

# SPEAR

## TECHNOLOGIES

### Reducing Claim Frequency By Leveraging Modern Core Technology

In the complex world of insurance, one of the key metrics that insurers strive to minimize is claim frequency. Claim frequency refers to the number of claims reported within a specific period, typically measured per policy or per exposure unit. High claim frequency not only impacts an insurer's profitability but also its reputation and ability to provide competitive premiums.

Claim frequency has been a hot topic lately, with insurers facing challenges due to a surge in property claims in regions affected by storms and wildfires. Striking the right balance is crucial, as hedging too conservatively could mean turning down profitable business, while being too aggressive may lead to excessive risk exposure. One solution lies in adopting more accurate and granular risk models to better assess and manage risks within regions. However, that can be difficult due to data availability and complexity, regulatory constraints, computational resources, and cost considerations.

Audits and inspections can play a crucial role in lowering claim frequency by proactively identifying and mitigating potential risks. By conducting regular audits and inspections, insurers can identify risk factors and take proactive measures, ensure that the property complies with safety standards, recommend preventive measures that help avoid accidents, educate policy holders on how to mitigate risks, and even detect the potential for fraud. Overall, audits and inspections serve as valuable tools for insurers to

#### Executive Summary

In the realm of insurance, minimizing claim frequency stands as a critical objective for insurers. Claim frequency not only affects an insurer's profitability but also its reputation and ability to offer competitive premiums. However, many of the methods available for reducing claim frequency are time-consuming and costly.

Fortunately, modern core technology equipped with artificial intelligence and analytics offers a promising solution. By harnessing cutting-edge technologies, modern core systems enable:

- Enhanced Risk Assessment
- Proactive Risk Mitigation
- Improved Fraud Detection
- Real-time Audits
- More Frequent Inspections
- Lowered Costs

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identify and mitigate risks, prevent accidents, ensure compliance, and detect fraudulent activities, all of which contribute to lowering claim frequency. However, doing physical inspections manually is both time consuming and expensive. Fortunately, advancements in technology, particularly in modern core systems equipped with artificial intelligence (AI) and analytics, are revolutionizing how insurers manage and mitigate risks, ultimately leading to a reduction in claim frequency.

### **Enhanced Risk Assessment with Real-Time Data**

One of the fundamental ways modern core systems are transforming insurance is by improving risk assessment. Traditionally, risk assessment relied heavily on historical data and static risk categorizations. However, risk levels can evolve over time, making it imperative for insurers to continuously reassess and adapt their risk profiles. For instance, a property located in a coastal area may transition from being categorized as minimal risk to high risk due to changes in environmental factors like increased flood risk.

Modern core systems equipped with AI and analytics have the capability to gather real-time information on insured assets and policyholders. By analyzing this data, insurers can identify patterns and trends indicative of potential risks. For example, through satellite imagery and weather data analysis, insurers can detect changes in a property's surroundings, such as an increase in flood risk or proximity to wildfire-prone areas. Armed with this information, insurers can proactively adjust premiums, coverage, or even recommend risk-mitigation measures to policyholders, thus reducing the likelihood of future claims.

### **Proactive Risk Mitigation and Fraud Detection**

Moreover, modern core systems integrated with AI are not only aiding in risk assessment but also in proactive risk mitigation and fraud detection. By leveraging AI capabilities, insurers can conduct automated audits and inspections more efficiently and effectively. These systems can identify potential issues that may have previously been overlooked, such as maintenance deficiencies or safety hazards. By addressing these issues promptly, insurers can prevent potential claims before they occur.

Furthermore, AI algorithms can analyze vast amounts of data to detect patterns associated with fraudulent activities. This capability is particularly crucial in reducing claim frequency caused by fraudulent claims. By identifying individuals or entities likely to engage in

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fraudulent behavior, insurers can take preventive actions, such as increased scrutiny of claims or investigations, thereby reducing the overall frequency of fraudulent claims.

### Conclusion

In conclusion, modern core technology, driven by AI and analytics, is revolutionizing the insurance industry by enabling insurers to reduce claim frequency through enhanced risk assessment, proactive risk mitigation, and fraud detection. By leveraging real-time data and advanced algorithms, insurers can adapt to evolving risks, identify potential issues, and prevent fraudulent activities. Ultimately, this leads to a win-win situation for insurers and policyholders, with fewer claims, improved profitability, and better service. As technology continues to advance, the potential for further reductions in claim frequency and enhanced risk management in the insurance industry is limitless.

To see first-hand how your organization can significantly reduce claims frequency with SpearClaims™, our award-winning claims system built by industry experts on a modern no code/low code platform that delivers the power of built-in AI and Analytics while lowering your total cost of ownership, [Schedule a Demo](#).

To discover how Spear's solutions are accessible to insurers of all sizes, [Request Pricing](#).

### About Spear Technologies

Spear Technologies is a leading provider of core software solutions systems for the P&C insurance industry. Spear's cutting-edge software solutions empower insurer organizations with unprecedented speed, control, and results. Spear's latest solutions take advantage of the low-code Microsoft Power Platform™ and incorporate AI, data analytics and intelligent automation to achieve better results. Spear's cloud-based policy, billing, claims, and portal solutions enable organizations to easily configure their systems to align with their unique and ever-changing business needs. For more information about Spear Technologies visit [www.spear-tech.com](http://www.spear-tech.com).

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