



C L E V E L A N D

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CLOSING THE GAP ON THE *LOST ART* OF CLAIMS SUPERVISION

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As we place more emphasis on systems, data and reporting; we are challenged with losing sight of fundamental claims supervision with advancements in claims technology

Focusing on Claims Fundamentals?



Have some staff members become more focused on systems and process vs. claims fundamentals?

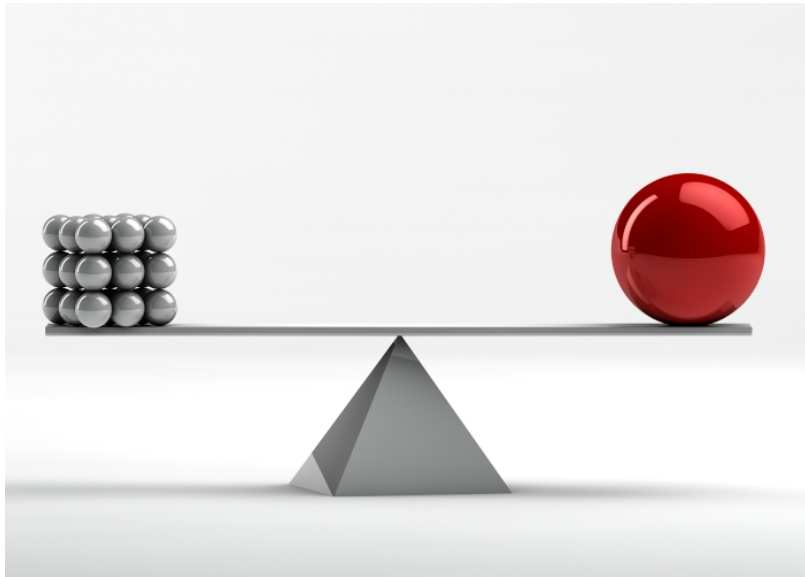
Computer Skills vs. Claims Skills?



Is the claims staff more interested in technology vs. fundamental claim skills? Generational impact?

Are we using legacy processes with advanced technology impacting the ability to supervise effectively?

Adjuster workloads too high?



Have modern architecture claims systems reduced workloads or increased workloads? What's the impact on supervision? More difficult to supervise?

A Rapidly Changing Industry



- The insurance industry is changing rapidly
- Losing a large percentage of experienced and qualified supervisors to retirement in the next several years – are we prepared?
- We need to establish a framework to develop qualified supervisors to achieve the desired results
- Shifting to a technology-driven environment

New Technology The Changing Landscape

- Moving to new modern architecture claims systems – those who do not transition will be left behind
- Innovating companies embrace predictive analytics and harness the data captured in the claims process to improve claim outcomes and underwriting results
- The **changing landscape** affects how we supervise - the available time to provide substantive supervision
- Advanced technology and technical claim supervision are both critical to a company's results
- Supervisors need to embrace technological advancements but also adopt process and workflow techniques to allow for effective supervision
- Need continued emphasis on technical claim supervision impacting positive claim outcomes, as well as controlling loss & LAE

Modern Technology Impact



- Advancements in technology change how we interact with our customers and the business model we have relied on for many years
- The industry is changing rapidly with new modern architecture claim systems, Predictive Analytics, Robotics, Machine Learning and AVT
- To improve data quality and reporting we have:
 - More fields and screens to complete
 - Emphasis on *structured* vs. *unstructured* data
 - More diverse data integration points
 - Multiple third-party vendor portals and other integrated systems requiring supervisor review (e.g. LSS, Medical Bill Review, ISO, Medicare, etc.)
 - Electronic notes and attachments (labeling issues)
 - Dashboard monitoring (financials, data, productivity, diary)
 - More data and more reporting...are we using it effectively?

The Balance: Systems & Supervision



- We need modern architecture systems and data – we also need effective claims supervision
- Use systems to manage the claims process & analyze trends
- Focus on fundamental supervision to achieve positive claim outcomes and favorable results
- Balance the use of technology & supervision

Changing Role of the Claims Supervisor



- Adapt to an electronic environment without sacrificing the quality of claims supervision
- Question process and workflow, especially if it is a legacy process and may no longer be needed
- Use system management controls effectively
- Develop claims system business rules, reports, and dashboards to manage effectively
- Don't lose sight of fundamental claims handling techniques and supervision

The Need to Close the Gap

- Well managed claims operations start with effective line supervision and *best practices* claims handling
- The *claims supervisor role* continues to evolve with modern architecture claims systems and expanded responsibilities
- We need continued emphasis on data and analytics, but have we lost focus on fundamental claims supervision and its impact on claim outcomes?
- Have we become distracted with system issues, data and other reporting responsibilities – not focusing attention on people and claim results?
- We need to assess the “GAP” on where effective claims supervision can improve claim results and outcomes



Assessing the Gap



Assess the Gap on where effective supervision can improve results.



