The future is agile

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Sequel
A Verisk Business

Claims

The future of claims management

Optimised, digitised claims management is an essential part of any modern, effective insurance company operating model. Yet many insurers are still processing claims in a fragmented, outdated, and inefficient manner, with multiple claims systems in use across various business units (BUs), with some BUs significantly behind others in tech capabilities, and limited or non-existent APIs for integration with third-parties, brokers, market systems and SaaS experts.

According to ACORD's 2020 Digital Maturity Study, fewer than 30% of the world's top 130 insurers have "truly digitised the value chain" and 13% are still "not leveraging digital technologies within their current business processes."

Often relying on manual processes and double keying, these legacy systems do not deliver an easy user experience for claims handlers. Some claims handling is even managed via email outside of the claims system. This is not only a highly inefficient approach, increasing the risk of duplication, fraud, and errors, but also results in significant variation in user experience and customer outcomes.

Technology has a vital role to play in raising claims service standards and operational efficiency by streamlining key processes. In recent years we have witnessed a significant shift towards next generation claim systems that allow users to do just that.

The claims system of the future allows insurers to manage, visualise and act on claims data in real time in one place. It must also seamlessly integrate with the user's own third-party suite of products, modelling and analytics tools and datasets to ensure a flexible user experience and aid decision-making, and also seamlessly integrate via APIs to all external third-party and market systems, including ECF Writeback in the London Market. Under Lloyd's' Blueprint Two vision, all business in London will soon be transacted digitally, and legacy claims systems relying on outdated manual processes will no longer be fit for purpose.

Consumers also increasingly demand a digital experience. According to ACORD, the percentage of global consumers interacting digitally with insurers doubled between 2015 and 2020. Recent studies by Celent have found the top priorities for customers when interacting with insurers online are for the interface to be simple, elegant, easy to understand and require as few keystrokes as possible. This kind of experience can only be delivered through a modern end-to-end claims system.

Driving Efficiencies

Centralising fragmented systems and automating repetitive manual processes are important steps in driving efficiency and cost savings at a time when bottom lines are under sustained pressure. Additional features to streamline workflow and enhance reporting, analytics, predictive modelling, documentation, finance and fraud detection generate further efficiencies.

Enabling straight-through claims processing increases claims handling efficiency and optimises human resources by ensuring claims are handled by appropriately skilled staff, based on complexity, value and other segmentation factors (often, different business units will handle all claims in the same way regardless of complexity or customer segment, meaning highly skilled technical claims handlers spending much of their time handling low-complexity claims).

With the claims industry's talent pipeline under continued pressure, AI will play an increasingly important role in optimising the allocation of skilled resources by automating the triage and resolution of simple claims — and the pandemic has accelerated the adoption and acceptance of purely digital claim experiences; Celent found, for example, that in early Q1 2020, only a single-digit percentage of customers elected to use digital claims experiences but by mid Q2 2020, over 90% of uncomplicated consumer claims at the largest insurers were being digitally and virtually adjusted — and customer satisfaction was steady or improving.

Meanwhile, integration with state-of-the-art counter fraud AI partners, in-built damage cost estimation tools, subrogation, AI-driven automated prediction, and more accurate reserving all conspire to reduce operating costs and cost per claim. AXA, for example, targeted a 0.8% improvement of its loss basis in 2020 by applying machine learning to fraud detection — a reduction that represents millions on the company's bottom line.

Bringing this all together, savings from reduced indemnity leakage, more efficient subrogation, optimised litigation and settlement, and proactive counter-fraud measures can run into the millions. But crucially, as well as saving money, this also contributes to quicker, fairer and more consistent claim journeys and outcomes for the end customer.

Using Data to Delivery Better Service

Another important benefit from adopting a modern claims system is the ability to capitalise on enhanced data and analytics. Data is an asset and key tool in optimising service. In most legacy approaches, data and data capture is fragmented across multiple claims and underwriting systems. Much of that data is held in spreadsheets and other unstructured formats, while Big Data is processed manually leading to inefficiencies, quality issues and restricted visibility.

Deploying consistent data capture within a single claims system — and across a group-wide digital ecosystem — creates a single source of truth throughout the life cycle of a policy through to claim settlement. Sequel Claims captures structured data wherever possible, with NLP solutions in place when required, while Big Data can be fully utilised with a coherent processing and data management solution. Companies that only use their own data to make decisions are limiting those decisions to their own experiences when they could be leveraging industry-wide and/or regional data to customise handling, payments, and resolution.

As a Verisk company, Sequel's systems seamlessly integrate with Verisk's vast datasets and analytics capabilities which can be used to enhance claims data and deliver actionable insights. The upshot is a greater volume and quality of claims data than ever before, which can be assess trend analysis and deliver deeper insights and understanding of claims trends. Meanwhile, rich visualisations, configurable service level agreements and SLA tracking functionality helps ensure users provide a consistently high level of service to clients.

Managing the Overhaul

Many companies are wary of the time, cost and resources required to upgrade to a next generation claims system. Historically, change projects have placed a heavy demand on internal IT resources. With Sequel Claims, the claims division itself has control of basic system configuration and its own system change pipeline. As we deliver a centralised claims system, this means only one system to update, and one system to maintain. The result is fast and effective system change, at reduced cost and a faster completion time compared to transformation projects involving multiple systems and teams.

claims

From Tech Gap to Tech Innovator

Many insurers are now considering outsourcing the ongoing management of their claims systems. Naturally, opting for a managed service incurs a fee, but outsourcing oversight to the vendor will generate long-term internal savings by reducing the strain on in-house IT resources and, through robust supplier management, consolidate third-party administrator panels across the group, driving economies of scale and potentially helping negotiate reduced rates.

Sequel manages systems in the cloud. Insurers now increasingly recognise not only that transitioning systems to the cloud is both safe and achievable but that world-leading platforms like Amazon Web Services (AWS) enable improved system performance, resilience and scalability — and this translates into competitive advantage.

With a managed solution, the system owner has access to 24/7 system monitoring and support as well as continuous system and security updates, taking these responsibilities away from in-house resources. Tracking third-party performance through automatically measured KPIs also brings much improved visibility and control while also helping to drive consistent best practice across group claims. And ongoing communication between parties allows the vendor to make changes to address specific client needs and incorporate relevant changes back into the main product release.

Using a managed service also means the owner taps into the knowledge and experiences of Sequel's wider customer base and specialist innovation labs. This ongoing access to the latest ideas, in combination with cutting edge technology, means insurers that may until recently have suffered from a tech gap now have the opportunity to reinvent themselves as innovation leaders.

At a time when customers and brokers increasingly expect and demand digital claims capabilities from insurers, having the tools and expertise to offer a modern and transparent digital claims experience through a seamless enterprise claims solution has arguably never been more important.