



# Automated Insurance Claims: Reducing Cycle Time and Building Customer Trust

W H I T E P A P E R



## Executive Summary

Historically, insurance claims processing has been inefficient, with manual workflows, fragmented communication, and human error creating significant delays. These lengthy claims cycles can increase operational costs, frustrate policyholders, and lead to higher churn rates.

However, streamlined claims processing through automation offers a solution. Streamlining claims handling through automation, optical character recognition (OCR), and real-time data integration makes it possible for insurers to reduce cycle times while improving accuracy and transparency.

Automated claims processing can allow insurers to assess and settle claims in minutes rather than days, providing faster resolutions and improving customer satisfaction.

The benefits extend beyond speed. Automation improves fraud detection, reduces administrative overhead, and keeps companies compliant with regulations. Self-service portals and automated status updates also give policyholders more visibility into the claims process, which builds trust and improves customer retention.

This whitepaper explores the current challenges in claims processing, the advantages of automation, and the key technologies driving this shift. Insurers that welcome automation can position themselves as leaders in an industry that continues to evolve.

Key takeaways for insurers include:

- Up to 46% reduced processing times through automation (according to a Beam case study).
- Improved customer satisfaction and reduced churn rates.
- Enhanced fraud detection and regulatory compliance.
- Increased operational efficiency and reduced costs.



# The Need for Claims Automation

Traditional claims handling can be slow, as manual workflows create inefficiencies for insurers and frustration for policyholders. The process involves multiple handoffs, extensive paperwork, and inconsistent communication, resulting in prolonged cycle times and increased costs.

These lengthy claims cycles directly affect insurer profitability and customer satisfaction. According to a report by Datamatics, **automation can reduce insurance industry turnaround times by 76%** because the technology only has to spend three minutes processing each document when it would take a human agent over half an hour.

For policyholders, slow claims resolution can lead to frustration and a loss of trust in their insurer. Poor claims experiences also increase the risk of negative reviews and reputational damage.

Automation and streamlined claims processing can help solve these challenges. Technologies like automation, machine learning and optical character recognition mean insurers can eliminate manual inefficiencies and accelerate claims resolution. Automated systems can process claims in minutes, improving accuracy, reducing costs, and providing policyholders with real-time status updates.

The shift to automation is already underway. Statista reports that **as of 2023, 14% of insurance firms had already initiated automation projects in their claims departments.**

Insurers that take the step to adopt automation will have a better chance of improving customer satisfaction moving forward.



# The Challenges of Traditional Claims Processing

Despite advancements in the insurance industry, many insurers still rely on outdated, manual claims processing systems. These legacy approaches create inefficiencies because they rely on human input. They're also more expensive than automated systems and can cause delays for customers. Traditional claims handling often involves multiple handoffs, excessive paperwork, and fragmented communication between stakeholders, resulting in delays and errors.

# Manual Data Entry and Verification Bottlenecks

One of the biggest challenges in traditional claims processing is its reliance on manual data entry. Adjusters and claims handlers spend significant time collecting, verifying, and inputting claim details from policyholders, bodyshops, and medical providers. This process is time-consuming and mistakes can occur.

A report published by Ernst & Young notes that a Nordic insurance company experienced a significant reduction in operational inefficiencies after automating data entry in claims processing. This company's system can **accurately extract and interpret 70% of all claims**, so human agents don't have to intervene in most situations.



# API Integration with Insurer Ecosystems

Application Programming Interfaces (APIs) connect various stakeholders in the claims process, including insurers, policyholders, third-party administrators, and service providers.

**APIs facilitate data exchange,** improving communication and coordination.

In short, API Integration allows for instant updates on claim status, reducing delays. It also integrates with customer-facing apps for self-service claim tracking and can connect insurers with bodyshops, healthcare providers, and fraud detection systems.

# Choosing the Right Technology and Integration Partners

Selecting the appropriate technology stack matters. Insurers must evaluate solutions based on scalability, compatibility, and security requirements.

