

Casualty Actuaries of the Southeast

Using Insights from Claim Reviews in Actuarial Analyses

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It's all about change — or Not!

- Actuarial methods rely on the principle that case reserve methods remain the same
- Our job as claim consultants is to help the actuary get “comfortable” or “uncomfortable” with the client data
 - Do the numbers “behave”?
 - If not, why not?

Some changes in a claim organization can translate into changes in timing or case reserves

- Change in reserve philosophy/methodology
- Staff turnover
- System issues
- Process

Sometimes we find poor practices that need to be changed

- We may find that there has been no change, but current practices are not appropriate and/or in bad faith and need to be changed
 - Poor investigation/compensability practices
 - Inappropriate case reserving practices
 - Failure to report to excess carrier
 - Ignoring the law (PPD)

What claim professionals do to identify change

Interview During Case Reserve Analysis

- Management
- Supervisors/claim handlers

Qualitative — Best Practice Claim Review

- Assess the quality level of key claim activities against client best practices and that of Towers Perrin (open and closed claims)

Qualitative and Quantitative Claim Review

- Also assesses the lost economic opportunity related to deficiencies in claim handling by identifying overpayment (closed claims)

Case Reserve Assessment

- Evaluates current outstanding case reserves against Towers Perrin's opinion (open claims)
- Utilizes development codes to assess extent of possible further development

Best practice study

- Our review process examines key claim activities for worker's compensation
- Workers compensation
 - Assignment/notification
 - Coverage
 - Initial contact
 - Investigation
 - Strategy/planning
 - Follow-up and case control
 - Case reserves
 - Medical/disability management
 - Litigation
 - Negotiation/settlement
 - Subrogation
 - SIF
 - Vendor management
 - Management governance
 - Excess notification

A scoring methodology is used in the qualitative review

- Each key claim activity is measured using the following scoring:
 - **M/E:** Meets or exceeds the applicable claim standard
 - **NI:** Acceptable in some regard, but needs improvement
 - **UN:** Unsatisfactory, failing to meet any acceptable standard
- Results are reported by the percentage of items assessed that fall into each category
- In addition, an overall score represents the reviewer's best judgment of the file as a whole
 - In our opinion, to be considered at a best practices performance level, an overall M/E rating of 85% should be achieved

Case reserves study

- Review the facts and medical circumstances and independently calculate case reserves and compare to client outstanding case reserve
- Results are reported by individual claim, reserve “bucket” and in the aggregate
- We use development codes to indicate the likelihood and extent of further reserve development

Potential	A: Low potential
	B: Moderate potential
	C: High potential
Extent	1: \$0 – \$25,000
	2: \$25,001 – \$100,000
	3: \$100,001 – and above

File review is also about looking for solutions

- File review result alone may not tell you “why”
- Expect reviewer to interview claim personnel
 - Claim Manager
 - Claim Supervisor
 - Claim Handlers
 - Nurse Case Managers
 - Others
- Identify changes in process, staff, caseloads, and the effect of changes on quality, timing, case reserves
- Client should expect some feedback as you go
 - Return UN files or ones with big discrepancy in reserves as you go to allow for rebuttals
- Wrap up before leaving
 - Preliminary findings and recommendations
- Report in draft or final

Our Claim Services include almost anything that applies to claims administration

- TPA selection process
- Vendor selection process
- Claim reorganization
- Training
- Process mapping
- Management report development