

MAKING AI REAL IN COMMERCIAL INSURANCE

CLARA
analytics



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INTRODUCTION

Artificial Intelligence (AI) has easily become one of today's biggest buzzwords yet many people still don't understand exactly what AI is or how to use it.

But don't let the hype deceive you — **AI is real**, and it is a game-changer.

In this e-book, we will explore how AI is disrupting the commercial insurance industry. Stay with us to learn how you can successfully incorporate AI into your workers' compensation claims departments to drive efficiency, reduce costs, and provide better care for injured workers.

“The use of AI across enterprises is ramping up quickly. In fact, through 2023, AI will be one of the top workloads that drive infrastructure decisions.”

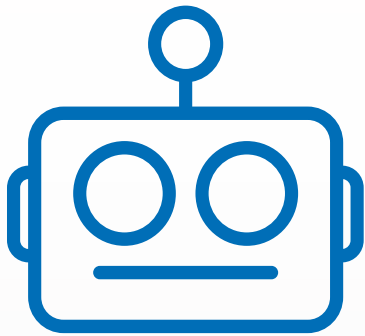
—Gartner, Inc.

THE CASE FOR AI

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WHAT IS AI?

Simply put, AI is an intelligent computer program that strives to work much like a human does. It's usually defined by **two main characteristics**:



1: The ability to interact in a natural, human-like way

Many AI applications are deployed through robots. These robots are used to perform tasks that are **difficult for humans to perform consistently, yet they still exhibit human-like behavior**. Examples of their uses include restaurants (preparing food), hospitals (distributing medicine to patients), crime fighting (identifying potential danger at crime scenes), and around the home (cleaning assistants).



2: The aptitude to learn

Consumer-facing companies Netflix, Amazon, and Pandora all use AI-driven algorithms to learn individual customer behaviors and preferences. They then use these learnings to craft customized experiences for each customer. Virtual assistants Siri and Alexa use natural language processing to learn to interpret commands from their users without requiring the user to speak in any specific way.

Similarly, AI technology can learn to help claims teams better understand and predict claim outcomes across millions of different data points and sources.



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WHY AI?

Incorporating AI into a workers' compensation claims team not only enhances profitability but, most importantly, benefits the injured workers. AI has been used to:

**Identify the right
doctors to provide care
for each injured worker**

In workers' compensation, selecting the right doctor — particularly on a complex claim like a spinal injury — can have a dramatic impact on claims costs and outcomes. AI can analyze and rank providers into tiers based on a variety of performance measures, such as claims duration, medical expenses and return-to-work results, better than ever before. A low-ranked physician can potentially drive claims costs up to 10 times higher than a highly-ranked doctor. The cost differential speaks to the quality of the provider and the treatment approach used.

**Avoid costly
and unnecessary
procedures**

AI can help to identify claims that may be on track for unnecessarily severe treatments such as surgery. By detecting this risk early, claims adjusters can seek a more proactive approach to care, and possibly avoid the need for expensive or invasive procedures. This yields cost savings, while also avoiding potential medical complications that could impact quality of life for the injured worker.

**Resolves issues
without litigation**

AI can help to reduce workers' compensation-related litigation significantly. This is an expense that affects all lines of insurance, but in workers' compensation litigation rates are particularly high and, in most cases, doesn't result in a better outcome or quality of care for the injured worker. So, identifying this trend can be a significant source of savings as well as quicker ultimate recovery for the injured worker.



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Bottom line: When your customers can return to work healthy and quickly, everyone wins.

BUSINESS CASE



AI drives operational efficiency leading to cost savings as well as better care for injured workers.

Although AI is the hot new technology of our times, at the end of the day it's the ROI that matters.

Executives in commercial insurance are seeing that AI-driven technology has the capability to dramatically impact their bottom line.

There's little doubt that AI will redefine the competitive landscape in the years to come. Those with a strategic approach will thrive.

