EIS™®

Claims Leakage,
Seal it Up with EIS ClaimCore and ClaimSmart

The Slow (Costly) Drip of Leakage Losses

Minor claims leakage may fall within an insurer's acceptable risk tolerance — if it's "minor" enough.

Unfortunately, most claims leakage is often too consistent to be called "minor," affecting somewhere between 20% and 30% of all claims paid. Over time, it adds up: Insurers lose about $30 billion each year to claims leakage.

$30 billion

Lost by insurers each year to claims leakage.

The four major leakage sources include:

1 **Fraud:** On average, about 10% of successful insurance claims are fraudulent to some degree. If even a relatively small number of those deceptive claims lead to large payments (e.g., staged accidents or well-disguised arson), that amounts to a serious loss.

2 **Manual error:** Manual error is impossible to totally avoid, but it's much more likely when claims teams are stuck with outdated systems that require hands-on actions. Even if many of these errors are minor, they add up, and there's always the chance that a small mistake — like a typo when manually entering claims data — can lead to an overpayment or a resource drain of back-and-forth communication with parties involved in the claim.

3 **Subrogation:** If insurers aren't pursuing compensation from the parties responsible for accidents whenever possible, they're missing a major opportunity to recoup costs.

4 **Salvage:** Damaged property (like a crashed car) that isn't speedily assessed for its original cash value against the cost of repairs ultimately creates unnecessary costs for insurers.

Manual claims processes and outdated core systems that don't support automated data processing all but guarantee that these issues will be more common — and more costly.

Minimize Claims Leakage With Smart Automation

When used together, EIS ClaimSmart and ClaimCore majorly benefit insurers' efforts to mitigate claims leakage. Workflows enabled by intelligent automation and machine learning (ML) help carriers minimize losses and maximize efficiency, while also making the claims experience better for customers.

ClaimSmart + **ClaimCore**

ClaimCore

ClaimCore captures customers' first notice of loss (FNOL) filings from all channels and then routes them into workflows for relevant lines of business (home, auto, etc.). Then, based on the event-driven architecture supporting these workflows, it triggers appropriate next steps — risk assessment, fraud detection, or manual examination by an adjuster. The ML-driven system can assess the likelihood of fraud in any claim and how severe a risk it poses. These solutions also include pre-built models programmed to find subrogation opportunities so insurers can pursue liable third parties, as well as automated workflows configured to categorize total losses more efficiently.

Wastes of Money and Time: Key Leakage Hazards

Tokio Marine & Nichido Fire, a Japan-based international P&C insurer had serious claims leakage problems. Despite solid financials (about $12 billion in gross premiums written at the time), they'd seen a steady year-over-year uptick in claims leakage.

What was the major culprit?

Surprise, surprise — an outdated system. The carrier's anti-fraud platform operated according to traditional rules-based logic, which is inherently limited in today's insurance landscape. Unlike ML-driven fraud detection, which continually adjusts and can eventually detect previously undetected fraud signals, an old-school rules engine only recognizes the fraud indicators it was originally programmed to spot. Simply put, a lot can slip through the cracks.

This insurer also had a higher-than-desired rate of false positives: Their fraud claims team was wasting time and effort to vet legitimate claims the system had flagged as suspicious due to its static rules. Their anti-fraud platform was also expensive to maintain, so the insurer clearly needed to make a change.
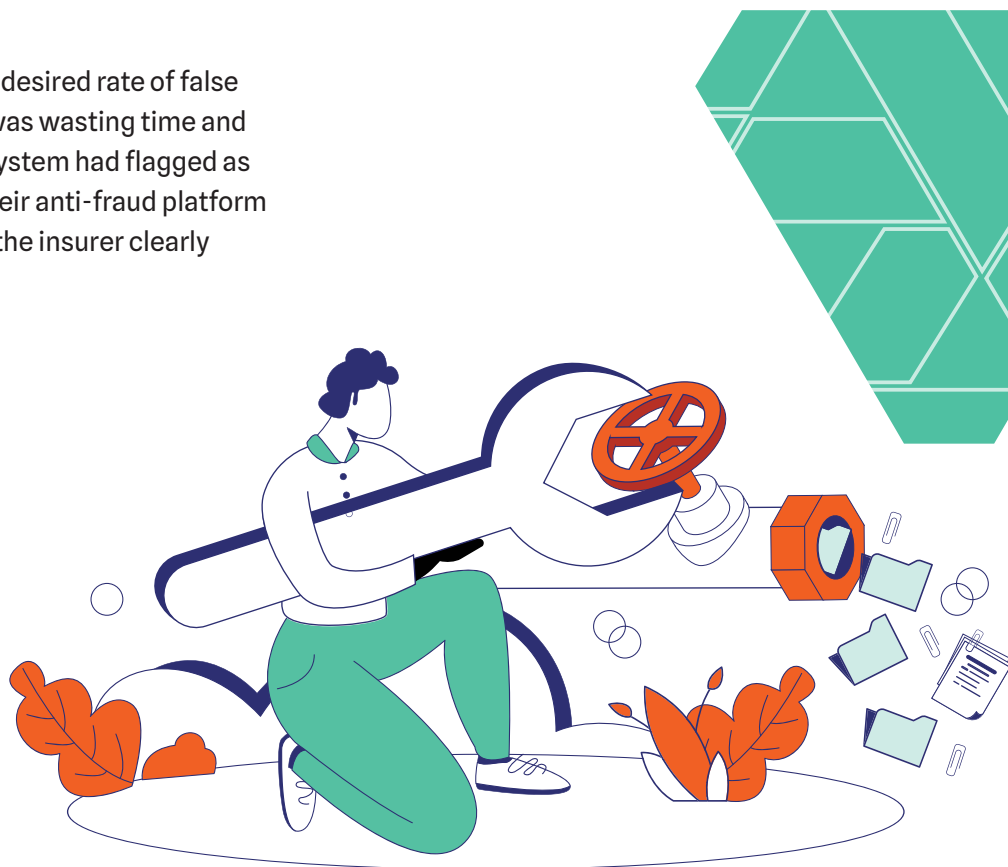
Fight Fraud and Leakage at The Source With EIS

