

Article

Underwriting and claims system integration

For several years now, claims professionals have looked across at their underwriting neighbors with a tinge of envy – while they struggle on with piles of paper and processes heavily dependent on manual input, many of those lucky underwriters get to play with sophisticated workflow and imaging systems, rules engines, tele-interviewing and a growing host of facilities that the claims folk can only dream of.

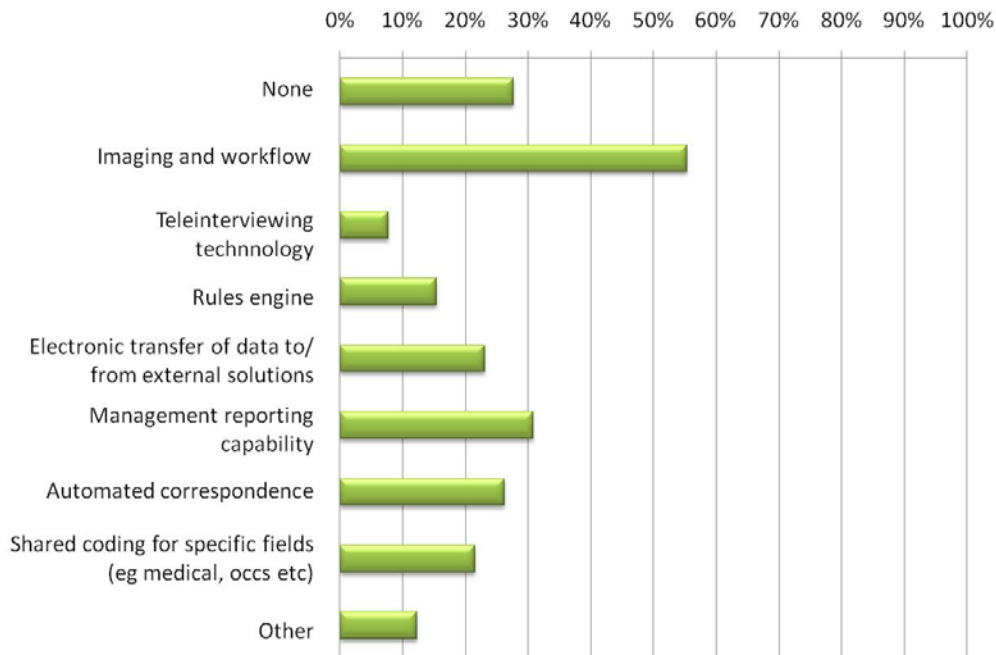
But why? Aren't underwriters and claims handlers following many similar processes?



Knowing how the underwriting data coming out of these new technologies is being used, isn't there at least as much potential in the claims data that could be extracted from applying similar technologies to claims? Don't underwriting and claims teams need to work together to deliver success to both the internal and external stakeholders?

As part of a global survey* into various aspects of claims technology conducted by Karin Lloyd and SelectX earlier this year, we looked at the area of integration between underwriting and claims technology – what's in place, what is seen as important and how companies see the future. This showed the following global picture from the 122 companies surveyed, with imaging and workflow coming out on top, but still only integrated in just over half of companies:

Integration of underwriting and claims technology



Most of the other areas where technology could be shared or where integration would be desirable for providing business insights, such as management reporting capability, show poor levels of integration. For companies who have implemented much of this technology in underwriting, every detail of every transaction is recorded and the data can be analyzed:

- Why cases were rated?
- How many were accepted at standard despite a significant medical history?
- Why, maybe, a certain producer's cases are always standard (when you'd expect a few lives deserving of a rating)?

The smarter companies are now beginning to relate new business case information to claims experience, for example:

- What is the correlation between rated cases and claims received?
- What proportion of standard cases end up as claims?
- What is producer A's claims experience compare to producers B,C and D?

Using good data and intelligent analysis to drive improvement in product design, pricing and operations makes for a more efficient, more successful and more profitable business. The familiar control cycle can now be revitalized and given some real power.