Companies using CLARA analytics AI-driven suite have found:

10%+

**Decrease
in total
claim costs**

25%+

**Decrease
in litigation
rates**

10%+

**Decrease
in
lost-time**

10:1+

ROI



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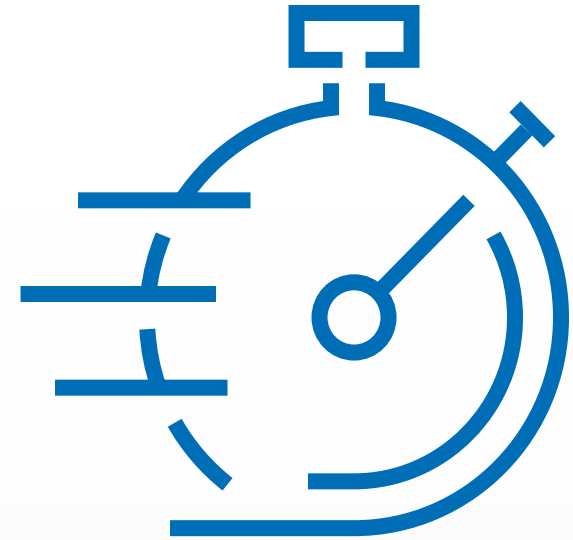
IMPLEMENTING AI

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GETTING STARTED

Although often considered a conservative industry, insurance organizations who are taking the step of trying AI solutions are finding that the technology is a competitive advantage. Insurance companies can no longer afford to be hesitant. By thoughtfully integrating AI into their operations, they are poised to make use of more data than ever before. The early adopter companies are realizing this is a gold mine.

But rushing to implement a solution without careful planning can lead to frustration and poor results. As with every significant change, creating a strategic plan will yield the best results.



“By 2020, customers will manage **85% of their relationship** with enterprise without interacting with a human. ”

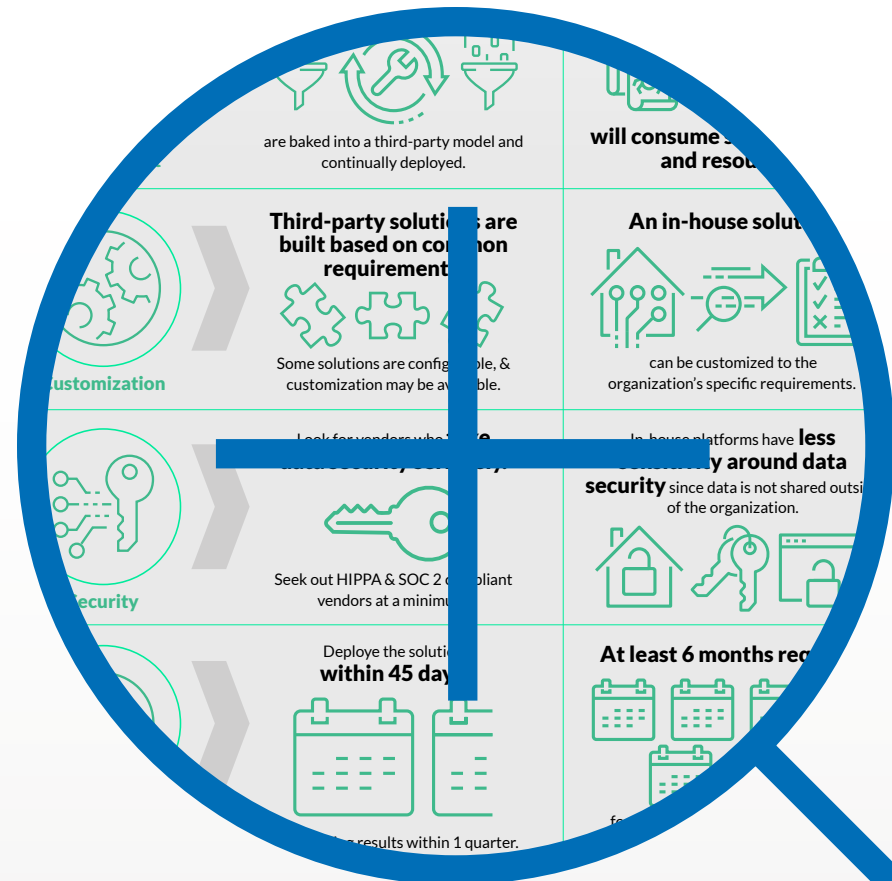
–Gartner, Inc.

BUILD VS. BUY

One of the first considerations when implementing an AI solution is whether to buy from a third-party vendor, or build the technology in-house. There are pros and cons to either choice, and the right answer for one organization may not be the right answer for others.

