



Claims Leakage: How to block the leak

Tavio Roxo, CEO at OWLS Software, 2020

THE PRESSURE ON INSURERS TO LIFT PRODUCTIVITY AND DELIVER PROFIT HAS NEVER BEEN GREATER.

Anxiety increased by new entrants in the market in an already crowded environment, current economic conditions and digital technology that empowers consumers with greater choice. With the pressure looming, insurers need to seriously consider the claims leak.

The term 'Claims Leakage' has not gained a lot of attention as it's a fairly new problem. And through the development of greater, bigger, better systems, it's a problem we created ourselves. In essence, the insurers are losing money through inefficient claims management that results from old-fashioned manual processes. So, if the systems that make workflows faster did not exist,

the problem itself would not exist. And the problem is bigger than most realize. It is estimated that claims leakage accounts for 5% to 10% of all claims paid. In the life insurance sector, that number can be as high as 25%. In the U.S market by way of example, claims leakage is a problem that accounts for an excess of \$30 billion per annum in lost profit.

ACCORDING TO THE AMERICAN MEDICAL ASSOCIATION (AMA), CLAIMS LEAKAGES HAS THREE MAIN CAUSES:

- Firstly, your staff. Sadly, people can't compete with Artificial intelligence. Poor decision making, administrative mistakes and simple forgetfulness, all contribute to lost profit. By relying too much on manual processes in a digitised world combined with ineffective training, staff might end up blindly approving claims to be processed when they in reality ought not

to be. The solution: Use systems to guide the user in the most systematic and objective way using objective data and factual information.

- Secondly, the claims process. If the claims process is not automated, and is reliant on human decision making or a manual process outside of a system, combined with the increased scale which is apparent in pretty much any insurer / UMA today, the results are most certainly a leakage of claims payments and ultimately profits. The Solution: Utilise system process's to drive the claim through the various claims stages and configure / develop enough to ensure that no claim process sit outside of the system.
- Finally, legacy systems. The inability to utilize a systems capabilities to interact and transact with third

Software, “insurers need new systems that are built with rule-based claim audit logic in the claims adjudication process which will reduce claims leakage as well as operational costs”. This is all highly reliant on your systems having integrated communication. Ideally, the system should be a speedy, seamless, with unified data propagation that reduces manual effort and thus increases accuracy with end-to-end capture of audit results.

IN LAYMEN TERMS, INSURERS WANT TO CHANGE THEIR WORKFLOW INTO THE FOLLOWING PROCESS:

1. Take the flood of claims in their rudimentary form and convert it into digital information
2. Once data has been extracted, it gets exported to the insurance company workflows
3. This results in the right data being sent to the right person at the right time, which results in the better realisation of business strategy.

party data sources coupled with the lack of customisation needed to manage a claim effectively both create an environment ripe for claims leakage.

In the words of **Mr. Ryan Roxo**, Chief Solution Architect at OWLS

It might not be this simple, but the bare essentials are there. Add automation, better machine learning in any mix and it results in reduced claims leakage.

It is clear that the proper application of technology and process automation such as straight-through processing and virtual claims handling would address a number of the leaks. But many insurers may be hesitant to remove people from the equation out of fear of making the problem worse, when, in fact, automating mundane processes, eliminating non-value add paper-based activities, and leveraging state-of-the-art technology like artificial intelligence and machine learning, would free insurers to leverage claim handlers where they are most needed; handling complex claims and helping a very real way to further block the “claims leakage” leak.

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