Where is the claims supervisor spending their time? Claim files? Reports? Trending? People? QA? What's important?



Is the supervisor missing fundamental issues – e.g. best practices, litigation management & expense control? All impacting quality claim outcomes.



Is *delegation* encouraged or is the supervisor required to look at all claims?



Making good decisions, and prioritizing – is fear of criticism stifling the decision-making process?



Is technology being used to supervise effectively? Are we eliminating legacy processes? Have we achieved the balance with supervision and technology?



Can the supervisor differentiate between under-supervision and over-supervision?

Common Supervisory Challenges



- Effective delegation
- Daily time management
- Prioritization of supervisory tasks
- The level of supervision in files / avoiding over-supervision
- Managing turnover & recruitment
- Managing people issues
- Coaching & performance management
- Motivating employees to meet objectives
- *Best Practice* compliance / satisfactory QA scores
- Being *flexible* to adapt to supervisory needs

Achieving the Balance in Supervision

- Balancing technical vs. management
- A reasonable span of control (6:1)
- Know your *comfort zone* – People? Reviewing files?
- Prioritize and focus on what will have a *material* impact
- Don't waste time providing technical supervision in every claim – it's unrealistic and dilutes capacity
- New and inexperienced claim staff need coaching and training – limiting time for core supervisory responsibilities
- Spend time to improve claim quality even if it means not being timely in other areas on a *temporary* basis
- Turnover is disruptive and causes poor morale, increased workloads and “slippage” with adjusters taking shortcuts
- Focus on addressing turnover and staff recruitment

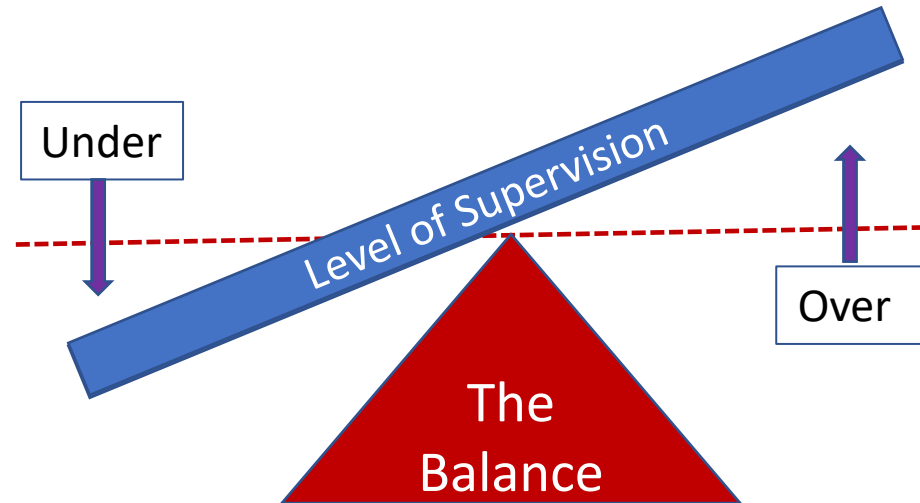


Level of Supervision Needed?

The Balance...

Under-Supervision:

- Over-participative management style
- Limited direct supervision impacting adjuster development
- No up-front adjuster instructions
- No Supervisor claim diary
- Over-delegation
- High claim authority levels
- Poor claim outcomes
- Low turnover



Over-Supervision:

- Micro-management style
- Directive supervision stifling adjuster development
- Redundant up-front adjuster instructions
- Supervisor diary on all claims
- Supervisor reluctant to delegate and directs the file development
- Low claim authority levels
- High turnover

