



Use Case: HPA / Insurance

Delivering the Promise of Robotic Process Automation to P&C Claims

There's an evolution taking place in property and casualty (P&C) claims in the way insurance executives think about digital technology.

According to a recent study that we conducted, insurance executives—an inherently risk-averse group—are aware of the critical need to rethink their claims' business models in order to succeed in a digital future.

Specifically, insurance executives now distinguish the technologies that support claims as two discrete environments:

- Legacy applications that support critical claims management functions, but run at a traditionally slower pace.
- All things digital – preconfigured applications that run at a faster pace through cloud, software-as-a-service, and serve as the critical link to new business models.

This kind of thinking will transform the future of P&C insurance and create an industry almost unrecognizable from the one that exists today. For example:

The ability to generate data from every client interaction will pave the way to individualized markets. Today's strategy of pursuing large, undifferentiated markets will create the opportunity for more personalized (and more profitable) services and premiums.

Rethinking the claims model to succeed in a digital future

The Benefits of Software Bots

A key driver behind the transformation of claims processing is robotic process automation which has increased efficiencies, throughput, and scalability in the insurance back office just as robots have fueled advanced manufacturing on the factory floor.

Simply stated, RPA is the use of rules-based software, or bots, that mimic the manner in which humans use computers to complete manual, repetitive tasks. Like the physical robots in automotive plants that weld and paint vehicle parts, software bots in the claims department can, for example, conduct duplicate claims search, perform claim set-up and work comp lost wage calculations, much faster and more accurately than people can using the same interfaces and applications.

In theory, robots can automate any process that is objective and digital—which describes most of the work that takes place in claims processing. This approach not only improves efficiency while reducing claims processing costs, but also frees up claims professionals to focus on core claims adjudication and improve the customer experience.

The New Claims Skill Sets

Work will become more strategic, technical and specialized. Insurers will need to “upskill” middle-office workers and hire greater numbers of people with future-ready skills. In addition, data analytics, predictive analytics, business intelligence and problem-solving disciplines will grow in proportion to the more traditional claims adjudication and claims operations skills.

At the same time, the claims cost structure will also change, as insurers that embrace bots and other digital technologies will maintain a cost advantage over companies that don’t. In sum, claims organizations will find it difficult to compete against companies with a digital focus.

The adoption of digital technologies is already evident in the marketplace. According to our recent online poll of insurance P&C claims and IT executives, nearly half (48%) of the companies surveyed said they have either already undertaken a bots initiative in their claims area (26%) or are developing one (22%), while another 26% are evaluating the application of bots in claim processing (see Figure 1).

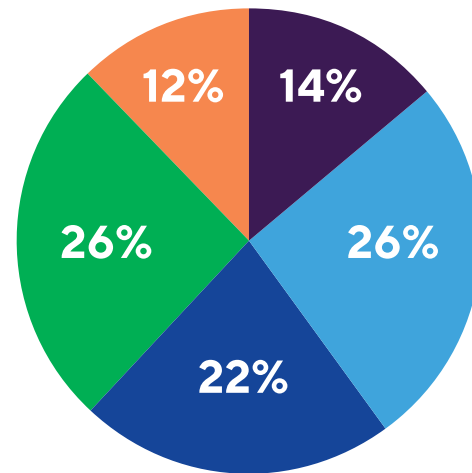


Figure 1: Has your organization undertaken an RPA initiative in the claims area?

- Yes, we're in production
- Yes, we're in pilot/development
- Not yet, but we are evaluating
- No
- Don't know/not applicable

How effective can robots be in claim processing?
In one case, a group health insurance company wiped out a 66,000-claim backlog in just eight days after implementing RPA. The project freed up five full-time equivalent employees to work on other, higher-value tasks, and projected an annual cost savings of \$150,000.

What employees would have had to do manually (validate and pay or deny duplicate claims), the robots did much faster and with 100% accuracy, not only eliminating the backlog, but also avoiding substantial penalties for delays.

Where Robotics Can Help P&C Claims

No one expects bots to make compensability or liability decisions. That’s because they are typically trained to perform rules-based tasks that do not require judgment. For example, bots can search for missing data, identify duplicate claims, find and retrieve data required for Medicare validation, perform workers’ compensation lost-wage calculations and transfer data across applications.

Where Bots Excel

Here are four types of tasks where bots can help streamline claims processing:

Pre-checks and validation:

- Policy search
- Duplicate claim search
- Medicare Validation
- Class code verification
- ISO re-validation

Data processing:

- Claim set-up
- WC EDI data retrieval (e.g., employer tax ID, accident site location)
- Close claim
- Subrogation referral

Calculations that follow preset rules:

- WC lost time / wage calculation
- Mileage calculation / reimbursement

“Dirty” interfaces (data transferred between applications that are not integrated):

- E-Subro Hub

Governance: The Greatest Risk

As with any with technology, insurers face certain challenges and pitfalls when implementing robotics solutions in claims processing. According to our recent online survey, insurance executives believe the greatest risk in deploying bots is governance (38%), followed by quality (24%), cost (16%), and user acceptance (9%) (See Figure 2).

