ISO Identifies 10 Factors to Combat Rising Claims-Handling

February 8, 2005 - ISO, a provider of anti-fraud and personal injury claims solutions, has identified ten key factors that can help insurers reduce the rising costs of handling personal injury claims.

The ISO checklist was developed from the feedback of insurer customers involved in improving their claims management practices.

"Decisions on implementing any new personal injury claims system to help reduce claims handling costs can be a minefield, unless a number of critical factors are considered carefully," commented Lee Fogle, vice president of ISO Claims Services. "This checklist identifies the critical factors that allow insurers to improve consistency and accuracy in claims handling and reduce their associated costs."

1. Early assessment means lower legal costs, which currently account for 40 percent of claims costs, and better reserving
An early assessment of damages allows claims to be settled quickly and reduces administrative and legal costs that commonly account for 40 percent of claims costs. It is best to have a system that provides the claims handler with enough information to proactively manage personal injury claims from day one and make accurate offers as early as possible in the claims lifecycle. Such a system would also enable insurers to make more precise reserve estimates.

2. Quick implementation
Installing software can be a lengthy process fraught with implementation problems. However, systems are available on the market that can be installed easily and quickly. Says Max Carruthers, joint CEO, Rubicon: "In addition to providing our claims handlers with a desktop solution that is both intuitive and rich in functionality, the hosted software approach makes it quick to implement and easy to dovetail into our existing IT strategy."

3. Need to cover other Heads of Damage as well as General Damages
To manage claims more cost effectively, managers need tools to be able to consider other Heads of Damage and not just General Damages. To do this, insurers need a system that records and allows claims handlers to consider other relevant factors, such as legal costs and loss of wages - including future wage losses.

4. Ability to estimate rehabilitation costs and return to work potential
Getting people back to work following a serious injury is crucial as it reduces the cost for insurance companies and provides injured parties with opportunities for physiotherapy, occupational therapy, counseling and other treatments. Effective claims management relies on in-depth understanding of the injury and occupational details to generate an expected recovery profile of the claimant and rehabilitation programs that allow the claimant to return to work as early as possible.

5. Rich reporting and audit trails provide critical management information
Among the claims handling solutions on the market, only the modern, object-based ones - and not the older generation rules-based technology - provide a true relational database that correlates data and comparative information to generate critical management information. Rubicon, for example, found that analytical tools integrated in an object-based solution enabled them to demonstrate best practices to their clients across their claims handling practices. Says Max Carruthers, joint CEO, Rubicon: "As a leading insurance services outsourcer, we need to ensure that we can demonstrate best practices across all areas of our

business - after all, there's no point in outsourcing unless you can obtain an improved service and greater efficiencies."

6. Medical coding
By adopting the International Classification of Diseases (ICD) injury classification standards, insurers can "talk the same language" as the medical industry. This helps to standardize settlements and improve consistency in claims management. Not only are ICD standards used by the National Health Service (NHS) in the UK, but also are widely used by healthcare insurers in the US and healthcare providers around the world. It is best to have an XML-based system to input the medical data easily - in the same industry-standard format - into the claims solution.

7. Medical encyclopaedia
Claims handlers aren't doctors. Providing claims handlers w ith both an encyclopaedia of body parts and an understanding of different types of injuries and explanations regarding the severity of specific injuries with graphical illustrations and animations alerts them to possible complications and costs. Chaucer, for example, implemented a comprehensive database and medical encyclopedia of over 18,000 medical conditions and 14,000 occupations that allowed their claims handlers to get the same level of information and detail as medical reports. This enabled more accurate first time offers, better identification of cases that would benefit most from rehabilitation such as physiotherapy, and more informed negotiations with solicitors. Says Nick Burnap, Chaucer Insurance's Claims Director: "If a claimant had a particularly serious injury but hadn't received the recognized treatment for a complete recovery, the system will highlight this and prompt the claims handler to ensure the claim is consistent with the injury."

8. Motor Liability, Employers Liability and Public Liab ility
It is important not to implement a system that has specific information on injuries for handling only motor accident claims. A robust, broad-based system should be designed to handle a wide range of conditions - not only soft tissue injuries, but also those more likely to occur at the workplace or in public places.

9. Controlling spiralling auto insurance claims costs
The ability to control rising personal injury protection (PIP) costs and determining thresholds to control payments is key to reducing auto insurance costs. Systems that integrate a medical encyclopaedia of injuries and their severity are better able to provide claims adjusters with an in-depth understanding of injuries, as well as benchmarks to assess appropriate medical treatments and costs. None of the current software solutions allow insurers to automatically compare their claims with a given state's defined threshold, except ISO Claims Outcome Advisor which incorporates this type of built-in intelligence.

10. Web services integration - .Net ready
Web services integration enables insurance companies to deploy their personal injury claims solution rapidly with a low initial investment and integrate with other .Net systems across different platforms, applications, and programming languages throughout their IT infrastructure.

Source: ISO