

It's All About the Cars
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The internal competition for limited resources and funding within a company's claims organization is a perplexing exercise; however, it's something many auto physical damage leaders endure. I say perplexing, because it likely strikes you that such a competition shouldn't exist. Companies should generally put the majority of its resources where it has the most impact. And those of us on the Auto side know the auto physical damage organization has the biggest impact on the operational performance of a Property and Casualty insurer – but does anyone else?

Auto-claims leadership find themselves competing for resources with call centers, medical pay/PIP, subrogation, field claim offices and – of course – our friends and superiors on the Casualty side of the organization. This is not to say these business units don't warrant investment, it's just that decision-makers fail to appreciate one crucial bit of information ... it's really all about the cars. Think about it. For an Auto carrier, it's a pretty safe bet that 99.9 percent of the claims will involve a car. Accordingly, the Auto side of the business will impact almost every customer, every general claim process and at least half of the millions or billions of dollars spent annually on indemnification.

This last statement may seem simplistic to you and I, but many times Casualty, Finance or even Sales leaders involved in funding decisions or resource allocation Steering Committees fail to appreciate the ultimate impact Auto has on the operational side of the business. Their backgrounds, biases and even age-old perceptions of Auto as a “technical” function versus a business-oriented function combine to paint a picture that doesn't do justice to the value of the Auto operation. And, shame on us for perpetuating this view of our world.

Most if not all companies approach resource funding based on its return on investment in terms of customer satisfaction, efficiency and/or costs – tempered by current financial

performance, business strategy and operating results. This plays right into the hand of Auto leadership, yet not all of us are leveraging the inherent advantage before us. Regardless of a company's bias toward customer satisfaction, claim efficiency or cost management, the central driver of operational results will always be the auto side of the business. Now let's get the word out.

How Auto Impacts the Big Three – Customer satisfaction, Efficiency and Cost

Let's look at customer satisfaction. If you value customer relationships (and who doesn't?), the moment of truth revolves around the handling of the car – from assignment practices, face-to-face adjustor/DRP shop contact, or valuing and settling the total loss of their beautiful yet over-financed baby. With the exception of billing issues, claim service is the major driver of customer satisfaction in our business. Customers expect to be kept well informed and receive a timely and fair claim settlement. Generally, it's the handling of their car, not their bruised arm that influences their decision to stay with their carrier come renewal time.

If claims efficiency is the valued target in your organization, then a compelling case can be made that a less-than-optimal vehicle claims process could yield less than optimal results on virtually *every claim that comes in the door*. From an LAE perspective, how many people spend those millions or billions? My bet – it's a very small percentage of your overall employee count, say around 10 percent. Armed with the knowledge that the estimating process is never perfect, why would a company focus on reducing auto staff as a means of increasing efficiency when the result is fewer skilled people doing more work at potentially higher levels of imperfection?

We all understand that productivity & efficiency are key ingredients for businesses to succeed. Auto is no different than any other functional area of any business in this regard. What is different about Auto, however, is that there is a real price to pay for even a slight miscalculation about reasonable productivity – that being severity dollars and customer service. Rushed auto adjusters are a ticket to downstream quality and service issues – and for what?

Assuming a skilled workforce exists; seeking improved efficiency by reducing headcount from the Auto side of the business is misguided. A 10 percent reduction of 10 percent of your overall claim staff results in a one percent improvement. That hardly justifies the cut considering the potential impact on satisfaction and cost containment. So why isn't there a focus on improving the efficiencies of the other 90 percent?

There's also the cost management element of the equation – the millions or billions spent by a small percentage of total claim employees. What is your Collision, Comprehensive or PD spend per APD resource? The number may astound both you and those responsible for the overall claims spend.

So what does all of this have to do with allocating resources? Perhaps Auto folks are not very good at communicating the information above without seeming either pompous or making it sound far too simple -- we need to do it with very basic data that underscores the scale and leverage the Auto organization brings to the table.

Information Wins the Race

Here are some numbers that every Auto executive should have in their back pocket when going to battle to protect – or request – additional resources. Take an overall employee count, compare it to the number of employees with APD responsibilities on a percentage basis, know how many claims dollars each APD employee spends and debate the obvious leverage they bring to the table. This “spend per APD resource” number should be on-hand – not only to rebuff moves that would limit resources, but to justify additional resources (human or technical) that can impact all claims, all processes and that big APD spend. See Figure 1.

