



**Insurance
Claims
In The
Digital
Era**

Introduction

The insurance industry is transforming and evolving with every passing second as we speak. With new InsurTech parties coming into the picture, traditional insurance companies have been more or less pushed to integrate digital technologies into their core operations to contend with ever-rising customer expectations. Such developments have resulted in the industry being in the middle of a digitally charged and rather radical upheaval. With Artificial Intelligence (AI) and the IoT (Internet of Things) ushering in a new age of products that are exclusively data- and analytics-driven, customers across the world now find themselves growing increasingly accustomed to the convenience and sophistication of digital channels.

However, with digital commodities taking a universal turn, it is not just the consumers benefiting from it. Technically advanced parties, especially InsurTechs and other nontraditional players, have been greatly enabled by this development as well. They are making intelligent use of digital applications such as chatbots to realise ad hoc communications and the like to transform the entire process of filing and buying a claim into a smooth, fast, and rewarding experience. This has, in essence, shifted the onus on traditional insurers to move beyond their analog-powered incremental improvements to keep the steady onslaught of these new players at bay.

The existence of claims is nothing less than a paradox within the realm of the insurance industry. Neither insurers nor the consumers ever wish for it to occur in the first place. But when claims arise, they become a matter of grave importance for both the parties in question. On the consumers' part, they look forward to transparent communication channels, continual status updates, speedy resolutions, and above all, a personal touch governing the entire procedure. As for insurers, the priority becomes identifying ways to improve their inherent efficiency and accuracy, all the while striving to eliminate the risk of litigation or fraud by claimants. Should the claims process happen to suffer a breakdown of any kind, insurance companies are forced to bear the penalties of an unpleasant claims experience, falling customer satisfaction, and rising insurer costs. Seen in this light, every claim, more or less, becomes a moment of truth. As many as 87% of policyholders are unanimously of the opinion that their claims experience directly influences their decision to remain with their insurers. Of the many interactions that define the low-touch relationship between insurance companies and their consumers, claims-handling is perhaps the most meaningful and significant. This is why modern-day insurers stand to gain nothing by focusing just on cost savings. Instead, they should seek to deliver a richer customer experience that is fuelled by both data and analytics. The only way they can achieve this is by integrating AI, IoT, CCM services and other similar advanced technologies into their core operations.

Insurers who successfully implement this infusion essentially transform claims from a traditional and stagnant back-office model and function into a thriving source of market differentiation, competitive advantage, and increased customer loyalty. In the current scheme of things, the insurance ecosystem is defined by rigid regulations, complex business communication models, and volatile customer attitudes. Thus, it has become quite imperative for insurance companies to accept digital capabilities to not only proactively tackle and overcome these challenges but also to ensure profitability, growth, and even survival in the longer run.

Importance of a Seamless Customer Experience

With so many things in the analog model needing an urgent revamp, where does one begin exactly? For starters, the digital redesign of claims should ideally marry a value-driven approach with an improved focus on customer satisfaction in order to improve the overall efficiency of the system in place. It is important for insurers to take on a customer-oriented mindset and carry out a comprehensive and end-to-end reevaluation of their consumer interactions. This will help them put the finger on those customer journeys that are most relevant to their cause. Further, to amplify the impact, claims functions must focus on formulating a digital value proposition as well as an aspirational future state for digital claims.



At the outset, it is important for insurance companies to position themselves such that their future is shielded against the rising forces of competitive, nontraditional factions in the market. These players are presenting consumers with the possibility of initiating digital claims processing from their mobile phones and completing them within mere seconds. To rise above this threat, insurers must concern themselves with delivering a customer experience that is as seamless as it is differentiated. They can do so by observing the following steps:

Scrutinising their existing sets and repositories of data to meticulously handpick the ones that can be utilised to upgrade the claims process.

Carrying out a thorough market assessment to identify all potent advanced technologies and external data that can be used to fix existing loopholes and cut costs.