Before deciding what will work best for you, consider the following questions:

- Is your organization skilled at managing complex project coordination across teams?
- Is your organization likely to follow through on committed plans and funding, or does management often change plans and priorities?
- Does your organization have enough data internally to produce accurate predictions? Remember, a small data set will skew your results.



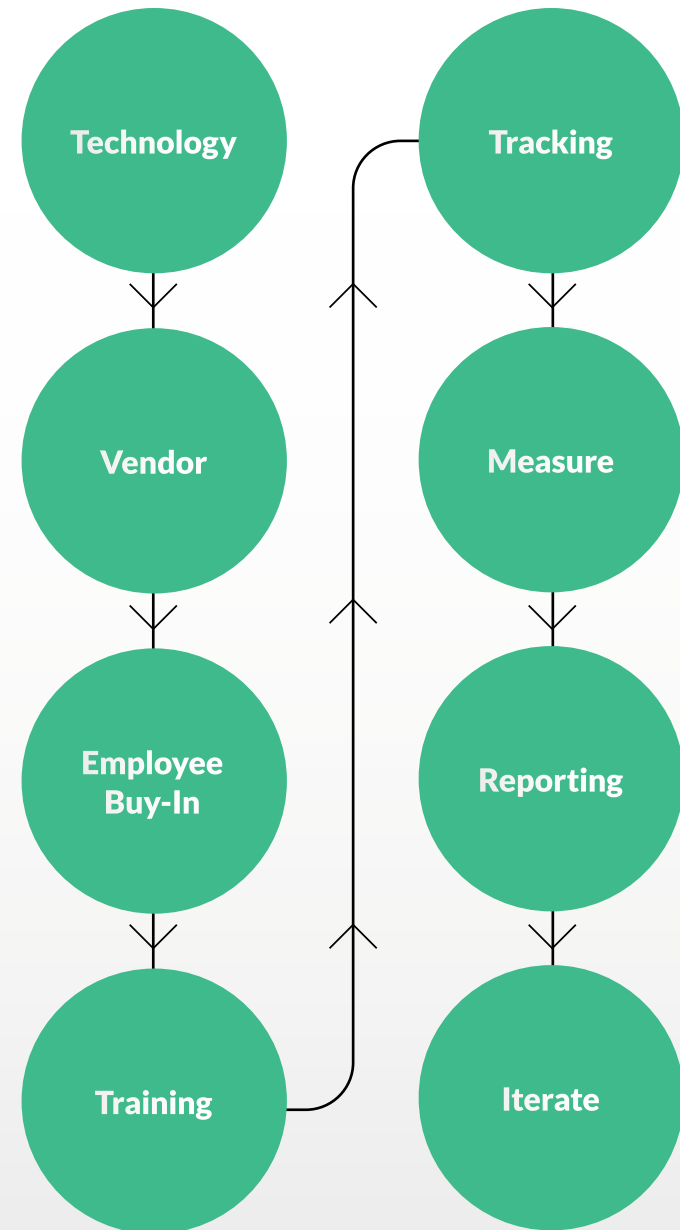
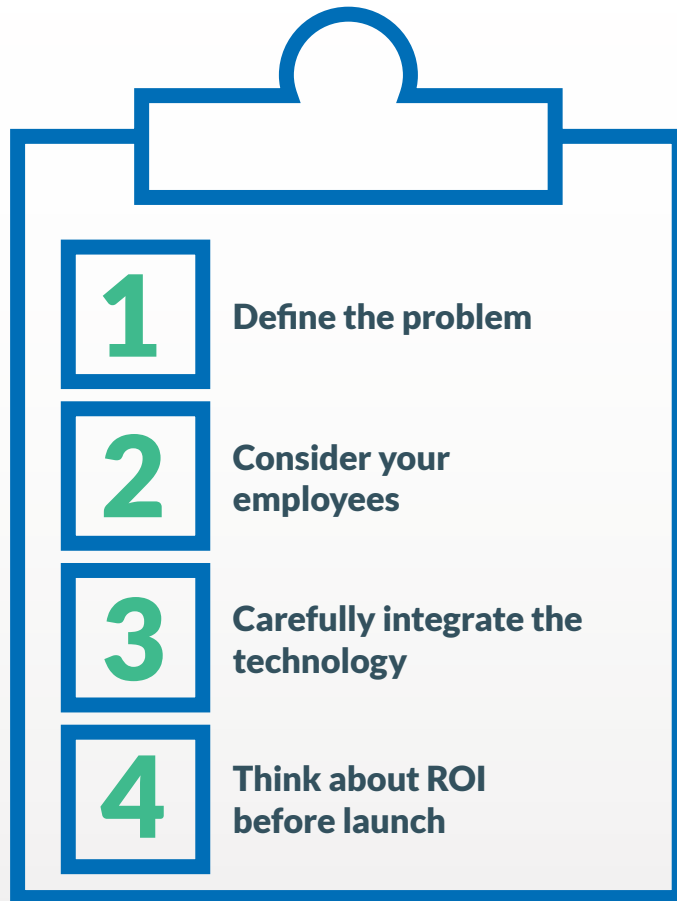
[view our Build vs. Buy infographic](#)



