



# Is Bad Data Ruining Your Claims Analytics?

Authors: Tamara Flinn, Director of Product Management, Casualty Solutions, Verisk  
and Mike Rivers, Executive Consultant, Casualty Solutions, Verisk



## Automation and file audits help deliver accurate insights

There's a common saying in technology that states, "garbage in, garbage out," which means: bad data input leads to bad data output. That concept is more important than ever for insurers because they rely on data analytics solutions and predictive models to manage claims.

It's no secret that data quality is paramount. In a recent survey, it was cited as the biggest challenge insurers face with advanced analytics.<sup>1</sup> And according to Gartner, poor data quality costs organizations \$15 million on average each year.<sup>2</sup>

So, what can carriers do to ensure their data is accurate and, in turn, realize optimum results from data analytics products? It all starts with data entry.

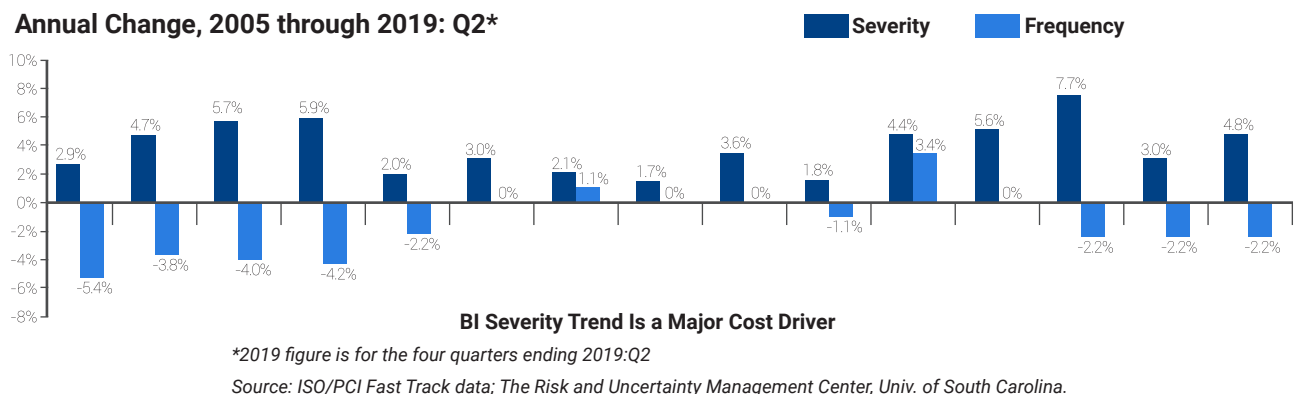
## Severity rises, experienced adjusters retire, and data accuracy suffers

No matter how sophisticated a predictive analytics model is, it can only be as good as the data it analyzes. Fortunately, insurers have access to plenty of quality data—such as loss histories and past claim settlements—that can help inform analytic models. So, the problem isn't data quality, but rather, data entry.

With rising severity in bodily injury claims—combined with the pending retirement of 25 percent of insurance professionals<sup>3</sup>—claims teams are facing challenges with cost containment, complex claims, and increasing workloads. Carriers that still use manual processes are likely to feel those pressures even more and can be more susceptible to data entry errors or missing information. Data issues affect claim resolution, causing leakage and inconsistency in settlements, as well as the effectiveness of an analytics product the company invested in.

## Subtle mistakes can affect future claim outcomes

Predictive models essentially tell you what's likely to happen based on what has happened in the past. But what if the insights are based on faulty data from the past? Here's an example of how a claim can negatively affect a predictive model:



A claimant suffered a whiplash injury in an auto accident and required three months of physical therapy. The patient visited the practitioner after nine months just to get a note for release of treatment. Though the claimant didn't receive any treatment during the visit, it was recorded in the file as nine months of treatment for the low-severity injury.

When that data is analyzed by a predictive model for general assessment damages, the model affects how future claims will be valued because it will deliver insights based on incorrect data.

