RGA

# Global Claims Views

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## Claims Management Challenges – Real or Imagined?

### Part III: A Changing World – The Next Ten Years

In the first two papers on the results of our 2016 survey of RGA claims managers worldwide, we focused on the many challenges, both environmental and internal, claims professionals currently experience.

In this, the third and final paper in the series, we will discuss how claims managers see the claims function evolving over the coming decade. Specifically: what role will claims managers play, and how will technology change day-to-day claims management processes and needs?

The scenarios outlined in this paper are just a few of what might emerge. To a large extent, how the claims function will evolve will depend on the willingness of insurers to invest time as well as money in order to meet competitive needs and rising customer expectations.

For many years, insurers sought to strengthen their competitive profiles by speeding and simplifying underwriting processes. At some point, the focus will surely turn to claims. As insurance markets grow and consolidate, speed and efficiency of claims assessment and management processes will become more important, and could become another way for insurers to differentiate themselves competitively.

Process efficiency alone is no guarantee of future competitive success for any insurer. Process efficiency is expected. Our customers want products that are easy to understand and deliver on what they promise.

**Peter Barrett**
Global Head of Claims, RGA

## Findings

Our survey showed some divergence among our claims managers' projections and expectations about the future of claims. Their thinking was, however, aligned around several areas.

## Changing roles

In the next 10 years, claims managers expect to see substantial changes in the role. With technology increasingly able to provide automated case management solutions for the majority of claims, claims managers are likely to find themselves taking a more proactive approach: using data analytics to anticipate future claims, and finding proactive ways to control losses by focusing efforts on claims that lie outside of normal parameters.

By 2027, it is also likely that expert claims systems or learning machines will be available for all types of group and individual claims, including the ongoing claims of disability income. Claims managers will be responsible for overseeing these systems, including capturing the changes to local regulations and legislation to ensure the expert system's rules sets remain current.

Claims managers are also anticipating improvements in data quality and in the analytics that will permit claims systems to provide, as a standard functionality, the ability to apply risk indicators to in-force portfolios to identify the likelihood of misrepresentation and fraud risk. The results could then be investigated prior to the emergence of a fraudulent claim. This would be particularly useful in jurisdictions where contestable periods apply.

This approach to claims management is already being piloted in countries with high fraud risk. Human intervention would, however, still be expected in particularly difficult cases, where a rules engine may have identified elements of the case that fall outside normal case parameters.

The title "Claims Manager" might also become outdated, as the role comes to encompass liability management in a broader, more proactive way.

## Regulation

Claims managers, according to the survey, expect regulations to limit the ability of insurers to identify and challenge misrepresentations at claim time. They also believe anti-selective behavior might rise, as wearables and self-administered diagnostic technologies increase ability to be aware of one's health and well-being.

We have already seen regulatory changes to the scope of contestability clauses and reductions in the contestable periods, and this trend is expected to continue. Claims managers expect to retain some ability to validate disclosures if a claim arises in the early years of the policy.

There is also a view that medical disclosures may become less important to the underwriting process by 2027, and that they may be replaced by other data sources standing as proxies for mortality and morbidity.

## Wearables

Wearables may provide increased opportunities in the management of medical as well as living benefit claims. One opportunity might be the ability to track the activities of those claiming disability benefits. There is a broad understanding, however, that issues such as the ability to reliably identify the claimant as the actual generator of the wearable data will need to be resolved for this to be effective, as privacy laws might also create challenges to such uses. To pursue such an idea, the initiative would need to be positioned as a way to encourage claimants to return to pre-disability levels of mobility, rather than only a tool for insurers to track a claimant's activity with a view to questioning the claim's validity. Policyholders today may be enthusiastically embracing wearables in order to obtain discounts on their premiums and other opportunities, but they may be less enthusiastic if they realize their wearables can be used to validate their claim and monitor their behavior.

## Fraud

There is some concern also that technology applied to claims management could be misused by purveyors of fraud. Criminals who understand rules engines, or worse, can figure out how to hack them, might be able to create artificial claims that could pass through an automated claims system without triggering any referral flags.

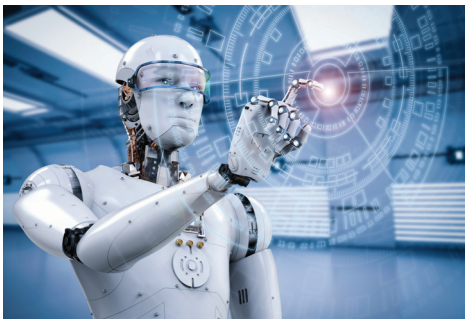
We also must recognize that the more insurers rely on data from wearables to monitor claims, the greater an incentive is created to manipulate the wearable's data production process in order to manipulate the claims process.

## Conclusion

It is clear that for claims managers, technology offers and will offer challenges and opportunities. The industry's willingness to face these challenges and embrace the potential opportunities will largely determine the shape and functionality of claims departments of 2027.

Here's a view of how such a claims department might look:

- Claim submitted through a phone or tablet smart app.
- ID confirmed using the smart app's technology.
- Activity tracked through wearable device(s).
- Insurers notified of changes in health status via linkage with Electronic Health Records.



- Claims are assessed by rules engine.
- Automated review of multi-pay claims, arrangement of visits, etc.
- Regular automated contact with claimants and third parties.
- Automated cease process at end of term, return-to-work, etc.
- Claims systems identifies exceptions and escalates as needed.
- Undertake detailed analysis of claims based on cause, duration, etc. and report findings.

- Claims managers oversee rules engines.
- Claims managers assess exception claims.
- Results from automated data analytics enable pre-emptive steps to prevent or minimize claims based on risk factors, and manage in-force book losses accordingly.