

Dynamic Claims Processing



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Claims processing is one of many equally critical insurance company business functions; it does not exist in isolation and has been termed the “shop window” of insurers. TIBCO recognizes the need to provide a seamless integrated claims processing function across the organization and partners, while manage the process for maximum efficiency, visibility, and flexibility with its dynamic claims processing approach. This approach consists of utilizing complementary platform technologies that offer insurers the ability to design future-proofed claims solutions. Implementing TIBCO and receiving the benefits of dynamic claims processing does not require starting from scratch—it leverages existing systems to deliver seamless enterprisewide connectivity and processing.

By utilizing TIBCO’s dynamic claims processing approach, organizations implement Business Process Management (BPM) to standardize processes and Service-Oriented Architecture (SOA) to create re-usable business services. Doing so improves the flow of information from claims to servicing to underwriting to marketing, thereby enhancing a company’s agility and responsiveness to changing conditions. By enhancing traditionally static, disconnected, and inflexible claims processes with TIBCO, insurers and their agents can accurately identify, manage, and reduce risk exposure, improve customer service, gain operational efficiency, and adapt to change more quickly and easily—all of which can contribute to a much improved sustainable competitive position.

Benefits of dynamic claims management include higher levels of productivity and efficiency, faster, better-informed decisions, minimized exposure to risk, compressed claims processing cycle times, and greater customer satisfaction.

1. Dynamic Claims Management

Managing the claims process more efficiently, aligning it with corporate business objectives and achieving real-time operational awareness are high priorities for insurers. But modernizing the claims process for efficiency and flexibility is a daunting task, because it is a mission-critical function that touches all parts of the organization, affecting competitive positioning, customer service, fraud management, risk exposure, cost control, and IT infrastructure.

Previous attempts to improve the process have typically been limited to speeding up a series of often inefficient and disconnected processes or of reducing manual steps. To significantly improve claims management and give themselves the ability to adapt quickly to changing circumstances, insurers must make more profound infrastructure changes that align claims processing with corporate objectives for customer service, operational cost, and risk management.

Insurers realize they can not indefinitely postpone addressing the problem and, in fact, the sooner they do so successfully, the greater their competitive gains. To modernize their claims processing, insurers must address the three sides of the claims triangle:

- Reduce operational expense through increased efficiency and productivity throughout the value chain.
- Improve service levels by implementing a faster, more visible, and more consistent approach to claims settlement.
- Reduce indemnity cost through leakage control and pro-active fraud management.

In planning for changes and enhancements in claims processing, insurers must not lose sight of the importance of customer satisfaction. While cost control is an important objective, so is maintaining the highest possible quality of service and best possible customer experience. With product differentiation from company to company difficult to convey to the buying public, quality of service is a key competitive differentiator. The way an insurer handles a claim often determines to a large extent the insured's opinion of and loyalty to the insurer.

For insurers that complete a successful claims processing transformation, the benefits justify the effort. With claims being the largest single cost item for insurers, controlling claims expenses through a streamlined process can have a dramatically positive bottom-line impact while providing new and unique differentiating flexibility in claims processing, which enables the company to innovate and react quickly to unpredictable events and changes in the competitive landscape.

TIBCO offers a unified approach to dynamic claims management with modular components that leverages existing systems and staff knowledge and connects the claims process across multiple parties and channels to enhance the overall claims process. Benefits provided by the TIBCO approach include: increased customer satisfaction and retention, faster claims settlement, improved communications and control of the claims processes from end-to-end, handling simple claims automatically through straight-through processing, increased process standardization and flexibility, and fully integrating third parties from agencies to claims suppliers into the process, usually for the first time. TIBCO enables insurers to align claims processing with corporate business objectives

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and gain or sustain competitive advantage through innovation and superior adaptability.

ALIGNING CLAIMS MANAGEMENT WITH STRATEGIC OBJECTIVES

As part of industry transformation in property and casualty insurance and claims inflation, companies are being forced to reevaluate both their distribution model and their technology infrastructure. The rate of change in the industry is driving insurers to think about how they can do business differently—that includes straight-through processing, operational excellence, and improved customer service. Insurers are challenged to meet rising customer expectations and are under pressure to reduce operational costs, including claims leakage. The pressure is more so with insurers who operate with a sales agent network that adds to operational costs compared to online and direct insurance companies.