Technologies to consider include:

- **Machine Learning:** Automates things like decision-making and fraud detection.
- **OCR:** This is for faster document processing and reduced manual entry.
- **API Integration:** This is for connecting internal systems and third-party platforms.

## Implementation: Steps to Adopt Claims Automation

Successfully implementing an automated insurance claims system requires a structured and strategic approach. Insurers must evaluate existing processes, select the right technologies, and figure out a smooth integration.

# Fragmented Communication Between Stakeholders

Traditional claims processing often involves multiple parties, including policyholders, claims adjusters, body shops, medical providers, and legal representatives. Without a centralised system for real-time communication, stakeholders rely on phone calls, emails, and paperwork to exchange information, leading to delays and miscommunication.

There are multiple issues with this fragmented communication. First, the lack of visibility into the status of a claim can increase policyholder frustration. Claims handlers can spend a lot of time following up on missing or incorrect documentation, wasting time and money. Delays in approvals and payments are another issue, as they contribute to prolonged claim cycle times.

# High Operational Costs and Resource Inefficiencies

Manual claims handling requires a significant workforce to manage administrative tasks, process paperwork, and resolve disputes. Hiring these workers results in high labour costs and inefficient resource utilisation. Insurers spend billions annually on administrative expenses related to claims processing, which they could reduce through automation.



# Regulatory and Compliance Risks

Insurance claims are subject to strict regulatory requirements, including data protection laws, fraud detection mandates, and reporting obligations. Manual processing can increase the risk of non-compliance because of issues like incomplete documentation, errors in claims assessments, and delays in reporting.

Compliance risks include regulatory penalties for non-compliance like fines and legal liabilities issues. The lack of automation in fraud detection also leads to higher instances of fraudulent claims, increasing payouts and financial losses.

Traditional claims processing methods can create bottlenecks that negatively impact insurers and policyholders alike.

**As more stakeholders within the insurance industry move towards digital transformation,** automation is a viable solution that can help address these long-standing challenges.

# The Benefits of Automated Claims Processing

Streamlined claims processing offers insurers a strategic advantage by improving accuracy and delivering a better customer experience. Advanced technologies like artificial intelligence, machine learning, and OCR can also help insurers streamline claims handling and reduce costs.



# Faster Cycle Times and Reduced Costs

An automated insurance claims system makes it possible for insurers to accelerate the claims lifecycle by reducing the need for manual intervention. Automated systems can analyse claim details, verify data, and approve straightforward claims within minutes.

For example, **a leading Dutch insurer automated 91% of motor claims decisions, reducing processing time by 46% and increasing customer satisfaction by 9%.**

**Automation reduces costs** by helping reduce administrative overhead. This can lead to fewer errors, disputes, and faster resolutions. The result can be a more efficient allocation of resources, so claims handlers can focus on high-value tasks.

# Enhanced Customer Trust and Transparency

Transparency and communication build policyholder trust. Automated claims processing allows insurers to provide real-time status updates and self-service options, giving policyholders greater visibility into the claims process.

Through automated systems, policyholders can track their claims online, receive notifications about required documentation, and get estimated settlement timelines without contacting an adjuster.

These self-service options allow policyholders to file and monitor claims independently without having to talk to an agent. Real-time status updates also reduce uncertainty and improve communication.

## Key Technologies Powering Claims Automation

The success of an automated insurance claims system relies on a combination of technologies that streamline workflows, improve accuracy, and maintain transparency.



