

Point of View: CRM: One Size Doesn't Fit All

Accelerating Performance by Calculating Results™

Complex Business Processes Drive Selection & Deployment of Solutions: Whether providing individual policies direct to consumers or a range of portfolio products to commercial or business customers on behalf of employee members, insurance companies operate within complex, process-driven environments.

Complex, Process-Driven Environments

What do Insurance, Consumer Goods, Retail and Manufacturing companies have in common? Each relies on a complex value chain of partners engaged in collaborative business processes in order to develop relationships and to deliver goods or services to customers. This is true for B2B Insurance companies such as Health Net, Inc. and Delta Dental Plans Association, consumer-focused organizations such as American National Insurance Company (Anica) and American Home Shield (AHS), part of Service Masters, or American Insurance Group, Inc. (AIG) which serves commercial, institutional and individual customers. Whether providing individual policies direct to consumers or a range of portfolio products to commercial or business customers on behalf of employee members, insurance companies operate within complex, process-driven environments.

The single commonality among all types of insurance companies is their drive to reduce costs while maintaining and/or improving customer service levels.

R&R: Regulations and Reducing Costs

Pressured to reduce costs and improve customer retention or satisfaction levels, while adhering to ever-changing regulations, 42%¹ of insurance companies and/or their producers (i.e. agents and brokers) use call center technology such as Interactive Voice Response (IVR), Speech Analytics, and hybrid Click to Call. Building processes around these three types of interaction technologies requires configuration of business rules or decision-trees that facilitate sourcing the right resource quickly.

Properly utilized, automation increases productivity and customer service levels while optimizing agent time by transitioning members to a live person when necessary. Health Net, Inc., a managed health care organization headquartered in California was better able to service clients who requested basic information about their policies such as claims status, change in premium amounts or renewal dates through IVR with built-in speech recognition capabilities. "This allowed agents to spend more time with clients on complex questions," stated Remus Siclovan, Systems Analyst for IVR. "We serviced 50% of callers this way and were able to reduce both resolution time and costs."

When Texas-based ANICO absorbed 200,000 new consumer customers, each with individual policies, they were challenged in handling increased call volume, velocity, change in customer diversity and additional product lines. As the vast majority of ANICO's customers are consumers (95%) they focused on selecting a solution that could

¹ AMA CRM Survey 2007

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provide agents with the data necessary to service this influx. Their goal was to increase service levels while reducing costs—mainly through self-service automation (online and 1-800 call center), reduced agent training time and fewer employees. “Due to industry regulations² there is not a lot of margin to play with,” said Zeb M. Miller, AVP, Health Administration and part of the team involved in CRM assessment at ANICO. Not surprisingly, one other similar-sized firm utilized self-service automation techniques such as reflexive questioning combined with rules-based responses. Risk analysis criteria are embedded within these rules steering menu selection and/or agent responses towards profitability.

Compliance with regulations such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA), SBI68 (required in 2002 to thwart identify theft by limiting access to Social Security numbers and credit reports) and development of National Provider Identifier Numbers (PNI) required as of May of 2007, are just some of the reasons Health Net decided to deploy and manage an on-premise application. “Professional services are costly and time-consuming,” according to Siclovan. Modifications such as changing social security numbers over to unique personal identification numbers (PIN) or assigning NPI's can be handled more cost-effectively and rapidly in-house.

Moreover, process improvements to the IVR such as changing the menu so that customers can more quickly order popular self-service items like ID cards resulted in an increase of 75% more ID cards ordered when this option was presented to customers on the main menu instead of on a secondary menu. In addition to reducing call resolution times, use of the IVR for basic services allows the agent to focus on providing customers with higher value services.

Show Me the Money!

“Insurers should have a CRM capability for both their policyholders and their producers stated Barry Rabkin, IDC's Senior Research Analyst for Global Insurance Financial Insights. However, then there's that pesky need to demonstrate ROI. A CRM investment really demands that insurers look to their future sales (up-selling, cross-selling and ever more targeted marketing) and insurance executives are too busy with “today” to have time for “tomorrow”.

For example, Health Net realized approximately \$1M in ROI from cost reductions over a twelve month period—mainly due to service automation and workforce optimization. ANICA maintained customer service levels and

² Certification of Medicare supplemental health insurance policies 1395ss (developed by the NAIC to return to policyholders in the form of aggregate benefits provided under the policy, at least 75 percent of the aggregate amount of premiums collected in the case of group policies and at least 65 percent in the case of individual policies)

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Hypatia of Alexandria (c.370-415 AD), invented several scientific devices--the astrolabe, planesphere, and hydroscope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively. Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.

