

SPEAR

TECHNOLOGIES

Optimizing Claims Management Key Metrics and Modern Core Technology Solutions

Insurers have always strived to maintain profitability by increasing business, minimizing risk, and enhancing operational efficiencies. However, in recent years, in an increasingly competitive market, achieving these goals has become more challenging. News stories abound about P&C insurers experiencing rising loss ratios, particularly in property, liability, and auto lines. In response, insurers pay close attention to their key performance indicators (KPIs), assessing their overall performance and seeking avenues for enhancement. For instance, while Cost per Claim stands as one of the most important metrics, other contributing factors to the overall cost per claim also warrant attention, offering opportunities for insurers to drive down costs.

Let's delve into some of the most critical claims-related metrics insurers should track, along with how modern core technology can significantly improve performance.

Claim Frequency: The number of claims reported within a specific period, usually measured per policy or per exposure unit.

Improved risk assessment on the underwriting side can aid in avoiding insuring high-risk individuals. Moreover, it can be beneficial on the claims end as well. Risk levels can evolve over time; what was once considered low risk may become high risk at any time, such as a coastal property once categorized as minimal risk now located in a flood zone. Modern core systems equipped with AI and analytics can gather real-time information on insured assets, identify patterns, and trends indicative of potential risks, enabling insurers to take proactive measures to mitigate them before they lead to claims.

Executive Summary

Insurers are always wary of their bottom line, and today's increasingly competitive market has them paying even closer attention to their KPI's.

Modern core technology has been shown to improve operational efficiency and minimize risk while increasing business, leading to significant improvements in the individual claims metrics that impact **Cost Per Claim:**

- ▶ Claim Frequency
- ▶ Claim Severity
- ▶ Loss Ratio
- ▶ Claim Closure Ratio
- ▶ Average Time to Settle
- ▶ Customer Satisfaction Scores
- ▶ Claims Leakage
- ▶ Litigation Rate
- ▶ Subrogation Recovery Rate
- ▶ Claims Handling Expenses

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AI integrated into core systems can assist in auditing and inspections, allowing insurers to uncover potential issues that may have previously been overlooked. By leveraging AI capabilities, insurers can identify individuals likely to be involved in fraudulent activities, further reducing claim frequency.

Claim Severity: The average cost of a claim, indicating the financial impact of each claim on the insurer.

Modern core technology can play a crucial role in reducing claim severity through various capabilities. Predictive Analytics can help identify factors contributing to higher claim severity, such as fraud indicators, claim complexity, or emerging trends in claims. By analyzing historical data and external factors, insurers can anticipate and address these factors proactively, thereby reducing the severity of potential claims.

Artificial Intelligence (AI) can streamline claims management processes, enabling insurers to identify and address high-severity claims more efficiently. AI-driven tools can analyze claim data, detect anomalies or irregularities, and flag claims that require immediate attention, allowing insurers to intervene early and prevent escalation.

Loss Ratio: The ratio of incurred losses (claims paid and reserves set aside for future payments) to earned premiums, providing insights into the profitability of the insurance business.

Another area where modern core technology can help insurers is reducing claim loss ratio. Improving efficiency is an area where cost savings can be achieved, and the move to a modern core system can play a big part in making operations more efficient. Systems developed from the ground up using modern technologies boast more features, require fewer third-party add-ons, and offer superior integration, facilitating enhanced data sharing.

Automation of processes reduces manual workloads, another area where a modern system can help insurers become more efficient, enabling teams to concentrate on business activities rather than routine tasks. Augmenting staff and providing recommendations further aids in workload management.

Cutting-edge technology can streamline the claims process and optimize staff management. It facilitates risk scoring, identifies potentially complex claims, and directs them to experienced staff. Systems can detect fraud, recognize claimants with legal representation, propose settlements, and identify opportunities for subrogation.

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Claim Closure Ratio: The percentage of claims closed within a defined timeframe, indicating the efficiency of the claims handling process.

Modern core technology can play a significant role in improving claim closure ratios through several avenues. First off by assisting insureds with filing a claim and ensuring they have submitted all pertinent documents can save time on the back-and-forth between them and the adjuster to get the claim initiated.

Advanced workflow automation capabilities can then streamline the claims handling process, ensuring that claims progress efficiently from initiation to closure. By automating repetitive tasks, assigning tasks to appropriate personnel, and providing real-time status updates, modern core systems reduce processing times and improve overall workflow efficiency, ultimately leading to higher claim closure ratios.

Additionally, by automatically assigning priority levels to claims and directing resources towards high-priority cases, insurers can accelerate the resolution of critical claims and improve overall closure rates.

Average Time to Settle: The average duration from when a claim is reported to when it is settled, reflecting the speed of claims resolution.

Very similar to the way modern claims systems can help with Claims Closure Ratio, they can also assist in reducing the average time to settle by adding efficiencies to the process. Workflow optimization and the integration of data sources are particularly beneficial. Integrated core systems consolidate data from various sources, including policy information, claims history, and external databases. By providing adjusters with comprehensive and real-time access to relevant data, insurers can expedite claims assessment and decision-making, leading to quicker settlements and decreased Average Time to Settle (ATS).

Furthermore, enhanced collaboration between service providers, insureds, adjusters, and other stakeholders can facilitate real-time communication, knowledge sharing, and decision-making to expedite claims resolution and further reduce ATS.

Customer Satisfaction Scores: Feedback from policyholders regarding their satisfaction with the claims process, typically collected through surveys or customer feedback mechanisms.