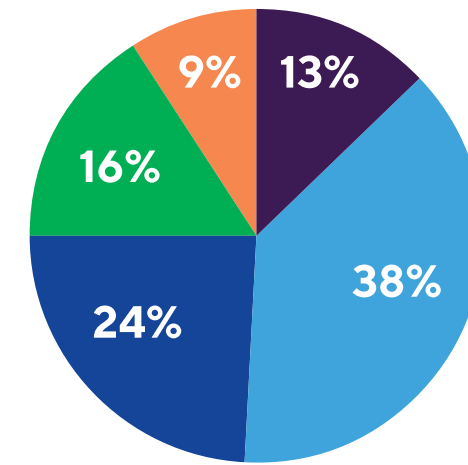


Figure 2: What do you view as the greatest risk in deploying bots?

- Governance: change control and compliance
- Quality: requirements gathering, testing
- Cost: licensing, implementation, consulting fees
- User acceptance
- Don't know/not applicable

Governance is not simply a matter of employing robotics technology in a stable, secure, reliable way. It’s also the ability to create an environment where the bots can be retrained just as quickly as human staff can be retrained to meet changing and dynamic claims processing needs.

There is little doubt that the business of insurance has become more complex, as witnessed by the claims transformation that has occurred over the past two decades.

¹ The Work Ahead: Seven Key Trends Shaping the Future of Work in the Insurance Industry, Cognizant, 2017

- The 1990s saw many organizations shift from de-centralized, standalone claim offices to a more centralized shared services model.
- In the 2000s, companies began to consolidate to a single claim admin system, use applications designed to automate workflow, and assign tasks to the appropriate skill set.
- The 2010s saw the emergence of big data, predictive analytics, greater utilization of business process outsourcing, and now sourcing to bots.

Managing Risk with RaaS

As claims processing evolved, the need for governance to mitigate risks increased. One approach to mitigating risk is to use Robots-as-a-Service (RaaS) rather than a licensed robotics software solution.

Like Software-as-a-Service, RaaS is not a software license; instead, payment is based upon claim-processing results or outcomes. The RaaS provider builds and maintains the robotic engine, and insurers use only what robotic capacity they need, when they need it. This shifts implementation and financial risk onto the RaaS vendor. It also enables a compliant, hybrid approach to governance where the benefits of centralized and decentralized approaches can be realized, giving different areas of the organization the flexibility to quickly realize bot opportunities.

Bot vendors, whether they provide packaged software or online solutions such as RaaS, are important partners in the transition to a new claims processing model. Insurers should not hesitate to require that their partners “walk the walk” by challenging them to help absorb risks.

Specifically, insurers should not pay until the solution is in production and should not pay for change control. In addition, insurers should demand flexibility to discontinue robotic processes when the processes are no longer required due to system integration or changing requirements, and they should also obtain clear, upfront pricing to build their business case.

Claims Performance Management

Today’s claims management can be broadly defined as two layers of performance management.

The first is a more traditional layer, where the claims department is organized by line and function. Management teams are put in place to manage performance within their respective areas.

A second emergent layer is a niche level of oversight where insurers employ specialized skills and resources to optimize the performance of digital solutions.

The trend toward specialized oversight will continue as more insurers integrate digital solutions into claims. For example, insurers are now moving artificial intelligence into claims and to conduct digital claims audits.

To implement this level of oversight, insurers will need people with specialized skill sets, including process managers with experience in data management, predictive analytics, business intelligence, and certain math and statistical disciplines.

Looking Forward: Five Points to Consider

For most insurance companies, the question of integrating bots into their claims operation is not so much one of “when,” but “how.” Here are five points to consider when answering that question:

- Don’t cut short process qualification due diligence: involve claims subject matter experts at the outset.
- Challenge vendors to absorb risks associated with implementing P&C claims robotics.
- Build in flexibility to discontinue robotic processes when these activities are no longer required.
- Start with one process. Ensure tangible financial benefits while exploring broader, strategic opportunities across claims.
- Leverage process management to drive continuous improvement in the digital age.

Adopting robotics is an inevitable step in the evolution of insurance. By planning how best to incorporate this latest digital tool, insurers will not only change how they process claims, but also get closer to their customers at the same time.

About HPA, A Cognizant Company

HPA is a provider of fully-managed robotic process automation services; documenting, building, deploying, and managing digital workforces on our clients behalf. Learn more at www.hpa.services.

About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world’s leading professional services companies, transforming clients’ business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 195 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

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