

Enhancing the Efficiency and Improving the Customer Satisfaction of Claims Handling Process at Aviva NDB Insurance Plc

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ABSTRACT

Aviva NDB is a leading insurance company in Sri Lanka having high market shares both in life and general insurance. The insurance industry in Sri Lanka is growing with the influence of the economic growth. So it is essential to Aviva NDB to be focused and competitive in the dynamic market. In order to get the competitive advantage in the industry of insurance it's essential to enhance the processors and reduce the costs incurred in the company. In this study the claims are identified as a major cost to an insurance company. This implies that in order to reduce the costs, the efficiency of the claims handling procedure has to be improved. This study aims at finding out the issues prevailing in the current claims handling process, finding out the root causes of the issues and to give them feasible solutions with the intention of enhancing the efficiency and reliability of the claims handling process which will ultimately result in improving the customer satisfaction.

KEY WORDS: Insurance Industry, Competitive Advantage, Claims Handling Process, Market Share

INTRODUCTION

Aviva NDB is one of the largest insurers in Sri Lanka. It is the fifth-largest insurer in the Sri Lankan general insurance market with a 6% of market share and it has a 19% share of the life insurance market.

For an insurance company the claims handling process is the most important part of their business. It's a very critical process that involves lot of internal and external parties. In order to give a reliable assessment and to give an efficient service the insurance company has to deal with parties other than their policy holders. Claims handling process overall reflects the efficiency of the company. For policy holders the phase at which the claims are handled matters the most because policy holders want to get back to their normal lives as quickly as possible after an accident.

A claim is a cost to the insurance company. Due to this reason the claims handling procedure has a direct impact on the profits of the insurance company. So the reliability and the consistency of the claims handling process are critical factors that insurance companies always look at. On the other hand, the claims handling process is an important tool to improve the customer satisfaction and attract new customers to the company. Also it would help to build a set of loyal customers around the insurance company.

This study was focused on three main departments that involved in the motor claims handling process. These three departments are namely, call center, assessor department and the claims department.

Call center is one of the most important departments of the company. It operates 24/7 to provide assistance to the policy holders and to stake holders. All the calls received to company 24-hour hotline are handled by the call center agents. The duty of the Assessor department is to provide a reliable assessment on the damages occurred in a vehicle accident. Island wide claims are processed and finalized at the claim department.

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At present there are several issues prevailing in the claims handling process. So it's necessary to identify the causes for these issues and provide feasible solutions order to enhance the efficiency and reliability of the claims handling process. These issues were identified after visiting respective departments.

Research Objectives

The key objective of conducting this study is to enhance the efficiency and the reliability of claims handling process by introducing better controls and procedures. To meet this ultimate goal, it is needed to find out the issues that the claims handling process is facing currently. An alternative layout for the claims handling process which may reduce the problems has to be developed. The ways to improve the efficiency in claims handling process should be developed.

LITRATURE REVIEW

Insurance probably made a beginning in the ancient land of Babylonia In the 18th century B.C., Babylonian king Hammurabi developed a code of law, known as the Code of Hammurabi, which codified many specific rules governing the practices of early risk-sharing activities.

Claim is a right of insured to receive the amount secured under the policy of insurance contract promised by Insurer. An insurance claim is the actual application for benefits provided by an insurance company. Policy holders must first file an insurance claim before any money can be disbursed to the repair of the vehicle. The insurance company may or may not approve the claim, based on their assessment of the circumstances.

Charlton, C., (2009) Elaborated on how to improve the claim handling procedure in an insurance company with straight through claim processing. Straight through claim processing involves Accelerate Straightforward Claims, Lower Call Center

Costs with Self-Service and Improve Satisfaction for Agents, Customers.

Dynamic Claims Processing was introduced by TIBCO Software Corporation in 2009. Dynamic claims processing involved managing the claims process more efficiently, aligning it with corporate business objectives, and achieving real-time operational awareness are high priorities for insurers.

METHODOLOGY

Research design is an overall plan of the research study and it includes a plan for collecting and utilizing data so that desired information can be obtained with sufficient precision or so that a hypothesis can be tested properly. Applied research investigates practical issues that have implications for everyday work. Therefore it is used in this study to investigate the practical issues underling in the existing claims handling process.

