



Frankenmuth Insurance

Headquarters

Frankenmuth, Michigan

Operations

United States

Business Lines

Personal, Commercial

Employees

750–800

Website

www.fmins.com

Product(s)

Guidewire InsuranceSuite
Guidewire EnterpriseEngage
Guidewire Predict

Benefits

- **Improved customer experience**
- **Assign the right claim to the right claims professional**
- **Greater efficiency in claims processing**
- **Earlier and focused attention on largest and most complex claims leads to better outcomes**

Frankenmuth Insurance Improves Claims Outcomes

> Insurer Leverages Guidewire Predict for Workers' Compensation Claims Processing

Headquartered in historic Frankenmuth, Michigan, Frankenmuth Insurance has a history of providing quality insurance products. More than 750 employees focus daily on a single vision—to make their company the insurer of choice. Represented by more than 645 independent insurance agencies in 15 states, Frankenmuth Insurance is financially sound, with \$1.7 billion in assets and an AM Best rating of "A" (Excellent).

An industry leader for more than 150 years, Frankenmuth Insurance upholds the heritage upon which it was founded: The product offering is broader, the geographic reach is farther, but the tradition is still "neighbor helping neighbor."

Analytics to Improve Business Decisions

A long-time Guidewire InsuranceSuite customer, Frankenmuth Insurance recently upgraded to version 10. InsuranceSuite has helped the company enhance its operational performance, improve speed-to-market, and seamlessly grow the business.

In recent years, Frankenmuth Insurance sought to leverage world-class analytics capabilities (data, technology, and technical methods) to improve its business decisions. The company created a centralized analytics hub for deployment of analytics services across Personal lines, Commercial lines, and Claims.

In this quest, Frankenmuth Insurance needed a platform to build predictive models for claims, underwriting, risk selection, and pricing. In addition, real-time technology integration (i.e., Smart Core) and ease of use was a key requirement. After reviewing multiple options, they selected **Guidewire Predict*** in spring 2019.

* Formerly Guidewire Predictive Analytics



Navigate what's next.

Claims Segmentation and Severity Escalation Modeling

The initial analytics use case Frankenmuth Insurance chose targeted improving the efficiency of workers' compensation claims processing. The early identification of "simple" workers' compensation claims—those requiring minimal medical treatment—would allow for a streamlined processing path. The result of this is expected to be a more efficient operational process and an improved customer/claimant/agency experience. In addition, the early identification of the largest and most complex claims will lead to earlier and more focused attention, resulting in a better experience for the policyholder.

Using Guidewire Predict Frankenmuth Insurance built advanced machine-learning models for Initial Claims Segmentation and Severity Escalation to improve claims operational efficiency. A group of predictive models was built and run at Day 5 and Day 45:

- Primary models to predict the ultimate average severity of an exposure, given that it is non-zero, and predict the likelihood that the exposure will close with a non-zero payment.
- Secondary models to predict the number of days the claim will remain open and predict the likelihood of a loss that is currently medical-only developing into a claim that will have lost wages, vocational rehabilitation, or other types of cost components.

The model outputs subsequently informed business considerations, such as determining the next best action (claims assignment, supervisor review, expedited handling), balancing thresholds to trigger actions based on available resources, indicating model information to use for triggering actions, and indicating model information to show frontline users.

Claims Analytics Improves Outcomes

Using Frankenmuth Insurance's legacy and Guidewire ClaimCenter data, models were tested for their ability to provide predictive value. All models showed significant lift and a strong correlation between training and validation data. Data attributes, such as body part type, injury type, and more impacted prediction to varying degrees. The predictive models noted the following findings:

- Day 5 models provided significant refinement, with predicted severities ranging from \$1,100 to \$38,000; predicted chance of payment ranging from 76% to 96%; and predicted chance of a non-medical outcome ranging from 1% to 39%.
- Day 45 models provided even greater refinement, with predicted severities ranging from \$850 to \$72,000; predicted chance of payment ranging from 75% to 99%; and predicted chance of a non-medical outcome ranging from 1% to 84%.
- By combining the results of several predictions, groups of claims could be identified for different handling—supervisor review, normal processing, and expedited handling.

"We are confident that we will improve our workers' compensation claims process efficiency and outcomes by using Guidewire Predict."

—Zachary Martin, VP – Actuarial, Risk, and Compliance Services, Frankenmuth Insurance

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Analytics Roadmap

The Guidewire Predict Services team assisted Frankenmuth Insurance by building the initial models based on the company's input. The first models were completed and presented to their team in less than 12 weeks. Since then, Frankenmuth Insurance has taken the lead role to integrate the predictive insights within ClaimCenter for a true Smart Core system.

Upon integrating the predictive insights within ClaimCenter, the company will begin extensive testing and subsequently rollout to production with a pilot group of users. They are confident that claims analytics will improve decisions, user productivity, and customer experience.

Based on the learnings of the initial project, Frankenmuth Insurance plans to be self-sufficient in building and maintaining new models going forward both for claims and profitability use cases.

Guidewire is the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine digital, core, analytics, and AI to deliver our platform as a cloud service. More than 450 insurers, from new ventures to the largest and most complex in the world, run on Guidewire. For more information, contact us at info@guidewire.com.