

Insurer utilizes Athenium quality improvement software to improve Claims Operation resulting in net indemnity savings of over \$ 35 M

BACKGROUND

- Multi-Billion Dollar P&C Insurer disbursing \$1B in annual claims payouts. Knew that its claims handling processes were not optimal

PROCESS

- Engaged in process with Athenium to reduce claim overpayments without jeopardizing customer satisfaction
- Ran diagnostic analysis and determined overpayments were 7% of all indemnity paid (approximately \$70 M)
- Identified root causes of overpayments, and as a result, defined new behavioral standards for all claims handlers
- Installed Athenium teamthink[®] software and claims quality improvement solution to align behaviors with best handling practices

RESULTS

- 50% reduction in overpayment costs within two years
- Sustained high-levels of customer satisfaction
- Consistent on-going financial benefits

CASE OVERVIEW:

Starting in 2005 a leading US P&C Insurance Company began working with Athenium to reduce claim overpayments. Intuitively, their leadership team knew that actual claim handling practices were not aligned with stated operational guidelines and performance standards. In addition to overpayments, this misalignment left many customers dissatisfied with their claim experience.

A rigorous process was employed to identify the root causes of issues that drove overpayments and sub-optimal customer experiences. As a result of the baseline analysis, best practice behavioral and operational guidelines were redefined. Metrics were established that would allow executive and front line management to evaluate when new standards were not being met.

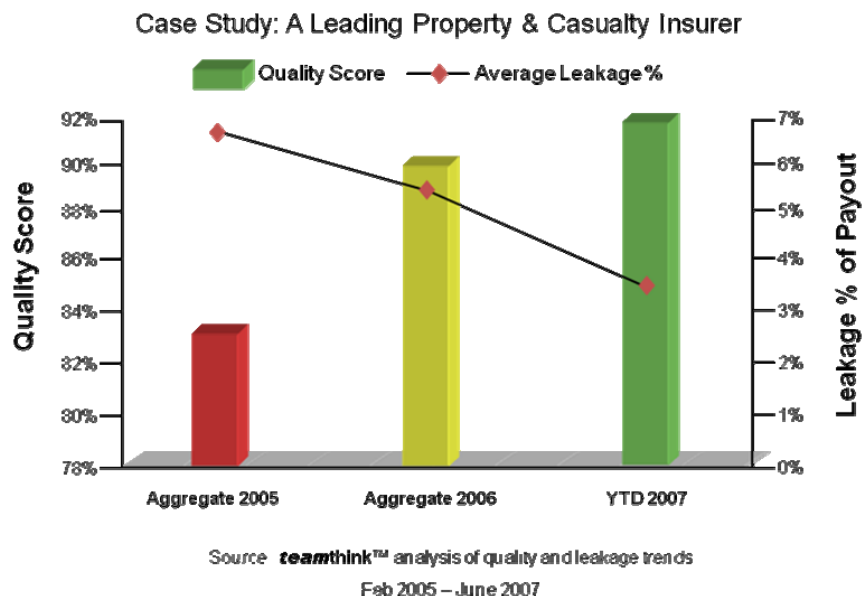
The next challenge was how to embed the new practices consistently into the behaviors of everyone in the organization.

Athenium worked with the client to develop line-of-business specific questionnaires that measured compliance to best practices at all organizational levels. These questionnaires also measured the financial consequences of non-adherence, and provided insight into root causes of non-adherence. The resulting analytics provided executive and front line managers with the

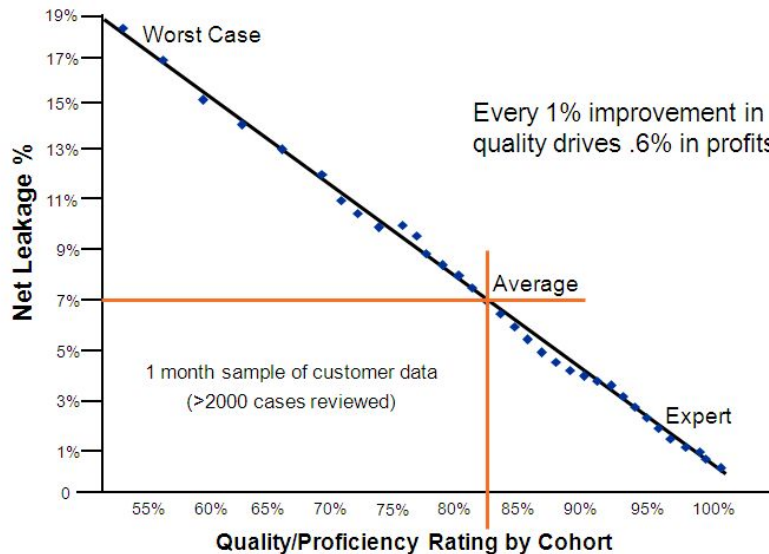
tools they needed to evaluate and improve individual and organizational performance. By building rigorous measurement and performance improvement processes into their culture, the client saw an immediate quantifiable improvement in claims handling quality, as well as a corresponding reduction in claim overpayments.

SPECIFIC BENEFITS:

By 2007, quality scores had increased from 83% to 92% and leakage had been cut from 7% to 3.5%. The net savings was approximately \$ 35 M.



Data from many similar claims projects that Athenium has worked on confirms that on average, a 1% increase in claims handling quality translates directly to a .6% reduction in overpayments.



CONCLUSIONS:

Two important conclusions can be drawn from this data;

- 1) Quality improvements will drive improved financial results

Sub-optimal financial outcomes are a result of deviations from best practices by individual workers. A process that reinforces compliance with best practices for each individual will invariably improve quality and reduce the cost of errors.

- 2) The wide variance in both quality and leakage suggests room for further improvements

Average quality scores or average leakage metrics tell only part of the story. The variance of these scores shows how much room for improvement may exist in the workforce. Higher variance suggests that current processes are not “tight” and there may be significant gains available by improving the measurement and feedback systems.

For more details on this case or any additional information, please contact Athenium at 781-250-1720 or through the website at www.Athenium.com