KPMG

Data and analytics

Unlocking the power of claims

Claims transformation

One of a series of seven insightful and instructive articles that examine a set of interconnected themes and trends that are expected to drive the traditional claims function into a new future of customer-centric, digitally-enabled, value-driven service and efficiency.

KPMG International

———

home.kpmg/claimstransformation

Businesses in every sector are pursuing game-changing digital capabilities to drive growth and success in a new era of client centric service and today's forward-looking insurers are no exception. They are exploring ways to unlock the potential of claims-related data using analytics techniques and technologies that promise to optimize the client claims journey, and open new opportunities for efficiency and competitiveness. Data and analytics is one of the seven forces that are transforming the claims function and is explored further in this article.

Tapping into the power of data and analytics can dramatically transform the claims experience for clients who could potentially see claims assessed and settled within a matter of minutes. Some insurers are analyzing data to enhance loss prevention among clients using data-based insights to better understand the outcomes of claims, as well as improving reserving accuracy and product pricing.

Faced with the threat of disruptive new digital entrants capturing market share via modern client experiences and operational efficiencies, the case for change is clear. Established market players have large pools of client information that can facilitate informed, evidence-based decision making but it must become accessible in new ways to unlock insights — and one of the ways this can be done is through data and analytics.

Insurers have traditionally maintained passive relationships with clients — the typical engagement being renewals and claims. By utilizing existing data and data streams from emerging IoT devices, insurers have a unique opportunity to redefine their operations and competitiveness as client expectations and connectivity continue to evolve in the digital era.

In KPMG Insurance professionals' view, there is clearly little time to lose in levelling the playing field as insurtech companies challenge the industry's status quo with modern business models. Using new technologies, including machine learning (ML) and Artificial Intelligence (AI), these disruptive players are overhauling conventional processes in the insurance value chain to optimize efficiency and enhance the client experience.

Using data to meet today's cost challenges

Data use can help insurers reduce indemnity spend by improving loss prevention and claims processing. By proactively using data and engaging with clients to identify risks related to vehicle safety or home security, for example, insurers can provide clients with personalized service that enhances their experience. This can, over time, also provide wider societal benefits related to personal injury or environmental damage, which can help insurers demonstrate their ESG credentials alongside advancing their commercial position. We explore the ESG force in more detail in our article *ESG in Claims: Visions, strategies and decision making for better outcomes*.

Additionally, insurers tapping into data can price reserves dynamically to predict cash flows in real time. If data reveals that many clients will be travelling in areas experiencing severe weather, for example, this information could potentially be used to support the business adjust reserves.

Leading insurers are also beginning to use claims data to automate the processing of routine claims. This allows claims teams to focus on complex claims in which expertise and judgement are crucial. They can also assess the level of risk posed by automatically processing certain claims, and quickly identify and manage more-complex claims. The end result gives insurers the capability to dynamically adjust their risk appetite through analytics while also being able to improve the claims experience for clients by providing a timely resolution.

Data analysis can also identify unusual patterns of activity related to fraud. Historically, claims handlers have used their experience and intuition to spot fraud (or simple algorithms). Data use can help to identify and respond to potential threats such as fraud, as they arise, and complex cases can be escalated quickly to skilled analysts for further review. Enhanced fraud identification and response will help insurers reduce costs and improve the client experience.

Data and analytics can transform claims products and settlements

Insurers can use claims data to help support the development of new product solutions that are designed to complement a change in focus from traditional claims management to consistent and reliable claims prevention. 'Parametric' products can be created for a variety of insurance lines, with prior claims data used to determine a set of conditions whereby a settlement is instantly confirmed for the client. A parametric product would also support the insurer by providing increased certainty to their exposure, providing additional clarity to the pricing process for the business.

Enhancing the current use of data and analytics can also help insurers to engage in claims prevention for clients. This could be done by taking in external data streams, such as car dashboard camera footage to support motor insurance claims, or by supporting clients by offering analytics-backed risk management as a service, and assisting them in reducing their exposure to a claims event.

Unlocking the various benefits of a digital, data-based claims environment begins by ensuring that the data being entered is clean, accurate, and able to be 'read' by other systems. In many cases, insurers can improve both their data quality and the time that is spent on value adding data based activities by improving their current state processes. For example, a large insurer refined their processes to reduce the amount of time that was spent inputting and monitoring actuarial data from 80 percent, and using the time to analyze the clean data instead.

