

White Paper

How Analytics Can Help Carriers Weather Challenges

Turn challenges into opportunities. Improve decision making, processes and knowledge transfer.

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The perfect storm

The “perfect storm” has become a popular metaphor for a converging set of challenges with potentially catastrophic consequences. It might be an especially apt metaphor for property and casualty insurance carriers, since many of them are susceptible to natural catastrophe losses in their businesses. Carriers are also facing other converging challenges, most notably the following:

- **Retiring claims adjusters:** Many of the most experienced claims adjusters are baby boomers, which means these employees are close to retirement age. Upon retiring, their considerable knowledge and experience will go with them.
- **Manual processes:** Insurance carriers have invested in IT and automation on the new business and underwriting side, rather than on the claims side. The result is that processing claims remains a highly manual activity.
- **Lengthy decision processes:** Intense competition in marketing, underwriting and rating has put pressure on premium income. At the same time, harder economic conditions are likely to lead to increased claims and profit pressure. Claims executives face the challenge of doing more work while incurring less cost, while also improving customer satisfaction.

Weathering the storm

For each of these challenges—the loss of retiring claims adjusters’ knowledge, the inefficiencies of relying on manual processes, and the cost in both dollars and customer satisfaction of a lengthy claims process—the timely use of data (carrier-specific, as well as public records) and analytics can offer help in weathering the storm.

Knowledge of retiring claims adjusters

Years of experience with the claims process have taught claims adjusters how to spot claims that:

- Have the potential to be fraudulent
- Have the potential for a subrogation recovery
- Need the attention of bodily injury or legal specialists early in the life of the claim

As the current generation of experienced claims adjusters reaches retirement, their accumulated skills and knowledge will be lost to their employers. What if some of this knowledge and experience could be captured to assist the next generation of claims adjusters in identifying claims that require special handling? This knowledge can be captured by integrating it into automated claims process systems.

Analytics provide key insights into your organization and helps you:

- Implement decision management processes.
- Improve efficiency and effectiveness.
- Place decision-making higher up the food chain with subject matter experts.
- Create the flexibility to make changes in a rapidly changing environment.

Manual processes

Beginning with the assignment of a claim to an adjuster soon after the first notice of loss, the claims process requires individual decisions and manual processes to resolve the claim. The adjuster must decide whether to order a police report and how to pursue apparent uninsured motorists to see if they really have coverage. At the same time, he must provide a high level of individual service to the claimant, while staying attuned to the possibility that the claimants might be perpetrating fraud. The most experienced adjusters can make rapid decisions at each stage in the claims process about data or reports that need to be ordered, because their accumulated experience allows them to be on the alert for fraud. Newer claims adjusters run into constant opportunities for delays in the process, as well as pressure to close the claim rather than slow things down by talking to the SIU.

Lengthy decision process

With all of the manual processes—and even without them—reaching final decisions on a claim can take too much time. Key information gets lost or left behind as the claim moves through the processing channels. Most claims handlers are evaluated based on the volume and the speed with which claims are closed, rather than on their ability to spot claims that require special handling. Because of manual processes, and because many claims handlers are new, too much time may be spent on claims that really should be paid immediately. Meanwhile, claims that would benefit from time and attention from a specialist claims handler (SIU, subrogation, legal) may be paid too early. In any event, the claims process relies on individuals to make a subjective decision using their accumulated knowledge and experience, usually resulting in claims being handled inconsistently across all claims handlers.

Analytics can help

How does analytics help?

In this context, analytics means the use of a carrier's own historical data, as well as external sources of data, such as police reports and public records. It also means the application of analytic tools to that data, including statistical tools, select business rules and workflow tools that can be implemented into the claims process to assist claims adjusters.

