

NU claims

COVERING THE BUSINESS OF LOSS

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INSURTECH IN CLAIMS: FASTER, BETTER, CHEAPER

By David Gardiner and Grant Mizel

THOUGH INSURERS, BROKERS, MANAGING AGENTS, and all others who play a part in insurance have different roles and objectives, the push towards a digitally connected world has led to a common focus on technology throughout the industry. The resulting category of InsurTech has irrevocably changed the way the industry operates, especially in the world of claims.

Look no further than Lloyd's of London for evidence of this fact. Once a pinnacle of tradition, Lloyd's is now a central player in the transition of insurance from analog to digital, documented by its transformational Blueprint for the Future at Lloyd's. The Lutine bell isn't going anywhere anytime soon, but the atmosphere in and around the building has changed for good.

From making day-to-day operations more efficient, improving underwriting and claims decisions, and digitizing the customer experience, technology promises to provide a pathway to disruption and transformation across these critical areas.

In the world of claims management, those involved in the claims process are turning to InsurTech solutions to deliver superior cost-effective loss adjusting and claims management services. "The time when a customer is making a claim is when we are being called upon to fulfill a promise, and it is our responsibility to figure out how to get both the personal service and digital experience just right," says Matthew Witcher, assistant vice president, claim manager-North America property claims at Chubb.



We turn our focus to the application of InsurTech and consider how technology can be strategically applied for long-term success.

STRATEGIC APPLICATIONS FOR INSURTECH IN CLAIMS MANAGEMENT

The claims management process is where an insurance policy – and, ultimately, the insurer – has its opportunity to demonstrate value and deliver on its promise to customers. With access to a multitude of insurers at their fingertips through digital marketplaces and extensive broker networks, customers have more options now than ever. The most successful insurers will drive customer retention by focusing on handling claims faster, better and cheaper than their competition.

Speaking about Chubb's use of technology, Witcher explains, "Technology is improving the customer's claim experience and equipping our adjusters with the right tools to ultimately provide a better experience for our clients. It is a balance and a matter of getting both the personal service and digital experience just right. Our clients have adapted to the usage of technology right alongside us, as we increase our use of technology to help resolve their claims efficiently."

Here are some of the ways that InsurTech products and services are being implemented to revolutionize claims processes:

FASTER: SPEED UP THE TIME TO RESOLVE CLAIMS

The industry is turning to InsurTech to automate calculations and use technology to complement the work of customer-facing claims representatives. We're also seeing advances in new insurance products that can be driven almost exclusively by AI.

Parametric insurance

The easiest way to speed up the claims process is to simplify it to its core by utilizing an automatic payment system. Enter parametric insurance. In the event of a pre-defined trigger, the policyholder of a parametric insurance product receives a pre-defined settlement automatically. In this way, insurers get the money out there quicker in a more efficient way, which makes customers happy. This is a significant return to the old adage that "Claims are the shop window of insurance."

There has been a rapid expansion over the last three to five years in the number of parametric products that are now available in the marketplace, protecting people and businesses from a wide array of perils such as floods and earthquakes to cyberattacks and regulatory fines.

As always there are legal considerations for an insurer when it comes to developing parametric products. Stephen Carter, a partner at London's Carter Perry Bailey LLP, remarks, "One has to look at the regulatory regime and insurance legislation of the jurisdiction concerned to ensure that this type of insurance is compliant. The essence of the product is that the loss calculation moves into the earlier stage of drafting the terms of the policy. You have to get the terms to match up to the particular calculation you use (which, in turn, will have been based on statistical and actuarial input); it is the policy structure that is crucial," he explains.

Consider how a drought impacts a farmer. Once in place, a parametric insurance payout would be triggered by a lack of rainfall, measured in a specific way, and would not require the insured to prove they have lost a specific amount. Instead, the farmer would get paid quickly because the calculation had already determined what they're entitled to. "The underwriters need to make sure they're focusing on the right data to produce a realistic payout because it's not about adjusting the loss, it is about clarity of policy structure and terms. The critical elements of loss adjusting take place before the loss occurs," says Carter.