Taking a leaf from relevant industry case studies and from the actions of experienced leaders to emulate practices that have proven to be disruptive and successfully stood the test of time.

Channelising time and resources effectively towards building the necessary data and analytics capabilities.

History bears testimony to the incompetence that claims organisations have exhibited when it comes to harnessing the wide variety of data at their disposal. Their lack of sophistication and structure in dealing with these archives is singularly responsible for giving rise to the rusty and slow-moving mechanism plaguing today's insurers. Gone are the days, however, when one could afford to be complacent about the threats of customer retention.

The present dynamic is distinctly marked by a sea of compelling opportunities. In such a narrative, it has become vital for insurance companies to capitalise on every single one of them. Customer expectations for the parameters of accuracy, efficiency, and personalisation of service offerings are at an all-time high, thanks to the precedent that has been set by the leading firms in the industries of consumer electronics, e-commerce, and transportation. Though intuitive and seamless self-service transactions have become the norm in a number and variety of industries, they continue to be an exception in insurance.

In the insurance industry, no other function or entity is as visible or customer-facing as claims. Thus, it is only natural that it gets measured and pitted against other sectors and companies that are similarly customer-centric. In order to evaluate their progress in comparison to their higher-ranked peers, insurers can ask themselves whether they provide their consumers with the following offerings:

1. Hyper-personalised service offerings and other capabilities, including delivery services, usage-based prices, car pickup facilities, 1:1 pricing, tailored recommendations, and choice of repair services.
2. Electronic or digital submission of documents, real-time status updates, and accelerated claims payouts.
3. Courteous and well-informed point of contact aimed at delivering a smooth customer experience.

Besides these offerings, other industries have also resorted to social media to further bolster their customer experience packages. This has presented customers with another avenue, alongside consumer forums, to voice out and effectively highlight their woes of bad claims. The vast and mass penetration of social media has, above anything else, given them the assurance that should they use it to convey their claims-related displeasure and dissatisfaction, they will get addressed no matter what. Additionally, these channels serve the purpose of giving consumers access to a greater volume of information about their insurers, bringing an unparalleled degree of transparency to the process.

The primary difference between the experience delivered by insurance companies and that offered by the digital wings of their better-placed competitors lies in their usage of data and analytics. The latter uses these components to give shape to a customer journey that is as responsive as it is fulfilling. Consequently, every step of their journeys, starting from promotional offers and targeted recommendations to complaint handling and product returns, are informed by data and analytics. These industries carry out extensive mining of their external data repositories and customer information to develop an in-depth understanding of the needs of their target demographic. Subsequently, they utilise these insights to chart out customers' values and develop appropriate strategies of engagement and customer service. This mechanism allows these industries to flesh out customer-centric processes besides defining a credible blueprint for the claims process to adopt.

Delivering What Matters Most to Claimants

At the core of a quality claims experience lies the tenets of efficiency, speed, and transparency. Having better data at their disposal, however, enables insurers to deliver two things that matter the most to claimants: streamlined claims processes and customer engagement channels. Not only do these elements

set up the foundation for an enhanced customer experience, but they also ensure a no-touch claims resolution for several claims.

Streamlining Claims Processes

Insurers desiring to deliver a completely automated or streamlined 'straight-through' or 'no-touch' processing for fundamental claims can consider the following options:

1. Property and casualty (P&C) have the liberty of taking into account the historical repair data to effect a drastic decrease in the estimation times for various kinds of homes and vehicles. A thorough and in-depth analysis of these data sets enables them to manage their repair costs in an improved manner and, as an extension, enhance their overall quality.
2. In the event of an automobile accident, the best course of action would be to capture the advanced telematics data instantaneously and download it from the cloud to automatically trigger an FNOL (first notification of loss) entry. Subsequently, to estimate the extent of the damage with respect to the automobile's current value, underwriters can score the data.
3. Carrying out an analysis of social media streams to spot fraudulent claims.
4. Using satellites and drones to survey the damage and gather information about the property damage to initiate claims before the homeowner makes contact.
5. The insured individual can use intuitive applications and other similar interfaces to submit photos of the damage to their automobiles and homes to initiate the claims process.