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attained 18% in savings over a 3-4 year period—also through staff reductions. Several companies cited indirect benefits such as increased staff productivity resulting from less time (roughly 10-30%) spent on coverage verification or other basic questions, however, not all companies have seen tangible benefits from CRM usage.

This may well explain why nearly one-half (48%³) of insurance companies have not deployed CRM systems and have instead selected customer-facing point solutions as Call Center (37%), Salesforce Automation (23.3%), Marketing Automation (17%) or no solution (22%). According to Matthew Josefowicz, Managing Director, Insurance at Celent, “Many insurers that distribute exclusively via agents have little to no direct relationship with their customers and little need to manage this type (CRM) of information on a daily basis. As a result, insurers have invested in online self-service and customer data consolidation and analysis, but often outside the bounds of a typical CRM software package.”

On-Premise or On-Demand (SaaS)?

Insurance carriers are naturally risk adverse and reluctant to give up control. This cultural reticence plays heavily in decisions involving technology investment. “If they consider giving up control, then the insurance company expects to pay less to an on-demand CRM provider”, stated Barry Rabkin, IDC’s Senior Research Analyst for Global Insurance Financial Insights. “Moreover, CRM Software as a Service (SaaS) needs data to flow into and out of it as well as into the other insurance carrier’s systems...no easy task,” he added.

When ANICA insurance needed to integrate operations for its subsidiary Standard Life, inclusive of workforce and customer absorption, into corporate headquarters, they only assessed on-premise CRM solutions. “We did not consider web-based CRM solutions at the time...it was still early stage and unproven...and we were not comfortable from a security and maintenance perspective,” shared Zeb M. Miller of ANICO.

“In doing the initial process assessment, make it as thorough as possible...not only look at what you currently do, also make sure you gather future needs before handing off to IT/Engineering for deployment.”

*Zeb M. Miller, AVP,
ANICO Insurance*

Delta Dental overcame security concerns about storing customer information outside its firewall by deploying on-demand CRM solely for Sales Force Automation capabilities. At present, the SFA/CRM application does not integrate with any back-end systems, call center or marketing applications. Transfer of customer information is handled through monthly back-end updates that push members’ data to and from the CRM system.

³ AMA CRM Survey 2007

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Overseeing Sales Administration for 5.5 million consumers in Michigan, Ohio, Tennessee and Indiana, Kevin Edelmann provided a contrarian point of view. "We went with on-demand even though on-premise is cheaper initially...but all of the 'extras' such as time, hardware, and hard-coded workflows added to the cost. It would have been a nightmare to maintain while working through IS/IT for every minute change requested."

"Dashboarding is key continued Edelmann, and real-time is essential. I can plan my days and weeks having better insight into how sales representatives, who interface with agents, brokers and small businesses, are doing. We are now looking to add more robust marketing functionality to the system."

Lessons Learned

CRM is a technology that can be applied towards automating business processes and facilitating relationships with customers, partners and internal stakeholders. Especially in complex environments, organizations need to assess their requirements, configure specific workflow scenarios and integrate customer data with interaction processes. All of this is cross-functional, time-consuming and difficult. Several insurance firms suggested starting with a small deployment such as sales force automation rather than a comprehensive call center in order to learn how to build and develop rules-based workflows. Quick wins that deliver proof-points were crucial in gaining credibility throughout the organization.

"We liked the scalability and flexibility of on-demand CRM. There was no need to engage IS/IT for changes."

Kevin Edelmann, Sales Administration, Delta Dental Plan of Michigan

While quick wins are important, organizations should carefully weigh short term needs against long-term growth strategies. One B2C insurance provider started with 250-plus licenses for an on-demand SFA/CRM application that interfaced with a proprietary in-house financial accounting system. Growth required them to evolve their business processes towards a more customer-centric rather than contract-centric focus in relating to their customers. Realizing their current system is inadequate for future expansion, they are now assessing several enterprise-level on-premise CRM systems with the goal of transitioning before year's end.

Contacting Vendors:

Below are the website contacts for companies briefed by Hypatia Research, LLC as part of our ongoing Customer Intelligence Research & Advisory services:

- ✓ **Aspect Software:** www.aspect.com
- ✓ **CDC Software (Onyx Software / Saratoga Systems):** www.cdcsoftware.com

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