Other insurers may require upgrades to their digital architecture to unlock the efficiencies and analytic capabilities from their data. For example, one insurer is using data and analytics to reliably identify patterns in claims and reduce their indemnity spend and supplier costs. Their analytics capability can identify, for example, which types of vehicles are most likely to be written off as a total loss, regardless of what initial damage reports state, thereby accelerating claims settlements and lowering operational costs and supplier spends. Using analytics to better manage claims in this way can help significantly enhance profitability.

With an efficient digital architecture in place, advanced analytics can be overlaid, using the insurer's central data repository to provide new insights into client behaviors and expectations as well as important marketplace trends. The repository should contain all relevant information, with unsuitable data removed to ensure high data integrity. This data can then be enriched with external data sources and analyzed to help enhance the claims-assessment process and support pricing and product-offering decisions.

Breaking through the roadblocks to progress

While some leading insurers are looking to embrace the power of data and analytics, many others are facing obstacles in leveraging claims data to improve efficiency and transform the client claims journey and experience. Legacy issues with systems and data architecture limit their ability to extract and manipulate information or integrate new digital technologies.

Legacy systems will need to be reviewed to determine whether the right information is being adequately captured to optimize analytics results — and whether the procedures around processing the data are ensuring the information captured is of sufficient quality. Many insurers face the difficult decision of whether legacy systems can and should be patched, or whether a new platform should be added to their architecture, or replace an existing system. As underwriting, pricing and claims become increasingly data-centric, insurers should ensure they can use their data to provide value-adding insights to their clients. The answer of how to unlock this value will vary for different insurers. KPMG firms have provided support to some insurers by helping them leverage their data by transforming the processes governing how they capture data into core systems. We have also guided others on identifying new systems that ingest data cleanly and provided them with advanced analytics.

> "Integrating transformation requirements and capabilities into the end-to-end client journey is crucial and it requires executive-level input and strategic support to ensure new systems encompass all organizational needs beyond claims."

Insurers need to recognize that continuing to use legacy systems and processes can be as costly as pursuing a transformation project due to inefficiencies, and the unrealized benefits of harnessing the data held within the claims department. Many insurers cite past digital-transformation projects as expensive and ultimately delivering little on their promised advantages. Integrating transformation requirements and capabilities into the end-to-end client journey is crucial and it requires executive-level input and strategic support to ensure new processes or system changes encompass all organizational needs beyond claims.

Another significant obstacle we have seen in the journey to leveraging data is an inability to extract and manipulate valuable claims data, which limits key capabilities, from managing operations effectively to being able to reserve or price products accurately. By utilizing the data held within the department, and overlaying analytics, leaders can receive enhanced management information reports, which will support their decision making — such as providing better quality resource management information, helping the business to flex capacity to meet demand.

We are seeing some insurers successfully identify trends in claims and enhance their claims operations — identifying spikes in demand or providing real-time data to suppliers to resolve claims more efficiently. The challenge for many organizations, however, includes their desire for a completely accurate view of past performance, restricting their focus to lagging indicators instead of building leading indicators for the business. Additionally, some companies have paid for or built a point solution to enhance their analytics capability for a specific use case that typically cannot be leveraged across the business.

There also remains a perception that using data and analytics is a 'magic bullet' that will either solve all problems or replace all people in the claims team, neither of which is the case. Insurers ultimately need to strategically identify both *what* data and analytics can do for their business, and *how* it will be deployed to achieve their goals.

Map out your journey to a data-based claims function

Transitioning to a data-based claims department will not just require insurers to review whether they need to update or

upgrade their systems architecture. Insurers will also need to review the adequacy of the processes that underpin data processing and analytics, alongside ensuring claims colleagues are receiving sufficient training to leverage the data available.

One insurer enhanced their processes and their colleague capability in using data across their business, which helped them redirect resources towards more value adding activities. However, they found that their two policy administration systems still caused material inefficiencies as some manual tasks could not be automated, which led to a high level of operational risk. Therefore, they purchased a new policy admin system and acquired the modules needed to integrate with the rest of their architecture to achieve the required functionality, which while being a major investment, has helped to transform their business.

Another approach to unlocking progress is building a low-code solution, enabling clients to easily provide information for rapid review by claims teams. Low-code platforms can be simple to customize and many insurers are currently exploring and using them for short-term efficiencies and the agility to adapt claims-assessment methods in the future. Insurers can help enhance the client claims journey, using data collected through a low-code platform to build a digital 'first notice of loss' (FNOL) service, automatically triaging claims.