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Advanced functionality of a modern claims system, with a secure dedicated user portal available 24/7, can significantly enhance the customer experience, especially when it comes to filing and tracking claims, leading to improved customer satisfaction. For an emotionally distressed insured who has recently suffered a significant loss and rarely files claims, the process can be daunting. If they encounter difficulty filing a claim or accessing relevant information through self-service options or via the assigned claims manager, their satisfaction is likely to diminish. The ability to provide round-the-clock assistance through intelligent chatbots that can respond to natural language queries from insured individuals throughout the claims filing process, coupled with automated claims adjustment, can significantly improve the overall customer experience. Additionally, the benefits of improved efficiency resulting in faster settlement times can further enhance customer satisfaction.

Claims Leakage: The extent of financial loss due to errors, inefficiencies, or fraudulent activities in the claims handling process.

Modern core technology can significantly mitigate claims leakage through various mechanisms. It can be as complex as advanced analytics detecting and analyzing fraud behavior patterns that a human might miss, or as simple as better integration with external data sources eliminating data entry errors.

Real-time monitoring capabilities enable insurers to track claims activities and transactions continuously. By detecting anomalies and deviations from expected patterns promptly, insurers can intervene early to prevent leakage and ensure compliance with internal controls and regulatory requirements.

Automated claims auditing and review processes enable insurers to systematically review claims for accuracy, compliance, and leakage. By conducting regular audits and validations, insurers can identify and rectify errors, discrepancies, and leakage points to ensure claims integrity and financial accuracy.

Litigation Rate: The percentage of claims that result in litigation or legal disputes, which can impact claims costs and operational expenses.

Advanced analytics tools integrated into modern core systems enable insurers to analyze vast amounts of claims data to identify patterns and trends associated with litigation. By leveraging

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predictive modeling and data mining techniques, insurers can proactively identify claims with a higher likelihood of leading to litigation and take preemptive measures to mitigate risks.

Even better is the ability to allow insurers to implement early intervention strategies for claims showing signs of escalating toward litigation. By identifying key indicators and triggers associated with litigious claims, insurers can intervene early in the claims process to address claimant concerns, resolve disputes, and prevent escalation to formal legal proceedings.

Robust claims documentation and communication capabilities provided by modern core systems ensure transparency and clarity throughout the claims process and can serve as valuable evidence in case of disputes or litigation. Clear and timely communication with claimants can also help manage expectations and prevent misunderstandings that could lead to litigation.

Integration with external legal resources and databases allows insurers to access relevant legal information, precedents, and case law to support claims decision-making and dispute resolution efforts. Modern core systems support the implementation of alternative dispute resolution strategies, such as mediation and arbitration, to resolve claims disputes outside of formal litigation. By offering flexible and collaborative resolution options, insurers can expedite claims resolution, minimize legal costs, and preserve customer relationships.

Subrogation Recovery Rate: The percentage of claims costs recovered through subrogation efforts, helping to reduce overall claims expenses.

Modern core technology significantly improves Subrogation Recovery Rates by enhancing efficiency, accuracy, and effectiveness in identifying, pursuing, and recovering subrogation opportunities. Integrated analytics tools enable insurers to analyze historical claims data and prioritize opportunities more accurately. Integration with external databases provides additional evidence and information, strengthening the insurer's position. Overall, modern core technology empowers insurers to optimize subrogation recovery processes, leveraging data analytics, automation, and collaboration tools effectively.

Claims Handling Expenses: The costs associated with processing and administering claims, including personnel, technology, and overhead expenses.

Modern core technology can significantly lower Claims Handling Expenses by introducing efficiencies, automation, and streamlining processes throughout the claims lifecycle. Automation of repetitive tasks like data entry and communication reduces labor costs, while advanced

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workflow management minimizes delays and bottlenecks, resulting in faster resolution. Integration with external data sources provides access to relevant information for quicker decision-making, while predictive analytics identifies potential fraud early on, reducing investigation costs.

Self-service portals and mobile apps empower policyholders to report and track claims independently, reducing administrative overhead. Integrated communication tools facilitate collaboration and real-time updates, minimizing delays. Performance analytics and reporting allow insurers to monitor KPIs and optimize operations for long-term cost reduction.

Putting It All Together

Cost Per Claim is one of the most important metrics that insurers track in their never-ending quest to reduce expenses. While internal efforts may yield slight reductions in CPC, significant gains are achievable with modern core technology, especially those featuring advanced capabilities like AI, deep analytics, and intelligent automation. Additionally, ease of access, integration, reduced vendor dependency, and flexible configuration further enhance the benefits of such systems.

Spear Technologies offers an award-winning suite of core solutions designed by industry experts on a modern low-code, no-code platform. Our solutions, including SpearClaims™, incorporate built-in AI, deep analytics, chatbots, and intelligent automation to streamline insurers' operations and reduce costs. With a reputation as a collaborative partner, we combine industry and technology expertise to deliver innovative features and strong technological integration. Current clients anticipate lowering their CPC by up to 25% with SpearClaims™, an award-winning solution ideal for insurers prioritizing analytics and operational efficiency.

To see first-hand how your organization could be benefiting from SpearClaims™, our award-winning claims system built by industry experts on a modern no code/low code platform that delivers the power of built-in AI and Analytics while lowering your total cost of ownership, [Schedule a Demo](#).

To discover how Spear's solutions are accessible to insurers of all sizes, [Request Pricing](#).

About Spear Technologies

Spear Technologies is a leading provider of core software solutions systems for the P&C insurance industry. Spear's cutting-edge software solutions empower insurer organizations with unprecedented speed, control, and results. Spear's latest solutions take advantage of the low-code Microsoft Power Platform™ and incorporate AI, data analytics and intelligent automation to achieve better results. Spear's cloud-based policy, billing, claims, and portal solutions enable organizations to easily configure their systems to align with their unique and ever-changing business needs. For more information about Spear Technologies visit www.spear-tech.com.

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