# Automation enhances efficiency and reduces data errors

As insurers recognize the challenges adjusters face, they're turning to automation technology and its potential benefits. A Deloitte study of the insurance industry concluded that claims automation could potentially free up between 54 million and 285 million adjuster hours annually—amounting to cost savings between \$1.7 billion to \$8.9 billion over five to seven years.<sup>4</sup>

Not only can automation boost efficiency, it can also vastly improve data accuracy. Instead of relying on adjusters to manually input claim information, data can be automatically populated into systems to ensure accurate entry. That's why it's important to consider data integration capabilities when implementing a new claims product.

Integration eliminates the need for claims handlers to type the same information into multiple systems by passing data from one system to another. Though it's not the only solution to data issues, it can improve data accuracy in any product.

## File audits: The key to a better ROI from data analytics

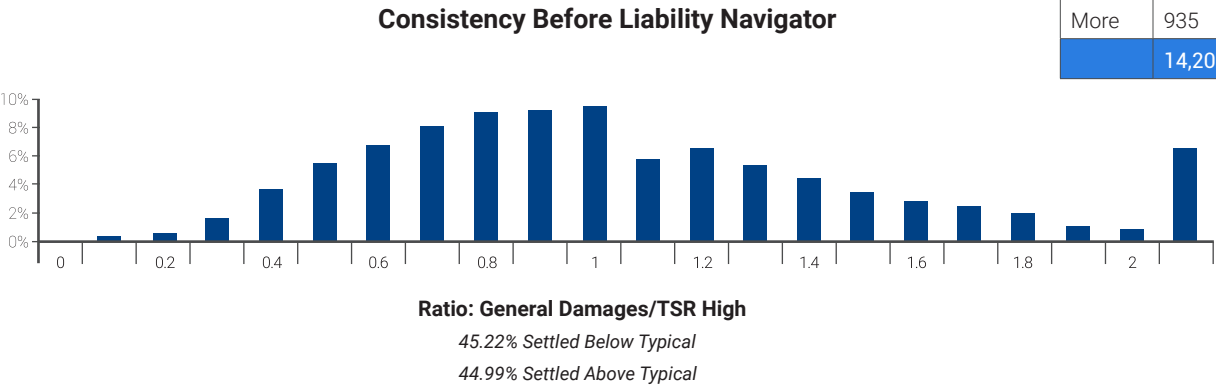
Ultimately, whether you're using automation or not, it's important to evaluate your data files to monitor trends and ensure you're getting the results you desire from your staff and the products you're using. And that's best handled by performing file audits.

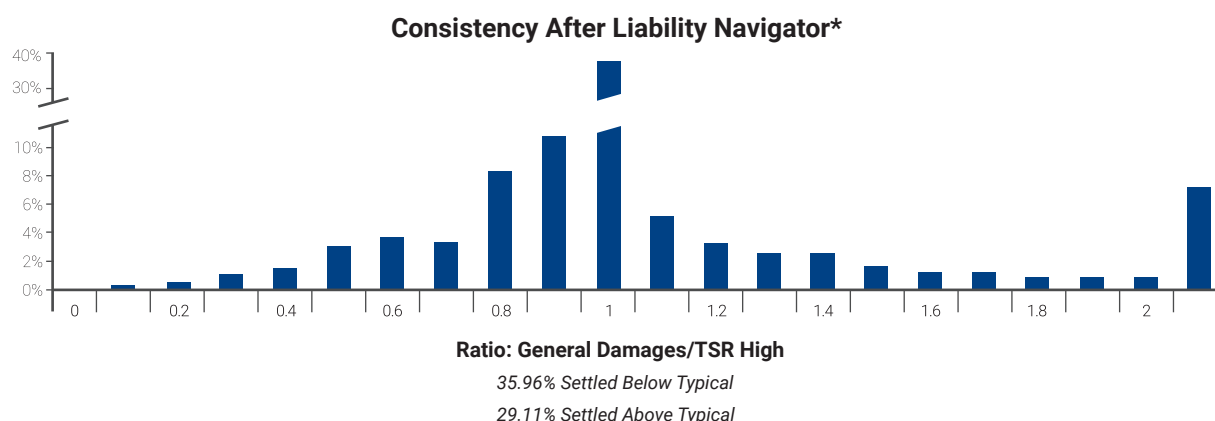
File audits are nothing new for insurers—they perform them regularly for compliance purposes. Yet, it's not as common to audit files to measure how well a product is working. Part of the reason is that file audits can be time-consuming, and carriers tend to focus on current files rather than past ones. But a comprehensive file audit can help enhance a product's performance, leading to a better return on investment.