Customer Engagement

To ensure personalised communication and timely services to consumers, insurers can adopt the following practices:

1. Making use of chatbots to send notifications to policyholders about payment amounts and claims status.
2. Utilising voice analytics to evaluate the sentiment of a customer during a phone call. Subsequently, it is filed under the appropriate classification, and resolution to an issue, if any, is prioritised.
3. To accurately identify high-value policyholders or model the most probable customer needs, behavioral analytics are brought into the picture. This also helps identify all those individuals most likely to dispute a claim.
4. Besides voice analytics and behavioral analytics, carrying out an extensive analysis of customer records sheds light on those claimants facing a renewal. It brings to the fore ideal candidates for selling additional products.

Generally, a claims experience is deemed a quality one if it can pay immediate dividends to the insured. In all cases, however, insurers have the option of engaging proactively with their consumers during all the critical points of a claims life cycle. Besides establishing a transparent and timely communication platform, this also gives them the scope of delivering consistent and accurate information to their customers.

Common Use Cases for Data and Analytics in Claims

The following instances represent some of the most compelling use cases for data and analytics in the field of insurance claims:

I. Satellite and drone imagery: In the event of a storm or other natural disaster, data obtained from satellites is analysed to carry out accurate assessments of the damage inflicted.

II. Voice and biometrics: Recordings of contact center conversations are analysed to identify those consumers that run the risk of experiencing a negative claims experience. Subsequently, this information is used to match the claimant with the appropriate claim handler.

III. Automation and no-touch processing: Low-risk claims that fall under a particular threshold can be processed by employing RPA. The philosophy of no-touch processing can be expanded to not only cater to a wider pool of losses but also to review policyholder history and claims types to assess claims risk.

IV. Vendor analytics: The best-performing vendors in the business can be reliably determined by combining geospatial modelling techniques with internal data.

Elements of a Successful Digital Claims Transformation

Insurers wishing to carry out a successful digital claims transformation journey must focus first on formulating a new value proposition with high aspirations that is committed to realising end-to-end digitisation of the claims customer journey. An original and inventive customer journey that is true to its name can be developed by taking into account three areas in particular: digital integration of claims ecosystem, AI and digital technologies, and a new digital operating model. With these elements at their disposal, insurers stand to successfully undertake the digital transformation of their claims process, besides enhancing the inherent performance of all of their core KPIs (key performance indicators).

The New Digital Value Proposition for Claims

The digital age has demanded insurers formulate a claims value proposition that betters its traditional counterpart in every possible aspect. The need for defining a value proposition lies in the fact that it lets insurers visualise their goal of delivering prompt omnichannel customer experiences that are ably aided by a bevy of intuitive digital processes. The fundamental objective of all insurers out there should be to tackle

claims with an approach that is equal parts fast and analytics-driven and which presents them with the scope of completely automating the claims-handling process, even for simple and clear cases.

In many cases, insurers have taken to using a simple chatbot-based FNOL system to accomplish these objectives. The end goal of an insurer, however, should not be confined to just operating actively alongside their consumers to prevent claims. They should also focus on offering services that add value to customers. Moreover, they should prioritise customer feedback at every step of the journey to effect improvements relating to performance, usability, and service offerings.

End-To-End Digitisation Of The Claims Customer Journey

The digital transformation of the claim function can be set into motion only after the redesign of the claims customer journey has been successfully plotted out. At the outset, one must keep in mind the fact that there is no gospel to ensure customer satisfaction. However, planning a successful redesign is the closest that one can get to it. Typically, redesigns take into account processes from the perspective of customers to effect optimisation of back-office processes that are aligned carefully with these insights. This, consequently, enables the insurer to deliver claims services that are as simple as they are fast. To implement truly transformative ideas, however, it is vital insurance companies field a broad and competitive mindset at all times.