Insurers must take certain steps to ensure continued success. They must seek cost-effective ways to issue, service policies and streamline claims processing while maintaining high levels of customer service in order to retain customers. But doing so is difficult with existing legacy systems in silos and inflexible processes. BPM solutions have helped with individual processes, but are often implemented to solve one problem at a time and typically do not include a comprehensive approach that could make processes visible across the entire enterprise—key to true operational efficiencies and cost reductions. Competitive pressures, increased government regulations, and tightening market conditions are driving many insurers to look at new and expanded ways to enhance the management of their claims processing to achieve common strategic objectives such as:

- Improve combined ratios
- Reduce operational costs
- Focus on core competencies
- Contain exposure to risk
- Increase business efficiency
- Improve customer service and retention

While improved claims management is only one tactical element that can help insurers reach the above objectives, it has a disproportionately large impact on

an organization's overall success. Insurers are recognizing that in order to achieve cost control, improve margins, and retain market share, they need to adopt a new approach to improving claims management and maximizing its contribution to overarching corporate goals.

AUTOMATION ALONE IS NOT THE ANSWER

Many insurers have aging legacy systems—difficult and expensive to maintain—to support policy and claims processes. Data are in silos across the organization, not accessible by all users, and never consolidated for enterprise reporting. Such silo systems provide only “snapshots” into claims performance. To remedy this problem, a more complete solution must offer enterprise-wide visibility and reporting, so that staff throughout the company can share information and participate in processes.

Many insurers have succeeded in building systems that automate claims processing for standard claims, but automated solutions can't handle exception claims, have real-time situational awareness capabilities and are not designed to take into account the entire claims value chain.

BPM and rules solutions, supported by integration capabilities can bridge the various existing systems and support process standardization. In addition, TIBCO's Master Data repository can be put in place that serves as the master system of record and then synchronizes across different insurance applications. This means data across claims is accurate and inconsistencies in information are eliminated. This enables insurers to leverage their past investment in legacy systems and can enable insurers to be more flexible and adjust “on the fly” to such events as floods and earthquakes without legacy restrictions. Insurers can adjust processes for that region as damage is evident, facilitate payout based on zip code, and take other measures.

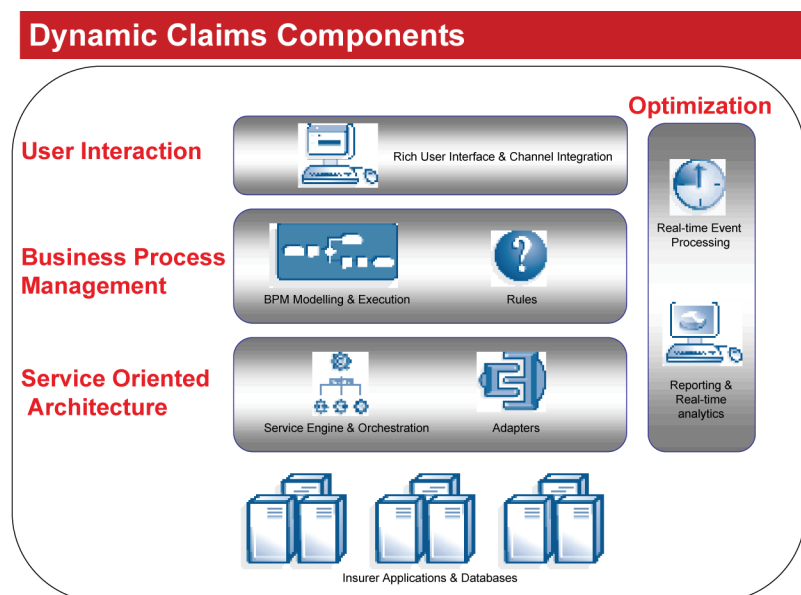
TIBCO's solution gives claims managers the controlled flexibility to create their own agile, ad hoc claims strategy to be as responsive as the situation requires.

2. TIBCO's Dynamic Claims Management

Insurers seeking to improve their claims processing function have a wide range of choices in technology solutions—from task-specific applications to comprehensive frameworks requiring insurers to “rip and replace” existing systems. TIBCO offers components that leverage existing systems and staff knowledge with solutions that connect the claims process across multiple parties and channels to enhance overall process management.

TIBCO even gives claims managers the controlled flexibility to create their own agile, ad hoc claims strategy to be as responsive as the situation requires.

Figure 1. Multiple components provide the agile end to end functionality to provide seamless access to all claims processing information.