But these data comparisons, whether supported by technology or not, can't be made without some fundamental agreement between underwriting and claims functions as to consistent terminology, coding and basis of calculations. If the lack of shared coding reported by our survey group is typical, it suggests that companies are currently losing valuable opportunities to gain business insights that are vital for understanding why some portfolios are profitable and others are not.

Taking teleinterviewing as another example of an area ripe for integration, this is potentially one of the easiest quick wins that can be adapted for claims use from existing customer service call centre platforms, or existing teleunderwriting units. Currently, even where 'teleclaims' is established, or becoming more prevalent, the highest level of integration between underwriting and claims teleinterviewing technology is seen in the US at 18%. Contrast this with the UK where teleinterviewing at underwriting stage has taken off in recent years, but where the figure for integration with claims is only 7%.

Another of the key developments for underwriters has been the use of a rules engine at the core of the technology solution by:

- Automating routine decision-making, reducing the need for manual intervention and unnecessary evidence
- Triaging more complex risks and routing to the appropriate assessor or third party
- Triggering the next steps in the process: requirement ordering, documentation generation
- Being a repository of data related to every assessment.

All of this is equally relevant in a claims context, whether it is applied to the whole end-to-end process or to specific modular parts, such as eligibility checking.

A fear expressed by some in the claims community is that a rules engine would detract from the skill and judgment required but, as has been seen in underwriting, it merely restricts skilled resources to where they can add genuine value – setting up the rules, managing complex cases and exceptions, presenting a human face to customers who need it, etc.

'Wiggle room' can be set by the company according to its own philosophy and degree of tolerance for variance from the rules. That's why the most important part of setting up such a facility is to think carefully about the rules themselves, to get expert help if in-house resources don't have the necessary experience, and to retain the ability to review the rules regularly and update them as required, without the need to go running to the IT department every time.

Companies have recognized that competing purely on price, product and commission is not sustainable and that competitive advantage will come from making it easier for distributors and customers to do business with them through service enhancements (speed of process, improved communication with customers and flexibility of access).

In Hank George Inc and SelectX's 2011 global survey of rules engines** among over 200 direct insurers from major life insurance markets, three key areas that respondents cited as their main objectives for implementing an underwriting engine would also strike a chord with claims managers:

Reducing workload on staff	85%
Improving consistency	81%
Improving the quality of underwriting data	75%

If we add to that the desire for faster settlement of claims (a universally reported objective), there would seem to be compelling reasons to at least investigate the use of a rules engine in a claims context.

Many of the claims technology survey group foresee a rise in online self-service facilities, powered by similar technology as that used in the new business quotation and application process. Effectively, this transfers much of the back office function into the control of the customer, shifting and reducing costs along the way and simultaneously improving transparency and service delivery for the customer, whether that is an individual, an intermediary or a group scheme administrator.

As customers' expectations change as a result of their experiences in other industries, the pressure to extend such facilities to the delivery end of the customer journey – as well as to the front end when premiums are being taken – will become more intense. There is a growing chasm between how the industry is seen to treat people when taking their money

and when paying claims – at the time of real need. That chasm is just unsustainable in a consumer-driven competitive world.

** Life and disability claims: strategies for a technology-enabled world – a new report produced jointly by SelectX and Karin Lloyd builds on and goes far beyond, a survey of 120 insurers in key markets worldwide. The report examines in detail the current landscape for life and disability claims processing, the case for investing in technology, the importance of data in portfolio management and new customer propositions enabled by technology.*

For more information or to purchase a copy, [click here](#) to visit www.selectx.co.uk

*** SelectX and Hank George Inc will soon be publishing their report on underwriting rules engines for life and disability insurance.*

Based on a survey of insurers world-wide, interviews with key firms including the major product suppliers, and their own extensive knowledge and expertise, the report takes a long, hard look at engines with particular focus on:

- Their strategic role in today's tough and fast-changing long-term insurance markets*
- The potential for mining digital gold – crucial data for the business as a whole, not just for sound risk management*
- The critical success factors for implementation and operation.*

For more information or to purchase a copy, [click here](#) to visit www.selectx.co.uk.