

A new look at claims: Innovation is improving the customer experience

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In a competitive insurance marketplace, insurers' ability to differentiate their offerings is critical to their growth and profitability. An area where innovative technologies are already making a difference is claims service. The claims experience is an enormously important differentiator in insurance. A claim is where an insurer's promise is fulfilled, expectations are met or exceeded, and the process of recovery from a loss begins. Technology innovations are enabling insurers and claims companies to enhance the customer's experience, increase policyholder satisfaction, affirm policyholders' trust, build lasting relationships and bring unprecedented efficiencies to the claims process. This report explores some of these new technologies and how they are changing the claims journey, increasing responsiveness and improving the customer experience.

Why customer experience matters

Organizations that succeed in differentiating their offerings with customers accomplish a difficult task: they make their customer's experience memorable. Research shows that humans have difficulty recalling information they hear, but memory retention and recall are much greater for things that we can see and touch.¹ Phone calls have long been a common tool to communicate with claimants, particularly to assess satisfaction after a claim. If auditory processing results in weaker memory retention, however, then insurers and claims companies are missing an opportunity to make each customer interaction memorable. Visual and mobile technologies facilitate the exchange of information in multiple media, including photos and live video, which brings a new dimension to customer communication – and differentiation.

The J.D. Power 2019 U.S. Property Claims Satisfaction Study found that policyholders' overall claims satisfaction with their property insurers is high, but a few areas offer opportunities for improvement.² For example:

- **Customer communications.** Three key metrics in claims satisfaction where J.D. Power found many insurers miss the mark are: fairness of settlement, time required to settle the claims, and keeping the claimant informed of the claim's progress.
- **Claim length estimates.** Insurers can do a better job of managing the customer's expectations about how

long the claim process will take, the study found.

- **Services provided at first notice of loss (FNOL).** Concierge-like services, such as making hotel reservations, scheduling repairs and discussing repair options for a property claim, result in significant improvements in customer satisfaction, according to J.D. Power.

"Speed is a huge component of customer service," noted Ken Tolson, president of Crawford Claims Solutions U.S. "Policyholders care about speed, and insurance carriers care about costs. One of the challenges – and necessities – in improving the customer experience is pulling disparate technologies together for customers."

Because a claim is typically a policyholder's last interaction with an insurer before the policy renewal, a negative experience with the claim is unlikely to make the customer inclined to continue doing business with the company. Speed and ease of quoting and binding will be long forgotten if the claims experience fails to reinforce the value of the insurer's offering. The customer experience matters in claims, perhaps more than ever.

Insurance claims: Then and now

To understand how new and emerging technologies are reshaping the claims experience, consider the nature of the traditional claims process. A simple property claim such as damage from a fallen tree limb, for example, entails multiple steps, each of which may involve more than one decision maker:

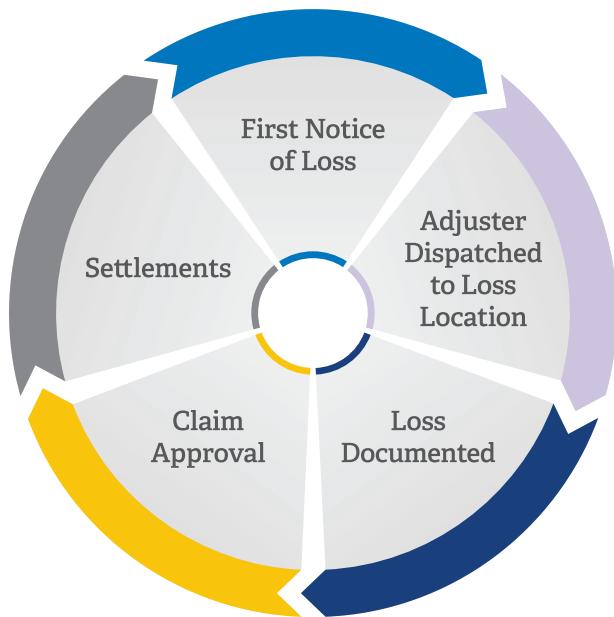
The policyholder reports the claim, perhaps to an agent or broker or directly to the insurer. The insurer commences gathering data to evaluate the loss, involving an onsite inspection and estimation of repair costs. A field adjuster is dispatched to the loss location. The adjuster accesses insurance policy data to determine coverage eligibility and documents loss information. Review of the loss data leads to approval (or denial) of the claim and, ultimately, settlement. From first notice of loss to indemnification, this process can take days or weeks. For complex claims, particularly those that involve litigation, that timeline can be much longer.