Multiple satisfaction surveys in claims conducted over the years all indicate that customers worldwide expect two things in particular from their claims process: for it to be intuitive and fast and to maintain transparency with respect to their status updates. Subsequently, this requires the digital redesign to look beyond superficial improvements and delve deeper into the inherent nuances of the claims journey. However, before managers go about improving the claims customer journey, they first need to thoroughly investigate every step to ensure the overall plan is free from potential short-term and technological hindrances. They can do so by keeping the following points in mind:



Product Simplification

Every consumer out there desires to be a part of a process that employs fast and simple digital interactions. However, what stands in the way of this wish are complicated and tedious coverage details that also contain several specific exceptions. The presence of multiple legacy products, with each possessing a different coverage detail of their own, in the market makes it incredibly difficult for parties to establish and

maintain the requisite technology systems. As a result, the overall efficiency of the mechanism suffers. Hence, to simplify the implementation of fully digital customer journeys, it is important for carriers to both reduce product generations and brainstorm ways to simplify the products in the first place.



Customer and Intermediary Self-service

At all points of time, the chance to shift routine and basic interactions from claims handlers to intermediaries like brokers and agents lies with the insurers. In a few cases, these interactions can be shifted directly to the customers themselves. An online self-scheduling tool that takes care of claims adjuster appointments or an intuitive online tool that issues an FNOL can be considered relevant examples of this particular approach. As is the case with self-service tools, insurers must feed in all the required information in an extremely precise manner.

Additionally, for the benefit of customers, insurers must also have support mechanisms such as a FAQs section or an online communication dashboard with a claim handler in place. However, what is most critical in this pipeline is ensuring coherent transfers across channels for customers. Essentially, customers wishing to talk to an agent or a claims handler midway through their claims process journey shouldn't have to repeat all of

their previous steps or re-enter any information they have provided in the past. For this to be achieved, an identical logic and structure have to dictate all the system interfaces at play.



Intelligent Case Management

Most handlers tend to take the manual route while evaluating their claims cases. Based on this evaluation, they finalise the necessary steps that define the future course of action. These steps may include giving information about repair programs or scheduling an adjuster appointment. To establish a fluent end-to-end digital customer journey, the insurers need to have an intelligent case management mechanism in place. These mechanisms typically use AI in their digital evaluation process to automatically determine the next best course of action for a given customer journey. In the process, they not only significantly quicken the overall claims process but also drastically bring down manual touchpoints. These journeys can be further enriched by incorporating insights derived from behavioral economics.



Frontline and Back-office Process Digitisation

Since adjusters and claim handlers often resort to taking the manual route while dealing with complex tasks, the results end up being extremely divergent. This is where digital systems and tools help. Not only do they efficiently break down the problem statement into simpler modules, but they also bring about a standardisation of the manual process in question. The use of tablet-based calculation tools in the case of home damages, for instance, has made the entire process of estimating the value of losses much faster for the claims adjuster. Subsequently, it has allowed them to arrive consistently at results that are significantly more accurate. Calculation methods and standardised reports essentially present the consumers with a detailed overview of their claim calculation process. Consequently, this breeds a greater degree of satisfaction in the customer's mind and makes the process visibly leaner by eliminating unwarranted litigation, follow-ups, and recalculations.



Back-office Automation

The best way for insurers to achieve the greatest efficiency gains is by completely automating their back-office processes. This, essentially, opens the door for faster claims processing, granting several benefits to the customer in the process. For example, automation of back-office processes enables the verification (also automated) of reimbursements, invoices and other car repair estimates immediately after verifying the repair invoice. Moreover, the usage of digital tools helps claims handlers arrive at better decisions, ensuring the entire system yields better results overall.





