Alpha

Bridging the Gap Between AI Investment and Claims Performance

September 2026

Executive Summary

Insurance carriers have invested heavily in AI, straight-through processing (STP), and digital First Notice of Loss (FNOL), yet many are seeing only modest improvement in cycle time, accuracy rates, and loss adjustment expense (LAE), and even smaller returns from an indemnity perspective.

The issue is that the technology is being applied to fragmented claims models lacking strong decision frameworks. In many organizations, siloed teams, legacy processes, and a bias toward throughput over outcomes not only weaken execution but also prevent AI from scaling beyond isolated POCs and pilots.

Better Decision-Making is the True Source of Value

Automating a mediocre claims model enables faster execution of the same inconsistent decisions. Many carriers are struggling with AI implementation because of the mismatch between what the claims model was built to do and what AI is being asked to fix. Carriers have seen persistent leakage, lack of severity control, and unpredictable litigation outcomes after implementing AI models because their claims organizations aren't strong enough to support the technology.

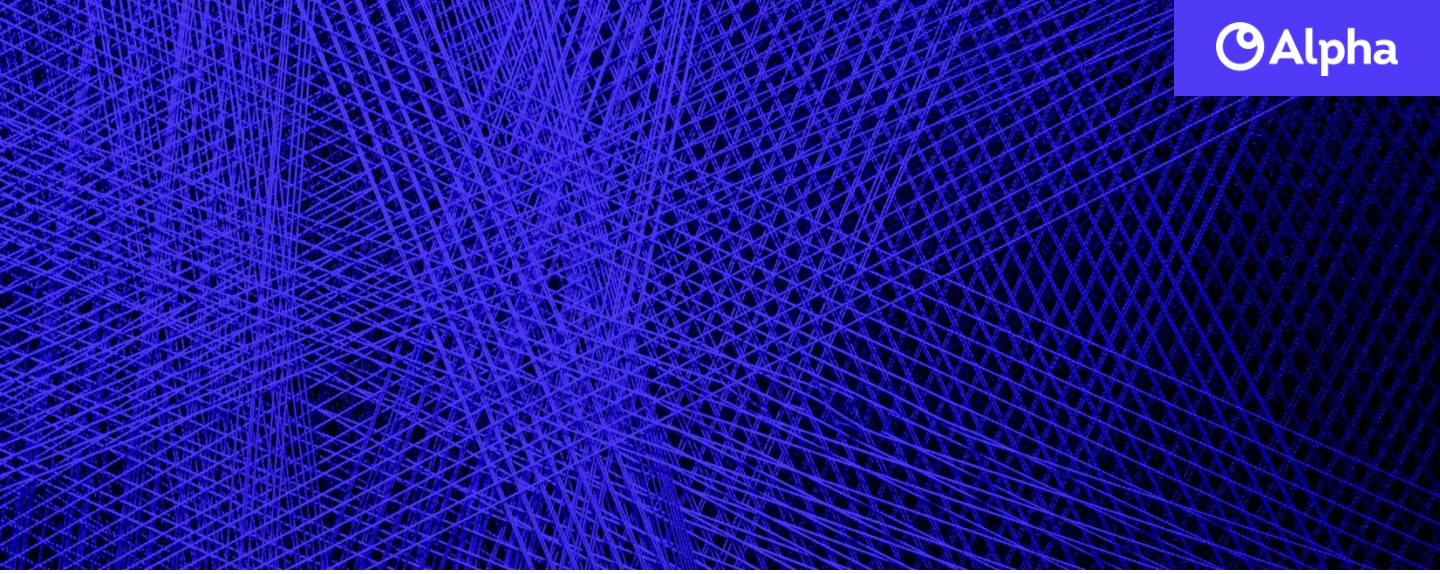
Plenty of organizations have modernized individual pieces of the claims workflow but leave the operating model fragmented. After implementation, adjusters, appraisers, repair networks, counsel, and vendors still hand off work in disconnected steps, resulting in delay, rework, and inconsistent execution. Even strong technology underdelivers when the workflow is awkward, the recommendations aren't trusted, the outcomes are opaque, or the incentives haven't changed. This is why many claims programs end up looking modern on paper but ordinary in the numbers.

