Auto Casualty

# Ineffective Liability and Injury Assessment: Causes and Effects

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The cost of automobile accidents has risen significantly over the past few years. From 2015 to 2017, bodily injury loss costs increased by 12.4 percent, property damage by 11.4 percent and personal injury protection by 6.4 percent, according to the Insurance Information Institute. In comparison, consumer prices rose 3.4 percent overall over that same time range. Additionally, collision claim frequency has been increasing since 2010, and bodily injury severity is expected to continue to rise over the next five years as medical inflation is projected to surge, according to the Insurance Information Institute. As the market faces these rising claim costs, frequency and severity, it is becoming increasingly more important that claims organizations perform consistent and accurate general damages and liability assessments.

## Inconsistency and Inaccuracy—Some Common Causes

Accurately and consistently evaluating liability and general damages for injury claims is a challenge for many insurance carriers. Based on our experience in the industry, here are a few of the more common causes and challenges that can result in inconsistent or inaccurate evaluations.

### Claim Complexity

Managing bodily injury claims can be extremely complex when you consider that there may be multiple parties involved and multiple workflows and integrations to consider. With so many disparate workflows and sources of information, it is no surprise that given the same claim, 10 adjusters may evaluate liability and general damages 10 different ways. Without a way to consolidate workflows and data, it can become very difficult for organizations to understand opportunities to measure and improve their accuracy in presenting fair evaluations.

### Adjusters Ask Different Questions in the Liability and General Damages Evaluation

One reason for inconsistent liability evaluations is that traditionally each adjuster uses their own set of questions to determine comparative negligence. For example, Adjuster A could ask where the accident happened, if any of the drivers ran a stop sign and what the weather was, while Adjuster B might only consider if the drivers used turn signals appropriately and if anyone was speeding. Inconsistency in the facts that each adjuster considers can lead to differing liability assessments from adjuster to adjuster and could lead to inaccurate payment

recommendations or missed opportunities for subrogation. When claims organizations don't provide adjusters with a best-practices framework for evaluating liability, they are often missing opportunities to make improvements. A best-practices approach can provide adjusters with the support they need to prioritize collecting data in a more consistent and measurable fashion.

### Applying Different "Best Practices"

Throughout an organization, each adjuster may be following his or her own best practices based on individual experiences and knowledge gained over the years. Though most adjusters have deep expertise in their field, if they are all using different methodologies to evaluate liability and general damages, there can be inconsistent results across the company. Without a set of company-wide best practices, it can be difficult to achieve alignment and consistency throughout the organization.

## Inconsistency and Inaccuracy—The Effects and Impacts

Inaccuracy and inconsistency in evaluations can not only have a negative impact on individual claims, but can aggregate and compound to affect a claims organization's overall results and outcomes. Inaccurately evaluating claims typically means that a carrier is either over or underpaying for claims and both of these scenarios pose significant challenges to an insurance carrier. More obviously, overpaying for claims can have a direct impact on the carrier's bottom line, but underpaying can also have a negative effect, as this practice could lead to inefficient negotiations or costly litigation down the road that otherwise might be avoidable. Inconsistency poses similar challenges. If each adjuster is using a different methodology that results in inconsistent payment recommendations, that could make it more difficult to effectively negotiate with attorneys or claimants, since the evaluation strategy isn't specifically defined. Additionally, it could make it more difficult for a carrier to defend settlement payments if litigation arises.

## Promoting Accuracy and Consistency

Inaccuracy and inconsistency in injury claim evaluation can lead to costly mistakes. In order to promote increased uniformity and accuracy, carriers should set up a standard methodology for evaluations based on a standardized compilation of their adjusters' best practices that can easily be applied throughout the organization. Software and analytics can help facilitate consistency by guiding adjusters through the methodology and calculating accurate recommendations for them. By using technology to share and automate these best practices, carriers can emphasize promoting both accuracy and consistency within their organizations, ultimately leading to better results.




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