

Implement the Dynamics of a Successful Claims Operation

By Ken Cunningham and Dan Popovic

In today's highly competitive insurance environment, carriers are under tremendous pressure to contain costs while improving customer service. Finding the right insureds and pricing the risk correctly is the earliest step in containing claim costs. Over the past five years, improved fraud detection is reducing claims frequency, while improved subrogation processes are reducing claim severity. Workflow tools making use of analytics and external data are reducing cycle time and improving loss-adjustment expenses. Just as these techniques can identify likely problem claims early, they also allow for the identification of claims that are not problems so that the carrier can consider settling these claims more quickly.

If both greater detection of fraudulent claims and increased subrogation recoveries are possible, how can a carrier go about realizing these objectives? Toolkits are being developed by firms like ChoicePoint[®] that improve the claim workflow by identifying likely fraud and likely subrogation possibilities early so that specialists can examine the claims and take the appropriate action. These tools do not identify fraud or subrogation directly, but they concentrate claims likely to merit specialist attention in a small group of claims so that they can be identified more easily.

Statistical predictive models that flag claims based on the data characteristics of those claims are usually the single most effective tool in assessing the whole pool of claims from first notice of loss until the claim is closed. Business rules that have

proven effective in the past can be used to supplement the model score results to make certain that particular kinds of claims are always identified. Identity matching tools help ensure that known problem claimants, service providers, or vehicles do not appear on new claims without being drawn to the attention of the appropriate professionals. When these tools are properly introduced into the claims workflow of a carrier, they result in a significant increase in the "quality" of the claims identified and a reduction in the cycle time required to get these claims into the hands of the appropriate professionals.

These early identification tools require work with a carrier's historical data as well as external data in order to create the monitoring process and tune it to a particular carrier's data and workflow. While this work is not simple, carrier claims and policy data, including free-form text such as loss description and adjuster log notes, are a rich source for workflow improvement when processed with up-to-date analytic techniques.

When the model is complete and daily claims data is presented for scoring, a mechanism is created that facilitates additional workflow capabilities such as automated ordering of accident reports, public records data to aid skip trace, and the use of Carrier DiscoverySM to identify alleged uninsured motorists who are, in fact, insured. Once claims have been identified by the model, rules, or identity matching for further specialist attention, there are tools and external data that can greatly assist the work of the specialists. The tools are differ-

ent for fraud investigation than they are for the pursuit of recovery dollars, but there are a growing number of such tools for use by both areas.

One example for the fraud investigation process is link analysis and data visualization. These tools identify linkages among people, addresses, automobiles, phone numbers, and other data elements that are hidden in a large pool of seemingly unconnected data. The link analysis tool can be supplemented with data queries run against the special claims data mart created for modeling and scoring to provide initial cases for investigation of possible collusion.

Tools and external data that facilitate the subrogation process also offer opportunities for carriers to improve workflow and enhance recovery. The ChoicePoint Carrier DiscoveryTM database allows carriers that contribute to the database to identify apparently uninsured motorists that, in fact, have coverage. The ability to identify coverage early and pursue carrier-to-carrier negotiations is a major benefit.

The use of analytics and data described above is only one example of the opportunities open to carriers to improve and streamline the claims process. Just as analytics and data transformed the underwriting side of the P&C industry, these same powerful tools are beginning to make an impact on the combined ratios of those carriers who have begun to use them. ■

For more information, contact Travis Dye at 770-888-3583 or Jason Marvel 312-231-6794, www.choicepoint.com/business/pc_ins/claims_analysol.html.

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