¹ "A message from your brain: I'm not good at remembering what I hear," National Geographic, March 13, 2014. <https://news.nationalgeographic.com/news/2014/03/140312-auditory-memory-visual-learning-brain-research-science/>

² J.D. Power 2019 Property Claims Satisfaction Study, February 28, 2019. <https://www.jdpower.com/business/press-releases/2019-us-property-claims-satisfaction-study>

The goal in claims: customer satisfaction

TRADITIONAL FLOW OF P&C CLAIMS



Some elements of the traditional property and casualty claims process have become accepted as facts, such as:

- **Costs go up** the longer a claim file remains open.
- **Expenses rise** as more individuals are required to interact with the file.

These outcomes occur everywhere along the continuum of claim complexity: from a minor automobile accident, to residential hurricane damage, to a petrochemical plant explosion. Key to reducing these costs are innovations that accelerate claim closure and increase the efficiency of data gathering, analysis and decision making.

In decades past, assigning adjusters to conduct onsite inspections for every claim lengthened the industry's cycle times, made expenses harder for insurers to control and prevented expert resources from attending to more complex claims. Today, innovation is occurring in the claims process itself. Every step is moving much faster, with triage and allocation of resources occurring quickly due to advances in telecommunications and analytics. Similarly, different levels of adjusting resources are now available, equipped with tools and training to capture and report claims data faster than ever before.

"The overall goal in claims is customer satisfaction," said Meredith Brogan, president of [WeGoLook](#), a Crawford company. "The objective of a strong claims response is to match the complexity of resources to the complexity of the claim. Insurers and customers in this instance are looking for the same things: quality outcomes and service delivered consistently."

Technological evolution adds efficiencies

The importance of insurance to economic growth, and the U.S. insurance industry's difficulty in achieving sustained underwriting profitability, underscore the need for insurers to embrace ways to become more efficient – particularly in claims processing.

From 2013 through 2015, the U.S. property and casualty industry reported three consecutive years of underwriting profits, generally defined as a combined ratio below 100%. The last time the industry achieved a similar result was 1971-1973, according to the [Insurance Information Institute](#). In the past 11 years, the industry's combined ratio has fluctuated widely (see chart at top, left).³

On the claims side, property and casualty loss payments have also fluctuated. Adjusting expenses and other payments, as reported on Schedule P of insurers' annual statement under accounting rules established by the [National Association of Insurance Commissioners](#), have remained relatively constant since 2008, averaging \$33.2 billion annually (see chart at bottom, left).⁴

Looking back further in time, insurers' results suggest that adjusting costs for certain claims have shrunk. For example, statistical analyses conducted by reinsurance intermediary Guy Carpenter & Company LLC and management consulting firm Oliver Wyman show historical trends in actual accident year loss ratios, net of reinsurance, across various lines of U.S. property and casualty insurance.^{5,6} In the studies, Guy Carpenter and Oliver Wyman define the loss ratios as paid and reserved losses and allocated loss adjustment expense (ALAE) at 120 months of development, divided by earned premium. Acknowledging volatility in losses, the reduction in loss ratios suggests improvement in the efficiency of claims adjusting practices from more than two decades earlier.

