionals, or those new to the insurance industry, the Institutes have programs that stress the fundamentals:

- *Insurance Essentials.* This interactive learning tool helps employees new to insurance learn the essentials quickly and gives them a common knowledge base. Insurance Essentials provides students with a short introduction to the major aspects of the industry, including the history of insurance, risk

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- *COMET Online Learning.* A new approach to professional development from the Institutes, COMET delivers accurate and performance-enhancing technical insurance content broken down into easy-to-study online modules. The first suite of products, Insurance Fundamentals, consists of ten courses (sold individually), including Insurance Policy Fundamentals, Claim Handling Fundamentals, Insurance Fraud Prevention Fundamentals, and Insurance Regulation Fundamentals.

- *Introduction to Property & Liability.* This course is an excellent starting point for almost anyone in risk management, insurance, and related fields. It covers a wide range of topics in a thorough manner.

Students will gain a general understanding of how the property/casualty insurance business works, and they will be able to deal more effectively with others in the profession and better understand their role in making insurance work in a changing world.

- *Introduction to Claims.* Designed primarily for employees who are new to the study of claims, this course is appropriate for newcomers to the business as well as for more experienced employees with no formal claims education. The student will learn about the claim function, claim management, claim practices, auto and property first-party claims, liability claims, workers' compensation claims, commercial coverages, and the principles of insurance policy interpretation.

- *Program in General Insurance (INS).* INS is for the insurance professional

who needs a thorough grounding in the fundamentals of insurance and covers insurance principles, practices, and policies in depth. A wide range of insurance topics are introduced—core principles and practices, risk management, operations and procedures, policy language and coverages, loss exposures, and products.

For the CR with one to five years of experience:

- *Associate in Claims (AIC).* As property/casualty claims increase in complexity and severity, claim professionals need practical skills to thoroughly investigate claims and process them efficiently. The AIC program includes topics such as claim-handling principles and practices, workers' compensation and managing bodily injury claims, property loss adjusting, and liability claim practices. Students can tailor the program to personal goals by choosing alternative paths that focus on either personal or commercial insurance.

In order to maintain a high level of customer satisfaction, insurers should focus on claim education for all their claim personnel.

Specialized Programs. The Institutes also offer specialized programs in numerous areas, including the following:

- *Associate in Insurance Services (AIS)* focuses on a basic understanding of quality and continuous improvement and is perfect for call center personnel.
- *Associate in Management (AIM)* is a good choice for independent adjusters, agency personnel, and aspiring claims managers.
- *Associate in Risk Management (ARM)* provides the knowledge and skills commercial insurance claims personnel need in the science of risk assessment, risk control, and risk financing.
- *Associate in Marine Insurance Management (AMIM®)* centers on

specific information and coverages pertaining to ocean and inland marine insurance.

For middle- and senior-level managers who need a broad range of insurance knowledge and the necessary skills to advance, the Institutes have a designation program designed to provide the big picture:

- *Chartered Property Casualty Underwriter (CPCU®).* Built on a foundation of ethics and experience, the CPCU program delivers broad and in-depth knowledge of risk management and insurance. CPCU, the premier designation program of the property/casualty industry, prepares students to meet the changes and challenges of a demanding global marketplace with confidence and professionalism. The program consists of 11 course. Students must pass eight courses, including five foundation courses, to earn the CPCU designation.
- *CPCU 530—The Legal Environment of Insurance* is a foundation course that all experienced claims personnel should take—whether or not they decide to earn the CPCU designation—to learn about the complexities of the legal aspects of insurance and contracts.

The insurance industry faces a growing challenge in their claim organizations. As the population of experienced claim representatives ages, they are being replaced with younger, less experienced personnel. In order to maintain a high level of customer satisfaction, insurers should focus on claim education for all their claim personnel.

To learn more about Institute programs for claims professionals, call the Customer Support Department at 866-844-0376.

Donna Popow is senior director of knowledge resources and ethics counsel for the American Institute for CPCU and the Insurance Institute of America (the Institutes). She has direct oversight of the Associate in Claims designation program and the Introduction to Claims certificate program.