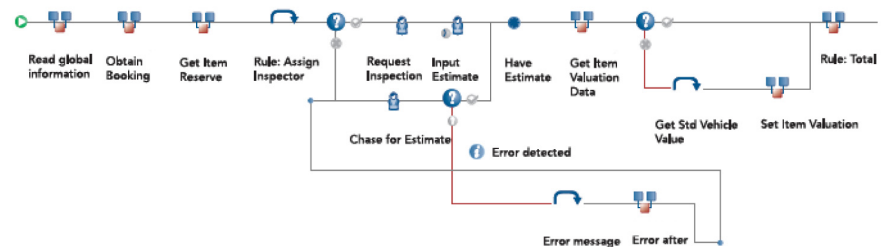
TIBCO's dynamic claims management solution enables greater process efficiencies by delivering:

- Proactive management of more complex cases with real-time visibility across the company
- Tighter process integration of both external and internal participants, ensuring greater control of the claims supply chain and end-to-end visibility of the entire claims process

- Process standardization, enabling claims handlers to execute best practices and achieve more consistent claims outcomes
- Business rules standardization for more consistent, automated decision-making
- Process monitoring of the performance of the claims processes against key performance indicators (KPIs)

TIBCO's dynamic claims management approach delivers cost-effective claims operations. TIBCO's BPM software bridges automation gaps in the process and enables insurers to standardize on best-in-class practices across multiple channels and product lines, while the SOA infrastructure helps to improve access to policy data by reconfiguring policy applications and data into discrete, reusable services that are exposed to the entire organization.

Figure 2. BPM software enables seamless end-to-end integrated claims processing



By adopting an end-to-end process approach, insurers can proactively manage the lifecycle of a claim—from FNOL right through to settlement, recovery, and closure. All participants—both internal and external to the organization—can be integrated into the process to ensure tighter control throughout the claims supply chain.

In addition, insurers can monitor the performance of their claims operations with the benefit of much improved process visibility. This empowers insurers to measure the effectiveness of their claims processes and make real-time adjustments accordingly, which leads to real competitive advantage as decisions are made quicker, leakage is reduced, and claims are settled faster and at reduced cost.

ADVANTAGES OF TIBCO'S LAYERED APPROACH

The paradigm of large, single applications that support the entire process of claims handling is no longer applicable in today's fast-changing insurance world. One reason is that through mergers, acquisitions, and partnerships in the industry, many insurers have the challenges of dealing with several large applications with overlapping functionality across multiple lines of business. Often, it is simply impossible to justify the ROI for taking the expensive step of migrating to a single claims handling system. Another reason is that customers and the competitive market demand the rapid launching of new products with flexible coverage options and claims needs to have this agility too. Meeting this demand for agility and speed becomes impossible with applications that rely on IT coding to implement changes, because deployments take far too much time to complete.

However, there are options that mitigate the restrictions of large applications. TIBCO's approach features a layered framework that incorporates them. By leveraging an SOA, TIBCO makes it possible to create business services, access the data and logic from traditional applications and ensure that all relevant information is stored in the right place and provided to the right person in real time. TIBCO can be deployed as a layered architecture, where the bottom layer is the leveraging of the existing application layer in which all relevant data is stored. The second layer is the integration SOA backbone layer that serves as the bridge between all existing applications, databases, technologies, and the BPM layer. The third layer is the independent BPM layer where end-to-end processes and rules are modeled by business and managed by both business and IT. These are supported by real-time optimization components that provide the ability to sense, report and re-active to multiple events across the operation, providing advanced predictive capabilities for dealing with service level provision and fraud. The user interface and channel interaction can then operate independently with the logic within the other layers.

TRANSFORMING THE CLAIMS PROCESS WITH TIBCO TECHNOLOGY

TIBCO do not force insurers to adopt rigid, pre-established claims processes, which subsequently need to be tailored or that require parts of the solution to be reprogrammed. Rather, the TIBCO suite allows insurers to improve their processing using legacy or current systems and because of the modular basis of the TIBCO framework, insurers use the modules that are required against their existing technology footprint. For example, current customers have retained own call center interfaces but used TIBCO's software to improve connectivity across multiple systems across multiple locations, to drive front-end processing and case allocation, and to replace the logic of legacy systems.

Following are examples of how TIBCO-based solutions can transform the claims process.

Communicating with Claimants and Agents

A claim is made over the internet by either an insured's agent or by the insured themselves using a rich Ajax GUI, which checks the status of the policy (or, if the insured has multiple policies, checks the master umbrella policy). The system refers to rules about customer information, anti-fraud rules processing, any outstanding changes to the policy and method of contact, then provides the information needed to advise the insured what the next steps will be, who will contact them, and if a supplier needs to be involved. All necessary information can be sent seamlessly to the supplier.