This study used both quantitative and qualitative research techniques. Quantitative research involves gathering data that is absolute, such as numerical data, so that it can be examined in as unbiased manner as possible. When analyzing the customer satisfaction of the existing claims handling process it's necessary to implement quantitative techniques of statistical analysis.

Qualitative research on the other hand, is a much more subjective form of research, in which the research allows themselves to introduce their own bias to help form a more complete picture.

This study wishes to show the current state of the claims handling procedure and the current issues that are prevailing in the process by adopting qualitative research techniques.

The research would utilize descriptive research technique in the conduct of the study. Descriptive research is a method used

to obtain information relating to the current status of an issue. The two most common types of descriptive research tools are surveys and observation Key, E., (2000). These two techniques were utilized when conducting the study.

DATA COLLECTION AND ANALYSIS

Literature review was done as a secondary data/information collection method. Previous studies have shown how the efficiency and the reliability of the claims handling process can be improved using several techniques.

Secondary data was collected according to the time frame of three weeks. Functions of each of the three departments were observed by direct observation. Interviews were conducted after that as a part of the secondary data collection. Two employees from each of the three departments were interviewed. At first Informal interviews were conducted with an employee from each department to obtain the necessary knowledge on the business process that prevails in each of the department with regards to motor insurance claims handling process. After understanding the business process a general guided interview is conducted with separate employees in each of the departments.

Sampling theory distinguishes between probability sampling and non-probability sampling. Probability sampling occurs when the probability of including each element of the population can be determined. Non-probability sampling occurs when the probability of including each element of the population in the sample is unknown.

Although probability sampling is the preferred sampling design, non-probability sampling was used during this study. The method of non-probability sampling applied during the study was convenience sampling. In a convenience sample the researcher requests volunteers to participate in the study from a group of available people who meet the specific requirements of the study.

In this study, the procedure entailed taking all cases on hand that suited the purpose of the study, until the sample reached its desired size.

The questionnaire was distributed among the policy holders who came to the claims department in order to collect their claim cheques. The random sampling was done when selecting the sample respondents from the population. The sample size was taken as 150 policy holders. The time taken to collect the data was one week. Respondents took around five minutes to complete answering the questionnaire. The data collected from the questionnaire were in hard copies. In order to analyze the data the responses were needed to enter in to the statistical analysis software. The statistical package for social sciences (SPSS) was used In order to analyze the data.

RESULTS AND DISCUSSION

It was seen that most of the policy holders who participated in the questionnaire were having private motor policies and most of the participants had own damage claim type.

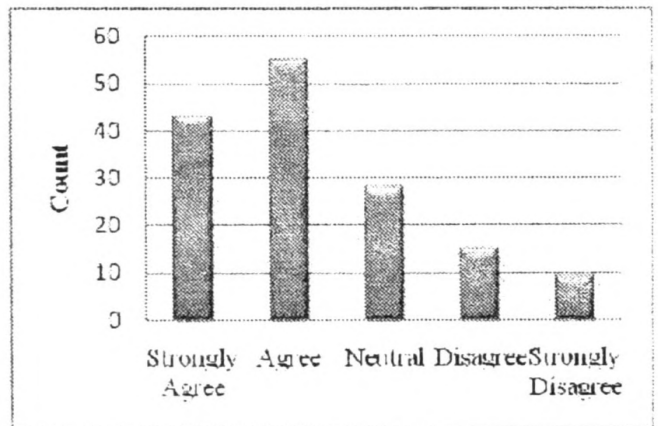


Figure 1: Customer satisfaction for the service given by the call center agent

There was a high customer satisfaction for the service given by the call center agent when comparing with the assessor department and claims department.