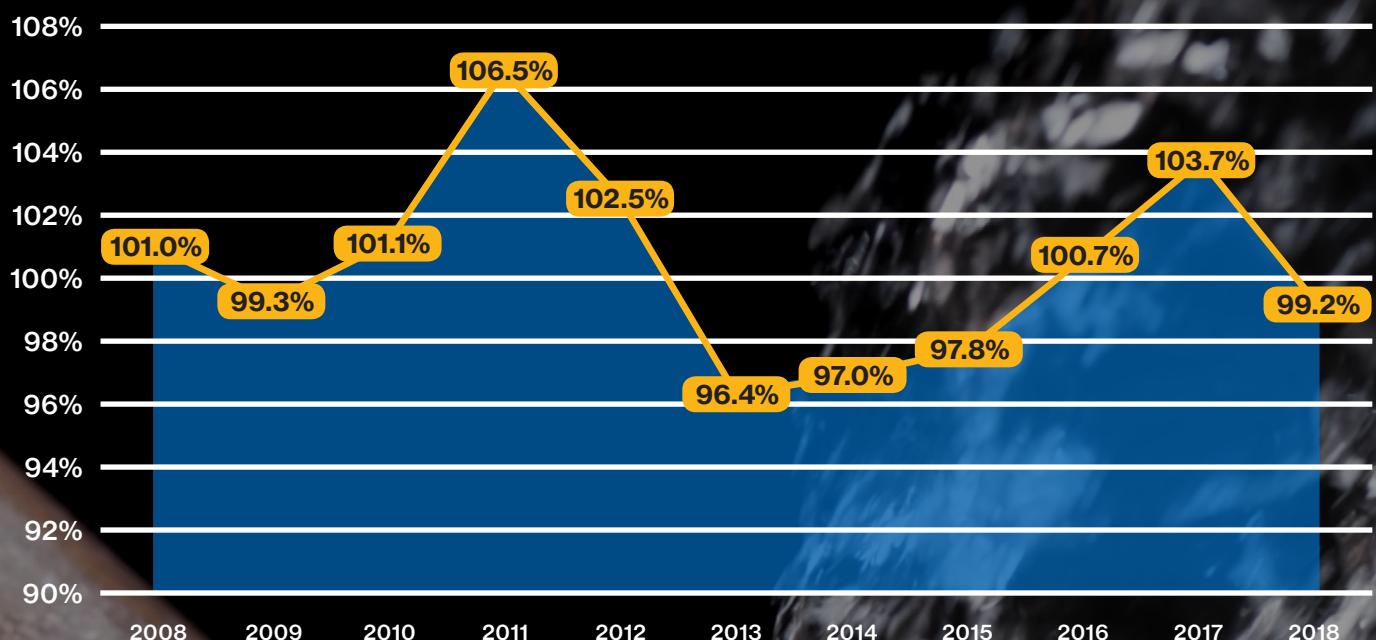
³ "2018 Commentary on year-end financial results," Insurance Information Institute, May 6, 2019. <https://www.iii.org/article/2018-commentary-on-year-end-financial-results>

⁴ "Statistical Compilation of Annual Statement Information for Property/Casualty Insurance Companies," National Association of Insurance Commissioners, 2018. https://www.naic.org/prod_serv/STA-PS-18.pdf

⁵ "Annual Statistical Review: Plotting a Path in a Changing Market," Guy Carpenter Strategic Advisory, October 2017.

