



# When to Build vs Buy: **Time to Rethink AI Claims Solutions**

Presented by

CLARA  
analytics

# Presenters



**David Bacon**

*General Manager People Risk Claims*  
**QBE Australia**



**Gary Hagmueller**

*CEO*  
**CLARA Analytics**



## Agenda

### The Journey From Data to AI

5 mins

### Build vs Buy

10 mins

### What to Expect When Building an AI System

5 mins

### What to Expect When Buying From a Vendor

5 mins

### Case Study: QBE

15 mins



## Goals

Understand success criteria you can use to evaluate when to build or buy an AI solution

Learn how to avoid common pitfalls & misconceptions of each type of solution

Discover real-world lessons learned by an industry veteran who has explored both types of projects

# The Journey From Data To AI

Collecting data & getting access is the easy part. How that data is converted into insights determines project success.



**Can the data you've gathered significantly increase your team's performance & outcomes?**



**How do you start leveraging that data to get deep & meaningful value that can transform your operations?**

# Two Options: Build versus Buy

**TECHNICAL SPECIALIZATION**

**TOTAL COST OF OWNERSHIP**

**REQUIRED SPEED**

**EFFECTIVENESS**

**CUSTOMIZATION**

**INTERNAL CAPABILITIES**

**PROPRIETARY DATA ASSET**

**COMPETITIVE ADVANTAGE**

**Eight key considerations drive whether to buy AI software or develop an internal solution**

Do you have the proper skills on your team to utilize all the most effective & cutting-edge techniques to solve the specific problem(s)?

Once built, does your budget account for the resources & environment to maintain it?

Are you under competitive threat, is the benefit significant, is the goal needed immediately, or is the project part of a near-term corporate imperative?

Can you determine how effective an internal-built solution will be once deployed?

Has the problem never been solved for the type of AI project you want to implement? Are there no effective solutions available? Is your use case different than your peers?

Do you have a data science team & do they know how to turn a DS project into production code?

Have you built or curated a dataset that is unique or significantly more robust than the data collected by peers?

Are you solving a problem that is unique to your business or delivers material competitive advantage(s)?

# Evaluating An AI Project

The most important considerations for your project will drive which approach is best



# What to Expect When Building

Solution design & depth of technical capabilities are critical to successfully building an AI solution



## Benefits

- Functionality & reporting fit exact needs
- Potential ownership of software & process IP
- Unique data & approach = competitive advantage
- Customization lowers need for process alignment
- Focused feature enhancement process



## Challenges

- Longer development & implementation timelines
- Lower willingness to change once implemented
- High risk of project failure
- Existing process may not be “best practice”
- Skills to build ≠ skills to maintain an AI systems

# What to Expect When Buying

Project & change management are the key skills needed to successfully implement a vendor solution



## Benefits

- Solution incorporates industry-wide experience
- Lower total cost of ownership
- Low risk of product failure
- Lower burden on internal HR & IT teams
- Faster time to deployment & value
- Flexibility to change as needs evolve



## Challenges

- Product functionality determined by vendor
- Features may not fit exact business needs
- Increased need for “Change Management”
- Rely on vendor's support to fix issues
- Implementation project management
- Vendor retains IP rights to the code



# Buy: Access to Industrywide Data

AI systems will ALWAYS benefit when using the most amount of data possible



Unlock value from Industry wide data sources



Models trained on millions of claims and associated data



See up to 90% accuracy on predictive Explanations that drive action and ROI

**Adjuster**

Reviews dozens of files manually

**~50%**

**Internal Machine Learning**

Evaluates thousands of internal claims files

**75%**

**Industry-Wide Data Platform**

Incorporates 10X more data than internal ML models

**90%**

# Build vs Buy: QBE Case Study

## Internal review

- Initially, we considered building a solution ourselves but realized it would take a tremendous amount of staff time & resources
- Often insurers just go to one of the big traditional data analytics consulting shops
- Most vendors, they seemed to end up solving a very narrow slice of a problem that tended not to be scalable or actionable
- It was important to us that the vendor was quite well aligned with our philosophy - that the right claim should be directed to the right adjuster



# Build vs Buy: QBE Case Study

## Our criteria for a vendor

- Technology that could identify the risk in a claim appropriately, quickly & accurately so that a claim could be managed by the best person for that claim
- A well designed & easy to digest UI
- Someone who would be effective at pulling new insights out of our data to compliment our internal resources and skills
- The most important criteria for us was a like minded vendor that we could trust





# Build vs Buy: QBE Case Study

## Benefits

- 5:1 return on investment
- A more focused approach to quality assurance
- Competitive benefit. The efficiency & insights we can achieve now have become a very strong part of our selling; it gives us a real advantage
- Intangible benefits, such as the team benefit
- 3rd party partner – easier to pivot & change



# Four things to remember

1.

If the project utilizes unique data or proprietary processes, & the team is skilled in best of breed techniques, it's likely better to

**BUILD**

2.

If the project is common to the industry, if speed is required or if long-term cost is an important factor, it's likely better to

**BUY**

3.

The more data that is feed into an AI system, the more accurate, timely & actionable the outputs will be

4.

No matter which approach is taken, it's critically important that those building or delivering the solution are aligned with the project's goals & the team's culture

# Thank you