

eXposure Manager (X^m)

Early Exposure Predictions

Introduction

In managing Third Party Liability Claims, it is believed that earlier the exposure is known the better the exposure can be managed to obtain beneficial indemnity results for all parties concerned. As a way to get at the exposure early, claims as reported are immediately to Claim Representatives (CR) to enable coverage verification and accident/injury investigation within 24 hours.

Another commonly held belief is that higher exposure claims handled by a CR with higher liability handling skills results in better indemnity outcomes than those handled by a less skilled CR. This in effect implies that low exposure claims handled by a CR with lower skill levels, medium exposure claims handled by a CR with medium skill levels, and high exposure claims handled by a CR with higher skill levels results in more equitable indemnity results.

While quantitative analyses could shed light in evaluating the liability handling skills of a CR, management perceptions about their skill levels based upon their prior experience closing claims may be somewhat applicable and reliable. Although similar management perceptions exist on the exposure levels associated with liability claims, they may not be consistent across the organization given the diversity of claims being reported and handled. Therefore, what is critical is a mathematical model for an early exposure prediction based on claims characteristics reported at the time claims are reported.

Exposure Prediction Model

Embedded in X^m is an early exposure prediction model based on such accident related characteristics known at claim reporting as accident location, accident type, injury severity, relative vehicle damages, claimant age, claim status, venues, etc. This model developed has been extensively tested and proven to be very accurate in broadly classifying claims into “Low,” “Intermediate,” and “High” exposure classes based on the predicted values representing liability exposure.

Not only can the model predict exposure levels on day one, it can adaptively update those levels as characteristics evolve over time. This change in characteristic levels may be sometimes due to environmental changes or sometimes due to corrections resulting from investigation by a CR. Also, as medical exposure is fully known, the exposure estimation becomes accurate, unique to each the claim being evaluated.

Claim Triaging

The early prediction of claim exposure and its classification into the three classes, such as “Low,” “Medium,” and “High” will enable claim assignments to a CR through the quantification of workloads and matching skills achievable.