WHITE PAPER

Streamlining the Automotive Claims Process via Integrated Intelligent Automation

MANUBHAV JAIN
PRINCIPAL, INSURANCE CONSULTING

STAS CHULSKY
SENIOR MANAGER, INTELLIGENT AUTOMATION CONSULTING

ASTGHIK MKHITARYAN
SENIOR MANAGER, INTELLIGENT AUTOMATION CONSULTING

NOVEMBER 2019

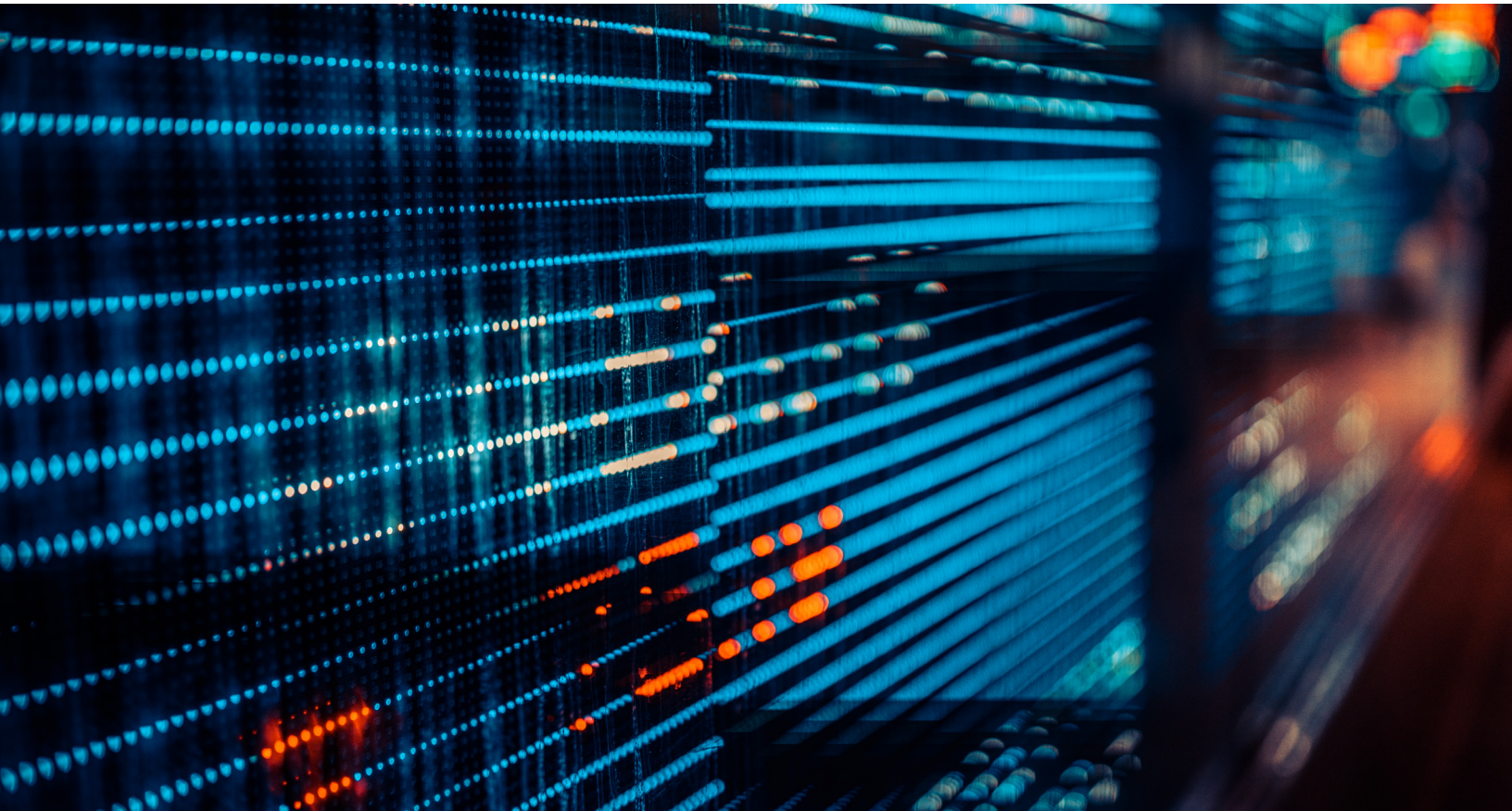
epam

Contents

Introduction

As intelligent automation (IA) emerges as a best practice across numerous industries, insurers and technology service providers alike are racing to build out use cases for IA that streamline the various stages of an automotive insurance claim. While automation cannot be viewed as an isolated lever or standalone solution to bring efficiency and cost savings, when IA integrates with other channels, technologies and platforms, it unleashes its full potential. This white paper provides insight on how an integrated IA approach can improve the auto claims process and deliver a more favorable customer experience.