Focus on What's Important



- Delegation - don't **Micromanage**
- **People** – coaching/mentoring, performance, T&D
- **Staffing Levels** – realistic to complete the necessary tasks and achieve quality results in 40-hour week
- **Manageable Workloads** to achieve quality outcomes – excessive workloads adversely impact quality and turnover
- **Best Practices** for quality, consistency and performance mgt
- **QA Process** to monitor and trend compliance with BP
- A **level of supervision** which provides an opportunity to use judgment and decision-making within authority
- **Flexibility** – understand that a supervisor must prioritize and may not always be able to complete all routine tasks or may need to eliminate unnecessary tasks (e.g. legacy tasks)

Claims Best Practices



Compliance with *Best Practices* drives quality claim outcomes:

- Coverage
- Contacts
- Investigation
- Compensability & Benefits
- Evaluation & Reserving
- Litigation Management
- Communication & Reporting
- Disposition & Resolution
- Subrogation
- Expense Control
- Supervision

It's the Supervisor's job to manage compliance with *best practices* to meet core claim operational objectives.



Quality Assurance (QA) (using advanced technology)

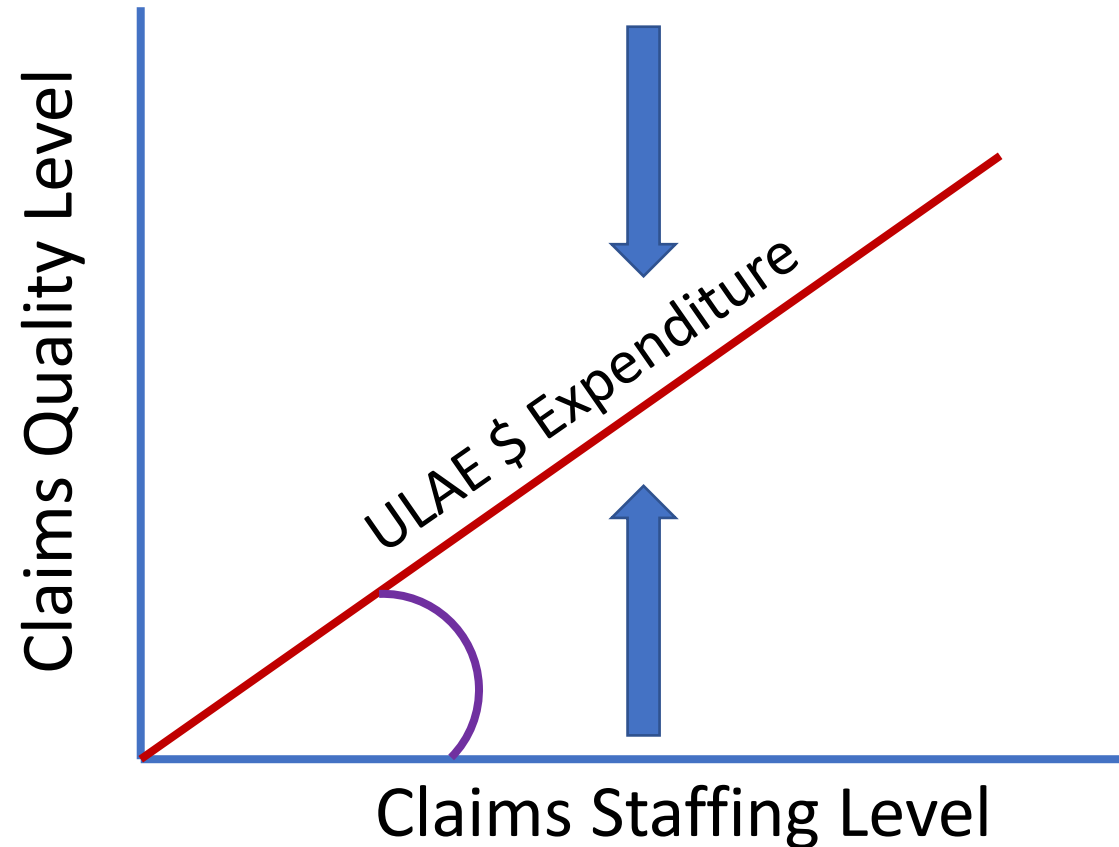


- Establish expectations with clear, concise and consistent claims handling guidelines, standards and procedures
- QA provides the foundation for *best practice* requirements and serves as a *benchmark* to evaluate the quality of claims handling
- Use effective QA tools to manage and control technical claims handling, impacting financial results, customer service, policyholder retention and *Fair Claim Act* compliance
- Establishes the *baseline* for an acceptable work product and consistency in claims handling by comparing actual performance to established guidelines, standards and *best practices*
- Provides a documented methodology to evaluate claims performance using a structured process and comprehensive data reporting tools