The claims supervisor in the office can then monitor the claim, checking that Service Level Agreements (SLAs) are adhered to and, if any problems are predicted, can react before they occur.

The agent and claimant will want to know who is handling the claim and how long it will take to settle. Using TIBCO's predictive capabilities and experience from processing similar claims, workload estimates, and other data, the system can provide this to claimants by email or through their own claims portal.

Increasing Organizational Agility

TIBCO enables insurers to increase agility through Complex Event Processing (CEP) software that collects and aggregates in real time all events across internal and external systems, then identifies patterns and trends. These patterns may be missed by individual handlers or managers who are relying on events whose impact crosses departmental lines. In setting and managing claims strategies, claims managers can use TIBCO's software to monitor events that may cause claims and prepare the organization for action. Specifically, TIBCO can monitor events such as data for weather patterns for storms and advise claims managers that particular regions may experience additional household claims. Loss adjusters, approved repairers, and handlers can be instructed to be on stand-by.

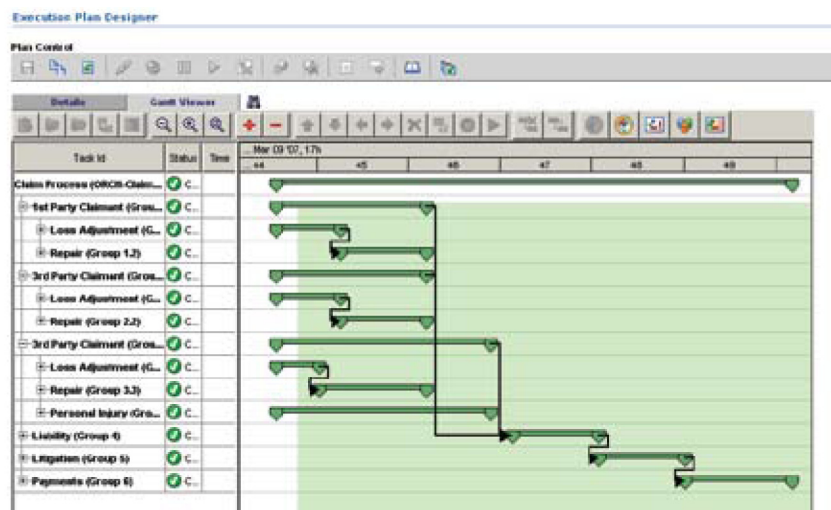
The claims manager may change the thresholds for immediate on-the-phone settlements but restrict the change to certain loss dates, loss types, or types of customers and claims. TIBCO enables this flexibility and agility without the need to involve IT and wait for complex changes to be implemented across multiple systems.

Correlated business events provide the business intelligence data to show management what is happening, in real time with appropriate trend information, and gives managers the insight to make decisions and set future strategy.

Managing Ad Hoc Claims Processes

In more complex and typically high value claims processing, it is not always possible to adhere to a set process, and it is advantageous for claims handlers to be able to design a claim process at the commencement of the claim. With goal-based BPM as part of case management, claims handlers can build a claims process with the claimant on the phone, discuss the steps that will be taken, and explain the execution points. It is important to note that this procedure for building a process in real time is different from traditional BPM, where the process is defined by a business analyst prior to execution. If the claim changes—for example, if the loss adjuster visits a factory and finds additional damage—the claim handling process can be redesigned, new suppliers instructed, giving the insured the feeling of control and personalized service. Managers can also monitor the performance of service levels in real time, and if necessary re-route cases to appropriate handlers or thirdparty suppliers to maximize operational efficiency.

