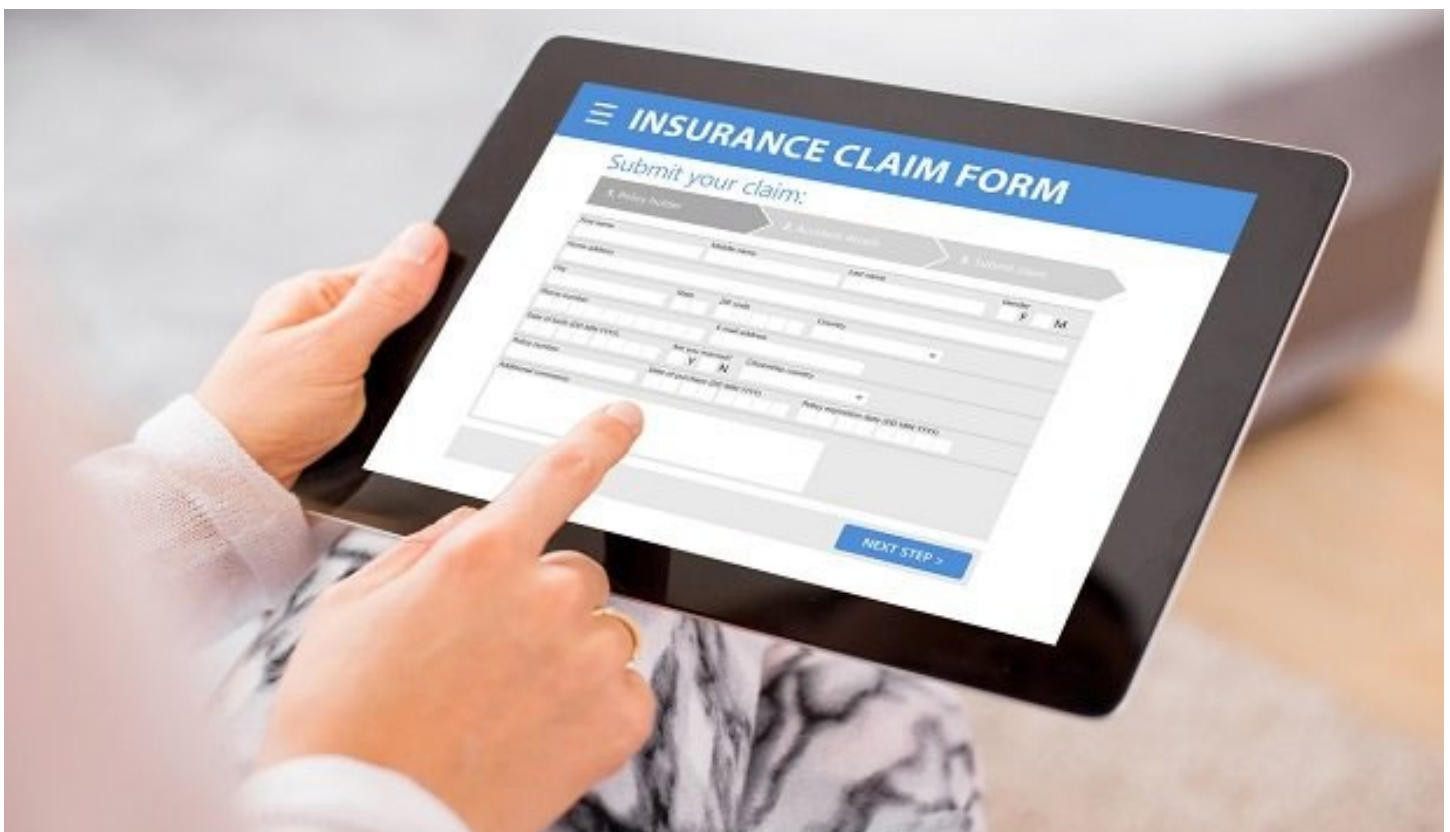


## Five technology trends driving claims transformation

Increasingly, technology is improving how insurance claims are processed and adjudicated.

By **Prashant Tekchandani** | December 24, 2019



Automating claim processes can reduce related costs, improve customer satisfaction, reduce adjustment expenses and increase the accuracy of payments. (Photo: Shutterstock)

Today's insurance industry is on the cusp of large-scale digital transformation which will have positive impacts on the entire value chain. There is widespread consensus among industry stakeholders that integrating new software and emerging technologies into claims workflows, in particular, can help insurers improve efficiency and reduce claim management costs significantly.

