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5 Ways Artificial Intelligence Can Boost Claims Management | Use Cases

In our *5 Ways Artificial Intelligence Can Boost Claims Management* whitepaper we outlined today's drivers of claims quality, to better understand where and how (re)insurers can infuse AI in the claims process to futureproof their organization.

Aon benchmarked over 100 claims operations and found the greatest opportunity to drive claims quality improvement reside in the phases of **contact**, **investigation**, and **settlement**. As AI technology solutions evolve and grow, (re)insurers have various AI options to optimize the key claims quality drivers of these phases, and use AI to evolve their claims quality programs.

In this section we delve into case studies detailing some of these options.

1. Responding to Customer Contact Preferences

Customer Experience

Attracting and retaining customers is critical to a successful insurer, and claims interactions play a large role in the overall insurance customer experience. Research indicates that 50% of customers will leave a carrier because of only one poor experience.[1] Avoiding poor experiences and consistently addressing customer needs has become a necessary priority for insurers. A growing number of customers indicate higher satisfaction when offered a digital claims reporting option.[2] In fact, Customers have a growing appetite for digital claims communication, with 71% of customers ages 55+ preferring a digital claims process, and 50% of customers overall prioritizing personalized digital communications.[1]

One way to integrate AI into the customer experience is via AI customer service bot options to providing omni-channel support bespoke to customer needs. Customer Service Bots are 24/7 virtual agents available via web, app or texting, that can reallocate time to more complex matters, and away from tedious tasks by: (1) resolving simple, reoccurring queries quickly, (2) learning customer patterns and predicting service options, and (3) utilizing speech recognition and NLP to gather information so claims handlers can be more effective and personalized.

2. Managing Investigations and Claim Settlement

Litigation Management

Another area where generative AI is proving valuable is in reducing loss costs and expenses in litigation management. In an era of nuclear verdicts, rising settlements to avoid those nuclear verdicts, and more and earlier attorney involvement in claims, carriers are looking for ways to mitigate litigation costs and expenses. Traditional legal work is human resource intensive, time consuming and open to significant human error. Incorporating AI optimizes existing legal resources by reducing costs and improving efficiency. AI is available to take on document drafting, producing analytics regarding law firms, courts, judges and lawyers, performing otherwise arduous research, and conducting real-time contract/document review correction and adjustment. Insurers can reduce litigation expenses by either hiring attorneys that use such technology or incorporating it internally.

3. Streamlining Claims Handling Steps

End-to-End Automated Claims Processing

The future of AI leads us to the possibility of a fully digitized end-to-end straight through claims processing capability utilizing both existing AI, as well as to-be developed prescriptive AI. Under this scenario, when an insured driver is involved in a vehicle collision, the vehicle's telematics capabilities sense that the collision occurred and reports the incident to the insurer. It sends the insurer digital images of the accident and black box type data indicating speed, collision points, safety alerts, etc. Seamlessly, the insurer AI acknowledges notice of claim, verifies coverage, analyzes the received data to create an estimate of damages, and issues digital payment to the insured driver for the loss. Although this capability is not yet widely available, it is imperative that (re)insurers anticipate the impact of the potential adoption of this type of application of AI on its talent pool. Upskilling, reskilling, and modifying staffing and resource models will be key to making successful use of this type of advanced AI technology.

4. Enhanced Claims Analytics for Improved Outcomes

Claims Quality Management

The non-AI approach to claims quality management typically involves a small sample of claims reviewed periodically, a manual calibration of reviewers on the alignment of expectations and review approach with adjuster feedback/coaching limited to those files that were reviews. Given the relatively small population of files involved in traditional quality management, and challenges involved in ensuring that all reviewers are capturing all issues and scoring them consistently, without a strong and consistent quality management structure, claim review output may lack the requisite confidence or integrity. Because the work being reviewed already took place, the opportunity to course correct real-time is limited.

Workflow management AI built upon the use of Natural Language Processing (NLP), reads, and interprets claims notes and correlates notes to loss run data. It then alerts the claims supervisor and/or adjuster when certain tasks, like contacting an insured, following-up on an inspection, or making payments are needed.

AI supported quality management, on the other hand, allows for real-time, deeper, more confident, and comprehensive output, with the ability to improve the trajectory of a claim right away. Utilization of a workflow management AI tool provides real-time diary support on all open claims and helps prioritize the work that needs to be completed against the claims on an adjuster's pending, or a supervisor's team. It spots lack of adherence to best practices that might lead to overpayment of losses and/or expenses and detects the actions to avoid

undesired outcomes. Finally, given that workflow management tools read all open claims, the back-end analytics it produces provides organizations heighted reliability in the trends and quality issues being identified so they can better invest in action planning efforts to improve claims outcomes.

The existing NLP available within CSP can be transformed to be able to answer ad hoc and prescribed questions from claim file notes and loss run information. For example, a claims professional could type ad hoc questions like 'what injuries were sustained?' and the tool would provide an immediate response detailing the type and extent of injuries involved. In addition, this technology can be integrated into claim file auditing platforms so that the tool auto answers fact-based questions to determine whether specific claims management tasks were completed and whether they were completed timely. Technology enhancements such as these are expected to create new-found efficiencies, build new analytics footholds, and ultimately shape the near-term future of claims quality management.

Advanced Claims Analytics for Underwriting Use

As new social, environmental and technology trends emerge, insurance products will need to be developed to match the risk those trends pose. To better anticipate trends, shape future appetite for the various baskets of risks, and price those risks appropriately, advanced prescriptive AI could provide valuable information on the type, cost, and frequency of anticipated claims. Potential exists for prescriptive AI to be used to craft suggested actions to be taken in the marketplace based on its comprehensive examination of even more detailed and available claims loss run data.

5. Understanding Risks

Fraud Detection

With the industry challenged with rising combined ratios, finding opportunities to reduce claims losses and expenses are pivotal. Detecting fraudulent claims can be a significant factor in reducing claims payouts. According to the FBI, non-health claims fraud amounts to approximately $40B per year, and fraud results in increased premiums of approximately $400-$700 per family per year.[3] AI is capable of more effectively and proactively detecting potential fraud and limiting carriers' exposure.

The non-AI approach to spotting potential fraud relies on claims staff to develop heuristic knowledge with limited parameters around fraud indicators, an inability to consistently capture context-specific relationships, and reliance on manual calibration. AI utilization is a more dynamic approach to identifying potential fraud and preventing the resultant payouts. By cross-referencing old data to new claims, AI flags unusual patterns not otherwise consistently discernable, and affords real-time monitoring. Examined collectively, these AI benefits boost claims professionals' confidence in addressing fraud concerns and allows for more expeditious resolution.

Sources:

[1]*The Future of Insurance Customer Experience - 20 Facts (mendix.com)*

[2]*2022 U.S. Claims Digital Experience Study | J.D. Power (jdpower.com)*

[3]*https://www.birlasoft.com/articles/17-ai-and-ml-use-cases-insurance*

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