Communication

Along with establishing digital channels, insurers must ensure they are communicating all the necessary information to their consumers via effective communication strategies. This not only helps them foster the value of transparency; it also enables them to give their consumers the sense of control they typically desire. Implementing digital self-service tools such as highly responsive CCM software in the claims journey boosts both the quality of communication and general customer awareness. Thus, it is important that claims leaders prioritise the various digital assets they have at their disposal based on the value they are capable of generating.



Enabling Truly Innovative Customer Journeys

For a customer journey to be truly innovative, one needs to have both AI and the updated versions of all the relevant technology platforms in place. Additionally, they also need to ensure the digital integration of partners in the claims industry ecosystem. Claims managers will only be able to make the proper investments once they have developed a clear understanding of these elements and also of the digital operating model required to breathe life into them.

AI and Digital Technologies

A digital customer experience is nuanced in nature. An insurer can't hope to successfully deliver it by simply carrying out automation of those decisions typically made by claims handlers. They also need to back it up

with a robust IT architecture that presents them with the scope to indulge in real-time dynamic communications with their consumers. The framework for real-time interactions is defined by the following three modules

Prediction of claims characteristics : With AI at their disposal, one can infer hitherto unknown characteristics of a claim, including total litigation and loss, the chance of fraud, etc. Subsequently, this contributes towards fast-tracking a claim's downstream handling.

Claims segmentation : AI algorithms assist in segmenting claims based on their complexity by employing both factual and predicted claims characteristics. Based on this segmentation, they are assigned a downstream handling process accordingly: either a completely digital self-service journey or a claims handler for complex cases involving high litigation risk.

Supported claims-handling : Besides helping in predicting claims characteristics and claims segmentation, AI lends support in identifying the most suitable claims-handling process for a particular claim.

The integration of insights and real-time customer interactions from the AI modules into the customer journeys spells the requirements of a vast and diverse IT architecture. In the past, online communication and interactions with consumers were mostly unidirectional in nature. However, in the current scheme of things, digital customer journeys are highly interactive and are composed of real-time and bidirectional correspondence. Hence, to suitably complement this array of new and responsive elements, a new IT architecture concept, billed as 'two-speed architecture', has come into existence. In this architecture, a middle layer links customer-facing interfaces with the traditional, slow claims database and is responsible for running AI modules as well. With the help of this functionality, user-submitted information is connected with AI-derived insights on a real-time basis. This further helps in the population of online forums and provides direct feedback to consumers.

Digital Integration of the Claims Ecosystem

To ensure competitive differentiation as well as to exercise ownership over a customer in a claims case, insurance carriers must be proactive in their management of all the processes that are linked to a customer's claim, including those that involve the presence of third parties. By offering customers a claims experience that has upheld digital integration at each and every juncture of the journey, claims functions stand to assert themselves as the true and only owners of customer contact in a claims case.

Additionally, digital integration also enables insurers to considerably improve the efficiency in communication that binds parties in the overall claims ecosystem. Subsequently, this enables them to fast-track the claims processing for the consumer. Further, by becoming ecosystem integrators, carriers get the opportunity to harness the best of the ecosystem for their consumers.

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Though the scope of such an integration is extremely lucrative, implementing it is equally complex as well. Carriers are thus advised to prioritise pursuing digital interfaces with those players who are involved in a high number of claims cases. Other than this, should insurers wish to further digitise and integrate the claims ecosystem, they should ideally look into exploring partnerships with existing offerings out there.

Conclusion

A digital transformation can be deemed successful if it is able to radically reinvent the claims customer journey as well as the claims ecosystem with the aid of IoT, AI, ML, and other such digital technologies. In order to implement such a transformation, the claims department must pursue deep and cross-functional collaborations with other disciplines such as IT and marketing. In the current scheme of things, only those insurers that take swift and decisive steps to transform the claims ecosystem can hope to stand up and deliver to the new and much higher expectations of today's customers. In the process, they must make sure that their overall efficiency and claims-handling accuracy continue to improve at all times.

