



Analytics + Action
The critical difference in claims

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Today, scrutiny and reliance on claims performance is unprecedented—and for good reason. Hard and soft pricing cycles persist and volatile investment returns may not make up for pricing inadequacies.

Claims are the single largest spend for a property & casualty (P&C) insurance company. Typically, up to 80 percent of each earned premium dollar is “claimed by claims” as pay-out and related expenses. Insurers who can equitably settle claims while reducing claims costs by just one percentage point will save significant dollars.

But claims management may be challenging even for the most adept company. There are multiple processes and a myriad of platforms. Complex duplicative functions are performed, often with outdated technology. Organizational misalignment is not uncommon among key elements of the value chain.

Misalignment may show up in troublesome inefficiencies and erratic service. Frequently, too much time is spent on claims-related tasks. There is vulnerability to fraud and questionable losses spanning service channels. Claims financial leakage is commonplace.

The customer, however, is not concerned with these challenges. Your clients are ever more sophisticated technologically, aware of new products, and better prepared to make cost and service comparisons. When the ‘moment of truth’ arrives in claims, you must satisfy customers, while minimizing handling costs and cycle time, controlling expenses, and maintaining a lean claims organization.

At Deloitte, we understand the challenges you face. From first report to claim closure, we have been there. Our professionals have led claims operations, worked as front-line claims reps, handled all lines of business, and provided domestic and international claims services.

We do things in a new and better way. Our approach harnesses the power of advanced analytics for targeted action resulting in claims optimization you can measure and achieve goals with, every day. We are able to help you:

- Deliver high-quality service which serves both customers and agents
- Pay what you owe
- Accelerate the claims life cycle
- Streamline your processes and operations
- Maintain reserve accuracy and consistency
- Comply with rules and regulations
- Adopt and embrace organizational change
- Enable claims excellence with technology

We have no bias toward any supplier or vendor. Unaligned, Deloitte advises for your best interest alone. This impartiality is especially significant given today’s fragmented supplier base which often means reduced bargaining power for carriers. Our objective approach allows a strategic use of services and service partners customized for each client.

Supported by global capabilities

The work we do is supported by Deloitte’s global reach and capabilities including insurance advisory, actuarial, risk management, risk finance, information systems and technology, insurance regulation, tax, and financial reporting. With access to resources in nearly 140 countries, and significant industry and consulting experience—plus advanced analytics capabilities—Deloitte provides the critical difference in claims.

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Advanced analytics

Analytics is the use of specialized techniques and computing tools to analyze data, and thus to better understand the drivers of loss and expense. Advanced analytics is what we do. We help you identify, organize, and track critical metrics, which provide insight and drive business decisions. Our clients reap the benefits of our advanced approach and experienced resources dedicated to the analysis of customer and claims data.

We are able to analyze hundreds of claim characteristics from your own claim files, as well as external data sources, such as government agencies and private vendors. But we do much more than just run data. We know which data to run. For instance, a claimant's financial position, recreational interests, and family responsibilities can influence the duration and cost of a claim.

Further, such characteristics must be analyzed within the context of your current claims framework and dynamics. Which claimants are most likely to fall into your highest-cost segment? Which claims have a higher propensity for fraud? Where are your significant areas of exposure? And, overall, what gaps exist between current processes, and the best and most cost-effective industry practices?

We begin with the business assessment – a unique roadmap. We review your operation to assess current state plus overall goals and objectives. We define the quantifiable, measurable benefits derived from each project.

Then, we build and execute the solution – such as predictive models, segmentation profiles, or management scorecards for key initiatives. We transform information into insight. Based on experience, we are able to analyze large amounts of data, determine causal relationships, predict hot spots, implement actionable solutions, and realize benefits.

Case study

Develop a breakthrough predictive model

Client

Top tier national multi-line P&C carrier

Objective

To build on strong results in claims operation by constructing an innovative approach based on predictive modeling, to materially decrease loss costs.