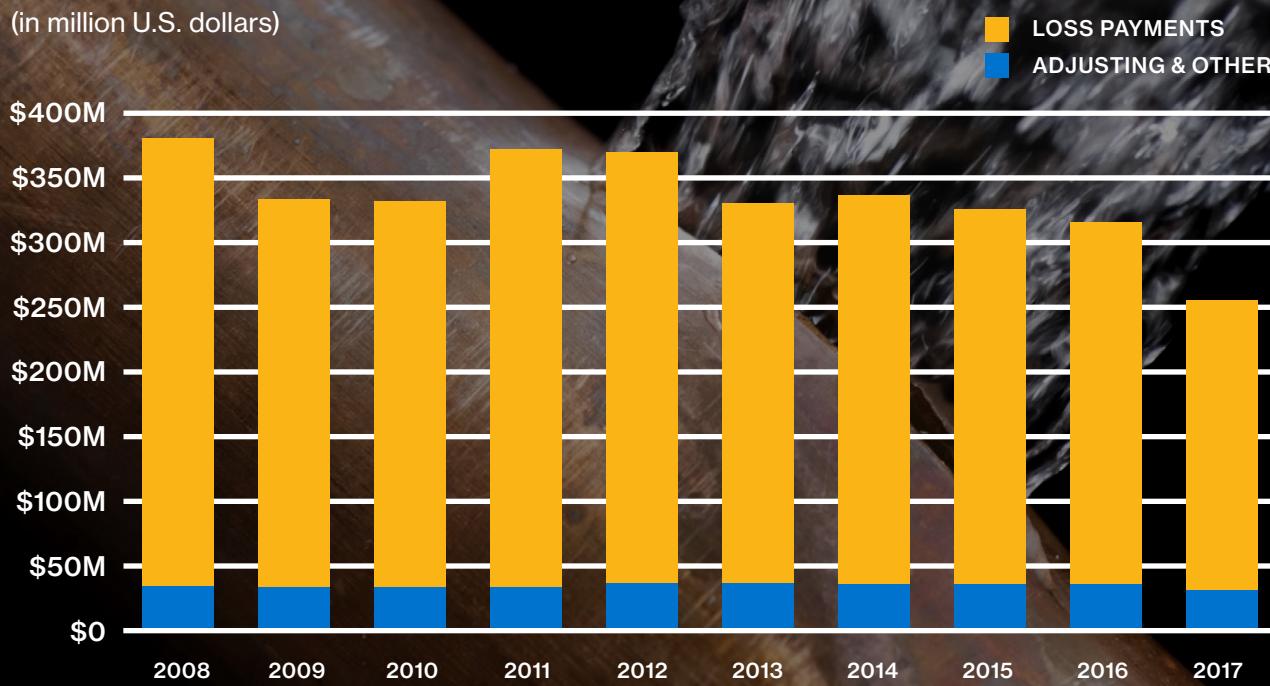
⁶ "Insurance Risk Benchmarks Research: Annual Statistical Review," Guy Carpenter Strategic Advisory and Oliver Wyman Actuarial Consulting, September 2014.

P&C Industry Combined Ratio



Source: A.M. Best Company, ISO, III

P&C Loss Payments and Adjusting Expenses



Source: NAIC Statistical Review of P&C Insurance Annual Statement, Schedule P

A human footprint will always be needed

ACTUAL ACCIDENT YEAR LOSS RATIOS

Line of business	Mean (1980-2004)	AY 2013	AY 2016
Commercial multiperil (CMP)	71%	57%	58%
Homeowners (HO)	71%	54%	56%
Private passenger auto liability (PPA)	76%	70%	75%
Commercial auto liability (CAL)	80%	66%	69%

Note: Net of reinsurance, includes paid and reserved losses and ALAE.

Source: Guy Carpenter and Oliver Wyman

What changed? Succinctly, a data revolution has occurred. Since the 1990s, the public Internet has altered forever how businesses and individuals access data. A critical precursor development happened during the 1970s and 1980s, as insurers and other industries began to digitize their data. The Internet made it possible to quickly search and share digital data. In the mid-2000s came another game-changer: smartphones and mobile computing, which continue to expand the ability of policyholders, adjusters and insurers to connect with each other, and to collect and retrieve data.⁷ Additional innovations include refining claims workflows and applying analytics to derive insights from large volumes of claims data.⁸

These technological advancements have created a new environment, where losses can be reported, evaluated and settled in a fraction of the time required by traditional claims processes. The insurance industry and policyholders have entered the era of “connected claims.”

Innovation enhancing the claims experience

Claims innovation is not only about the addition of new technologies, however. Effective, sustainable innovation in claims stems from remaking the claims process. Innovation that enhances the claims experience enables policyholders to participate immediately while streamlining and shifting workflows for adjusters.

In contrast to traditional property and casualty claims processes, a connected claim looks quite different for claimants, adjusters and insurers. From self-service applications that empower customers to report claims on their own and remain involved throughout the claims process, to sophisticated tools for documenting and assessing damage, to on-demand networks of trained individuals who can augment claims-adjusting staffs, to more streamlined workflows for data intake and analysis, connected claims are accelerating every part of the claims process. This leads to significant benefits for all parties: faster indemnification, reduced expense, improved service and higher claimant satisfaction.

