"You claim there is a Talent Gap"

Why and how insurers should act today to drive future success in a changing claims landscape

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In early 2014, EY conducted in-depth interviews of senior claims executives at 10 property and casualty (P&C) carriers to determine the current status of skilled resources within their claims organization and their expectations for the near future. The survey was designed to capture objective insights from experienced market executives about any potential talent gap in claims — a topic that has been discussed in recent years but has yet to be formally addressed through strategic transformation initiatives or market research.

Survey findings identified four primary drivers of the changing insurance landscape — new technology, results of automation, sophisticated customers and a changing workforce — that are also impacting the ability of carriers to retain, acquire and create attractive career paths for future talent in the insurance industry.
Executive summary

While the insurance industry is facing challenges, including increased global competition, complex technical environments and increased regulation, the talent gap remains the most critical issue facing the industry. As the current workforce shifts toward retirement, many companies risk losing vital institutional knowledge and long established relationships. In some cases, a single employee or a very small team has a unique understanding of essential claims processes as well as the limitations of legacy systems. Over the years, these individuals and teams applied necessary workarounds for the many outdated claims applications and tools still in place. As technology and process improvement overlaps the talent agenda, the industry is facing an inevitable potential knowledge gap.

The nature of this issue stretches beyond outdated applications and tools. Even after updating systems and automating processes, carriers still require redesigned, modern work flows that allow human resources to maximize their value through efficient claims processing and reduced claims leakage. Typically, this work-flow evolution consists of establishing new organizational models that ensure roles are exciting and enriching.

Underneath these forces are evolving consumer expectations for faster and easier claim reporting and notification. In this extremely competitive market with an empowered customer base, carriers are adding and/or enhancing existing technology for faster, process-driven claims handling to meet the challenge of a diminishing base of experienced talent.

In addition, the ability to attract new talent from colleges and universities has been a struggle. Without an influx of new talent to replace the mature workforce a significant talent gaps is looming for a majority of carriers.

The bottom line is that the insurance industry is evolving and will continue to undergo significant change in the next several years. This hypothesis is borne out by recent research from EY (see sidebar on the next page). In our survey, 100% of respondents anticipate the claims function in their organization to change significantly within the next five to ten years. Even though most insurers believe their claims department has adequate resources today, they see the evolution of resource requirements as inevitable for tomorrow. As the claims landscape continues to evolve, competition is likely to intensify as carriers seek to find the right skills and sufficient resources to operate and manage their future claims operations.

This paper will highlight the drivers and potential impact of the talent gap, as investigated through in-depth interviews of senior claims executives at 10 carriers. Specifically, it will highlight a number of critical areas of focus where claims organizations must direct their efforts. This paper will also provide key recommendations that forward-thinking market leaders can adopt to build a foundation for future success. These recommendations are designed to help insurers strengthen their claims organization in both the near and long term and to seize relevant opportunities to master claims processes and technology enhancements that are moving in the right trajectory.
The four primary drivers

1. New technology
It comes as no surprise that technology is and has been changing claims management for some time. Automation and straight-through processing have enabled increased specialization and more efficient division of labor while allowing customers to communicate and interact at a more granular level. Thus, technology is shifting the role of claims professionals away from administrative or work-flow-related tasks and increasingly toward higher-level claims adjusting and management of customer expectations.

2. Results of automation
Many in the industry originally thought process automation would decrease the role of claims professionals. However, as new technology has been utilized by both the claims industry and the general public, the demands of customer have shifted. Rather than removing the human element from the claim process, technology has allowed skilled resources to now concentrate on higher-value tasks (like fraud analysis). Furthermore, the specialization of specific tasks on each claim allows for more granular decision making, leading to more accurate utilization of investigative resources to meet the original objective of better claim handling.

Technology has enabled this specialization by allowing each claim to be broken into separate components. For instance, junior staff members can handle the ordering of motor vehicle reports after accidents while more experienced or specialized staff can determine which claims merit further investigation and which should be processed immediately.

Decision making is now based on more granular and predictive data, placing a premium on analytical skills. In claims transformation programs, insurers often look to reduce their loss ratios through more effective analytics, a benefit that simply can’t be realized without the right talent and resources in place. Most claims organizations have failed to seize these opportunities by up-skilling or training current staff. The inability of some carriers to attract recent college graduates into claims career paths has compounded the skills shortage in this critical area. This presents an opportunity for the industry to create a talk track that is more appealing to college graduates and/or candidates that they would otherwise not pursue.