Action

- Acquire, load, and cleanse over 10 years of data from more than 20 internal and external sources.
- Analyze 1,400 risk characteristics to assess predictive power in determining relative claim severity.
- Develop a proprietary methodology to distil more than 6,000 injury-diagnosis codes into less than 50 categories.
- Analyze and report on correlation of claim characteristics to outcomes by different views (geography, industry, etc.)
- Use real-time claim segmentation to optimize resource assignment and referral to specialty resources such as nurses and SIU.
- Utilize model outputs to accelerate leading practices and including standardization of certain processes through business rules.
- Use model outputs to improve performance metrics and quantify results.

Benefits

- Projected reduction in loss costs of 8 percent on an annual recurring basis.
- An extraordinary predictive model which demonstrates exceptional levels of accuracy.
- Real time and batch scoring of claims.
- “Open” modular design allows easy adaptability to multiple applications.
- Integration into operations, maximum acceptance, and business impact.

Action

In light of the cost pressures you are facing today—and knowing firsthand the leading practices, which enrich and enable the P&C industry—we focus on action.

Action is making informed decisions, and taking appropriate, real-world steps to execute and track the optimization of your claims department. Action leads to operational excellence.

With Deloitte, you'll see your investment begin to pay dividends very quickly—more quickly than the traditional file-based approach you may encounter elsewhere. While others may ask for a time-consuming and expensive commitment for voluminous leakage, activity, and resource-based studies—we cut to the chase.

Experience has taught us what most of your files will likely say, and where opportunities typically lie. Therefore, we can provide, up-front, a working hypothesis and testable solutions. As we put this hypothesis to work for you, and do the intensive work of our Claims Operational Assessment Methodology (COAM), we strategize and map the action you will need to take, in two distinct ways:

Quick wins are improvements and corrective actions you can make today paying dividends on your investment, immediately.

Future operations development is the intermediate and long-term upgrades you must implement in order to be—at a projected point in time—a nimble and effective claims operation. To accomplish this, we help you to:

- Assess where you stand relative to industry leading practices
- Design the desired future state of your organization
- Outline a roadmap to move your organization toward your vision
- Conduct a change readiness and alignment assessment
- Develop an implementation and change plan
- Implement recommendations and track outcomes

Case study

Launch a claims Fast Track unit

Client

Regional multiline P&C insurance company

Objective

To transform claims organization to a segmentation model that includes a Fast Track unit for handling low-complexity material damage claims.

Action

- Deploy the Deloitte Claims Segmentation Assessment to review the claims operation with a focus on drivers of claims complexity, and a quantitative analysis of characteristics and distributions.
- Develop practical Fast Track and complex claims profiles incorporating both qualitative and quantitative findings.
- Provide characteristics to identify claims which should be sent to the Fast Track unit, and those which should not be.
- Develop a staffing model based on projected volumes.

Benefits

- Readily manage identification of Fast Track claims in both the triage and escalation process.
- Extend Fast Track processing beyond the traditional lines of business to increase business benefits.
- Identify changes to enhance transition to regional segmentation.
- Positively impact staffing in both Fast Track and regional offices providing new career opportunities.

Enabled by technology

Insights gleaned through advanced analytics and operational assessments must be driven into business processes, enabled and sustained through technology. Claims Information Technology (IT) is a specialized area of technology that supports operational excellence. Reliable operational execution is critical to success.

Our approach helps you achieve excellence throughout the claims process – basic processing, triage and assignment, review, payments, and business intelligence. Deloitte provides leading-edge IT maturity evaluation, roadmap planning, and modernization. We have particular experience in vendor market assessment and selection, and in the replacement of legacy systems.



Case study

Claims technology assessment and vendor selection

Client

Top 20 P&C insurance company

Objective

To build a flexible, agile claims technology solution, to help the company become a customer-focused organization.