According to [a study by McKinsey](#), automating claim processes can reduce related costs by as much as 30%, improve customer satisfaction by 10 to 15%, reduce adjustment expenses by up to 30%, and increase the accuracy of payments by 4%. In order to get the most benefit from this lean into automation, insurers should be paying attention to the following five technology trends driving claims transformation in the industry today:

- 1. Enterprise Mobility:** With the changing demographics of insureds, more and more policyholders are expecting user-friendly, intuitive interactions with insurance companies, particularly in the case of reporting a claim. Technologies such as interactive voice response (IVR), call centers, mobile apps and web portals are becoming *de rigueur*.

In the case of an auto accident, for example, if the vehicle is drivable, a mobile app can use geocoding to show the location of the nearest repair shop. If not, the same app can relay coordinates to a dispatch center to send a tow truck and a rental car to the accident site. Some apps enable photos of the damage to the vehicle to be submitted with first notice of loss (FNOL) reporting, speeding up the adjudication process.

- 2. Smart Automation:** Legacy claims processes involving significant manual intervention increase cycle times and costs. Moreover, human error can affect accuracy, time to resolution and lead to poor customer experience. Technology can help ensure consistency through the rules-based allocation of work, automation and data-driven reporting.

Based on pre-defined, company-specific guidelines, claims can be assigned to the stakeholder or authority level best equipped to handle that task. Furthermore, automation that incorporates digitized databases can eliminate hours of work compared to the same processes conducted with manual paper handling. In fact, when combined with intelligent technologies such as machine learning and artificial intelligence, process automation can deliver unprecedented benefits across the claim lifecycle, making the workflows more efficient and cost-effective by significantly reducing manual tasks.

- 3. Data and Analytics:** As fraudulent claims incidents soar, insurance organizations can use data and analytics to enhance fraud detection and payout calculations, determine optimal reserves, detect claim leakage, identify claims that pose the possibility of litigation, and reduce the costs of claims associated with human errors. Efficiencies and cost savings can increase exponentially with the application of data sciences and analytics to the claims management process.

For example, with analytics and automation, nearly 90% of claims can be reviewed and paid without strategic intervention. Natural language processing (NLP) provides the ability to transform unstructured data into a structured format to drive claims analytics. In this way, tens of millions of claims decisions can be searched and examined in real-time to find claims most similar to those newly submitted, and for automating decision-making based on claims experience. Fraud detection technology is now able to identify sources of fraudulent claims and to analyze large networks of relationships, such as online transactions, banking data, social media data, call data, IP addresses, geospatial data, and more to detect and model suspicious patterns of behavior. Additionally, insurers can manage funds more effectively and efficiently by using advanced analytics to accurately estimate reserves.

- 4. Drones and image recognition:** Technology providers, like [EagleView](#), are leveraging aerial imagery and geographic information systems to take pictures of properties across the U.S. before and after hurricanes. Replacing manual field assessments with automated assessments carried out by drones boosts efficiency and lowers human risks while reducing costs and turnaround times especially in the aftermath of catastrophic events. Similarly, pictures of vehicles taken before and after an accident can be processed by image recognition software and analytics engines to assess damage and accelerate payout.
- 5. Blockchain:** With blockchain, insurers can reduce or eliminate fraudulent and duplicate claims by logging transactions in a decentralized repository or a distributed ledger. This enables instant verification of the authenticity of customers, policies or claims. Health insurance claims can be paid automatically as soon as hospitals upload the proper documentation for covered illnesses or surgeries. And, in terms of complex commercial and specialty market policies, blockchain is infinitely helpful for insurers negotiating claims, fees and recoveries, providing privilege-based access to claims, and ensuring an immutable audit trail of claims and payment transactions for all relevant parties.

Blockchain likely has several applications for traditional insurance markets. As a case in point, a revolutionary blockchain risk and capital exchange for broker, insurer and reinsurer participants was [launched in Bermuda](#) this year. This insurance consortium, driven by distributed ledger technology (DLT) and blockchain, will be implemented in stages, initially providing the framework for reinsurance workflows, including placement, accounting, settlement and claims.

## Why fight it?

[Juniper Research](#) found AI, including chatbots, will dramatically influence claims management, yielding cost savings of approximately \$1.3 billion by 2023 — up from \$300 million in 2019 — across auto, life, property and health insurance.

There's mounting evidence to indicate the processing and adjudicating of insurance claims can be greatly improved with technologies that continue to emerge and proliferate. And, given the inevitability of technological progress, it's hard to imagine the industry will continue to resist the transformational benefits, despite some procrastination in the face of empirical evidence.

If technology equates to progress (it does), and if progress requires change (it does), insurance organizations will greatly benefit by getting over any lingering aversion to change. After all, progress and change will inevitably continue, so it's best to get on board.

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