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BEFORE YOU BEGIN

Once you've decided to move forward with your AI solution you'll enter a multi-step implementation phase.



DEFINE THE PROBLEM BEFORE CHOOSING THE TECHNOLOGY

One of the biggest challenges lies in identifying how and why AI technology fits into the big picture of your organization. Before you start, determine what specific problems you're solving. Then you can determine how AI can be used to develop something better than your status quo. Once you have defined your problems, you can narrow down your choice in AI vendors and solutions.

“Part of this effort will require exploring hypothesis-driven scenarios in order to **understand and highlight where and when disruption might occur**—and what it means for certain business lines.”

–McKinsey & Company's perspective on the process of determining uses for AI that drive value

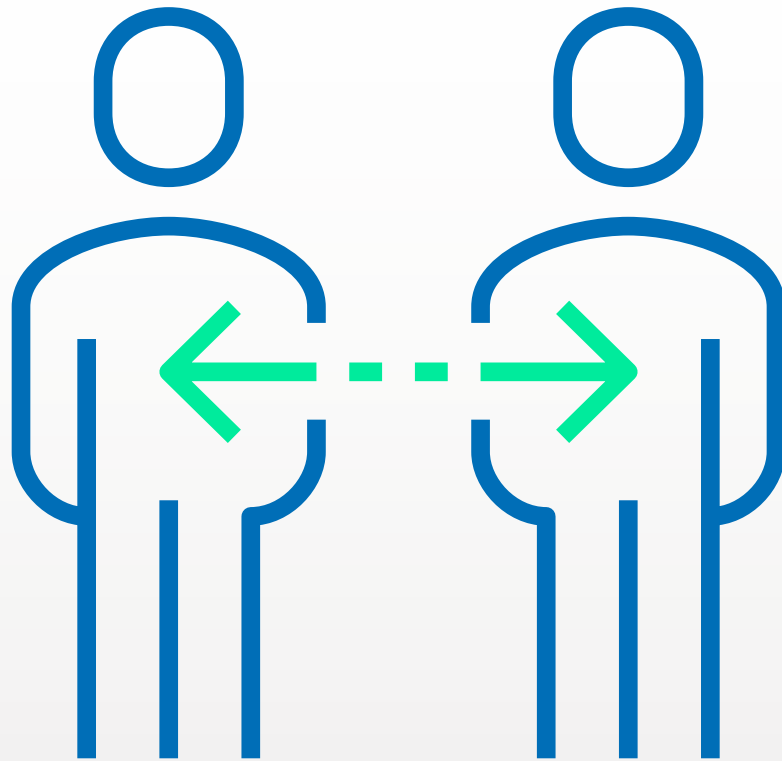
How insurance companies have used AI for workers' compensation claims:

- To source high-performing doctors to add to their networks
- To identify claims at risk of litigation
- To improve open claims by pairing injured workers with better fit providers
- To find the best defense attorneys when claims are litigated
- To manage claims adjuster workloads based on claim complexity and predicted outcomes

CHOOSE AN AI PARTNER

For organizations who have decided to work with a vendor to implement AI the next question becomes, “Which AI partner should we use?”

Although cost is nearly always a consideration when making a purchase, here are a few more items to consider



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Clarify the Value Proposition: Make sure the vendor you choose can demonstrate a high level of focus on a particular problem (it should be the problem you need help with) with a clear view on how solving that problem creates value for your company.

