THE AUTO CLUB GROUP

ALL-SAP® SOLUTION SUPPORTS FACTS – THE FAST, ACCESSIBLE CLAIMS TRANSACTION SYSTEM

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Fausto Martin, VP and Chief Claims Officer, The Auto Club Group

QUICK FACTS

Company
- Name: The Auto Club Group
- Location: Dearborn, Michigan
- Industry: Insurance
- Products and services: Automobile insurance and member services
- Revenue: US$2.4 billion
- Employees: 4,700
- Web site: www.aaa.com
- Implementation partner: SAP® Consulting

Challenges and Opportunities
- Provide faster and easier claim experiences for customers
- Lower operational costs by improving the speed and efficiency of the claims management process
- Reduce the loss ratio by providing more timely and accurate information to claims adjusters
- Gain a competitive advantage by mining claims data

Objectives
- Replace aging and rigid legacy claims management systems
- Implement a flexible and integrated claims management solution

SAP Solutions and Services
- SAP Claims Management application
- SAP Collections and Disbursements for Insurance package

Implementation Highlights
- Configured key enhancements
- Spent 1 year testing over 3,300 test conditions
- Embraced SAP consultants as trusted advisors

Why SAP
- Single source for software and services, avoiding finger-pointing
- Best match between software functionality and business needs
- Ability to configure software to precisely meet requirements

Benefits
- Cut the time customers spend on the phone regarding a claim in half
- Cut the time representatives spend looking up claim information in half
- Cut training time for representatives in half
- Decrease rental car costs
- Improve customer satisfaction ratings
- Speed overall claim processing time
- Improve first-notice-of-loss capture time from 16 minutes to 10 minutes
- Go from 44 sequential first-notice-of-loss screens to 11 that can be accessed in any order
- Automate claim assignment process and make it so fast that customers learn adjuster's name on initial call
- Automate routing of customer calls to the correct person
- Reduce claim assignment screens from 21 to 1

Existing Environment
- 30-year-old, internally developed, mainframe-based claims management system
- Newer but rudimentary and rigid commercial system for claims management

When The Auto Club Group, parent organization to AAA clubs in eight U.S. states, needed to replace its decades-old claims management systems, it chose an integrated, all–SAP® solution that combined software with SAP Consulting services. Its SAP Claims Management application, for example, now enables faster claim interviews. "The process is easier for both the customer and representative," says Fausto Martin, VP and chief claims officer of The Auto Club Group. "And at the end, we can tell customers the name of their single point of contact, not just 'someone.'"

Moving to Modern, Flexible Software

The Auto Club Group is a Michigan nonprofit corporation operating primarily in eight states located in the Midwest and great lakes area of the United States. It is a member of the American Automobile Association (AAA) and one of the largest AAA clubs in the United States. The Auto Club Group is affiliated with the Auto Club Insurance Association (a Michigan reciprocal interinsurance exchange) and its subsidiaries, which underwrite property and casualty insurance products. The Auto Club Group and its subsidiary clubs provide travel, insurance, automotive, and financial services to its approximately 4.1 million members in the eight states where its primary operations are located.

Thirty years ago when it provided services only in Michigan, The Auto Club Group developed a mainframe-based application for managing claims, collections, and disbursements. After taking on responsibility for the other states, the group decided not to employ this application in these new locations,because it had already grown difficult to maintain and support, let alone expand with the times. Rather, the group adopted a commercial system for the same purposes, but this too proved inadequate over time because it lacked the flexibility and much of the functionality the group needed.

"Both systems were rigid and therefore painful for claims representatives and customers alike to use," says George Onofrio, VP of claim technology for The Auto Club Group. "For example, they required that all questions about a claim be answered in a particular order. Well, customers often volunteer information in the order of importance to them, which might be very different from our standard. This meant that representatives had to write down what each customer said and enter it into the system after the call as best they could."

"The last thing a customer wants to hear on the phone is silence while the representative searches for information, and there was way too much of that with the old systems," adds Martin. "Customers want representatives to listen, keep them informed, respond quickly, and above all make sense. Our old systems made it too difficult to meet those expectations. We also wanted to save operational costs by making our employees more productive and to reduce loss and expenses such as rental cars by accelerating the entire claims process." The group chose an appropriate name for the new claims management solution that would help make these goals realities: FACTS, the Fast, Accessible Claims Transaction System.