Once an insurer has the right quality of data being entered into their systems, and the right processes and people capabilities to maintain the information, it is important that they develop the system intelligence needed to effectively utilize their data. This will require analytics functionality that combines policy-administration data with data from various key internal and external sources. To maximize the opportunity, insurers will need to enhance their data-science capabilities to interpret the data for analysis as models become more complex and increasing amounts of data are used to derive outcomes.

For instance, as electronic medical records, digitized diagnostics, and wearable medical devices proliferate, the average person will likely leave a trail of more than one million gigabytes of health-related data in their lifetime (based on current technologies) — which is the equivalent of about 300 million books, and is also being updated on an ongoing basis.[1] The sheer amount of information that will need to be processed with analytics in order to realize the benefits that this data will bring is astronomical. There is huge potential to be unlocked from claims data and insurers that do so can gain a significant competitive advantage — while those that delay will likely be left behind.

Unlocking the power of data and analytics

It should be clear to today's insurers that improving their use of existing data, augmenting it with external data sources, and introducing advanced analytics can help drive new client and marketplace insights, improve efficiency, competitiveness and decision making, and enhance the client experience.

To unlock the power and informed decision making of data and analytics, insurers should consider the following:

1 **A robust data strategy that is receiving board level scrutiny and oversight**. The opportunities that can be leveraged from the data held within an insurers claims department could both unlock revenue benefits and reduce costs, and therefore requires executive level consideration.

2 **Exploit the benefits that can be realized from better quality data and analytics**. Use analytics to flag opportunities to reduce the likelihood of a claim for a client, or to build leading indicators to support the leadership of the claims department to make effective decisions.

3 **Conduct a data audit of your systems, people and processes to see if they are meeting your needs**. Ensure that data is recorded cleanly and accurately within your systems, and that colleagues have the right skills to harness the benefits the information can bring.

Explore our *Claims Transformation* articles series further to learn how the seven forces are affecting the claims function.

If you'd like to discuss how KPMG professional can help your organization with its claims transformation journey, please contact us.

---

[1] https://www.ibm.com/downloads/cas/LQZ0O1WM#:~:text=With%20ever%2Dincreasing%20health%20data,equivalent%20to%20300%20million%20books.

Global leadership

Laura Hay
Global Head of Insurance
KPMG
E: ljhay@kpmg.com

Mark Longworth
**Global Head of
Insurance Advisory**
KPMG
E: mark.longworth@kpmg.co.uk

Matthew Smith
**Partner, Strategy and
Transformation and
Global Claims Lead**
KPMG in the UK
E: matthewg.smith@kpmg.co.uk

Country contacts

Australia

Dushyant Kapoor
**Partner, Insurance Advisory
Insurance**
KPMG Australia
E: dushyantk@kpmg.com.au

Canada

Karime Abdel-Hay
Partner, Insurance Advisory
KPMG in Canada
E: kabdelhay@kpmg.ca

Paul Jones
**Senior Manager,
Insurance Advisory**
KPMG in Canada
E: pauljones1@kpmg.ca

France

Julien Pavillon
**Director, Strategy, Customer
& Operations, Insurance**
KPMG in France
E: jpavillon@kpmg.fr

Germany

Herbert Oberländer
**Partner, Head of
Management Consulting,
Insurance Operation,
Financial Services**
KPMG in Germany
E: hoberlaender@kpmg.com

The Netherlands

Rutger Hagendoorn
**Partner, Strategy and
Insurance Advisory**
KPMG in the Netherlands
E: hagendoorn.rutger@kpmg.nl

United Kingdom

James Hillon
Director, Insurance Advisory
KPMG in the UK
E: james.hillon@kpmg.co.uk

Harriet Kuzemko
**Manager, Strategy
and Value Creation,
Financial Services**
KPMG in the UK
E: harriet.kuzemko@kpmg.co.uk

Alan McCormick
**Manager, Strategy and Value
Creation, Financial Services**
KPMG in the UK
E: alan.mccormick@kpmg.co.uk

James Riddiford
Manager, Insurance Operations
KPMG in the UK
E: james.riddiford@kpmg.co.uk

United States

Melanie Henderson
**Partner, Business Strategy,
Insurance**
KPMG in the US
E: melaniehenderson@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

home.kpmg/socialmedia

Designed by Evalueserve.

Publication name: Data and analytics: Unlocking the power of claims

Publication number: 137616a-G

Publication date: September 2021