

Research Report

The future of claims starts now

In partnership with

Vitesse



How technology and previously unseen trends are reshaping the world of insurance claims

While the technology revolution may have caught insurers by surprise, customer demands for online and mobile distribution eventually spurred industry participants into the digital realm.

Investments in technology are now paying off, gradually changing customer perceptions about the buying journey through greater transparency and ease in purchasing. But a critical question remains.

As insurers invest heavily in omni-channel distribution, strongly aided by new and more powerful technology, how will the resulting customer attitudes and preferences impact the claims process?

We explore this question and more as we look into the future of insurance claims.

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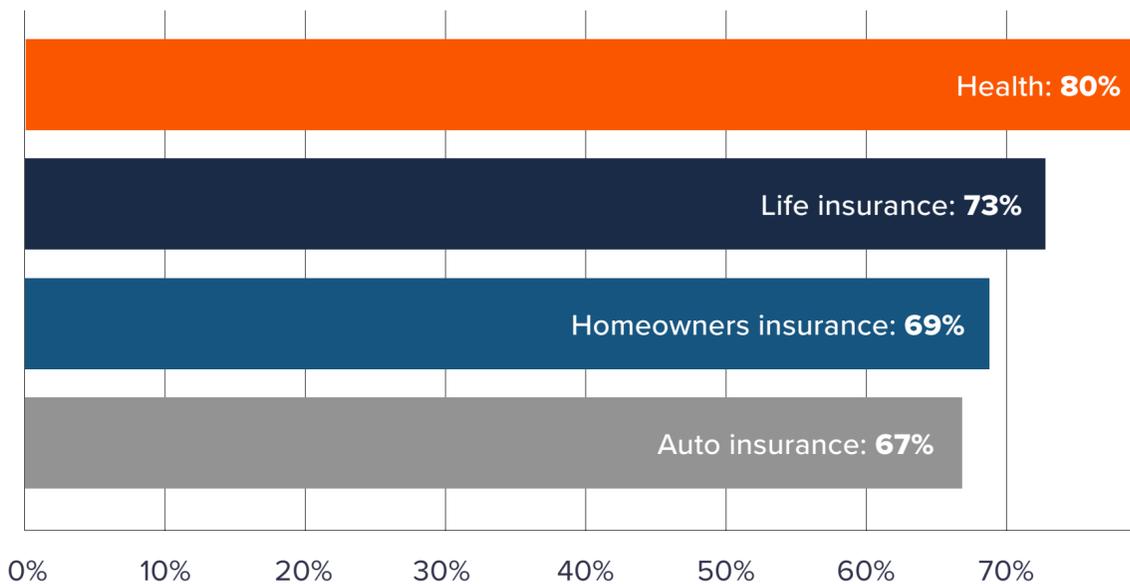
Current trends that are driving the future of claims

As we look into the future of claims, it's important to understand the current environment in the industry. Driven by overall advancements in technology, today's consumer is digital savvy and spends nearly 7 hours per day online or interacting with a mobile device.¹

As a result, their attitudes about buying insurance and engaging with insurers have changed, something that will have a significant impact on the future of claims.

Digital distribution sets the stage

A recent survey revealed that over 65% of consumers prefer to purchase insurance coverage through online or mobile channels, depending on policy type.²⁻⁶



Equally important for consumers is the ability to seamlessly connect these lines of coverage and access them from any device. While some carriers can offer a truly omni-channel experience, others continue to battle the inefficiencies of siloed backend systems and data.

Omni-channel performance will continue to grow in importance as a digitally native generation of insurance customers becomes the prime market participants.



Personalizing coverage starts now

Personalization in insurance has become more than the catchphrase for the future. For instance, 73% of consumers want policy pricing to reflect their individual level of risk through programs such as pay-as-you-go auto insurance.⁸

A study conducted by Deloitte underscores this preference. The consulting organization presented consumers around the globe with a number of alternative insurance models. Survey respondents demonstrated a high preference for policies that offered more control over pricing, such as receiving a reduced rate when a car was parked in a garage.⁹

Even more revolutionary was a concept dubbed “Freedom to Move.” According to Deloitte, the proposed innovation would cover customers whether they borrowed a friend’s car, rented a bike or scooter, or any of a number of transportation options.¹⁰

The concept was most popular with a population segment interested in more holistic coverage, but highlights how innovation in insurance impacts customer attitudes and preferences.

Understanding the reach of embedded insurance

A recent survey conducted by Cover Genius indicates a high global priority for insurance solutions embedded within bank transactions.