Consider Expertise Across the Board: The vendor should possess an understanding of your unique pain points and overall business, as well as having expertise around their own solution.

Show a Clear Path to Value: Make sure your potential vendor has the correct technology aimed at solving your specific problem, and can make it work effectively for you.

Set Your Expectations Accordingly: AI is not a quick fix. To get it right and to yield outcomes that matter to your organization, it's an iterative process – just like AI itself.

Although there is a lot to consider when selecting an AI partner, know that it will be worth it. AI's capabilities and benefits are truly transformative when applied in a thoughtful way.

ENGAGE YOUR TEAM

This may be stating the obvious, but that doesn't make it any less essential. Any new platform, service, or application must be easy to use. This point is non-negotiable.

Your teams are probably long-entrenched in certain processes and ways of doing things. There could be some resistance to change, and if a solution isn't simple and intuitive, teams won't adopt it. As a result, even if a system or application yields the best data and insights on earth, your company will never derive maximum value from it if your employees aren't behind it.

The consumerization of IT has ensured that people of all demographics expect and demand easy-to-use software. Therefore, you have to implement a solution in which your team sees value. If they can see how it makes their day-to-day job more rewarding, all the better.

Consider these questions when rolling out a new technology to your team.

- **Usability:** Will it be too difficult to use?
- **Future of jobs:** Will this take my job away?
- **Confidence in the product:** How accurate will the data be?
- **Measuring & Reporting:** How can we tell that it's working and helping our company?

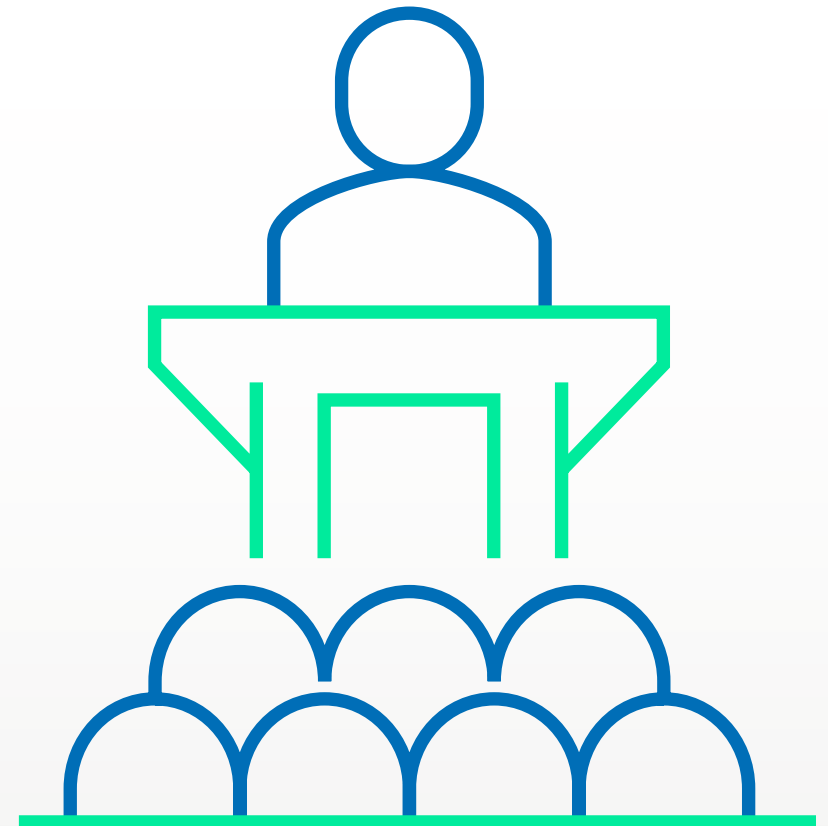


MAKE TIME TO TRAIN YOUR TEAM

You've chosen a vendor and prepared your team, but you're not ready to push the launch button quite yet. There is still groundwork to be done.

Before implementing a new solution, make and document a plan to embed AI into your existing processes. With your new AI-driven findings your teams will suddenly have access to information they never had before. What should they do with that information? By planning out what findings to look for, and what actions to take based on the new data, you can help your teams integrate AI technology more quickly into their every day processes, and start seeing the value of your investment much sooner.