## Optimize your claim outcomes

Automation, integration, and file evaluation are key components of meeting today's data challenges, and Liability Navigator® delivers all three. The proven claims management solution gives adjusters settlement insights based on historical data and helps drive consistency in personal auto in personal auto, commercial auto, and general liability claims. It leverages automation and integration to improve efficiency and data accuracy and provides file reviews every six months to optimize results.

BIN	Count	Frequency
0	-	0.00%
0.1	7	0.05%
0.2	84	0.59%
0.3	256	1.80%
0.4	557	3.92%
0.5	783	5.51%
0.6	975	6.86%
0.7	1,139	8.02%
0.8	1,298	9.14%
0.9	1,325	9.33%
1	1,390	9.79%
1.1	1,128	5.94%
1.2	971	6.84%
1.3	757	5.33%
1.4	655	4.61%
1.5	526	3.70%
1.6	387	2.72%
1.7	350	2.46%
1.8	282	1.99%
1.9	205	1.44%
2	195	1.37%
More	935	6.58%
	14,205	100.00%





The file evaluation service is a deep dive into your claims to determine if data is missing or incorrect and how it may affect your claim results. This process can be handled at the initial implementation phase—to ensure quality results from the start—and on an ongoing basis.

Predictive analytics can be extremely beneficial to insurers—but only if it's fueled by accurate data. Liability Navigator ensures carriers get the right insights based on the right data so they can realize better claim outcomes.

\*Liability Navigator can easily compare a claim payment to the typical payment for like severity claims. The system offers a claim count of claims payments equal to typical (ratio of one) as seen in the first two columns of the table. The system can also count how often payments are half of typical and so on. The spike as seen the second chart shows consistency has been improved.

## Notes

1. West Monroe Partners. "Data Driven Insurance: Harness Disruption and Lead the Way"  
<https://www.westmonroepartners.com/News/WMP-In-The-Media/2017/01/Insurance-Networking-News>
2. Gartner. "How to Create a Business Case for Data Quality Improvement"  
<https://www.gartner.com/smarterwithgartner/how-to-create-a-business-case-for-data-quality-improvement/>
3. Captive International. "CICA conference addresses widening captive talent crisis"  
<https://www.captiveinternational.com/article/cica-conference-addresses-widening-captive-talent-crisis>
4. Deloitte. "Insurance Industry Outlook 2018"  
<https://www2.deloitte.com/au/en/pages/financial-services/articles/insurance-industry-outlook-2018.html>

BIN	Count	Frequency
0	-	0.00%
0.1	24	0.01%
0.2	7,71	0.42%
0.3	17,33	0.94%
0.4	28,94	1.57%
0.5	55,28	3.00%
0.6	68,52	3.72%
0.7	99,51	3.40%
0.8	154,80	8.40%
0.9	230,17	12.49%
1	643,64	34.93%
1.1	92,30	5.01%
1.2	66,66	3.62%
1.3	51,63	2.80%
1.4	42,83	2.32%
1.5	35,83	1.95%
1.6	29,38	1.59%
1.7	24,91	1.35%
1.8	21,46	1.16%
1.9	18,53	1.01%
2	16,85	0.91%
More	135,90	7.38%
	<b>1,842,52</b>	<b>100.00%</b>

## Get your complimentary consultation

To learn more about our Liability Navigator services, please contact:

**CPinfo@verisk.com / +1-866-630-2772 / [verisk.com/liability-navigator](https://verisk.com/liability-navigator)**

