Recapturing Missed Opportunities
for Subrogation of Auto Claims
Developed for P&C Insurance Companies by Megaputer Intelligence

Background

Subrogation is a crucial competent of insurance operations. Effective recovery keeps premiums lower and allows to refund policyholders' deductibles by ensuring that an insurance company recovers payouts when another party is legally responsible. With millions of claims processed annually, the likelihood of missing potential subrogation opportunities is significant, even with the most diligent departments.

Identifying missed subrogation opportunities is a labor-intensive process, leading to substantial costs and potential oversights. To address this problem, Megaputer's SubroCheck offers an automated solution that uses natural language processing and machine learning to check the work of subrogation specialists.

This case study follows a mid-sized automotive insurance carrier based in the US ("the company") that used SubroCheck to recapture subrogation opportunities that had been missed by their team. Subrocheck substantially increased the company's subrogation revenue at minimal cost.

Solution

Gathering the facts

The first step in evaluating a claim's subrogation potential is extracting the facts of the accident (party at fault, hit and run, etc.). These facts are dispersed across a variety of documentation that may include police reports, witness statements, adjustor notes, and medical records. Using natural language processing, SubroCheck extracts over 150 key facts about the accident. This includes information such as the type of collision, vehicle point of impact, driver actions, police actions, and injuries of all parties. Some key facts are extracted with an accuracy of up to **99.8%**.

Understanding the law

The laws of the state where the accident occurred can be just as important as the facts of the claim. SubroCheck is programmed with an understanding of all relevant state laws, such as comparative fault laws and statutes of limitations.

The state-mandated statutory period for subrogation claims may be as short as 1-2 years from the date of the accident, depending on the state. If a subrogation opportunity is not acted on before the statute of limitations expires, it is lost forever. SubroCheck automatically filters out claims where the statute of limitations has passed or was too close at hand, based on the company's standards. It also flags and prioritizes claims that are nearing expiration. This shortens the time to identification and bolsters the odds of successful recovery.

Applying the model

First, a rules-based filter is applied to remove claims where no chance of subrogation could exist (no payout was made, no adverse party, etc.). Then the remaining claims are run through a machine learning model to judge the subrogation potential. The model understands the facts of the claim, state laws, and any other

structured data that may be available. Using this data, rates the subrogation potential of each claim so that missed opportunities may be referred to specialists for further review.

Result

SubroCheck automated the review of all the company's closed claims by extracting key information from its claim notes, and used this information to identify additional subrogation opportunities. SubroCheck generated a report containing a prioritized list of subrogation recommendations which was delivered to the company's subrogation specialists. For each claim recommended for subrogation, the report contained reasons for subrogation potential with evidence highlighted in the text.

52% of top recommended claims were found to be true subrogation opportunities. Missed subrogation opportunities were recaptured at a rate of **40 per ten thousand closed claims**. Megaputer's SubroCheck solution provided tangible benefits to the company's subrogation recoveries. The increase in revenue translated to **$59,474 in additional subrogation dollars per 10,000 claims**.

Cost of recovery

The review of claims for subrogation potential is labor-intensive, and therefore very costly. If too much time is spent on review, the cost will be significant and could exceed the amount recovered. When SubroCheck was run on the company's closed claims, it rejected >99% of claims as candidates for subrogation. This allowed for the claims to be reviewed with over **100 times** less cost spent on labor.

Benefits

The benefits of implementing SubroCheck included:

- **Increased top line**: Recapture of missed subrogation opportunities through retrospective analysis of previously closed claims increases revenue.
- **Improved customer retention**: Increased recovery of deductibles through subrogation improves customer retention. With the cost of customer acquisition between $500-$800 per customer, retention of old customers can cost much less than the acquisition of new ones.
- **Optimized review:** Accurate recommendations allow for fast action on rediscovered opportunities while reducing the cost of manual review by 100 times or more.
- **Added business intelligence:** The ability to identify where and why subrogation has failed provides management with the tools to make improvements to the subrogation process, and to monitor performance over time.

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For more information:
Megaputer Intelligence | info@megaputer.com | 812-330-0110
www.megaputer.com

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