“The volume of claims and the rise of new technologies are changing the industry. Insurers and customers do not always need a person to look at a claim where the damage occurred, but they will always need a human footprint in claims,” said Ben Brammer, director of product for [WeGoLook](#).

“Larger insurers are taking a relational mindset in their digital transformation projects, shifting to more self-service tools when those are appropriate,” Brammer explained. “From the policyholders’ perspective, they like having someone respond to their claim on the same day, whether through a self-service app or an in-person visit. It’s important to customers that the claims process gets moving.”

Examples of claims innovations include:

Self-service apps. These apps give power to customers to report claims and share information to start the claims process. Numerous large personal lines insurers as well as insurtech companies offer apps that allow policyholders to initiate homeowners and auto claims and upload photos and other documents required to process their claim. Some, such as [Slice](#), use chatbots to guide claimants through the process. [Metromile](#) uses an interactive connected intelligence tool it calls a “smart claims assistant.” ⁹ A similar example is YouGoLook, a Crawford assisted self-service app that



⁷ “Smartphone technology facilitating customer collaboration with insurers,” Verisk.com, June 19, 2017. <https://www.verisk.com/blog/smartphone-technology-facilitating-customer-collaboration-insurers/>

⁸ “As claim severity climbs, analytic insights hold key to containment,” Verisk.com, Oct.

29, 2018. <https://www.verisk.com/blog/as-claim-severity-climbs-analytic-insights-hold-key-to-containment/>

⁹ “Chatbots Growing Role in Insurance Includes Claims,” Claims Journal, April 3, 2019. <https://www.claimsjournal.com/news/national/2019/04/03/290177.htm>



'Alexa, file a claim'

Claimants have been able to initiate claims by voice nearly as long as telephones have existed. A recent innovation is the ability to speak to a digital voice assistant, such as Alexa from Amazon, and connect with an insurer's website. Alexa converts voice signals into computer language that can execute a command.¹¹ One of Alexa's downloadable skills is the initiation of a first notice of loss, by asking a series of questions to capture claim data and uploading the information directly to the website of the speaker's insurer. With this technology, phone calls are no longer required to get a claim moving.

guides users through a series of steps to document simple claims or request an onsite adjusting resource.

Drones. Unmanned aerial vehicles (UAVs) equipped with cameras and sensors enable insurers and claims adjusters to document damage in places where people cannot safely go or reach quickly. After a hurricane or flood, for example, access to claimants' property may be impossible. Drones are able to capture high-quality images that show the extent of damage and can transmit data in real time to specialists for loss assessment. A study by Cognizant in 2014 concluded that drones could improve the productivity and efficiency of claims adjusters by 40% to 50%.¹⁰



Smart technologies. A synthesis of new and emerging technologies is facilitating data collection and improving the experience for claimants and insurers. Examples include:

- **Telematics.** These can capture a variety of data on cars and trucks and even alert insurers when a vehicle has been in an accident.

- **"Smart" sensors.** When installed in equipment or in a building, the sensors can detect changes in conditions and alert property owners. For example, smart sensors can detect events such as the escape of water or a worker's proximity to dangerous electrical currents.
- **Artificial intelligence.** AI is in the early stages of integration into claims triage, and already can interpret text in first notice of loss documents. AI may soon be able to "read" photographic images to make nearly instantaneous determinations on certain kinds of claims.
- **Robotic process automation.** RPA is already in use as a tool for administrative tasks, such as entering claims data from different formats.
- **Augmented reality (AR) and virtual reality (VR).** Augmented reality is enabling the capture of images with precise measurements and 360-degree views of loss locations. Virtual reality, meanwhile, is enhancing training for loss adjusters by allowing them to view three-dimensional scans of various property types before and after incurring damage.



