

How Analytics Can Help Carriers Weather Challenges

By Ken Cunningham

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 losses due to natural catastrophes in their businesses. Carriers are also facing other converging challenges, most notably retiring claim adjusters, manual processes, and lengthy decision chains.

For each of these challenges, 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

As the current generation of experienced claims adjusters begins to retire in a few years, 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 need special handling?

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 progress the claim toward conclusion. Newer claims adjusters run into constant opportunities for delays in the process and pressure to close the claim rather than slow things down by talking to the SIU.

Lengthy Decision Chains

With all of the manual processes — and even without them — reaching final decisions

on a claim can take too much time. Due to manual processes and inexperienced claims handlers, too much time may be spent on claims that really should be paid immediately while claims that would benefit from time and attention from a specialist claims handler (SIU, subro, legal) may be paid too early.

How Does Analytics Help?

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

- ▶ **Identification of Behavior Patterns**
The individuals and groups that commit fraud often repeat the behaviors that previously led to a successful fraudulent payment. 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. By using the experienced adjusters’ experience through analytics, the new crop of adjusters can benefit from the experience of the older generation.
- ▶ **Streamlining Manual Processes**
In situations such as uninsured motorists, analytic tools can identify cases in which there actually is coverage thereby expediting recovery. Predictive models can flag claims that seem straightforward, but which have a high likelihood of becoming more severe in the future, thereby facilitating early intervention. 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 Decision Process

If claims can be evaluated using a combination of analytics and human judgment beginning at first notice of loss, each time a new relevant fact about the claim becomes known, it is possible to push individual claims into an efficient process for achieving resolution of the claim while ensuring that claims that require special handling get it. This workflow-based approach can make certain that the right information is available at the right time to the right people.

▶ 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 kinds of changes that are possible seem consistent with the demands being made today on claims executives – 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. ■

For the full text of the whitepaper “How Analytics Can Help Carriers Weather Challenges,” go to <http://claimsolutions.choicepoint.com> or send an e-mail to insurance.claims@choicepoint.com. For more information about the analytic solutions offered by ChoicePoint, call 800-934-9698, option 5.