

OCR in Insurance: Revolutionizing Document Management for Efficiency & Compliance

OCR technology helps insurance companies digitize documents, automate data extraction, and strengthen regulatory compliance across claims, underwriting, and policy management.

Optical character recognition, or OCR, is an invaluable technology that has seen major improvements in recent years. One industry that frequently relies on this technology is insurance. OCR in insurance helps digitize paper documents and automate data collection.

Although much of the work has moved online, insurance companies in the US and many other parts of the world work with forms and documents. As regulations get tougher and processes become more complex, it only makes sense to have tools that quickly scan and extract information from these documents.

This paper explores OCR's role in the insurance industry and how businesses can use it to streamline their processes, comply with regulations, and deliver a great customer experience. It also looks at MST, a document management solution, and its OCR software.

What is OCR and How Does it Work in Insurance?

Optical character recognition (OCR) is a technology that scans text from handwritten or printed documents or images, extracts text from them, and turns it into a digital document. For instance, it can take a scan of a handwritten note, recognize the text in it, and produce a PDF document with the exact text. This technology eliminates the need to manually type a document in paper format.

The process begins with an image of the document, either from a fax machine, camera, or scanner. The image is then optimized and improved using filters and other digital manipulation tools. The OCR software then locates text in the image, either in areas or blocks of text. Then the character recognition algorithm comes into action, recognizing each character individually. Most OCR software uses pattern matching for character recognition, matching individual characters and their patterns with an existing database. Some advanced solutions can also recognize the font, size, and style of the printed characters or words. Finally, the software processes the text to find and correct errors.

This technology has various use cases in insurance. From processing claim forms to comparing documents, OCR is used in many document-centric workflows in insurance companies.

MST's document solution includes built-in OCR software that helps automate data extraction from images of printed or handwritten documents. The software can turn these documents into digital, editable, and searchable files, making it easy for insurance workers to do their jobs.

Benefits of OCR for the Insurance Industry

OCR in insurance offers several benefits:

- **Automation and Efficiency:** Manual data collection is still a big hurdle in the insurance industry, and a survey found that 65% of life insurers believe manual processes slow down their work. Automation solutions like OCR speed up the overall process significantly, even though some human involvement remains.
- **Improved Accuracy and Reduced Errors:** OCR minimizes errors in document processing, ensuring higher accuracy, reducing delays, and improving customer satisfaction. Manual data entry is prone to human errors that can be costly for an insurer, and accuracy is also essential from a compliance standpoint.
- **Cost Reduction:** Automating document workflows allows insurance companies to cut operational costs and frees employees to focus on higher-value tasks such as customer support and policy development.
- **Regulatory Compliance:** OCR helps insurance companies meet U.S. regulatory requirements like HIPAA, NAIC standards, and state-specific insurance regulations by ensuring data accuracy, security, and auditability.
- **Data Accessibility and Integration:** OCR makes unstructured data in paper documents searchable and easier to integrate with insurance systems, such as policy and customer relationship management systems.

Key Applications of OCR in Insurance

While OCR's use cases may vary by insurer type, almost the entire industry can use this technology. Many insurance businesses still rely on paper-based or hand-filled forms, all of which must be processed digitally, which is where OCR comes in handy. Specific use cases within the U.S. insurance sector include:

- **Claims Processing:** OCR automates data extraction from claim forms, accident reports, and medical records, speeding up claims validation and processing and making the adjuster's job easier.
- **Policy Management:** OCR helps insurers digitize and manage policy documents, keeping records accurate, searchable, and easily accessible for audits or renewals.
- **Underwriting and Risk Assessment:** OCR simplifies underwriting by digitizing and analyzing customer data, reducing the time needed to assess risks and issue policies.
- **Fraud Detection:** OCR allows insurance companies to analyze historical claims data, spot anomalies that could indicate fraud, and verify the authenticity of supporting documents.
- **Customer Onboarding:** OCR simplifies document processing during onboarding by automatically extracting information from identification documents and application forms.

The Role of OCR in Regulatory Compliance for Insurance Companies

Insurance companies are heavily regulated, and depending on where they do business, they may need to comply with finance, data protection, and privacy-related regulations at both the federal and state level. Standard regulations insurers must comply with, and how OCR helps, include:

- **HIPAA Compliance:** HIPAA sets standards for the privacy and security of personal health information. OCR helps insurers handling health claims comply by securely digitizing and storing sensitive medical and customer data.
- **NAIC Model Regulations:** NAIC model laws provide a framework that helps ensure consistency across states. OCR streamlines compliance by digitizing claims records and customer policies, making auditing and tracing easier.
- **Fraud Prevention Standards:** OCR enhances an insurer's ability to detect and prevent fraudulent claims by digitizing and analyzing large volumes of claims data alongside fraud detection and verification software.
- **State-Specific Insurance Regulations:** U.S. insurers face regulations such as the California Consumer Privacy Act. While OCR doesn't directly ensure compliance, it helps by securing personally identifiable information and enabling secure digital storage.

Emerging Trends in OCR Technology for Insurance

OCR has come a long way since its inception, and thanks to advancements in camera technology, image processing, and machine learning, it is poised to transform even more. Trends worth watching include:

- **AI-Powered OCR:** AI integration allows for smarter, context-aware OCR systems that improve data extraction, even from complex or lower-quality documents.
- **Cloud-Based OCR:** Cloud-based OCR solutions offer scalable, secure document processing that complies with federal and state data privacy regulations, from any browser or device.
- **Mobile OCR for Insurance Agents:** Mobile OCR capabilities allow agents and adjusters to capture and process documents remotely from a phone, though a dedicated mobile OCR solution is best for proper use.

How MST's OCR Solutions Help Insurance Companies

One of the best US insurance OCR solutions is MST's eViewer, an all-inclusive document viewing and sharing solution with native OCR software. Designed to make it easy to digitize paper documents and images, it works with scanners to capture digital images and turn them into editable and searchable digital files, while retaining the same formatting for most documents.

The tool can easily fit into insurance workflows like claims processing or underwriting, taking information from documents and feeding it to internal systems, all made possible with the help of APIs that let insurers integrate eViewer with existing systems so information flows automatically with minimal human intervention.

MST's OCR solution is also fast: MST moves the processing workload to the local device, freeing up server computing capacity. It's designed with a compliance-first approach, making it easier for insurance companies to comply with regulations, and digitized documents with proper usage trails are easy to audit, increasing accountability.

Conclusion

The US insurance industry is worth trillions and has many big and small players. Beating the competition comes down to operational efficiency and good customer service, and that is precisely what technologies like OCR ensure. With OCR automation, insurers can extract information from paper-based documents and streamline key workflows like claims processing, policy formulation, and verification, while also aiding regulatory compliance by digitizing documents.

MST's OCR solution is an advanced tool for document-centric industries, including insurance. It is easy to use, requires minimal training, works with multiple platforms, and can easily be integrated into a company's tech stack.

Interested in learning more? Contact MST today and see what its OCR technologies can do for your insurance business.

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