The Operating Model Constraint

Technology accelerates workflows, standardizes tasks, and expands visibility, but claims economics don't improve from speed alone. They improve when front-line decisions get more consistent, more accurate, and better tied to financial outcomes.

Across our engagements, we've consistently seen a small number of critical decisions, including coverage investigation, scope determination, settlement strategy and counsel management, drive upwards of 80% of total leakage.

Two experienced adjusters can look at the same claim and reach different conclusions on scope, damages, and settlement posture, and those early decision differences widen as the file progresses. Inconsistency is where most leakage comes from, and it's why the key to a competitive edge is implementing sharper front-line judgement at scale.



Rethinking the AI-Enabled Claims Model

Bridging the gap requires a close examination of those exact decision points. Leading carriers rebuild how decisions are made across their operating model to create value.

First Notice of Loss (FNOL)

Treat FNOL as a decision point, not an intake step, and route claims based on likely complexity, severity, and litigation exposure. We've observed carriers who reduced their intake handle time but increased severity and cycle time, because they were chasing speed instead of accuracy and completeness.

AI helps here by pulling together structured claims data with unstructured inputs, such as call transcripts, photos, and prior claims history, to improve accuracy of existing predictive models and channel each claim to the right examiner or workflow.

QA & Supervision

Turn traditional random-sampling QA and supervisory oversight into a single real-time capability on every claim.

Instead of reviewing files periodically and quantifying leakage after the fact, AI scans every note, document, and call transcript across all claims so teams can step in on active files as soon as a signal appears (e.g. a stalled reserve, a mismatched damage report, etc.).

Workflow & Adjuster Experience

Most carriers escalate risky claims for additional layers of review, creating additional steps for adjusters to manage. Leading carriers do the opposite: they identify low-risk and well-handled claims early, then deliberately reduce unnecessary oversight and activities on those files.

This creates outsized capacity gains and gives seasoned adjusters the ability to apply their experience freely while routine work moves with less friction.

Litigation Management

Use AI models trained on court records and case outcomes to flag propensity to litigate and forecast outcome variability early, often before a demand letter arrives. Then use that data to restructure defense counsel relationships by shifting incentives from billable hours to outcome-based arrangements.

The result is better decisions on whether to settle or defend, tighter control of legal spend, and defense strategies judged by actual outcomes instead of billable hours.