Adding Implementation Assistance from the Same Source

The Auto Club Group systematically evaluated the software being considered for FACTS, culling an initial list of eight software vendors to four and then two before making its final decision. The group selected an all–SAP solution consisting of the SAP Claims Management application, the SAP Collections and Disbursements for Insurance package, and the implementation services of SAP Consulting. "We saw a big advantage in the availability of the software we needed and the talent to configure and implement it from the same company," says Onofrio. "Our feeling is that clearly SAP's own consultants know their software best. Besides, having one vendor accountable was important to us so there wouldn't be any finger-pointing if anything went wrong, and that's the way it has worked out. SAP Consulting provided knowledgeable resources who collaborated with us to develop a system

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"The availability of integrated software and services was definitely appealing; but even on its own, SAP software was best suited for our needs," Martin adds. "The functionality of the SAP software was on the money for almost all our needs, and the applications have the configurability to let us address the rest. We also like the tight integration among the claims management, collections, and disbursement functions."

Configuring the Solution for a Spot-On Match with Needs

SAP Consulting configured the software in several ways to improve the claims process for customers and representatives alike. One of the goals of the claim organization was to institute a single point of contact for customers. The team automated the process of selecting the adjuster to serve this role, reducing the number of screens needed from 21 to one. As a result, representatives can now tell customers the name and contact information of their adjuster on the initial call. "Until then, customers often had to deal with several people in the group for various aspects of the claims process," says Onofrio. "Providing just one person to call for any issue is a major step in our goal of improving customer satisfaction."

Another important configuration achievement for SAP Consulting was the bundling of claims and payments for related incidents from a single customer. In the previous systems, all items claimed required separate processing and payment, even if they were virtually identical such as several broken windows in the same vehicle.

Following the software's implementation and configuration, The Auto Club Group had another very important step to perform before commencing production: extremely thorough testing. "We spent one full year on testing, using over 3,300 test conditions," says Onofrio. "And it surely has paid off. I expected that we would have had at least a few problems after entering production, but we really haven't had any at all."

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Improving the Experience for Customers and Representatives

The Auto Club Group is rolling out FACTS in stages, starting in Minnesota where the system is now used for all claims made during the normal work day, Monday through Friday. "The claims representatives there are the lucky ones, according to their peers," says Onofrio. "Everyone else is wondering how soon they will get to use the new system."

Based on the success to date and the group's aggressive rollout plan, these impatient representatives should not have long to wait. Minnesota will move to 24x7 usage shortly, followed by Illinois, Indiana, and Wisconsin later this year. By the end of the following year, the entire eight-state network will be using FACTS, and for good reason: the system is completely living up to its billing, profoundly improving the claims experience for both customers and representatives. Capturing first-notice-of-loss information is vastly simplified with only 11 randomly accessible screens instead of 44 fixed-sequence screens – accelerating the initial incident reporting process from 16 minutes to about 10 minutes on average.

Better still, the overall time customers spend on the telephone regarding a claim is only half as much as before. That is because the group is far better prepared to answer their questions and address their issues with readily available information from FACTS. "Even more important than the raw time savings to customers is the fact that they feel confident in us because we have all the necessary data and resources at our fingertips," says Martin. "There are no more gaps of silence while our representative tries to find an answer to a customer's question. Not surprisingly, when we surveyed customers that we served with FACTS, we found significantly increased satisfaction levels."

Internally the benefits are just as strong. Shorter calls mean time savings for representatives too, and therefore their productivity has leapt. By accelerating all the processes involved, The Auto Club Group is settling claims faster and issuing payments sooner. Not only does this make for greater customer satisfaction, but it reduces the time the group has to pay for rental cars while a customer's vehicle is being repaired. Or if subrogation to another responsible party is the outcome, the results are in sooner and the case is off the books faster. New representatives are completely trained within two or three days instead of a week. And with only one system, making changes of any kind will take only half the time and effort.

Adding Long-Term Benefits Through Data Mining and Expansion

FACTS has also made data lookup, mining, and analysis far easier. Information previously contained only in file cabinets can now be called up on a moment's notice. "We have plans to analyze adjuster workloads, subrogation, litigation, and many other topics," Martin says. "All these efforts will add long-term benefits to the immediate ones we've already started to experience."

The conversion from decades-old technology to a modern SAP software–based solution is nearly complete. The Auto Club Group expects the remaining rollouts to go even more smoothly than in Minnesota and all the benefits to start accruing systemwide. There is even more to come as the group enlarges its claims platform with additional functionality such as document management.

"We are very pleased with the decisions we made," says Martin. "Yes, we made the right choices with SAP software and SAP Consulting," adds Onofrio. "We are happy with the way our project is turning out and the software and people who helped us so much in making it happen."

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