TYPICAL VALUE CHAIN OF AN AUTO CLAIM



First Notice of Loss (FNOL) & Claim Registrations

STAGE OVERVIEW

The **FNOL & claim registration** stage is where call center agents collect data on the claim as well as the insured and ultimately register a claim. Call center agents may alleviate any customer doubts and provide support related to the registration of a claim. FNOL is an intake process which potentially impacts all downstream stages of claim processing.

COMMON PROBLEM AREAS

Unstructured data stemming from voice interaction and decentralized information is kept in various systems. Both voice interaction and decentralization of information result in swaths of discrete and unstructured data deposits in the organization that require extensive operational effort to convert into actionable structured data to fulfill a business task. The results of unstructured data at this stage not only affect claim registration but have a substantial impact on all downstream claims processes, which ultimately leads to both increased operational expenses for the insurer and a poor customer experience for the insured.

INTEGRATED IA APPROACH

- Apply real-time natural language processing (NLP) and speech-to-text to authenticate caller and assist call agent with data collection
- Supplement all interactions between the insured and the carrier via mobile app and/or portal as an additional channel
- Enable real-time request-response through this app to trigger any forms (i.e. disclaimers) or information exchanges needed for the claim filing process while a phone conversation with the agent is taking place
- Prefill a significant amount of client data for expedited processing and, in the long term, predict relevant data to be captured via machine learning (ML)
- Provide the means to request additional services such as notifying emergency contacts associated with policy, requesting ambulances or tow trucks, and providing tracking of those services until fulfilled
- Use AI to identify, then notify the most optimal (location, cost, service quality, etc.) service providers and then track the status until the service has been fulfilled
- Ensure the ability to launch a video conferencing (VC) call for interaction and guidance with a customer service rep in cases where special handling or in-person assistance is required

Claims Triage, Adjudication & Reserve Estimation

STAGE OVERVIEW

The **claims triaging** stage is where the optimal claims adjudicator is assigned to a case based on their skillset. Once an adjudicator is assigned, they provide the initial estimate of the claim amount and create a damage appraisal report by collecting additional information/evidence.

COMMON PROBLEM AREAS

Manual triaging of claims may lead to non-optimal assignment of skilled adjusters while decentralized and inconsistent data-gathering frameworks between adjudicators and other departments lead to increases in turnaround time and operational expenses. Additionally, prevailing manual reserve booking and management processes can delay both accounting and financial visibility and accuracy.

INTEGRATED IA APPROACH

- A decision engine should be created to effectively assign an adjudicator to a case based on their personal profile, availability, skillset and type of claim
- The adjudicator should be presented with information provided by the claimant, offered relevant forms automatically, and have the ability to request additional information (if needed) via a common channel
- The claimant should be able to receive all documents and forms electronically and have the option to sign forms digitally
- Business process management (BPM) tools can be used to orchestrate processes and transmit data and forms from various departments and platforms
- Claim data can be integrated with actuarial and/or financial systems for automatic reserve management
- Artificial intelligence (AI) can be used to determine the initial estimate of loss and allow reserves to be triggered for booking automatically
- Initial estimates can be produced using ML models and algorithms which could be used for settling claim variance at later stages of claims processing

Repairs & Quality Control

STAGE OVERVIEW

The **repair** stage is where an approved body shop repairs damages, procures parts and provides customer service directly to the insured. Once the body shop determines which parts are required, they are procured based on an agreed upon parts and services rate.

In conjunction with the repair stage, a **quality control** audit is performed by the insurer to make sure that the body shop does not overprice repair items and provides quality customer service.

COMMON PROBLEM AREAS

Inconsistent and unstructured data flow between the external vendor and insurer may cause important data loss, and the extra time taken to decide on a repair shop may impact the quality of the experience for the customer, who is already dealing with the stress of an accident. A lack of real-time status-of-repair results in uninformed and agitated customers while time spent between FNOL and sending the vehicle to a body shop (customer service, tow truck and body shop selection) results in high cost to the insurer. All these components threaten to reduce the quality of service, incur indirect expenses for the insurer and exacerbate a tense situation for the customer.

INTEGRATED IA APPROACH

- Depending on the captured damage type, incident location, customer address and customer reviews, IA can suggest a list of appropriate repair shops and create initial estimates based on FNOL data and experience with each body shop for the insured to decide on a suitable option
- Using ML models, the system should be able to flag any pricing inconsistency
- A carrier portal or app can be extended to interact with body shops and allow them to see the insurer's original estimate — along with all underlying data and pictures gathered through the FNOL and valuation process — and adjust it if needed. The same portal can enable the body shop to provide a status of repair and feed that information back to the insured as well as the carrier
- A random audit can be automatically triggered to validate estimation samples

Subrogation Between Insurance Companies & Payments to Vendors

STAGE OVERVIEW

Subrogation is the substitution of one person or group by another in respect to a debt or insurance claim, accompanied by the transfer of any associated rights and duties. Put simply, the Subrogation Principle in insurance means that when an insurer pays full compensation for any insured loss (of insured property), the insurer holds the legal right (claim) to collect the loss amount from the third party (insurance or person).

