



## SubroIQ Engagement Case Study – Top 5 Writer

**Business Need:** A top-5 writer of auto physical damage premiums in the United States wanted to audit its historical claim records to identify missed subrogation opportunities within the auto and property lines of business. The company engaged Paragon and its SubroIQ Service to identify and qualify missed subrogation cases with real recovery potential.

**Situation Analysis:** For this insurer, the front line claim adjuster had primary responsibility for identifying subrogation opportunities. The company had also established multiple audits to identify missed subrogation based on business rules as well as predictive models. As a third line of defense, the carrier employed an outside party to perform periodic closed file reviews to identify missed subrogation. The insurer felt confident that it was capturing most, if not all, of the claims with subrogation potential through this multi-step process. At the same time though, a few instances had recently come to light where recovery opportunities had been missed.

**SubroIQ in Action:** A three-month pilot program of the SubroIQ Service was performed to allow both parties to gain an understanding of each other's processes and to evaluate the magnitude of missed subrogation within the company. The program was designed to supplement the company's current identification program and to maximize their recovery potential in a more efficient, low-impact manner than traditional closed file reviews or technology-only solutions. For this specific engagement, the SubroIQ Service focused solely on the identification of missed subrogation opportunities and the pursuit of the recovery opportunities was handled by the company.

**The Smarter Solution:** The SubroIQ team worked with the insurer to implement a service that would effectively and efficiently identify if the insurer was missing subrogation. Additionally, once the opportunities were identified, management reports were provided to help the insurer pinpoint origins of leakage to improve its processes going forward. The SubroIQ solution included the following steps:

### Program Start-up

- The SubroIQ implementation team performed a one-day onsite visit to the client's home office to gain insight into the internal subrogation process and to identify the core data points required for the analysis.
- Four years of claims data was extracted directly from the client's mainframe systems by SubroIQ's IT specialists, freeing up the client's own IT resources for other initiatives.

### Utilization of Proprietary and Predictive Technology

- SubroIQ activated its proprietary inferential technology, coupled with predictive analytics, to assess millions of claims and transactional records. The primary objective was to filter out claims with no subrogation potential and to score the remaining claims by highest missed subrogation potential.
- To score claims based on subrogation potential, predictive analytic tools were used to create scoring algorithms. The algorithms were derived from a series of logistical regression, decision tree, and neural network models. The data elements analyzed include both structured data (i.e. loss codes, fault indicators, etc.) and unstructured data (i.e. accident descriptions) contained within each claim file.



### Application of Subrogation Expertise

- SubroIQ's in-house subrogation analysts qualified each claim scored by its software. The qualification process eliminated all "false positives" generated by the system, allowing the client to focus its resources on the pursuit of the missed subrogation opportunities.
- Upon qualification, SubroIQ specialists submitted the claims back to the client, along with a theory of liability, for the client to review and ultimately pursue.

### **Results:**

The historical audit uncovered over \$3.5 million in missed subrogation opportunities for the company. Based on the cleanup results, the company transitioned SubroIQ to a real-time, missed subrogation identification service. This service supplements the company's existing subrogation identification processes by analyzing new claims data every month for recovery opportunities that continue to be missed.

The results of the client's SubroIQ implementation to date are:

- Over **\$11.8 million** in missed subrogation opportunities submitted to date in total.
- The company pursued more than **93%** of all missed opportunities submitted by SubroIQ specialists.
- The company recovered approximately **71%** of the missed opportunities identified.
- Through the real-time analysis, SubroIQ continues to provide approximately **\$1,000,000 every year** in qualified missed subrogation opportunities.

Based on the recoveries made to date from this population of missed opportunities, the company has achieved a **return on investment of nearly 500%** for the program.