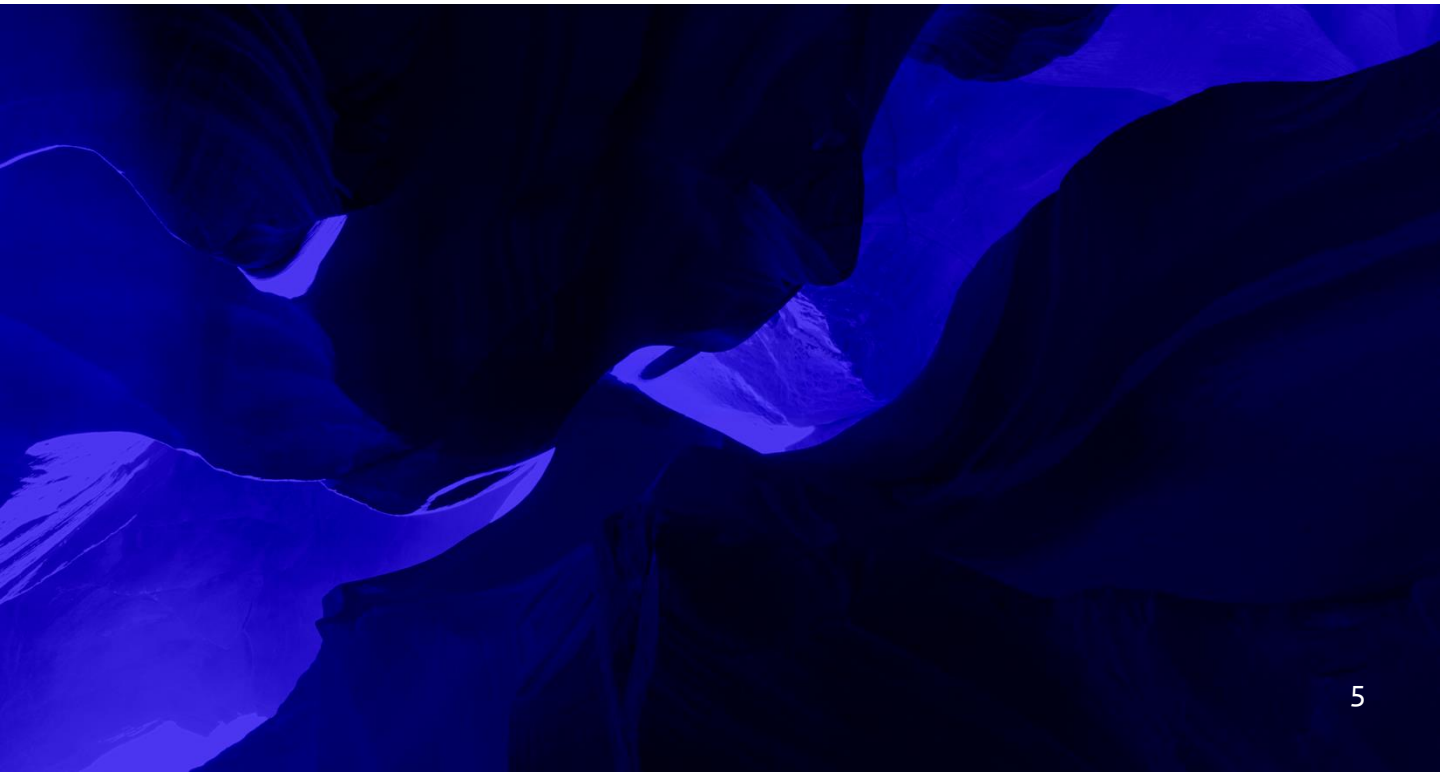
Practical Implications & Operational Imperatives

The gap between AI investment and claims performance is a decision consistency problem, not a technology one.

The next phase of claims transformation should start with a redesigned claims model that will produce stronger financial outcomes. Success shows up in the metrics claims leadership already tracks, such as LAE ratio, severity trend, litigation rate, and cycle time, weighted differently depending on each carrier's risk profile and strategic priorities.

The carriers that get ahead won't be the ones with the most AI deployed. They'll be the ones that used AI to force a genuinely hard conversation about who should be making which call, at what point, and why.

The future of claims management involves developing a strong claims operating model built on clearly-defined decision points as a backbone for AI-enabled workflows.



Contributors

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Kevin brings over 20 years of industry and consulting experience across P&C, Life, and Group Benefits. He leads end-to-end transformations from strategy through design and execution, informed by his background as a claims practitioner tackling complex challenges at scale

Ian Johnson | North America Claims Technology Leader

Ian brings 17 years of claims transformation experience, delivering FNOL and complex workflow platforms for carriers and MGAs. His background modernizing claims operations at leading P&C and Life insurers informs a practical, solutions-focused approach to claims technology and operational challenges.

Where Alpha Can Help

Alpha FMC is a specialist consulting partner helping insurance carriers turn AI and technology investment into measurable claims ROI. We work with carriers to strengthen claims operating models, improve decision quality, and translate transformation programs into better economic outcomes.

If you're interested in learning more about how Alpha can shepherd your firm into the future of insurance, please contact us via LinkedIn or our website.