Payment to vendor occurs when the vendor (repair shop or supplier) has rendered the services.

COMMON PROBLEM AREAS

Tedious paperwork to settle/initiate subrogation and lengthy external party interaction increases turnaround time and operational cost. Manual accounts payable (AP) or accounts receivable (AR) reconciliation often causes human error and delays the recognition of funds. The paper trail builds a three-way barrier between the customer, insurer and third party by making the process convoluted for everyone involved. It also puts constraints on the insurer's cash reserves, as months are spent gathering discrete information and tracking down the reimbursement of funds.

INTEGRATED IA APPROACH

- Based on pre-set rules, an IA-enabled platform can flag cases where subrogation is applicable
- Integration with virtual payment providers can expedite the payment process to vendors
- IA/ML should be utilized to extract information from invoices received from vendors and apply a consistent approach for entering data into the platform
- A reconciliation process can be enabled via a mix of business rules and ML
- The rules engine can track service level agreements (SLAs) around AP and AR to avoid penalties for AP and minimize risk profile for AR
- Digital content management should be leveraged to enable communication between insurance companies, customers and vendors

Total Loss Settlement & Salvages/Recovery

STAGE OVERVIEW

The **total loss settlement** process is aimed to make sure that total loss damages are paid to the insured according to the contract.

The **salvages and recovery** process is aimed to make sure that all salvaged cars are sold.

COMMON PROBLEM AREAS

Manually tracking total loss cases results in material process inefficiencies and ultimately leads to an increase in operational costs. A lack of controls and sufficient market data to evaluate the appropriate market value of vehicles increases the risk of overestimating or underestimating that value, which could subsequently lead to the loss of funds. Additionally, manually tracking salvage inventory increases the time required to recycle the vehicle and incur the appropriate amount.

INTEGRATED IA APPROACH

- In cases where the contract is defined in a document rather than the policy administration database, IA can be utilized to extract relevant information (deductibles, contract exclusions, state thresholds, etc.) using cognitive document processing (CDP)
- A rules engine can flag potential total loss cases when damage estimates are higher than the market value of the vehicle
- Automated payments or electronic fund transfers (EFTs) can be scheduled based on confirmation of total loss
- Digital content management should be leveraged to enable communication between insurance companies and customers
- Integration with third parties allows insurers to uncover the market value of a vehicle to be utilized in determining total loss amount

Special Investigation Unit & Legal

STAGE OVERVIEW

The **Special Investigation Unit (SIU)** reviews and investigates claims that are flagged as potential fraud automatically by the system or manually by an adjuster.

COMMON PROBLEM AREA

A lack of relevant rules to flag potential fraud increases the possibility of fraud cases going undetected, and the inaccuracy of this data misleads the machine learning engine behind the predictive and/or adoptive model. False positives and negatives in this process lead to the displacement of valuable talent capital when employees spend time researching legitimate claims for fraud while financial loss occurs when material fraud cases are not identified.