¹⁰ "Drones: The Insurance Industry's Next Game-Changer?" Cognizant, October 2014. <https://www.cognizant.com/InsightsWhitepapers/drones-the-insurance-industry-next-game-changer-codex1019.pdf>

¹¹ "What is Alexa; How to interact with Amazon Alexa," Lifewire.com, March 13, 2019. <https://www.lifewire.com/amazon-alexa-voice-assistant-4152107>

Process innovation ties together tech

Insurtechs. Various insurance technology start-ups, including [Groundspeed Analytics](#) and [Lemonade](#), are focusing on automating time-intensive processes, from compiling commercial insurance loss runs to paying non-complex personal lines claims nearly instantly. The technologies supporting these businesses include artificial intelligence and robotic process automation. Insurtechs are applying AI and RPA to accelerate many core insurance processes that handle large volumes of data.

Process innovation. Like a high-performance automobile approaching a rough stretch of road, technologies that are highly effective at gathering accurate claims data cannot keep the claims process moving quickly unless they operate in an equally innovative claims-handling environment. Process innovation in claims takes the form of new workflows that, for example, support a shift to desk adjusting and tie together the various technology components to accelerate decision making and resolution.

Looking to make a difference

In-person adjusting brings with it several challenges: time and expense to travel to a claimant's location, limited availability of experienced adjusters, and misalignment of expertise with simpler claims. One solution to those challenges is an on-demand network comprising trained individuals able to verify loss data and gather information to improve responsiveness.

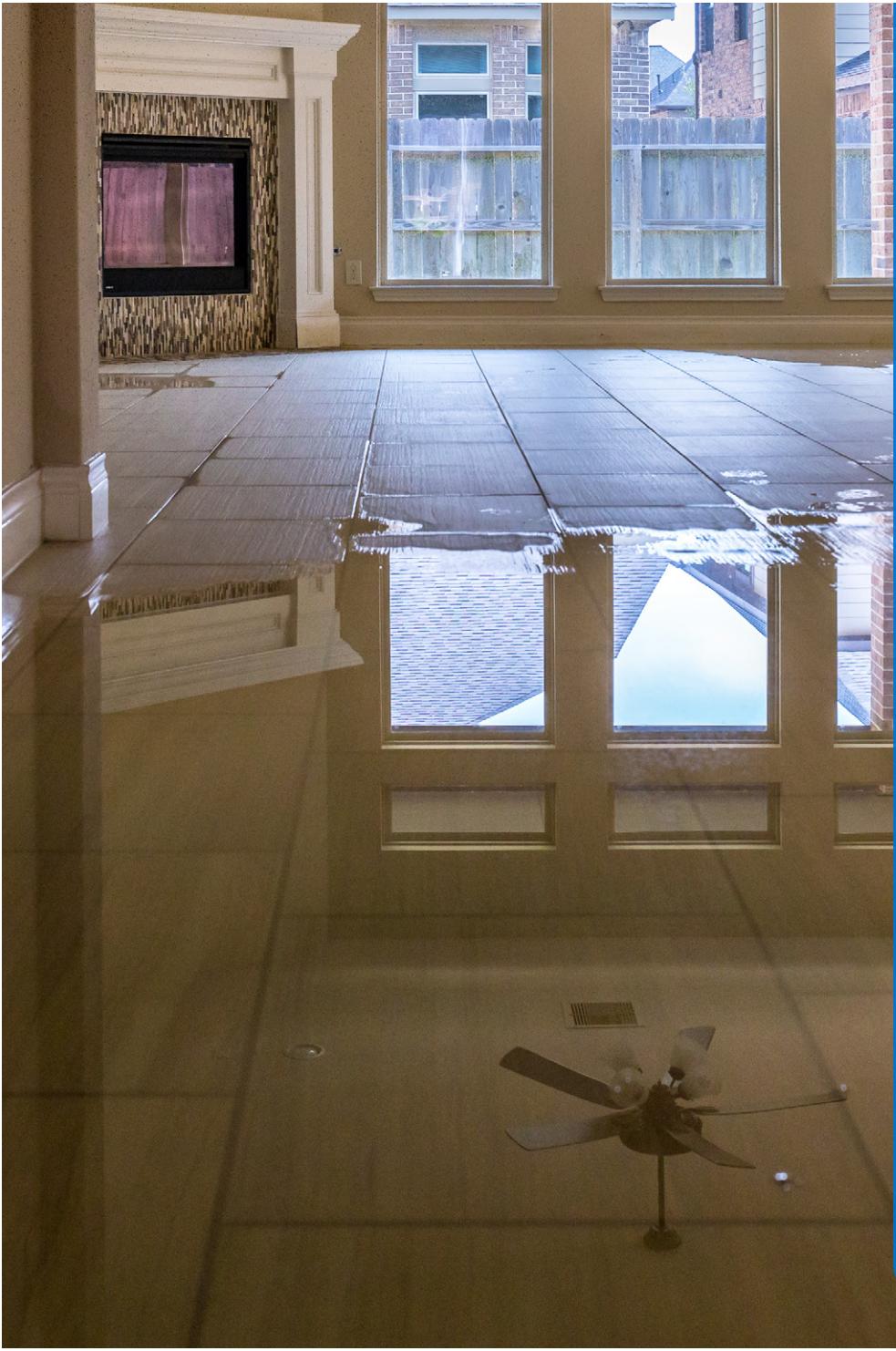
WeGoLook, which Crawford acquired in 2017, is an on-demand network of more than 45,000 independent professionals known as "Lookers," who can serve as eyes on the ground to verify and validate information, including but not limited to insurance claims. Lookers are trained and undergo background checks, and they utilize mobile technology to collect data quickly and according to the standards of insurance company clients. Although Lookers are not insurance adjusters, they do have a variety of skills and knowledge suitable for gathering claims data. For example, more than 2,000 Lookers are licensed drone pilots.