Impact of Staffing Levels

- Staffing levels are driven by resource allocation and budget restrictions
- Need to balance quality results vs. ULAE expense
- Inadequate staffing levels:
 - Cause increased workloads contributing to poor quality results
 - The adjuster has less time to handle claims properly and may take short-cuts resulting in poor claims handling
 - Low productivity with higher workloads
 - Employee turnover due to excessive workloads
 - Creates more activity for the supervisor with adjusters missing due dates and becoming backlogged

Staffing vs. Quality - Expense Analysis



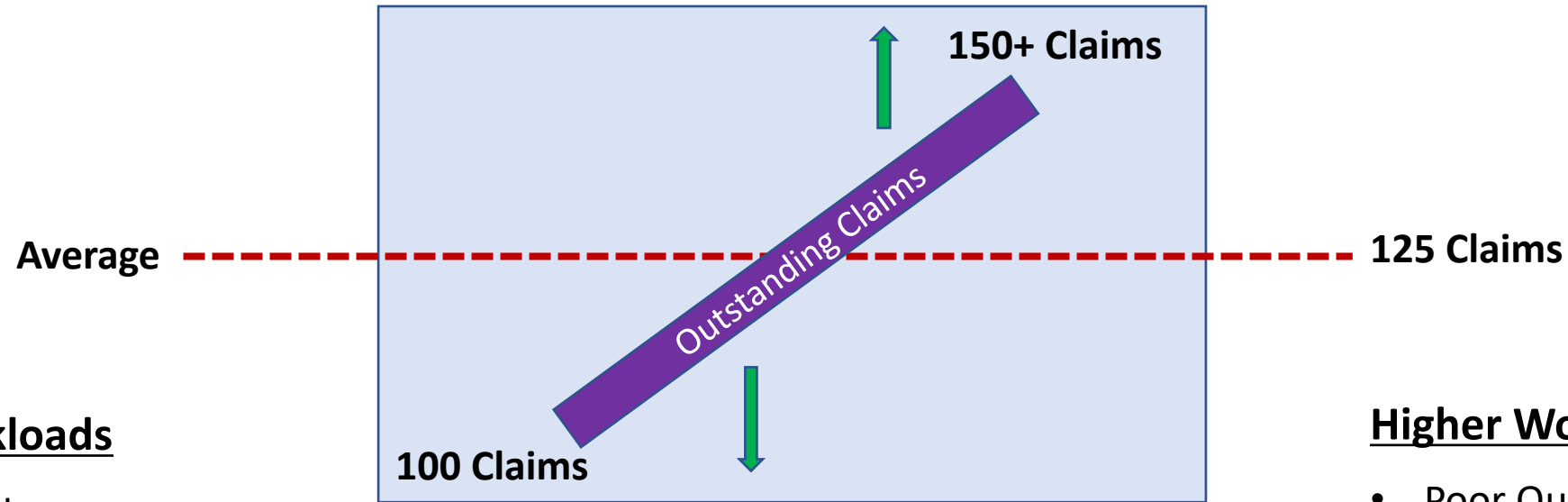
Need to Staff Appropriately

- Balancing favorable loss experience with increased ULAE costs
- Understanding the right level of staffing – not easy
- Where is the balance?

Impact of Adjuster Workloads

- Workloads have both operational and financial impact
- Excessive adjuster workloads:
 - Cause stress, poor morale and employee turnover
 - Have a negative impact on claims quality and outcomes – lower quality work product
 - Contribute to reserve deficiency and overpayments
 - Cause fines with late claim payments and filings
 - Increase customer and agency complaints
 - Slow down claim disposition rates
 - Lack of proper claim control & litigation management
 - Poor expense control – Attorney, IA, NCM, Investigator, etc.
 - Lack of *best practice* compliance and low QA scores

Adjuster Workload Impact Analysis



Lower Workloads

- High Quality
- Favorable Loss Ratio
- Higher ULAE Costs
- Low Adjuster Stress
- Employee Retention
- Good Service

Higher Workloads

- Poor Quality
- Unfavorable Loss Ratio
- Lower ULAE Costs
- High Adjuster Stress
- Employee Turnover
- Poor Service

What Progress
have you made
in closing the
Gap?

Companies which have closed the Gap have harnessed technology and improved the quality of claims supervision, claims handling, staff development and effectiveness of the claim operation





Thank You

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