The primary benefits that can be derived from the use of analytics include:

- Identification and use of behavior patterns in the data to incorporate best practices into the system
- Automation of the process of getting the right information and recommendations to the right people, at the right time
- Changing the decision parameters in the claims process and monitoring effectiveness, such that claims are triaged and handled in the most efficient manner by people with the appropriate skills

Identifying behavior patterns

The individuals and groups that commit fraud often repeat the behaviors that previously led to a successful fraudulent payment. Although most claims adjusters at most carriers have never referred a claim to the SIU, a small number of adjusters have become skilled at identifying problem claims. These individuals are responsible for most of the successes in the SIU.

These same claims adjusters tend to call upon the right business intelligence (BI) experts, legal staff and subrogation professionals at the right time, which has a positive impact on the claim's outcome. Experienced claims adjusters know what facts and behavior patterns indicate the need for referral, because they have seen the indications countless times. Predictive modeling can identify the data patterns of these prior successful referrals and look for similar patterns in new claims.

The use of analytics in the claims process does not replace the human element of decision making. Analytics cannot spot the good SIU referral or subrogation opportunity every time, but they can point claims adjusters to a targeted set of claims that are rich in special handling potential. By integrating the experienced adjusters' skill through analytics, the new crop of adjusters can benefit from the experience of the older generation.

Streamlining manual processes

Every time a claims adjuster steps out of the claims handling process to order a police report or other public records information, time is lost and a resource that could be applied to claim settlement is expended. If the claims adjuster has all the relevant information about a claim available on her desktop as quickly as possible, along with guidance from predictive models and business rules to point at claims that might require special handling, she is in a much better position to make a rapid and informed decision about the next step for a claim.

Especially in special situations such as an uninsured motorist, there are tools for identifying coverage even when the other party denies it. There are also tools for rapidly contacting the real uninsured motorists at the earliest possible time to maximize the opportunity for recovery. In addition to medical bill review, which many BI units have, identifying low-impact accidents is possible even when physical damage amounts are high. Predictive models can flag claims early that seem to be straightforward, but which are likely to become much more severe in the future. Arming the claims adjuster with the right data at the right time, as well as indicating the possible need for special handling, leaves the adjuster free to apply judgment to the claim and focus on customer service.

Shortening the decision process

Many carriers have specialized units for dealing with physical damage and bodily injury separately, as well as special handling units for fraud and subrogation. However, there still seems to be a tendency to treat all claims in much the same way. A concept gaining attention among a number of carriers is that of claims triage. If claims can be evaluated using a combination of analytics and human judgment, beginning at first notice of loss, it is possible to push individual claims into an efficient process for resolution, while ensuring that claims that require special handling receive it.

This workflow-based approach can make certain that the right information is available at the right time to the right people. The most experienced claims handlers are pointed at the claims where they can have the most impact, while spending as little time as possible on straightforward claims that should just be paid. When such a process is established, data can be collected about its operation so that the process can be continually evaluated and refined for changing circumstances. Because most claims at most carriers do not require special handling, a large number of claims can be fast-tracked for immediate payment, leading to an improved customer experience.

How it all works together

Most carriers begin using data and analytics in one part of the claims process, perhaps fraud identification, and then find that this approach is applicable to other parts of the claims process, such as identifying claims likely to become severe. Building a single data and analytics platform that can support the application of analytics to many business objectives makes the entire process much more efficient and cost-effective. The same platform can allow for the accumulation of external data, such as police reports and public records data, in a timely and efficient manner. The data accumulated about claims and the claims process allows for continual evaluation and creates opportunities for enhancement.

Using such tools clearly requires changes in the claims process in order to make them effective. The kinds of changes that are possible seem consistent with the demands being made today on claims executives—to do more with less, and improve efficiency as well as customer satisfaction. While these tools cannot replace well-trained and skillful claims handlers, they can allow for the most efficient use of those scarce resources in order to improve claims outcomes.

Conclusion

Although property and casualty carriers are facing the “perfect storm,” as well as other challenges such as retiring claims adjusters, manual processes and lengthy decision processes, the use of analytics can help these carriers weather the storm. Analytics can be used to help retain the knowledge of retiring adjusters, automate the once-manual processes and shorten the decision process for a more streamlined operation in these areas. Analytics turns these challenges into opportunities and future successes.

For more information:

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