As evolving technology platforms integrate and transform business processes, claims leaders and analysts must also change their views to reflect this new reality. A broader, cross-functional view towards multi-line, multi-state offerings and further diversified service offerings and product portfolios is necessary to maintain position in a competitive market.

3. A more sophisticated customer
Customers themselves have also proven to be a driving factor in the adoption of new technology. Increased expectations and shifting behavioral patterns have transformed the customer experience into an interactive relationship. Consumers research carriers and products, pay their premiums and receive information in vastly different ways today. Largely due to mobile phones, social media and other digital channels, customers have access to more information than ever. They are also more comfortable handling many tasks through self-service channels. In that sense, today’s policyholders often behave like employees.

With policyholder engagement on the rise, expectations for communications and transparent information sharing are higher, especially regarding claims status. Customers expect insurers to use the latest technology available to enable speedy claims reporting and notification. Providing the same information across channels to meet consumer expectations for consistent multichannel experiences has been a key reason why insurers have invested in new integrated systems that can share data and support multiple functions of the enterprise. All of these factors will change the day-to-day jobs of claims teams in the future, placing a premium on the ability to understand consumer preferences and communicate effectively and persuasively. This presents an opportunity for carriers to establish training curriculums that include a customer centricity component to ensure claims professionals have the appropriate skills and behaviors to meet the evolving expectations of their customers.
Analytics in claims: the next frontier

Just as modeling and analytics have transformed underwriting and pricing, data-driven decision making is creating a new era of claims management, especially with regard to claims leakage and expenses. This shift is one driver of the talent gap, as carriers need resources who can apply analytical thinking and advanced tools to address questions like:

- Are we spending more than we should to settle claims?
- Are there specific claims that could be handled more efficiently?
- If we could identify inefficient claims earlier, what actions could we take?
- Are we assigning claims to the appropriate adjusters based upon skill and experience?

4. A changing workforce

While the claims landscape has been reshaped in recent years, insurance company workforces have matured steadily. This employment pattern has developed from both sides of the age gap – the claims workforce has seen unusually low retirement rates in the last decade while bringing in fewer recent college graduates. However, the value of many retirement portfolios is rebounding after underperforming for several years, allowing more senior workers to consider retirement. These employees have valuable institutional knowledge, particularly in the personal and commercial lines, property, and workers’ compensation.

This valuable institutional knowledge has not yet passed to younger workers, including those from Generation Y and Millennials, who are just now entering the workforce in large numbers. To a large extent, this is due to a lack of sufficient training and succession planning. At the same time, claims organizations are struggling to recruit, thanks to the comparably less attractive image of the claims function, especially when compared to finance, marketing or other functions. These future workers are attracted by the opportunity to use advanced technology and shape meaningful outcomes through client-facing interactions. The vastly different work styles and career expectations of the next generation must also be accounted for as they eventually populate the ranks in claims.

Collectively, these factors have led to a looming talent gap. In the future, competition is likely to intensify as carriers seek to find the right skills and sufficient resources to operate and manage their future claims operations. Forward-looking claims leaders are already thinking about these issues and forming strategic plans aligned to core claims objectives and to ongoing industry evolution.

Forward-looking claims leaders should not be looking to replace the skill sets and knowledge of retiring workers; instead, this should be seen as an opportunity to rethink the prerequisite skills and personality types best suited for claims workers, especially in relation to the shifting responsibilities and opportunities of a modern workplace. A clear first step involves establishing new and improved workforce estimating models that take into account the rising sophistication of customers and enhancements to existing claims technology solutions: rather than dividing overall claims volumes by a specific number of employees, employers should look to a more sophisticated analysis to identify different chokepoints and claims capacity. Once accurate targets are set, a new approach to learning, career development and retention will be necessary to build high-performing claims teams for the future.
The respondents of EY’s Claims Talent Survey paint two very different scenarios. Currently, most insurers believe the claims function has the appropriate skills and number of resources to meet customer demands, primarily due to successful hiring and retention practices of skilled professionals and better performance management. Of these same respondents, a small percentage noted that there is a significant need for technical training in property and general business liability lines, while others believe new technology and process automation have resulted in overstaffing. Overall, the hypothesis is that industry knowledge and customer centric skills are becoming more critical to the success of the claims organization.

The causes of the talent shortage include a non-diverse claims workforce, a low proportion of energized college graduates, limited availability of experienced talent in the industry, difficult recruiting conditions in some markets, risk of burnout and high turnover rate in certain areas, increased workforce retirements, and a lack of appropriate training to up-skill current employees. In fact, the availability of learning and development opportunities as well as broad and diverse work experiences were consistently identified as the factors most positively impacting talent retention within claims.