WeGoLook responded to thousands of claims during Hurricane Irma in 2017 and successfully captured necessary data on higher-frequency, lower-severity claims. The average return time for Irma claim files was more than 27 days, but **WeGoLook** was able to handle its Irma files in only four days, on average, according to Crawford. The network is enhancing the level of complexity that Lookers can process, such as taking measurements and determining different types of materials involved in property claims.

Another on-demand solution is Crawford's **Contractor Connection**, a network of more than 6,000 independently managed contractors trained to estimate property damage and begin the repair process.



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A pipeline to loss control

Crawford's escape of water solution deploys smart sensors on residential and commercial properties that can detect one of the most common and costly losses for insurers and property owners. A leaking or burst pipe can quickly cause severe damage and a mounting set of expenses. Crawford's technology-driven solution was born in 2018 from an idea to provide a service that gets ahead of a loss and reduces a frequent source of claims for insurers and policyholders. The sensors connect to a 24-hour call center via cellular signals, rather than WiFi, so they do not require an Internet connection to trigger alerts. When a sensor detects escape of water at a customer's location, Crawford verifies a loss has occurred and dispatches an emergency mitigation contractor. Depending on the nature of the water event, Crawford selects a resource to gather data on the claim. Options include the assisted self-service app, **YouGoLook**; an onsite inspection from a Looker through **WeGoLook**; or, for large or complex claims, a traditional field adjuster.

Conclusion

Apps, on-demand resources, smart technologies and new workflows are just a few of the innovations that are improving the claims experience for claimants, adjusters and insurers. As claims intake and assessment speed up, claimants will be able to begin the process of recovery sooner. In addition, claimants can remain engaged in the claims process and stay informed. Technology tools that permit more

efficient claim processing and allocation of resources free up adjusters to focus on complex natural and manmade claims that require expertise. Insurers also benefit from these innovations by accelerating their response to customers and simultaneously reducing expenses. The greatest enhancement these innovations may deliver is round-the-clock support that helps insurers fulfill the promise of their policies.

About Crawford & Company®

Based in Atlanta, Crawford & Company® is the world's largest publicly listed independent provider of claims management and outsourcing solutions to brokers, carriers and corporates with an expansive network of global experts serving clients in more than 70 countries. Our innovative portfolio of technology-driven solutions are leading the industry and advancing our mission to restore and enhance lives, businesses and communities across the globe. For over 75 years, Crawford has solved the world's claims handling challenges and helped businesses keep their focus where it belongs – on people.



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