Figure 1: Insurance Company ABC

	Total Employees	Total APD Spend	Average Paid Per APD Claim
	13,650	\$2,028,000,000	\$2,750
APD Employees	1495		
% of Total Employees	11%		
% of Dollars Handled via Adjuster Inspection – DI and Field*	63%	\$1,277,640,000	
Average Spend per APD Employee			\$854,609

*Balance of repairable dollars handled via DRP, IA, Waiver, etc.

The above example looks at the leverage of the average APD employee at a mid-size insurance carrier. If 11% of a carriers workforce spends 63% of all repairable dollars (\$1.27B) and each APD resources spends over ¾ of a million dollars per year, wouldn't most carriers want to fund the resources they need or at the very least, protect the resources they have?

In addition, and easily created in a similar spreadsheet, is the number of customers your company's shop program touches and the amount of claim dollars repairers spend. Think about your company's shop program and the number of staff resources dedicated to DRP oversight and quality assurance. What is the ratio of these DRP resources to the total number of shops on your program? Does the ratio make sense given the percentage of total APD dollars and total customers these shops impact?

Knowing and effectively communicating these numbers to decision makers is essential in conveying your appreciation for the fundamentals of the business and the significant value Auto brings to the table.

Making the Argument for Technology Investments

While resource allocations typically involve staffing and related expenses, technology investments afford a similar opportunity for the Auto side to showcase their value and

impact on the organization. In fact, if Auto is the vehicle that drives the business, then technology is the engine that drives Auto. Why? The answer is in the nature of the beast. By definition Auto is a remote function, with most resources performing their duties outside the safety net of the claim office support structure. To be effective, Auto resources are totally dependent on reliable communication tools and real time information – all while cruising the turnpike or sitting in geographically dispersed drive-in centers, shops or even customer's homes. Without these tools, Auto resources are hard pressed to answer seemingly easy customer questions, update claim facts, or access technical information essential to completing their assignment. Phone calls, faxes or “the office will get back to you” are not effective practices in this wireless, web-enabled world. Today's sophisticated consumer demands real-time service and will not accept less from a company's representative.

If there is an audience for a technology debate within your organization, take the next step and be ready to show how “Best of Breed” technology tools merit a percentage of the limited but vital Auto resources. Just as importantly, debate how these tools can have a positive effect on the frontline and mid-level management staffs charged with delivering on the objectives of customer satisfaction, efficiency and cost management. Without technology, data is elusive and suspect. Without good data, how do you accurately assess the operational performance of the remote employee or day-to-day operations? More importantly, how can you accurately monitor the effectiveness of your business strategies relative to preferred method of inspection mix, the development of your shop network or, heaven forbid, how effective your FNOL personnel/assignment makers are at filling drive-in capacity?

The financial leverage of front-line Auto resources is undeniable. Who could argue against providing the further leveraged APD management group with anything but the best technologies (and data) to manage what is essentially a multi-million/billion dollar purchasing organization? The implementation and utility of technologies focused on resource allocation, logistics, communications and operational performance are no more

expensive than those used in other functional areas, and will likely provide a much higher overall ROI.

As an aside, have you ridden with an APD adjuster or their manager lately? Count the number of technologies they use on a daily basis – internal legacy systems, estimating systems, browsers, spreadsheets, communications systems and the like. Despite their self-pronounced reputation as not being very computer literate, I would argue adjusters have become human integration machines, using a frustrating array of disparate technologies to perform their role and duties – often wirelessly! An investment in their productivity will impact all aspects of your claim processes – and improve morale at the moment of truth!

So next time you find yourself in a resource competition, build a business case around something more than simple head counts, costs and expenses. What about leverage, impact and opportunity cost in the absence of those resources? Go ahead and do a reality check and state the obvious in people, dollar and efficiency terms. Talk about who actually meets with your customer at the moment of truth. Argue for funding the best tools possible for the resource group that impacts day-to-day operations the most. Promise – and demonstrate – better results based on improved data. Support your APD resources aggressively. In the end..... *It's all about the cars.*