This is the first step in creating a training and onboarding program for the teams who will be using the new technology. The more clearly you can explain the problems to be solved, expected value of the AI solution, and what specific actions to take to maximize its value, the more quickly your teams will get up and running with the new technology.



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THINK ABOUT ROI EARLY

To get the best value from your AI investment:

1

Understand what metrics will be available to help you understand the value of AI. Do these metrics line up with the problems you're trying to solve?

2

Invest as much time and resources in quantifying value as on the technology itself. How will you determine if your program is successful? How will you get the metrics you need to make these judgements? Your AI partner should work with you to answer these questions.

3

Create a reporting system that is accurate, automated, and accessible. By spending the time upfront to devise a reporting process, you can save yourself frustration down the road.

4

Be prepared for “squishiness” in value calculations. No reporting is ever truly “perfect” and you're likely to see a point of diminishing returns in your efforts to make it so. Create a reporting process that clearly shows trends and is as accurate as you can get it. But don't get stuck waiting for perfection.

PLAN TIME TO REFLECT

- Rarely is a new integration a finite effort. After implementing your AI solution you'll likely discover new applications for your data findings, decide that previous problems aren't as important, and create better processes to use the technology.
- Set some future times after implementation to review results and tweak and iterate processes to truly maximize the value of your investment.

LEARNING FROM THE FRONT LINES

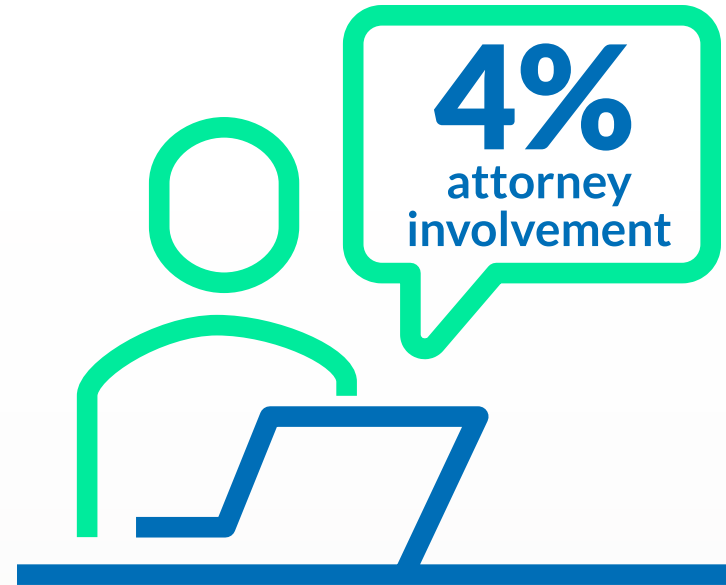
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EARLY INTERVENTION REDUCES LITIGATION

A California-based mid-sized insurance carrier found that 13% of their lost time claims each year involved litigation. Not only that, they were seeing a rising trend of attorney involvement in claims.

The company implemented CLARA claims, an early warning system that uses AI to identify claims at risk of litigation or delays. They also created a rapid response team to address risky claims early in the process.

After taking these steps, the company found that attorney involvement decreased to 4%. This led to a cost savings of \$2 Million per year.



USING BETTER PROVIDERS REDUCES CLAIM COSTS

A mid-sized national carrier set a goal to identify excellent vs. problem providers to create the best network. But they had a hard time doing an apples-to-apples comparison across different injuries. Additionally, some providers did not have enough claims on record to provide accurate data.

The company implemented AI-driven CLARA providers to identify and predict provider performance across hundreds of factors. By taking advantage of CLARA's industry database, the company was able to accurately assess the full scope of provider performance.

As a result, the company:



Increased claims handled
by top-performing
providers
by **51%**



Decreased claims
handled by problem
providers from
3% to 0%



Drove a
10% reduction
in average
claim cost

The company implemented AI-driven CLARA providers to **identify and predict** provider performance across hundreds of factors.

Strive to **be better**, not to be perfect.

Over the next decade, we will see huge advances in how the insurance industry conducts business. The formula for success is knitting each of these pieces together: deep data science created for a specific purpose, that is accessible through user-friendly software, and is guided by operational expertise.

In your journey toward the future of AI, strive toward “better than before” rather than perfect — and continue iterating. **We'll be with you every step of the way.**

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