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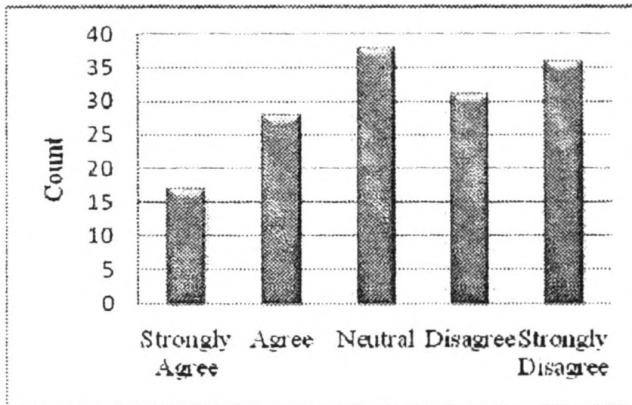


Figure 2: customer satisfaction for the assessment given by the assessor

Assessor department got the most negative responses from the policy holders compared to call center and claims department. The claims department has an average customer satisfaction.

With respect to the customers' perspective, the overall claims handling procedure is well below the average satisfactory level.

Most of the policy holders had to contact the office more than five times before the payment was made.

Majority of the policy holders obtained the claim amount in 4 to 5 days time. So it can be clearly seen that the company policy to issue the claim amount within two days after the policy holder hands over all the documents was not being practiced.

By direct observation it was identified that when a claim is logged by a policy holder for a third party claim type, customer representative at call center was not confident in logging that claim. This was statistically proven by the questionnaire, where most number of third party claim policy holders rated that the customer service representative is not that helpful.

There is no standard process to check the consistency of the final bill of vehicle parts. At present, claims handling officers at the claims department contact several vehicle parts suppliers and get the most reliable price quotation for the vehicle parts.

Table 1: Chi Square Test for "Number of days taken to receive the claim amount" Vs "The overall claim handling procedure"

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.346 ^a	4	.000
Likelihood Ratio	48.562	4	.000
Linear-by-Linear Association	15.531	1	.000
N of Valid Cases	150		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 4.11.

The p-value is less than .05 this implies that there is a statistically significant relationship between the two variables.

Table 2: Chi Square Test for "The times that the policy holder has to contact the office before the payment is being made" Vs "The overall claim handling procedure"

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.177 ^a	4	.000
Likelihood Ratio	27.413	4	.000
Linear-by-Linear Association	15.373	1	.000
N of Valid Cases	150		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 4.91.

The p-value of chi square test is less than .05 this implies that there is a statistically significant relationship between the two variables.

The documents relating to claims that are handed over to the branches all over the Island reach the claims department by a courier service. Some of the documents were handed over to the assessors received by the assessor department and those were sent to the claims department as a bulk of documents time to time. There was an issue handling these documents in the claims department.

CONCLUSION

In order to give a clear understanding of the third party policy details, a periodic comprehensive training on policy clauses can be given to the service representatives at the call center. On other hand a record of all the clauses of the motor insurance policies that are issued to the policy holders can be maintained by the call center.

The customers have to be educated on the adjustments done by the assessor to the estimation given by the garage. Otherwise there will be disputes between the customer and the assessor regarding the assessment. This would lead to reducing the customer satisfaction level on the claims handling procedure.

It's advisable to maintain a database which contains vehicle parts, supplier details and the price which the supplier willing to supply those parts. This database can be accessed centrally and can be updated by an assigned user after obtaining price quotations from the suppliers. Implementing this company will be able to recommend lowest priced quality vehicle parts to the customers and will be able to minimize the cost.

From the results obtained by the Chi Square test it can be identified that in order to increase the customer satisfaction on the claims handling procedure, the time taken to issue the claim amount has to be reduced.

It is also visible in the Chi Square test that the customer satisfaction on the overall claims handling procedure can be increased by reducing the times that a customer has to contact the office before the payment is being made.

The claims department can maintain a computer record which contains the vehicle

number and which document has received from the courier. This can be extended to record the documents which are received from the assessor department. Through this process there will be a record for each and every document circulating in the claims department. The record can be maintained using an office computer package which is currently used by the claims department. These inefficiencies will lead to reduce the customer satisfaction on claims handling procedure.

It's advisable to carryout customer satisfaction survey time to time. This would provide a clear picture of the existing claims handling procedure and give an idea about which functions has to be improved. It can be suggested to conduct the survey at the claims department using the questionnaire which was used in this paper.

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