Given the tectonic shifts taking place in claims and more broadly across the industry, organizations seeking a competitive advantage from higher levels of claim performance must rethink the backgrounds and profiles of future leaders, as well as the core skill sets and professional profiles of the claims organization. Rising consumer expectations have placed a premium on communication skills, while increased data volumes and more powerful technologies mean analytical skills are similarly critical to improved claims performance.

Key themes and most important findings from the survey results:

- **Causes of the claims talent shortage:** maturing workforce, inability to attract recent graduates and skills mismatches were consistently cited as the top three drivers, while noncompetitive compensation and the absence of a clearly defined career path were seen as having the least impact. However, one respondent pointed to success in recruiting college graduates by offering the opportunity to work with advanced technology, though concerns about recruiting enough graduates remain.

- **How to transform the claims workforce:** technology enhancements, knowledge management, learning, development and re-skilling were consistently identified as top priorities, while talent acquisition and retention and data-driven decision making were also in consideration from a transformation standpoint.

- **The “specialization gap”:** inside and field adjusters will have increasingly different responsibilities and skills, with carriers moving to smaller teams of more specialized claim-handling groups in the future. As one respondent put it, “Our goal is to have specialist groups for handling certain types of claims.”

- **Data driven decision support:** the availability of more granular and predictive data will change how decisions are made within claims - a significant departure for the cultures of many carriers who have previously leveraged the experience and knowledge of their claims professionals.

- **The rise of rules-driven claims handling:** adjusters need to perform the right set of activities for efficient claim handling and will be increasingly guided by rules in the future.

- **Automation underlies everything:** as claims platforms evolve, straight-through claims processing will become the rule, lowering the cost of servicing claims for carriers but also boosting their ability to exceed consumer expectations.

The responses show that there are talent impacts across claims. One respondent said the organizational focus was on “upgrading the talent for entry-level adjusters,” while another emphasized “higher functions such as greater data analytics capability will be expected of claims professionals in the future.”

Collectively, the message is clear: talent is a critical variable in the future success of claims teams. Or, as one respondent put it: “To become the best in class, we will need new talent.”
The way forward: the strategic action plan for avoiding a talent crisis

Claims leaders who begin devising their future talent strategies today — alongside their process and technology plans — will be better positioned for avoiding a talent crisis. More importantly, they will set the foundation for future success in a claims environment that will look vastly different in the years to come.

The critical actions carriers must be prepared to take:

• Determine the specific skills and resources that will be needed in the future
• Identify and attract the talent we need to meet the shifting needs and requirements of the future claims function
• Formally capture and make available the knowledge of our current workforce?
• Ensure training and learning capabilities are established to up-skill and re-skill our current teams, especially in terms of embracing data-driven decision making
• Define an attractive value proposition for claims professionals
• Ensure programs and incentives are in place to ensure current claims teams are engaged and satisfied with their positions
• Define roles and clear career paths within the claims organization to retain talent and share claims knowledge and expertise across the organization

It is important to note that claims is not the only function facing a talent shortage. Actuarial, information technology and underwriting are consistently cited as other groups needing to find new skills and resources. Leaders of these functions would do well to adopt many of these recommendations and adapt them to their own needs.

The bottom line: innovation and transformation within reach

The impacts of not having the right team in place go right to the bottom line. For one, loss of institutional knowledge can hurt the efficiency and effectiveness of claims operations in the form of increased leakage, higher costs and subpar technology ROI. Also, without clear leadership and innovative thinking within claims, carriers will miss the opportunity to increase consumer satisfaction and cement stronger relationships with the next generation of insurance consumers.

As EY’s survey results make clear, a significant skills gap and talent shortage is coming in the near future — especially if current workforce and demographic trends continue. The gap will become wider and more pervasive as enabling technologies lead to faster and more efficient claims processing. Without investing resources now to enable the long-term retention of current human knowledge, insurers will be unable to fully realize their investments in new claims platforms. That should be a more than compelling reason for claims leaders to begin the strategic rethinking of their future resource requirements in claims.

Carriers must invest in identifying and sourcing different types of talent, requiring a highly integrated partnership with HR and technology functions to establish the “claims team of the future”. The industry needs innovative people that can help devise interesting career paths for claims, attract new talent and implement robust performance management programs to continue to develop their skills and capabilities.
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