

DOCOfsoft

Volume Claims Service - what does it really mean for the insurance industry?

Lloyd's has a well deserved international reputation for its underwriting skills. Paying claims is also a fundamental part of what insurance is all about. The Lloyd's Claims Vision is a concerted effort to put claims handling on an equal par with underwriting. The ultimate aim is for the Lloyd's market to provide fast and fair claims handling, based on a robust infrastructure, ultimately giving customers a smooth and enhanced level of service.

The Volume Claims Service (VCS) project builds on the work of the Lloyd's Claims Transformation Programme (CTP), which has been operating since 2010. One consequence of the CTP is increased pressure on highly skilled adjusting teams as they absorb additional tasks. The market wished to test the proposition that an outsourced service can improve customer service by implementing a cost effective service for handling low value, high volume claims to a standard that is consistently higher than Lloyd's Claims Management Principles and Minimum Standards.

As part of the mapping of the operating model needed to achieve the VCS, it is proposed that claims are now split into three principal categories: complex, standard and volume. Most claims are currently split between standard and complex categories, with the dividing mark at around £250,000. This figure varies according to the class of business covered and for certain big-ticket business classes, such as energy and property, it can be as high as £500,000.

The idea for the VCS is to create a system whereby it is possible for insurers to hive off the low value, high volume claims to a third party delegated lead adjusting service. The VCS will allow managing agents to outsource the handling of low complexity, low value claims. These claims will generally be under the £100,000 benchmark, although, again, this will vary according to business classes. The £100,000 level will capture just over half of the total number of Lloyd's claims, although as a collective these claims actually only account for less than 10% of the total value of claims paid by Lloyd's.

The project therefore aims to support greater focus within managing agencies on the quality of claims handling for complex claims and mitigate the impact of CTP.

In July 2012 it was announced that the VCS would be implemented by Xchanging and Crawfords. While many in the market are positive about the implementation of the VCS, as with every project, there are those who express concern. Some insurers have expressed concerns that once certain claims had been stripped out, there may not be enough claims to warrant a centralised service. Other voices in Lloyd's view claims as a core function and a competitive differentiator and therefore are keen to keep the claims handling services in-house, as they often traditionally have been.

A survey of Lloyd's CEO's is currently being conducted to gauge the appetite for the proposed VCS, assessing whether the proposal works, if it is scalable and if there are enough people interested in it. Putting the VCS in place is very much an ongoing process and has included, and will continue to include, a large amount of input from multiple stakeholders across Lloyd's. It is important that a critical mass of managing agents support the project. The upfront cost of putting the system in place means that unless a certain number of managing agents sign up, the overheads would not make it a viable commercial operation. The full scope of the project has not been clarified yet, however there are

discussions that would allow top claims performers to opt-in to the service if desired or required, however other claims handling businesses could be mandated to use the service.

Lloyd's has outlined a two step approach for the launch of the VCS project. Phase one, the tactical solution, is the design and implementation of the service, but only dealing with small volumes. This means small volumes in terms of both claims processed, and small volumes of the managing agents that are involved. Phase one is set to launch in January 2014 and is expected to run for a limited period only, although at the moment the length of that period has not been defined, depending on the success of the implementation. Phase two; the strategic solution, is the full implementation of the VCS across all of the Lloyd's market. One of the most important aspects to be considered before phase two is rolled out is the appetite for the VCS as a service across the market, the appropriate contracts and pricing levels and the effectiveness of the systems in place to support the effective implementation of the system.

To enable the service, two new VCS specific values need to be added to the "Triage Category" on claims agreement screens. These new values will be incorporated into the ECF2 infrastructure and will link to the claims workflow trigger (CWT) messages, claims data warehouse and claims workflow system. Of the managing agents who are participating in the Phase One early adopters scheme, two use DOCOSoft's Claims Management Solution (DOCOCMS). To support the initiative DOCOSoft are adapting their CMS functionality so that it can manage VCS assigned claims very easily from the existing CMS product. The new solution will provide a workflow facility for routing VCS claims, using CWT messages, to ensure that all claims are routed appropriately. Target date processing functionality will ensure that claims continue to be handled within the expected, prescribed service levels, making sure that the managing agent has the knowledge and control of the life cycle of the VCS claims. This means that the managing agents should be able to monitor the claims and make sure that they are fully meeting their own, and Lloyd's, service level agreements. All reporting functionality will also be available for VCS claims. Managers will be able to report on VCS handler performance, volumes, life cycles and also have the ability to differentiate between the two outsource companies.

DOCOSoft are pleased to support market initiatives and actively participated in the Market Acceptance Testing on behalf of both their customers, testing the dispatch of the revised CWT messages containing the new values, and testing the new workflow routings to ensure their customers are ready to use the service.

The early adopters to the scheme are working with Lloyds in helping the project team design the service and the contracts. Those managing agents involved in the market acceptance testing are not obliged to use the VCS system in the longer term, but have already indicated that they would be keen to do so; obviously dependent on acceptable commercial terms. A number of the managing agencies, representing 31% of the Lloyd's market, have already expressed an interest in the concept of the VCS and have agreed to work with Lloyd's in helping develop and build the service.

The Lloyd's Franchise Board has endorsed the vision "to transform the way the market handles claims to enhance the experience of the customer". The new Volume Claims Service will aim to go a long way to helping achieve this.