The future of claims
A global perspective on the future of claims

About the future of claims research

In early 2016, EY undertook research to understand how industry executives, thought leaders and analysts view the future of claims operations — where it’s going and the key themes of change. Focusing on markets in North America, Europe, Asia and Australia, our insurance team conducted more than 20 interviews with:

- Executives at large property and casualty and commercial insurers
- A range of industry analysts
- Leaders from select FinTech companies

These interviews focused on the following themes:

- People and skills
- Customer preferences and expectations
- Technology and automation
- Data, analytics and connectivity
- Claims adjusting quality and severity management
## A very different future for claims

Our research highlighted the most significant external business drivers of the need for claims to change the way it operates.

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<th>Decreasings claims volumes</th>
<th>Digital disruption</th>
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<td>Claims frequency will continue to fall significantly in some lines, but severity may increase in others.</td>
<td>Consumer expectations for seamless and omni-channel experiences will continue to grow.</td>
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<th>Severe weather</th>
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<td>Increased volatility is predicted, with large and sudden surges in claims volume.</td>
<td>More effective regulation and legislation are the foundations for more sophisticated risk management by businesses.</td>
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<th>The sensor revolution</th>
<th>Modernized technology</th>
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<td>From sensors on cars and trucks – to smart systems for homes and factories, the new data set will transform claims.</td>
<td>Enhanced platforms will lead to increased efficiency and better digital experiences for consumers, while robotic process automation will transform claims handling.</td>
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Shaping the future of claims

Decreasing claims volumes

Claims frequency in relation to exposure will continue to fall in many lines of business. The use of sensors for monitoring homes and businesses is also proving effective in claims prevention and mitigation.

However, despite the long-term downward trend, there will be increased volatility, with a likely increase in severity of claims across a range of products driven by different factors.

The road to fewer auto claims

- Claims frequency and severity have been declining for a number of years as a result of better roads, improved vehicle safety and driver training.
- Driver assistance technology is taking off — all new vehicles under 10,000 lbs in the US must have rear visibility technology by May 2018.
- Improving safety technology (such as airbags) and automated braking protects drivers in accidents and reduces injury frequency and severity.

10 million autonomous cars on the road by 2020: 134% CAGR 2015-20

39.2% decrease in total reported road accident fatalities and casualties between 1994 and 2014 in the UK

1,100 estimated US lives saved annually by connected or autonomous vehicles at 10% market penetration

20% decrease in likelihood that customers aged 17-25 with telematics will have an accident

Sources: Business Insider, US Federal Register, UK Parliament, Co-operative Insurance
Shaping the future of claims

Severe weather

Increased frequency and localization of weather-related events mean significant flooding is likely to continue to be a major issue. Claims operations will need flexibility to scale up quickly to meet demand spikes and handle these effectively. Today, however, there aren’t enough assessors, adjustors and third-party suppliers in place to meet demand within proximity of the events.

Better technology can provide advanced warning of these events, saving lives, protecting property and reducing the risk and severity of business interruption.

The sensor revolution

Increasing penetration of connected sensors and devices in homes and businesses will reduce claims frequency and severity. For instance, connected home sensor technology will allow for more effective monitoring of incidents, such as fire and flooding.

Cybersecurity is an area insurers will need to invest in to support the protection of the much wider and personal data sets available to them.

US$380 billion

total economic damage from natural disasters, 2011

Source: International Disaster Database

EY 2016 Sensor Data Survey

- New data sources and types should be focused on loss prevention and incident management
- Claims prevention strategies must be aligned to customer-facing programs
Shaping the future of claims

Digital disruption

Customer expectations are being defined from outside the insurance industry. Uber, Amazon, Zappos – these are the customer experience baselines to which insurers are increasingly compared.

Self-service will become the norm for a range of tasks either through multichannel experiences or on a standalone basis.

Customer expectations to engage via any or every channel will mean omni-channel capabilities will be needed.

Customers increasingly will be willing and able to handle less complex claims entirely through digital channels.

Accurate and transparent information about claims status will be shared or “pushed” proactively to customers and made available through online channels.

Many commercial and corporate clients still turn to brokers for advice, meaning claims service is likely to become a key differentiator.

Better enterprise risk management

Large businesses have vastly improved risk management capabilities, due to wider scope and more stringent health and safety regulation, and a greater focus on return from capital, including insurance arrangements.

Better data on claims incidents and clearer insight into the cost of risks are likely to decrease overall claims volumes from large commercial policyholders.

"Management of severe incidents will become a business-as-usual activity as the frequency of severe events increases."

Senior executive and participant in Future of Claims research project
Shaping the future of claims

Modernized and advanced technology

In the future, simple claims may be more often settled automatically if:

- They fall below a certain financial threshold (e.g., US$1,000).
- No fraud indicators are present.

Superior customer service will not be defined by the level of human interaction on offer, rather by the level and quality of choice available to customers.