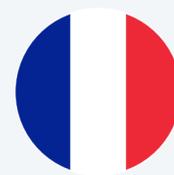
74% of respondents living in Canada



80% of respondents living in the UK



81% of respondents living in Spain



82% of respondents living in France



93% of respondents living in Italy

Embedded insurance takes center stage

As consumers move toward innovative and more flexible insurance models, immediacy becomes key. This is where embedded insurance is rapidly reforming traditional lines of coverage.

Embedded insurance makes it possible for consumers to insure an item or service at the point of sale. One common example is travel insurance offered through an airline. The air carrier provides the customer with an opportunity to insure the flight against potential cancellations. The policy is purchased in conjunction with the airfare, directly through the airline’s website, but is underwritten by an insurance company.

The idea of embedding insurance into traditional bank transactions, such as a mortgage loan, is also growing in appeal. A recent survey indicates that 45% of US customers are interested in bank-embedded offers.¹¹ The same holds true for nearly 75% of Canadians as well as over 80% of residents in France, Italy, Spain and the UK.¹²

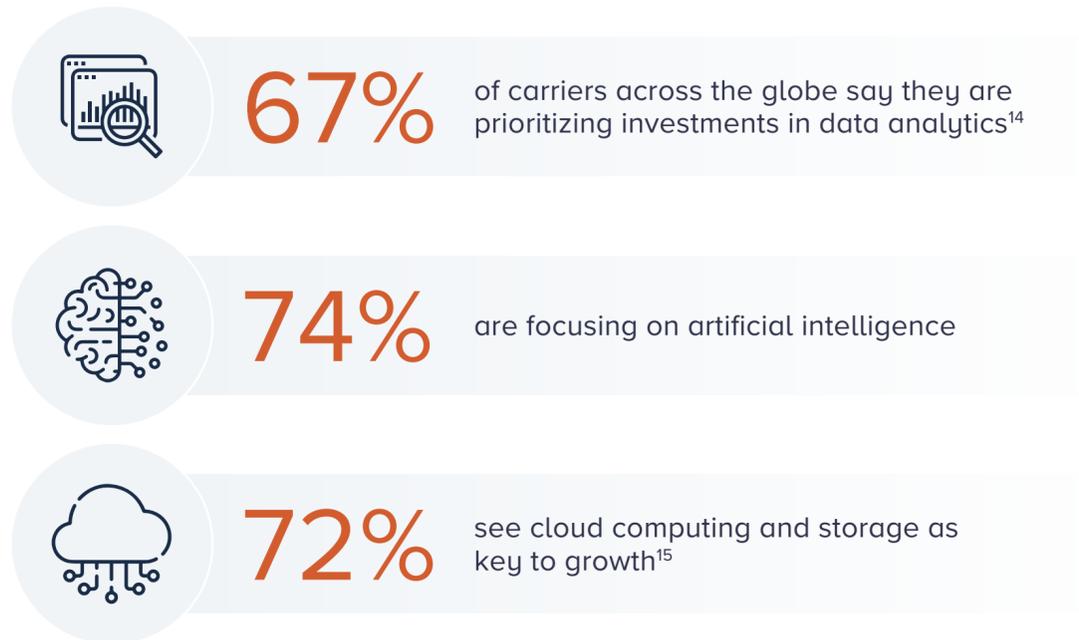
Commercial insurance and the digital trend

Changing preferences are not confined to the consumer marketplace. Commercial entities are also evolving new preferences when it comes to insurance coverage and engaging with carriers and brokers.

Similar to consumer inclinations, flexibility and personalization here is key. When asked to cite the number one reason why a business would want the ability to change insurance at any time, nearly 40% said to obtain coverage better suited to the needs of the organization, while over 32% want to add new coverage as they learn about it.¹³

How emerging consumer and business buying preferences will reshape claims

Consumer and commercial attitudes, driven by advances in technology, are continuing to disrupt what was once a fairly unchangeable industry. In response, insurers are responding appropriately with increasing technology acquisitions and investments. At present:



As insurers adapt to the new digital reality before them and customers embrace a more proficient and technology driven buying experience, how will attitudes

surrounding the claims process advance, and how will insurers react to increasing market pressures?

Leading insurers are already beginning to demonstrate the future of claims, exploring the emerging concepts that will reshape how claims are processed and payments made.

Who is in charge? The dilemma with embedded insurance

As consumers and commercial customers take advantage of new options for securing insurance coverage, expectations surrounding the claims process will also advance. One area that modern insurers are exploring is embedded insurance, and how purchasing coverage at the point of sale could impact claims.

For example, if customers come to purchase a homeowners policy through their home security company, the relationship with the carrier suddenly changes. Up to the point of the claim, all interaction is with the company that markets, sells, installs and services the security system.