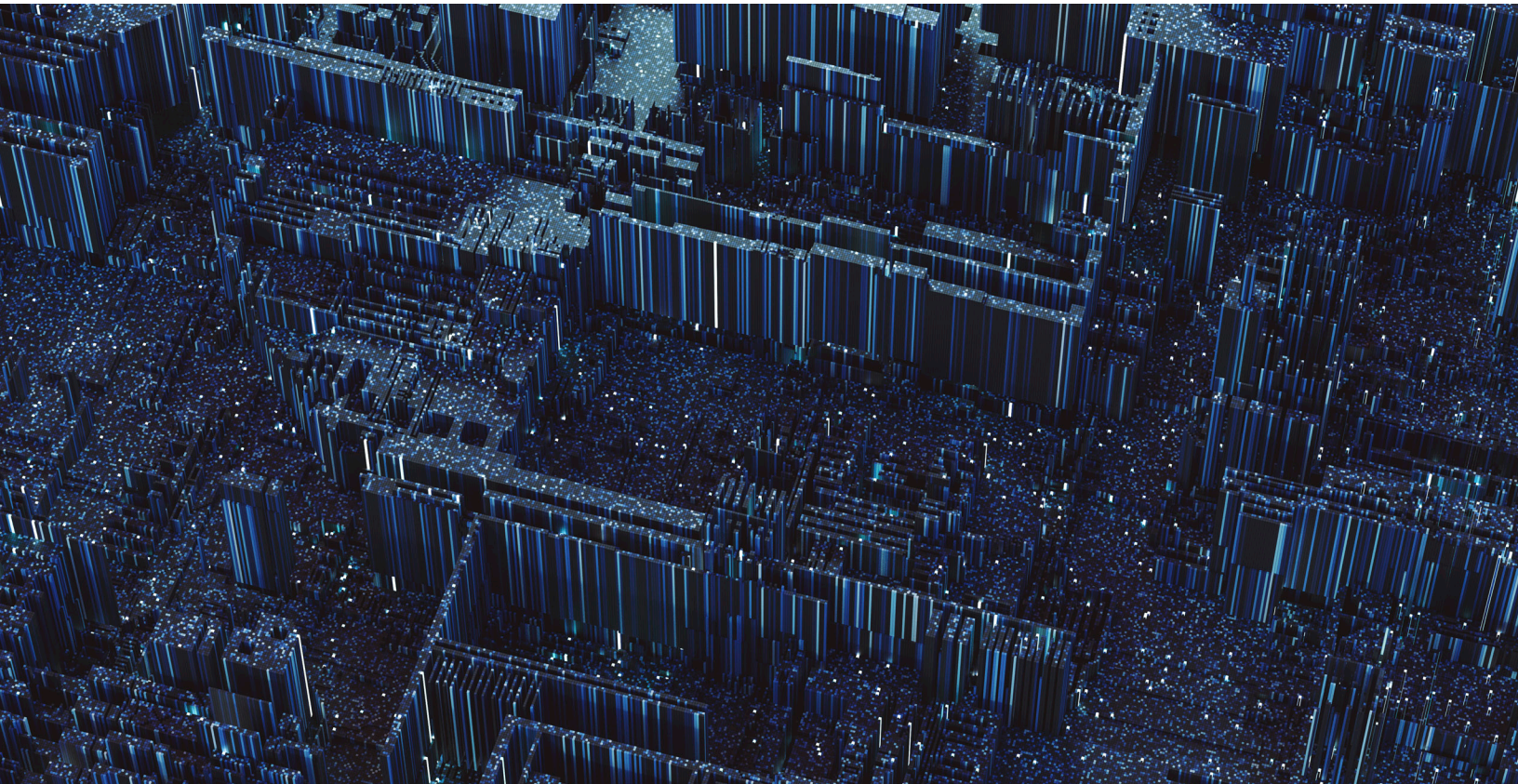
INTEGRATED IA APPROACH

- A rules engine, combined with IA, increases the accuracy and likelihood of detecting potential fraud cases
- Adjusters can mark cases as potential fraud within a portal and provide structured input and granular categorization which is later evaluated through IA to minimize false positives or expediate fraud investigations
- A portal can provide visibility for legal departments when collecting data, relevant information and key details for a case
- Integration with third-party data providers allows for insight into customer profiles before proceeding with any litigation case

Conclusion

From FNOL through legal operating procedures, it is paramount to integrate all communication channels and systems to enable seamless automation. However, before automating these processes, insurance organizations must have a centralized process team which focuses on reviewing and optimizing processes (macro- and micro-level) across departments and identifies opportunities to re-engineer processes in order for any automation program to garner the expected results. Failure to do so could result in unintended process inefficiencies that lead to millions – and even billions – in indirect hidden expenses that manifest through long customer service calls, fees and penalties – all of which can diminish user experience and lead to loss of customers.

With customer satisfaction so closely tied to the bottom line, it is vital for insurers to use intelligent automation to prioritize process transparency for consumers to enable the real-time status tracking of settlements, increase the ease of reviewing relevant case details/documents, and improve the visibility of estimated execution timelines so that customers know what to expect next without needing to create an extensive paper trail of correspondences. Doing so offers a unique opportunity for insurers to step into a future where convoluted infrastructures designed to support numerous discreet and siloed processes become a thing of the past as the industry reaches a whole new level of disruption, competition and innovation.



ABOUT EPAM SYSTEMS

Since 1993, EPAM Systems, Inc. (NYSE: EPAM) has leveraged its software engineering expertise to become a leading global product development, digital platform engineering, and top digital and product design agency. Through its 'Engineering DNA' and innovative strategy, consulting, and design capabilities, EPAM works in collaboration with its customers to deliver next-gen solutions that turn complex business challenges into real business outcomes. EPAM's global teams serve customers in over 25 countries across North America, Europe, Asia and Australia. EPAM is a recognized market leader in multiple categories among top global independent research agencies and was one of only four technology companies to appear on Forbes 25 Fastest Growing Public Tech Companies list every year of publication since 2013. Learn more at http://www.epam.com/ and follow us on Twitter @ EPAMSYSTEMS and LinkedIn.

GLOBAL

41 University Drive, Suite 202
Newtown, PA 18940, USA

sales@epam.com

P: +1-267-759-9000

F: +1-267-759-8989

EPAM_B352

<epam>