

Claims Automation Guide

Practical Roadmap for Claims Operations Leaders

Designed for:

Head of Claims Operations • General Manager Claims
National Claims Manager • Claims Excellence Teams

BackPro AI
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1 Introduction

1.1 The Claims Operations Challenge

Claims departments face relentless pressure:

- **Customer Expectations:** Average motor vehicle claim settlement in 5-7 days. Customers expect 24-48 hours.
- **Cost Pressures:** CFOs demand 15-20% cost reduction across operations.
- **Volume Variability:** Storm seasons create 2-3x peak claims volume requiring surge capacity.
- **Assessment Consistency:** Policy interpretation varies between assessors creating customer complaints.
- **Regulatory Scrutiny:** General Insurance Code of Practice requires transparency and fairness in claims handling.

1.2 AI Automation Opportunity

Claims assessment is ideal for AI automation:

Why Claims Processing Suits AI

Structured Decision-Making:

- Policy documents provide clear rules for assessment
- Claims documentation follows consistent format (forms, photos, quotes, reports)
- Assessment involves matching claim facts to policy clauses
- Most claims are straightforward with clear policy coverage

High-Volume, Repetitive Work:

- 70-80% of claims follow standard assessment patterns
- Same policy clauses applied repeatedly across similar claims
- Consistent evidence evaluation (quotes, photos, medical reports)

Immediate Business Value:

- 60% reduction in claims processing time
- 40% decrease in operational costs
- 100% assessment consistency across all claims
- 3x capacity increase for peak storm/natural disaster periods

2 Claims Automation Use Cases

2.1 Motor Vehicle Claims (75% Automation Rate)

Process Flow:

1. Customer lodges claim via portal/phone with incident details
2. AI reviews claim form, photos, police report, repairer quotes
3. AI matches claim to policy coverage (comprehensive, third-party, etc.)
4. AI validates quote reasonableness against industry pricing data
5. AI generates assessment with recommended settlement amount
6. Claims assessor reviews AI recommendation and approves/escalates

Automation Criteria:

- Claim value under \$15,000
- No injury claims or third-party liability disputes
- Repairer quote within 15% of market benchmarks
- Clear policy coverage with no ambiguous exclusions
- Customer version of events consistent with evidence

Escalation Triggers:

- Claim value exceeds \$15,000 threshold
- Quote variance >15% from benchmark pricing
- Suspected fraud (inconsistent photos/statements)
- Policy coverage ambiguity requiring interpretation
- Customer disputes AI assessment

2.2 Home & Contents Claims (70% Automation Rate)**Common Claim Types:**

- Storm damage (roof, fence, windows)
- Theft and burglary
- Accidental damage (broken TV, iPad, furniture)
- Water damage (burst pipes, leaking appliances)

AI Assessment Approach:

1. Verify event covered under policy (storm, theft, accidental damage)
2. Assess damage extent from photos and repairer quotes
3. Validate replacement costs against retail pricing
4. Apply policy excess and coverage limits
5. Calculate settlement amount

Typical Outcomes:

- 60% claims fully automated (approve within 2 hours)
- 25% require assessor review of quote or coverage
- 15% escalate for complex damage assessment or large value

2.3 Life Insurance Claims (50% Automation Rate)

Straightforward Claims Suitable for AI:

- Death claims with medical certificate and no exclusions
- TPD claims with specialist medical opinion clearly supporting claim
- Trauma claims for defined events (heart attack, stroke, cancer)

AI Value for Life Claims:

- Faster review of medical evidence and policy terms
- Consistent application of policy definitions (e.g., TPD, trauma)
- Reduced time to settlement for straightforward claims
- Human assessor focus on complex medical interpretation cases

Human Review Required:

- Pre-existing condition exclusions requiring medical judgment
- Mental health claims requiring specialist assessment
- Occupational definition disputes (“own occupation” vs “any occupation”)
- Claims within contestability period (first 2-3 years)