At the point where a claim is incurred, who does the customer expect to ride in for the rescue? The insurer or the organization providing the security service? Furthermore, does the purchaser of that embedded policy even know who the carrier is? As embedded policies become more common, renewals may depend on how effectively an insurer communicates with customers throughout the policy lifecycle, as relationships are key to growth.

Is there a person on the line?

Another issue being explored in the future of claims, is the intersection between digital and human interaction. Will customers want a human handling their claim or will they prefer a wholly digital experience from start to finish?



71%

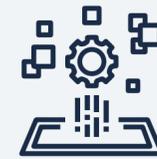
indicate a preference for rapid digital claims processing¹⁶

In fact, speed and efficiency are two of the biggest drivers of customer satisfaction with the claims process.

According to the J.D. Power Claims Satisfaction Survey, happiness with the claims process fell to a 5-year low in 2021 for U.S. consumers as insurers lost points due to slow cycle times and complicated claims processing.¹⁷

On the other hand, satisfaction rates were 33 points higher for customers who utilized digital apps and communication channels when compared with those who relied solely on traditional claims processing.¹⁸

Findings like these seem to suggest that digitization of the claims process is key to the future of claims, but there is one point of disruption: the customers themselves.



11%

of customers fully utilize digital channels, according to J.D. Power¹⁹

Looking more fully at the consumer and business landscape, some insurance leaders, believe that completely touchless digital claims is not the future for all insurance.

“I’m in the hybrid camp,” said an attendee at a roundtable of insurance executives, conducted by Vitesse and Insurtech Insights at their flagship conference in New York City in 2022. “While there are many insurers who want to do digital only, there are very few companies who can do that well.”

They are referring to the complexities that occur behind the scenes as well as the continued need for human interaction during a time of crisis.

For insurance, one of the insurers who attended this roundtable puts this concept into action from the very first contact, reaching out to customers who initiate a claim to explain the form itself.

According to the group, the human touch results in increased customer satisfaction with the process, a significant contributor to revenue and loyalty gains for traditional insurers.

Reshaping customer attitudes with parametric coverage

While insurers may not currently know where to draw the line between digital and human interaction during the claims process, there is one area of insurance where fully digital claims is making headway.



According to Allied Market Research, the global parametric insurance market is projected to reach

£29.3bn

growing at a CAGR of 9.9% from 2022 to 2031²¹

With parametric coverage, claims are paid automatically as soon as a certain parameter is triggered. For example, sophisticated shipping companies monitor

packages from acceptance through delivery. When the storage temperature for perishable items drops out of the accepted range, claims are paid automatically, without the customer having to record the loss and file for payment.

Some businesses have also used parametric insurance to fill coverage gaps. A company with manufacturing facilities in an earthquake prone area may know that the building construction can withstand a quake measuring up to 5 on the Richter scale.

They can then purchase a parametric policy to protect their operations when an earthquake exceeds this threshold. Claims are paid automatically when the trigger is verified, utilizing technology such as artificial intelligence and blockchain.

Parametric insurance may be in its infancy today, but as more consumers experience the simplicity and speed of parametric payouts, expectations for an increasingly faster and more efficient claims process will emerge across all lines of coverage.

How technology will impact the future of claims

Insurers widely recognize that it's the claims process where customers are lost or gained, and 60% believe that the speed and ease of the claims cycle is the biggest factor to generating loyalty.²¹

While fully touchless claims may not be on the agenda of all insurers, digital investments in the claims process continue to be a high priority. Insurers find that digitizing parts of the claims journey nets significant cost and efficiency improvements. This is where insurers are making the biggest technology outlays.



A recent survey indicates that insurance executives are doubling investments across artificial intelligence and channel orchestration over the next 2 years to initiate more customer-friendly components to the claims process, such as real-time adaptations of forms and smoother channel orchestration.²²

Technologies like these allow customers to easily shift from one interface to another without repeating information. One area that promises significant transformation in customer satisfaction is the payments process itself. During the pandemic, insurers settled claims and sent out checks, but customers couldn't cash them when banks were closed.

Electronic checks solved the problem and opened doors to an industry-wide discussion on how insurers can get money into the hands of customers faster and more efficiently. Younger consumers, in particular, are eschewing paper check payments in favor of digital formats, such as direct deposit, and even demonstrate a preference for using platforms such as Venmo for receiving claims payouts.

One advantage to digital payments is transparency. The ability to regularly review the status of the claim and to see where payment is once funds have been released, is critical to building trust and loyalty. As technology continues to shape the world in which we live, the claims process of the future is destined to transform, driven by the very technologies that empower our lives.

The insurers that harness these capabilities to create internal efficiencies and an optimized customer experience, will be the industry participants who lead in growth and customer acquisition in the years to come.

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