This insurer turned to ClaimGuard, the anti-fraud half of the EIS ClaimSmart solution.

The application's ML model was trained with data on hundreds of fraud scenarios (including some of the most non-obvious types) to sharpen its pattern recognition capabilities. Additionally, seamless integration between ClaimGuard and ClaimPulse (the claims processing and digital experience module of ClaimSmart) meant that anti-fraud claims vetting didn't significantly slow down the claims lifecycle.
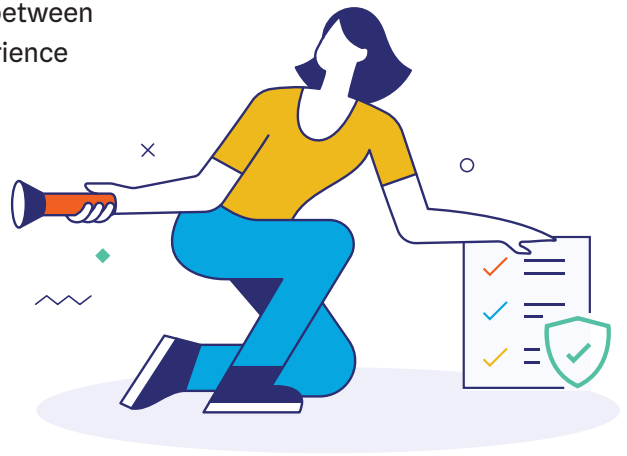
Without human intervention, ClaimGuard scans all incoming claims and assesses their fraud risk according to its unique risk-scoring model.

Claims with insignificant risk can proceed to the next step in processing, while submissions with serious signs of fraud get flagged for a more delicate investigation. For this insurer, this increased the number of fraudulent case referrals, but the claims team was confident that these claims genuinely needed their attention, contributing to a 40% decrease in overall fraud costs.

The longer a claim stays unresolved, the more expensive it is for the carrier. ClaimSmart and ClaimCore speed up the process through automation and seamless data integration, from FNOL submission to final decision on a claim. (The carrier we mentioned ultimately saw multi-million-dollar annual savings in claims-related expenses.)

Insurers can create custom automated workflows using ClaimSmart to simplify many critical processes. For example, a customer's FNOL regarding serious home damage can trigger communications with relevant repair and restoration professionals if the claim has a minimal risk score.

A customer-facing digital portal within ClaimCore keeps claimants up to date on their claim status, reducing the burden on customer service centers.Without human intervention, ClaimGuard scans all incoming claims and assesses their fraud risk according to its unique risk-scoring model.

ClaimCore and ClaimSmart: Redefining Claims Leakage Prevention

Leveraging Subrogation Opportunities

Insurers stay in business by living up to the terms of their policies and paying out for legitimate claims, but they can't afford to ignore chances to recoup funds from at-fault third parties. ClaimSmart lets you devise and deploy P&C claim workflows that leverage ML on newly submitted claim data to quickly identify subrogation options worth pursuing.

Wide-Ranging Cost Reduction Potential

By combining ClaimSmart and ClaimCore, insurers can drive long-term cost reductions by optimizing the entire claims lifecycle. The versatility of pre-built integrations and open APIs allows carriers to accelerate processes through automation and wide-ranging data access, avoiding costly personnel-driven operations and data silos. For example, insurers can minimize unnecessary expenses by simply not letting a damaged vehicle sit in a storage lot for a while before assigning it to a salvage company. An automated workflow can alert the carrier to send the totaled car directly to salvage.

Data Gathering to Drive Better Leakage Solutions

Anti-claims leakage features in ClaimSmart and ClaimCore equip insurers with valuable insights to drive effective long-term strategies. For instance, the anti-fraud ML models in ClaimGuard are retrained regularly to incorporate historical, new, and third-party data from many sources. This allows anti-fraud teams to examine trends (if fraud is rising or falling overall; if hard fraud is becoming more common; what property types attract the most and least fraud, etc.) and recalibrate their efforts accordingly. Also, the SIU workflow in ClaimCore suspends payout for suspicious claims until they can be reviewed by fraud investigators.

Ready to Confront Claims Leakage — and Win?

Empower your claims adjusters and investigators to fight the main sources of claims leakage with cutting-edge automation from EIS ClaimCore and ClaimSmart. To learn more, get in touch with one of our experts today.

Book a Call

EIS

eisgroup.com | info@eisgroup.com | @eisgroupltd