



## Driving Impact to General Insurers: Efficiencies in the **Claims Process** and **Reduced Fraud Leakage**

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### The Current Scenario

*General insurers today face the mammoth task of generating returns, while at the same time securing the faith of their investors. It is important that insurance companies look at reducing needless spend on claims (otherwise known as claims leakage), yet retain the confidence of their policyholders.*

The overall trend in the general insurance market is one of falling premiums and rising claims. The September 2010 edition of the *Insurance Market Update* by Deloitte reported data from the Association of British Insurers (ABI) on premiums for general risks falling by 8.8 percent in 2009 in the UK, and claims rising by 1.2 percent. The 10-year average return on world-wide general business assets was 4.3 percent and the results achieved in 2009 were the lowest world-wide insurance trading profit since 2003.

Claims indemnity spends or claims leakage is the largest component of an insurer's expense base. ABI reports that in 2009, for the UK, risk net claims amounted to USD 34.8 billion and a decrease of a mere 3 percent would have saved insurers USD 1044 million, thus also impacting shareholder value. The most costly form of general insurance claims fraud is opportunistic retail fraud where a genuine claim is inflated in order to increase the value of a payout. ABI estimates that the total undetected general insurance claims fraud is USD 3.12 billion per annum, which adds a whopping 6 percent (approximately USD 72) on an average to the insurance premium paid by all policyholders.

Claims leakage takes place due to other factors like human error, and costs towards customer service and customer retention. Being a leader in the insurance domain in terms of outsourced offerings, WNS can address these concerns by leveraging technology and processes to significantly reduce the costs incurred by insurance companies during claims processes.

### The WNS Offering: A Center of Excellence (CoE) Model to Provide Solutions to Real-world Insurance Challenges

WNS has a CoE in India that has helped define best business practices and continuous process improvements to optimize functions for our insurance clients. WNS has a robust and established governance framework that clients can leverage upon. WNS partners with insurance companies to:

- Reduce claims leakage
- Maximize savings
- Generate additional revenue
- Impact end-customers (with a reduction in claims leakage, policy costs remain reasonable allowing companies to retain and attract more customers)

### Compelling Technical Governance to Ensure Leakage Reduction and Fraud Savings

With increasing instances of frauds, the performance pressure on Full-time Equivalents (FTEs) is immense. Hence, there is increased need for automation and technology. WNS's 'PopCON Tool' – an internal tool that is triggered at the start of the claim to help the FTE predict the chances of the claim being fraudulent – is a case-in-point of the many innovative solutions that can be put to work. However, automation alone cannot eliminate manual intervention in these processes, and the skill levels of the resources play a very significant role.

Third-party Insurance (TPI) claim is another area with high incidence of exaggerated losses. WNS has demonstrated that negotiations with TPIs could result in a reduction in spends, leading to a reduced overall claim.

Given below is a listing of the risk mitigation measures that minimize the risks of monetary leakage, claims fraud and internal fraud during the claims process analysis.



- Authority and capability assessment: A thorough and continuous assessment of all employees who process claims across levels to ensure that the right resource is engaged in doing the right job
- Second signatory audit: A 100 percent preemptive audit on all payments
- Duplicate payment audit
- Re-opened claims audit
- Leakage audits
- Key risk audits (end-to-end file audits)
- Returned cheque audits
- Pre-emptive fraud leakage audits
- Fraud validations: Ensures that all clients have access to accurate data
- Money laundering checks: WNS helps arrest instances wherein black money may be converted to white money
- Estimating accuracy: One of the most important aspects of an insurance company is that of profit prediction. WNS has customized tools based on the regulatory requirements catering to the policy needs of each of the clients
- Daily check on 100 percent payments to ensure that there are no unauthorized payments

### Impact Delivered to Our Clients by the CoE

- 60 percent of our 2011 projected fraud savings have been achieved. Year-To-Date (YTD) – USD 614,900 achieved against a target of USD 1,067,800. YTD improvement of over 300 percent seen on 2010 fraud savings performance for the same period
- Conversion from referrals to savings consistently exceeded the target of 35 percent in 2011. Consistent increase visible in referral acceptance percentage
- Onshore quality assurance results at 100 percent by value in Q1 2011
- Scenario based training for new joiners / existing handlers. Audio visual aids included. PopCON is assisting handlers identify potential fraud opportunities on day one
- Data mining and analysis done by the fraud management team to identify potential scams.

### Demonstrated Capabilities in Claims Process Analysis and Fraud Leakage

- WNS saves a key client 8 percent in fraud expense, about USD 66,100 a month, with our TPI payment analysis processes. This is achieved by analyzing the timing of payments to third-party providers and timing payments appropriately to optimize savings.
  - The average spends on third-party claims range between USD 2100 and USD 2220
  - The volume of settlements is roughly around 700 claims per month thus making our total financial exposure to around USD 1.64 million per month in the third-party claims area
  - The average negotiated savings is between USD 57,500-64,700 per month (These are negotiations done by the third-party claims advisors on account presented from third-party insurers and representatives)
  - The average fraud savings is around 64,700 a month
  - Thus the overall savings (fraud + negotiated) is about 8 percent of our total financial exposure
- WNS has created and successfully utilizes tools (PopCON, Nutcracker) that identify and reduce audit leakage and identify quick resolutions. This effectively reduces fraud leakage by 1 percent, while increasing efficiency and accuracy in handling fraud cases.
  - The overall claims leakage, including fraud in the third-party area has shown an improvement. The overall leakage has come down from 1.4 percent in August 2010 to 0.8 percent in April 2011
- WNS saves a key client USD 2.59 million a year through the Missed Recovery Project by identifying, capturing and recording supplemental third-party payments
  - A Six Sigma project on missed recoveries was initiated in the claims area, which helped WNS increase Recovery savings to the tune of USD 1.64 million per annum
  - Supplementary payments to suppliers were one opportunity identified as part of the project. There were other avenues explored, which have largely contributed to the success of this project, for example, identification of the recovery target using CCTV surveillance, recovery from manufacturers for defective designs / parts, identification of recovery opportunities from other data sources such as re-opened claims.

**WNS's BPO solutions accelerate value creation for general insurers by reducing operating costs, increasing efficiency and ensuring insurers remain competitive.**

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