Action

- Deploy the Deloitte COAM to assess current state, and to identify areas of lag in service, tools, and technology.
- Develop a short list of claims solution vendors providing a good fit for client's claims operations and technology platform.
- Develop detailed RFP with detailed functional and technical requirements.
- Lead and facilitate claims vendor product demonstrations.
- Develop guiding principles and scoring frameworks for claims solution selection.
- Select top two claims solution vendors. evaluated on RFI responses, product demos, and RFP responses.
- Develop a comprehensive business case, vendor solution implementation plan and execution Project Management Office (PMO) set up.
- Assist with contracting and negotiations and development of vendor statement of work.

Benefits

- Reduced time to market and incremental cost of new claims capabilities.
- Overall potential loss ratio impact of 3-5 points.
- Reduced Total Cost of Ownership (TCO) for claims technologies by approximately 25-35%.
- Reduced cycle time of systems changes required to adapt to changes in the claims business model from months to weeks.
- Introduction of new claims capabilities not available with client's existing technology solutions.

Measurable gains

Fluff is out. Facts are in.

At Deloitte, our approach is enabled by analytics and action oriented.

- Use operational metrics to diagnose issues within the claim process and operation.
- Objectively prioritize opportunity areas and quantify the financial impact of recommended changes.
- Analyze hundreds of discrete risk or claim characteristics to statistically segment claims.
- Drive operational effectiveness through accelerated business actions triggered by data analytics and enabled by technology.
- Install a system for post-implementation tracking for each area of business application and optimization.
- Track key metrics driving business decisions in the future state.

The results are measurable:

- More stable and predictable loss costs
- More efficient and predictable operating expenses
- Improved loss and expense costs
- Higher overall claim service ratings
- Higher policy-holder retention
- Improved employee productivity
- More reserve stability
- Improved regulatory compliance



Case study

Improve loss costs and move up in service ranking

Client

Top 20 P&C insurance company

Objective

To move into the top quartile relative to incurred paid loss and total loss adjustment expense, and to improve position in JD Powers customer satisfaction ranking.

Action

- Deploy the Deloitte COAM to assess current state; and to identify areas of lag in service, tools and technology.
- Identify and validate key areas of opportunity across claims process.
- Identify and implement quick win opportunities.
- Construct business case tied to operational metrics.
- Develop work plans to help achieve targeted benefits.
- Establish a business PMO.

Benefits

- Implemented quick wins, then identify and recommended longer-term improvements representing a 3.2 point loss ratio improvement.
- Client indicated six months post-plan; bodily injury loss severity is trending sharply downward and tracking to expected benefits.

Property & casualty claims: Deloitte services

Our services are provided on a client-by-client basis and as needed, or as a complete, fully integrated package. Clients benefit from deliverables including:

- Gap assessments
- Improvement roadmaps
- Prioritized recommendations, timelines and cost estimates
- Business case development and assessments
- Business and technical requirements

Advanced analytics and modeling

- Claims predictive modeling: design, develop, and deploy
- Profiling and segmentation analytics
- Performance metric identification, design, and benchmarking
- Safety and workforce analytics

Operational execution and effectiveness

- Strategy and vision development
- Review and assessment of leading practices
- Claims operational assessment: diagnostics and solutions
- Organizational and process redesign
- Claims sourcing and expense management solutions
- Business requirements, solution design, and implementation
- Substandard process identification and resolution

Technology enablement

- IT strategy and vision development
- IT information strategy and Business Intelligence design
- Program and project management
- Solution and architecture design and deployment
- Technology leading practices maturity and gap assessment
- Legacy system transformation roadmap development
- Claims vendor market assessment and selection



Meet the Deloitte claims team

Our professionals have led claims operations, worked as front-line claims reps, handled all lines of business, and provided domestic and international claims services. On average, our senior practitioners average more than 15 years of P&C industry and claims experience.

While we focus on claims, we have access to all of the Deloitte family of services and competencies for well-rounded, value-added insight into a far-reaching array of business opportunities.

We welcome your interest and inquiries. Please contact any of the following Deloitte Consulting LLP professionals:

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Item #9038 April 2009