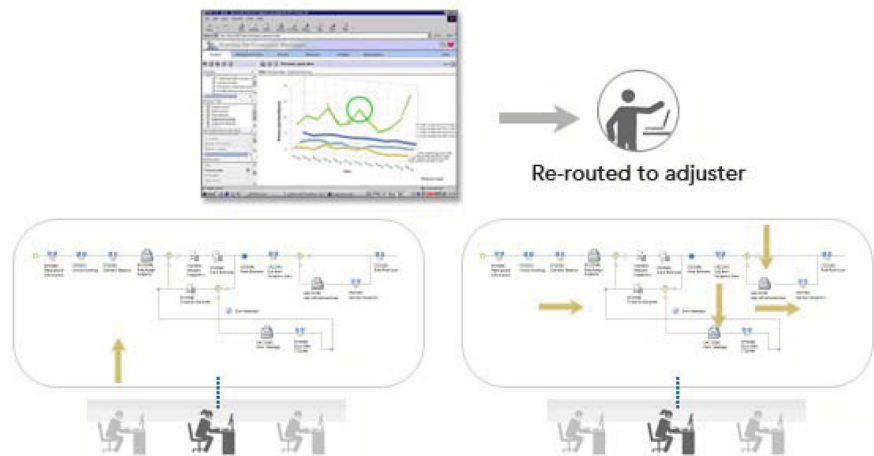
Figure 3. Goal-based BPM: Claims example



Dealing with Fraud Proactively

The insurance industry has many approaches to tackling fraud—from checking fraud databases to deploying voice-stress analysis, to checking for inconsistencies in the claim statements versus the facts—but insurers need to implement an anti-fraud process that treats the customer fairly, does not cause dissatisfaction to genuine claimants or end up causing vastly increased operational costs. With TIBCO's software, it is possible to look for fraud by integrating systems and data sources, treating them as events, and searching for patterns. If a pattern is detected, the claims process or routing rules can be amended and the claim re-directed. In a possible scenario, a claims handler may be on the phone to the claimant, while in the background fraud checks—in the form of voice-stress analysis or claim patterns—are happening across the enterprise in real time. Before the end of the call, the claims handler can be advised what to do with the call and, if fraud is suspected, can be directed to ask more questions, schedule a visit, or pass the claim to the specialist team.

Figure 4. Monitor activity and dynamically build or adjust to an ad hoc process.



BENEFITS THAT DELIVER A SIGNIFICANT ROI

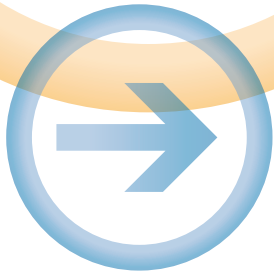
By implementing TIBCO components, an insurer can build a dynamic claims management solution to cover the entire lifecycle of a claim, where insurers receive a range of benefits that translate into a significant return on their investment. A TIBCO solution enables insurers to:

- Increase customer satisfaction and retention.
- Settle claims faster.

- Improve communications and maintain control of their claims processes from end to end.
- Automate adjuster assignment – or the allocation of other claims resources.
- Handle simple claims automatically, that is, handle them via straight-through processing. Insurers will be able to integrate systems, connect silo data, and streamline their operations to achieve straight through processing.
- Free specialized staff from everyday tasks so they can manage complex claims
- Exception-based claims processing can be supported, which speeds the claims process, reduces subjectivity, and ensures process consistency.
- Increase process standardization and flexibility by applying BPM to the claims process.
- Audit, track and have real-time analytics of every claim.
- Integrate third parties into the process, usually for the first time.

3. Why TIBCO?

Claims processing is one among many critical insurance company business functions; it does not exist in isolation. TIBCO's dynamic claims processing approach recognizes the need to integrate claims processing with other key functions and manage the process for maximum efficiency, visibility, and flexibility. Yet implementing TIBCO and receiving the benefits of dynamic claims processing does not require starting from scratch—it leverages existing front and back office systems to deliver enterprise-wide processing and connectivity. It is modular and implements BPM to standardize processes and SOA to create reusable services. It improves the flow of information from claims to servicing to underwriting to marketing, thereby enhancing a company's agility and responsiveness to changing conditions. By enabling dynamic claims processing, TIBCO makes it possible for insurers to reduce risk exposure, improve customer service, control costs, and adapt to change more quickly and easily—all of which can contribute to a much-improved competitive position.



4. About TIBCO

TIBCO Software Inc. (NASDAQ: TIBX) is a provider of infrastructure software for companies to use on-premise or as part of cloud computing environments. Whether it's optimizing claims, processing trades, cross-selling products based on real-time customer behavior, or averting a crisis before it happens, TIBCO provides companies the two-second advantage™ – the ability to capture the right information at the right time and act on it preemptively for a competitive advantage. More than 4,000 customers worldwide rely on TIBCO to manage information, decisions, processes and applications in real time. Learn more at www.tibco.com



Global Headquarters
3303 Hillview Avenue
Palo Alto, CA 94304

Tel: +1 650-846-1000
+1 800-420-8450
Fax: +1 650-846-1005

www.tibco.com