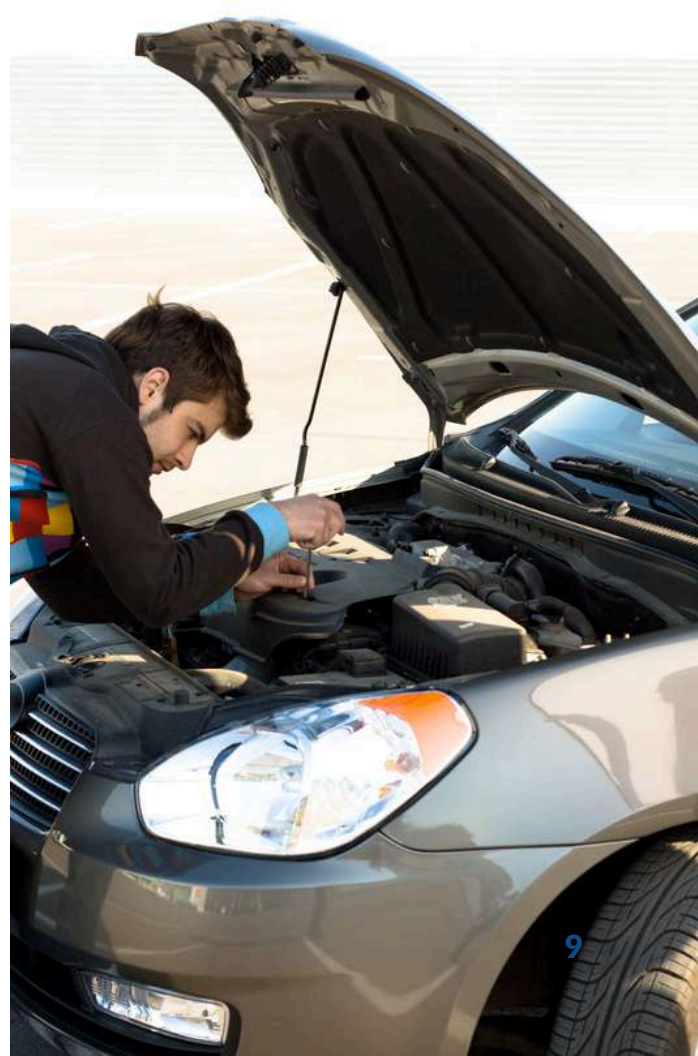
# Training Teams and Ensuring Smooth Adoption

Introducing automation requires a cultural shift within the organisation. Employees must receive training on these new systems and processes to avoid resistance.

Businesses will want to involve claims handlers, customer service teams, and IT departments early in the process. It's also a good idea to provide training sessions on using AI-based platforms and automation tools. From there, the most successful companies establish a way for employees to provide feedback and identify issues post-implementation.

Businesses that have the most success moving to an automated system tend to:

- Clearly communicate all the benefits of automation to employees to secure buy-in.
- Designate “automation champions” within teams to guide the transition process.
- Monitor employee adoption rates and address resistance proactively.



# Measuring Success: KPIs for Automated Claims Processing

Tracking the performance of automated claims processing makes it more likely it will deliver the expected benefits. Establishing key performance indicators (KPIs) allows insurers to measure progress and identify areas for improvement.

Implementing claims automation requires a structured approach, and successful adoption hinges on clear communication, dedicated training, and performance tracking.

# The Rise of Fully AI-Driven Claims Assessments

Artificial intelligence is becoming increasingly sophisticated, so insurers can use it to automate end-to-end claims assessments. AI-powered claims processing can:

- Instantly evaluate claims based on historical data and predefined rules.
- Reduce the need for manual intervention, ensuring faster settlements.
- Improve decision accuracy by analysing patterns and detecting anomalies.



# Getting Started With Automation in Claims Processing

Automated claims processing is becoming a necessity as insurers look for new ways to deliver superior customer experiences. Manual claims handling is plagued by inefficiencies, high costs, and long cycle times, which can lead to policyholder frustration and operational strain. Automation presents a solution by streamlining workflows and increasing transparency.

The future of claims processing lies in automated assessments, predictive analytics, and real-time data integration. Insurers that adopt these technologies will be well-positioned to enhance customer trust and drive long-term profitability moving forward.

Partnering with a specialised automation provider is key for insurers ready to transform their claims processing strategy. CAPS helps provide end-to-end claims automation solutions that reduce cycle times and improve accuracy which can enhance customer satisfaction.

**Contact CAPS** today to learn how streamlined claims processing can help you deliver a faster, more transparent claims experience for your policyholders.





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