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"A C-Level View of Next Generation Data Analytics and Strategies in Claims Litigation Management"

Adding analytics to the claims' life cycle can deliver a measurable ROI with cost savings. Just a 1 percent improvement in the loss ratio for a $1 billion insurer is worth more than $7 million on the bottom line.

Litigation – A significant portion of a company's loss adjustment expense ratio goes to defending disputed claims. Insurers can use analytics to calculate a litigation propensity score to determine which claims are more likely to result in litigation. You can then assign those claims to more senior adjusters who are more likely to be able to settle the claims sooner and for lower amounts.

Law Firms & Claims Workflows Need To Be Harmonized – Insurers are making significant investments in Claims analysis tools. Law firms have made investments. Who is doing what can get overly complex very quickly. Further, as more and more of the process gets outsourced to maximize the decision making of adjusters and law firms, outsourcers will need to provide digitized information that can be ingested into BI and AI tools. More decision making is moving upstream and more thoughtful decision is being given as to how much to do and when.

Consolidation of Regional Centers – The consolidation of regional centers will lead to more standardization which will position processes for analytics. Insurers are steadily consolidating their regional operations which have positioned a more standard approach to how they manage the claims litigation process. Additionally, within the operation, unrepresented and represented claims operations are also becoming one organization and process. Advancements in data analytics and business insights will emerge as a result of a more available pooled set of information

Open Integrations – Integration is exploding as one of the more important developments. There are so many startup technologies that have entered the space and most vendors have embraced Cloud. Open APIs have allowed claims departments to extend their platforms into counsel and even outside law firms. This allows the litigation areas to capitalize on the carrier's IT investments, knowledge and expertise. Connected Clouds to accomplish activities is a reality to collaborative BI.

Useful Data – The digitization of Legal records has spurred growth in Data Analytics. Efficient and inexpensive optical character recognition technology is breaking this impasse, allowing documents to be converted into digital forms conducive to data analysis. This is creating an accelerating stockpile of raw material and fuel sure to spur the growth of legal analytics. Tech-lead records companies can offer smart intelligence around these files. The model for how records retrieval is valued and how to best leverage these tools to support the claims process can, at times, be fraught with competing agendas.

Fraud – One out of 10 insurance claims is fraudulent. How do you spot those before a hefty payout is made? Most fraud solutions on the market today are rules-based. Unfortunately, it's too easy for fraudsters to manipulate and get around the rules. Predictive analysis, on the other hand, uses a combination of rules, modeling, text mining, database searches and exception reporting to identify fraud sooner and more effectively at each stage of the claims cycle.

Subrogation – Opportunities for subro often get lost in the sheer volume of data (most of it in the form of police records), adjuster notes and medical records. Text analytics searches through this unstructured data to find phrases that typically indicate a subro case. By pinpointing subro opportunities earlier, you can maximize loss recovery while reducing loss expenses.

Settlement – To lower costs and ensure fairness, insurers often implement fast-track processes that settle claims instantly. But settling a claim on-the-fly can be costly if you overpay. Any insurer who has seen a rash of home payments in an area hit by natural disaster knows how that works. By analyzing claims and claim histories, you can optimize the limits for instant payouts. Analytics can also shorten claims cycle times for higher customer satisfaction and reduced labor costs. It also ensures significant savings on things such as rental cars for auto repair claims.

Loss reserve – When a claim is first reported, it is nearly impossible to predict its size and duration. But accurate loss reserving, and claims forecasting is essential, especially in long-tail claims like liability and workers' compensation. Analytics can more accurately calculate loss reserve by comparing a loss with similar claims. Then, whenever the insurance claims data is updated, analytics can reassess the loss reserve, so you understand exactly how much money you need on hand to meet future claims.

Activity – It makes sense to put your more experienced adjusters on the most complex claims. But claims are usually assigned based on limited data – resulting in high reassignment rates that effect claim duration, settlement amounts and ultimately, the customer experience. Data mining techniques cluster and group loss characteristics to score, prioritize and assign claims to the most appropriate adjuster based on experience and loss type. In some cases, claims can even be automatically adjudicated and settled.