



# Claims Analytics' Impact on Reserving in 2023

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Casualty Loss Reserve Seminar,  
Anaheim, CA, September 6, 2018



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# Panelists

- Jinjie Duan, FCAS, Farmers Insurance Exchange
  - Head of Claims Actuarial & Advanced Analytics
  - Leads Farmers team responsible for actuarial analyses, advanced analytics, and predictive modeling to the company's claims organization
- Phil Borba, PhD, CSPA, Milliman, Inc.
  - Principal and Director, Economics Consulting
  - Developer and implementer of predictive models for property-casualty claim operations
- Tom Veale, TRISTAR Risk Management
  - Founder and President
  - Founded in 1987, leading provider for property/casualty claims administration, managed care services, and health benefits
  - 30 offices and over 1,000 employees across the US



# Parsing the Subject

- Predictive claim outcomes (Jinjie)
- Predictive models v. actual results (Phil)
- Claim reserving challenges over the next 5 years (Tom)



# Predicting Claim Outcomes

Increasing industry attempts to build and deploy predictive models on likely claim outcomes

A good predictive model of claim outcomes will provide competitive advantage through suggesting the appropriate claims settlement (will regulators allow it?)

- Current models used in the industry
  - Claims triage: which group should handle this claim?
  - Straight through processing on low indemnity claims (Lemonade 3 second claim)
  - Early identification of high exposure claims
  - Potential for litigation
  - Suspicious claims (“fraud”)
  - Subrogation opportunities
- Future models for the industry
  - Identifying possible fraud earlier in the claims process
  - Use of unstructured data to predict claim outcomes (photo, video, social media)



# Predictive Model Predictions v. Actual Results

- Models developed through 2018 will be tested against outcomes in 2023
- Today's development factors may be very different from the 2023 development factors
- Today's models based on recent history/current conditions
- Confounding influences create challenges measuring accuracy of predictive models
- New theories of compensability
- Political and judicial environments (evolving SCOTUS decisions, differences across Federal Court districts)
- Shelf life of predictive models



# Claim Reserving Challenges Over The Next 5 Years

- Increased complexity of property / casualty claims
  - Changes in technology / wide gap in implementation of technology
  - Unexpected risks: Uber, Airbnb, driverless cars, etc
  - DUI enforcement
- Claim reserving environment
  - Aging workforce of claim staff / changes in expectations of new workforce
  - Regulatory environment changes
  - Increased pressure to use intermediaries (e.g., special investigative units, occupational rehabilitation, medical specialists)
  - Knowledge transfer from predictive modeling to implementation
- Challenge to incorporate information that was not available in the past (e.g., claimant's health data, genome profiling)
  - Regulatory constraints and legal traps for claims organizations
- Implication: Challenges will impact ability to use prior experience for predicting results on future claims



# Questions and Discussion