2.4 Income Protection Claims (65% Automation Rate)

Automation Opportunity:

- Initial eligibility assessment (waiting period, occupation class)
- Medical evidence review against policy definition of disability
- Benefit calculation (monthly benefit, offsets, taxation)
- Ongoing claim reviews (monthly medical certificates)

Partial Automation Benefits:

Even where full automation inappropriate, AI assists assessors:

- Summarise lengthy medical reports highlighting key disability indicators
- Extract relevant policy clauses and exclusions
- Calculate benefit amounts with complex offsets
- Flag inconsistencies between medical evidence and customer statements

3 Implementation Timeline

3.1 Phase 1: Pilot Program (6-8 Weeks)

Week 1-2: Planning & Setup

- Select pilot claim type (typically motor vehicle)
- Identify pilot team (5-10 claims assessors)
- Document current state metrics (claims per day, processing time, cost)
- Configure AI software within your infrastructure
- Integrate with claims management system APIs

Week 3-4: Testing & Validation

- Parallel run: AI assesses historical claims
- Compare AI recommendations to actual assessor decisions
- Measure accuracy across 200+ claims
- Test edge cases and unusual claim scenarios
- Refine escalation thresholds based on results

Week 5-6: Pilot with Live Claims

- Pilot team uses AI for new motor vehicle claims
- Daily monitoring of accuracy and escalation rates
- Weekly retrospective reviews with assessors
- Collect feedback on AI recommendations and workflow
- Measure pilot results against success criteria

Week 7-8: Review & CRO Approval

- Analyse pilot results and prepare business case
- Present to CRO and Executive Risk Committee
- Obtain Board Risk Committee approval for production rollout
- Plan change management for full team deployment

3.2 Phase 2: Production Rollout (4-6 Weeks)

Gradual Expansion Strategy:

1. **Week 1:** All motor vehicle claims (pilot team + 10 additional assessors)
2. **Week 2:** Add home & contents claims
3. **Week 3:** Add income protection claims
4. **Week 4:** Add straightforward life insurance claims

5. Week 5-6: Full team rollout and optimization

Training Requirements:

- 2-hour training session per assessor (AI workflow, escalation procedures)
- Documentation: Quick reference guide and escalation decision tree
- Champions: Pilot team members support peers during rollout
- Ongoing coaching: Weekly check-ins first month post-rollout

4 Change Management for Claims Assessors

4.1 Addressing Assessor Concerns

Common concerns and responses:

“Will AI replace my job?”

Response:

“AI handles repetitive straightforward claims so you focus on complex, high-value work requiring professional judgment. Your role evolves from routine assessments to quality oversight, escalations, and customer disputes.”

Role Evolution:

- **Before:** 80% time on routine assessments, 20% on complex claims
- **After:** 30% reviewing AI recommendations, 70% on complex claims and customer interactions

Career Development:

- Focus on complex commercial claims requiring negotiation
- Specialise in fraud investigation and detection
- Develop expertise in niche claim types (marine, aviation, cyber)
- Move into quality assurance and continuous improvement roles

4.2 Training Program

Core Training Modules:

1. **AI Workflow:** How to review AI recommendations in claims system
2. **Escalation Decision-Making:** When to accept vs escalate AI assessment
3. **Overriding AI:** How to override AI recommendation with documented rationale
4. **Quality Assurance:** How to spot AI errors and provide feedback
5. **Customer Communication:** Explaining AI-assisted assessments to customers

Ongoing Support:

- Weekly accuracy reports showing assessor vs AI agreement rates

- Monthly retrospective reviews analyzing escalation patterns
- Quarterly training refreshers on new claim types and AI capabilities
- Peer learning: Share examples of excellent AI-assisted assessments

5 Quality Monitoring & Continuous Improvement

5.1 Key Performance Indicators

Operational Efficiency:

- Average claims processing time (target: 60% reduction)
- Claims processed per assessor per day (target: 2-3x increase)
- Cost per claim (target: 40% decrease)
- Peak capacity utilization (target: handle 3x normal volume)

Quality Metrics:

- AI recommendation accuracy (target: >95%)
- Assessor override rate (monitor trend—should stabilize at 5-10%)
- Customer complaints per 1000 claims (target: maintain or improve)
- Escalation rate by claim type (track to optimize thresholds)

Customer Experience:

- Net Promoter Score (target: +15 point improvement)
- Time to first contact after claim lodgement (target: <4 hours)
- Time to settlement (target: 60% reduction)
- Customer effort score for claims process

5.2 Continuous Improvement Process

Weekly Operations Review:

- Review escalation rate trends by claim type
- Analyze cases where assessors overrode AI recommendations
- Identify policy clauses causing frequent AI ambiguity
- Adjust escalation thresholds if needed

Monthly Quality Audit:

- Sample 50 AI-assessed claims for quality review
- Validate assessment accuracy against policy terms
- Check audit trail completeness and explainability
- Report results to Executive Risk Committee

Quarterly AI Model Updates:

- Incorporate assessor feedback and override rationales
- Update policy interpretation rules based on new precedents
- Expand AI capability to additional claim types
- Re-test accuracy against validation dataset

6 ROI & Business Case**6.1 Typical ROI Metrics**

Based on implementation at mid-sized Australian insurers (50,000-100,000 claims/year):

3-Year ROI: \$2.4M - \$3.8M

Cost Savings:

- **Labor Efficiency:** 60% reduction in routine assessment time = 15 FTE equivalent capacity increase (value: \$1.8M annually)
- **Reduced Errors:** Consistent policy application reduces customer complaints and dispute costs (value: \$150K annually)
- **Peak Capacity:** Avoid surge hiring during storm seasons (value: \$200K annually)

Revenue Protection:

- **Customer Retention:** Faster claims settlement improves NPS, reducing customer churn (value: \$300K annually in retained premium)
- **Competitive Advantage:** Market differentiation through rapid claims processing

Investment:

- Software licence and implementation: \$300K-\$450K first year
- Ongoing annual licence: \$250K-\$350K
- Internal implementation support: \$100K

Payback Period: 8-12 months

6.2 CRO Approval Approach**CRO Concerns to Address:**

1. **Data Sovereignty:** Demonstrate on-premise deployment maintaining CPS 234 compliance
2. **Explainability:** Show complete audit trails for APRA prudential reviews
3. **Operational Risk:** Present CPS 230 control framework integration
4. **Customer Detriment:** Evidence from pilot showing improved customer experience
5. **Business Continuity:** Demonstrate fallback procedures for system downtime

Board Risk Committee Paper Structure:

1. Executive summary with pilot results
2. APRA compliance approach (CPS 234, CPS 230)
3. Risk assessment and mitigation controls
4. Proposed governance framework
5. Implementation roadmap and change management plan
6. Success metrics and ongoing monitoring

7 Next Steps

7.1 Immediate Actions

For Claims Operations Leaders:

1. Schedule pilot planning session with IT and Risk teams
2. Select pilot claim type and team
3. Document current state metrics (baseline for ROI measurement)
4. Request technical due diligence documentation from AI vendors

For CROs:

1. Review AI vendor due diligence checklist (see companion guide)
2. Validate CPS 234 compliance through on-premise deployment verification
3. Draft AI governance framework for Board Risk Committee consideration
4. Schedule pilot review milestone with Executive Risk Committee

About BackPro AI

BackPro AI provides on-premise claims automation software for Australian insurance companies. Our solution:

- Reduces claims processing time by 60%
- Maintains complete CPS 234 data sovereignty compliance
- Provides full audit trails for APRA prudential reviews
- Includes pre-built governance framework for Board approval

Contact us for pilot program planning and technical due diligence documentation:

www.backpro.ai