Senior executive and participant in Future of Claims research project

Newer generation technology platforms will deliver:

- Enhanced and more specific segmentation
- Streamlined workflows
- More efficient core processes
- Improved productivity

The simpler and more standardized products are, the more insurers will be able to automate claims validation and processing.

85% of US customers will manage relationships with businesses without human interaction by 2020.

Source: Gartner
The claims organization of the future
Leaner, higher-skilled, more proactive

There is no doubt that claims operations of the future will be far leaner with smaller workforces. Retail and personal insurers may reduce their employee base by up to 50%, with commercial specialty insurers seeing smaller reductions.

What capabilities will be needed in this leaner organizational structure?

- Robust digital channels to handle most low-complexity claims (especially in personal lines)
- Corporate risk management’s increasing access to claims portfolio and individual data
- Automated, rules-based processes to replace human handling and intervention in less complex tasks
- Fewer lower-skilled claims handlers, with a greater focus on more complex adjusting skills
- Sourcing of capability through a more extensive supply chain network enabled by real-time data flows
- Increased outsourcing and offshoring due to continued cost pressures and the ability of more providers to handle a broader range of claims activities
The claims professional of the future
More analytical, data-driven and collaborative

Workers in the claims operation of the future will have a different set of skills.

- Overall, they will be higher skilled and more experienced, thanks to the elimination and automation of many simple tasks and increased adoption of self-service.
- More sophisticated learning environments and talent management will help retrain or upskill workers to handle more complex claims.
- Analytical skills will be in higher demand as data breadth, volumes and availability expand dramatically, placing a premium on competitive insights.
- Dedicated specialists will be hired, trained or engaged to deal with emerging risks, especially cybercrime, data breaches and fraud.
- Special response units and global Cat teams will be in place to provide supply elasticity to manage surges and spikes in claims volumes due to increasingly frequent weather events or natural disasters.
- Remote working will expand as a means to reduce real estate costs.

The long-standing talent shortage in claims will be alleviated to some extent by increased automation and changing skill requirements.
The future of claims
Rationalized, automated and focused on loss prevention

Nearly every link in the claims process will be fundamentally changed in the future.

- The Internet of Things — data from factory and home sensors and telematics data from cars and trucks — changes the game for proactive loss prevention.
- Social media will provide complementary real-time information about claims severity and localization and help prevent fraud.
- New tools and technology will take over activities currently performed by loss adjustors and motor engineers — eliminating the need for in-person property or vehicle damage inspections.
- Use of drones will be widespread, but highly targeted (e.g., for video inspection of damage or underwriting).

More than 20 million tweets sent during the peak of Hurricane Sandy, used to track storm trajectory and damage

2.7 million estimated number of drones in use for commercial purposes by 2020, up from 600,000 in 2016

Implications and Impacts

- Which tasks will be handled by insurers and which by third parties?
- Will insurers rise to the challenge of protecting consumer data?
- What value must insurers offer to entice consumers to share more data?
- How will blockchain technology simplify settlement, recovery and subrogation processes?
- Will increased data transparency lead to more trust or just reduce the need for more human interaction?

Sources: TechCrunch.com, Insurance Journal
The way forward for claims

Leaner. More highly skilled. Data-driven. Relentlessly focused on delivering a superior claims experience for customers.

How will claims leaders help make this vision of the future a reality?

Claims leaders must be focused on:

- Aligning claims strategy and proposition to the long-term business goals
- Shaping the claims proposition to specific customer segments
- Investing in the operating model to support future capabilities
- Facilitating access to the right data sets and analytics tools
- Investing in people, teams and skills
- Exploring new partnership models

"The successful claims operation will be able to identify valuable data from all available resources, and use this to provide a more effective customer experience."

Senior executive and participant in Future of Claims research project
A better future for claims: how EY can help

We help clients achieve better performance through:

- Better understanding customer needs and reshaping the value proposition to fit their goals
- Driving operational optimization through operating model development, automation, process and technology change
- Using predictive analytics and claims leakage data to reduce costs and improve underwriting effectiveness
- Adopting new ways of working that require “human factors,” such as training and alignment with HR processes
- Helping insurers get better at detecting, investigating and controlling fraud
- Structuring and prioritizing claims initiatives to generate demonstrable results
EY Insurance Customer Contacts

Asia-Pacific
Imran Ahmed
+61 2 9248 5339
imran.ahmed@au.ey.com
Glynn Austen-Brown
+61 2 9276 9169
glynn.austen-brown@au.ey.com

Europe
Jim Gustafsson
+4551582607
jim.gustafsson@dk.ey.com
Tony Sault
+44 20 7951 5836
tsault@uk.ey.com

United States
Nicole Michaels
+1 612 371 6772
nicole.michaels@ey.com
Bruce Zaccanti
+1 312 879 3115
bruce.zaccanti@ey.com

Further reading

Disrupt or be disrupted: 2016 Sensor Data Survey >
The future of health insurance >
The future of underwriting >
Watch the video ey.com/futureofclaims

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