BETTER: IMPROVED DECISION-MAKING

InsureTech solutions are helping to inform the underwriting process by combining human judgment with data-driven analytics to impact policy decisions before a loss occurs. Insurers are better able to predict which claims are likely to result in litigation to resolve those claims sooner and less expensively.

Big data

The insurance industry is one of the most data-rich industries in the world today, given the extensive amount of information required to underwrite policies and pay claims. The challenge for the industry has always been the capture, storage and modeling of this data.

As more and more insurance companies have transitioned away from analog, paper-based applications and processes toward digital platforms, they have been able to capture and store this information in databases, data warehouses and data lakes that lend themselves to improved decision making in a myriad of ways, from digital underwriting to predictive claims insights.

Predictive claims insights

Once the data has been captured and stored, how are insurance companies able to leverage it to improve the claims process? Data can be fed into machine learning and deep learning models to analyze trends and anomalies and develop insights. These insights can then be used to directly impact the time to resolution on claims.

Consider this: If a claims handler knew that a claim was 92% likely to lead to litigation based on geographical, circumstantial and historical data from an insured, then they may be more apt to settle a claim early on and avoid a costly and painstaking lawsuit. The industry is still in its infancy in its utilization of predictive claims insights, but it wouldn't be possible without the underlying data underpinning these models.

"Depending upon the type of claim, we provide our clients with various options, including virtual claims handling processes when appropriate. This allows our claims team to service our clients in the manner of their choosing, ultimately ensuring a quick and safe service, especially during these times," says Witcher.

CHEAPER: AUTOMATE ROUTINE TASKS AND FACILITATE REMOTE WORK

The insurance industry is finding ways to eliminate unnecessary costs through InsurTech solutions that help automate routine work and keep people focused on higher-value tasks, calculations and services.

Unmanned Aerial Systems (UAS) and satellite imagery

Often when dealing with catastrophes and extensive damage, data collection may not be as simple as keying numbers into a platform to be stored in a database. Strides in UAS technology (also



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referred to as drones) and satellite imagery have changed the game in remote data collection. Not only are these tools able to gather information that a human or group of humans could never efficiently capture, but they can do so at a fraction of the cost.

Rather than deploying an army of adjusters to assess thousands of damaged properties after a major hurricane, insurance companies now have the option to capture satellite imagery and deploy a fleet of UAS, controlled by licensed pilots, to cover any geographical region and acquire live imagery and video to assess damage.

Witcher explains, "Chubb has the ability to use imagery technology to assess property damages as well as thermal and non-thermal satellite imaging during widespread CAT events. Our use of aerial imagery is a very powerful tool that has allowed us to prioritize our claim response to those most significantly impacted."

Augmented Reality (AR)

A brand-new innovation that has only just recently been introduced to the insurance industry is augmented reality. It's currently being used by Adjusteck to provide remote claims adjustment, allowing an experienced adjuster to use either a smartphone or a piece of wearable technology (e.g., a pair of AR glasses) to examine a loss site and assess the damage.

AR allows users to communicate and record live audio, video or images, from the comfort of their homes or offices. Once the assessment is complete, all files will automatically be stored in the cloud to be reviewed at a later date and integrated directly into the adjuster's report. This technology provides the ability to adjust losses around the globe without having to travel anywhere.

InsurTech companies around the world have made strides over the last five years to bring about a revolution to an industry that was (and still is) starving for innovation, but we are still at the beginning of the arduous journey that is digital transformation. Competition breeds innovation, but execution is founded in collaboration. As the insurance industry continues on the path of digital transformation, it's important to remember that when companies and technologies from across the globe partner together, it leads to an insurance ecosystem that is poised to proactively and reactively serve its customers when they need it most.

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