

# Claims Management Trends for 2023-2024

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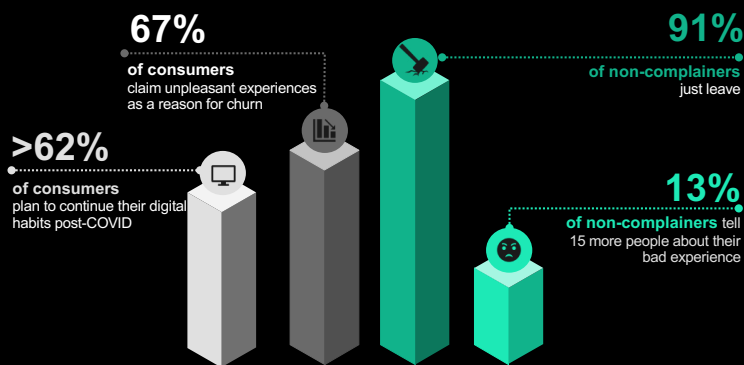


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# A moving landscape

As customer service experiences are being reshaped, led by disruptive digital service providers such as Amazon or Netflix, customer expectations are increasing. Insurance companies also need to keep pace and adapt their operating model to ensure top-notch customer satisfaction.

## Nowadays, Insurers struggle to deliver a fluid and pleasant experience to customers, even more in claim management



According to a study carried out by Sia Partners in 2021, 75% of general insurance customers identify the claim as the single most important experience, despite efforts made by the industry to diversify touch points and interactions

An insurance claim is the single most important experience that an insurance company provides. Insurance is a unilateral contract, and a claim is the only opportunity an insurer has to fulfil its contract. This presents the insurer with a unique opportunity to create a world-class experience and build loyalty with its customers.

Unlike any other time in the history of insurance, InsurTechs are disrupting and transforming the industry. These innovative actors offer new ways of engaging customers with an emphasis on a customer-first, empathetic, and digital experience, and are transforming insurance customer behaviors, needs and expectations – in some cases permanently.

InsurTechs have aggressively entered the marketplace, offering proactive

and personalized services with simple processes and seamless digital experiences. Moreover, their Net Promoter Scores (NPS) are often much higher than those of traditional insurers. For example, in France, Alan gets an NPS of 68 when the sector average is 20 and traditional insurance leaders such as MAIF peak at 54.

Our study shows that customer satisfaction is based on 3 pillars: Service, Experience, and Cost. Quality and a simple experience, for a fair price. Improving the claims experience is an essential task for insurers to improve loyalty, illustrate value, and limit customer turnover.

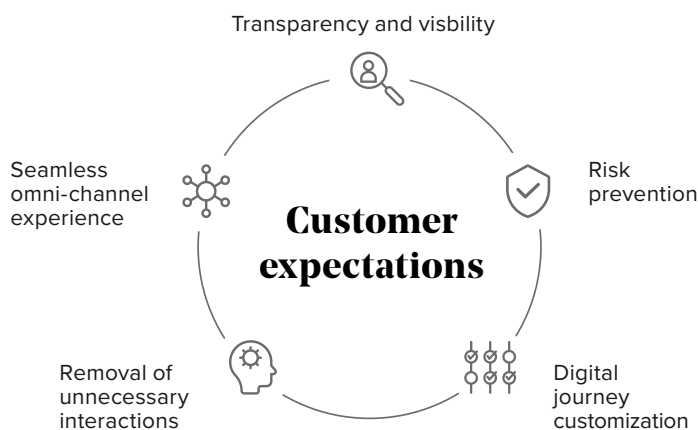
Insurers strive to grow the top line, improve the bottom line, and better utilize increasing scarce talent. Introducing technology, automation, artificial intelligence and machine learning

to the moments that matter to a claimant can help an insurer achieve all of these initiatives. Introducing the right technological solutions can increase throughput volume, allowing insurers to increase policy issuance and revenues. Decrease loss ratio and expense ratios by improving reserving practices and loss mitigation strategies, and upskilling claim adjusters to higher-value-added activities by replacing low-value-added activities with technology and automation solutions.

Insurers need to embrace a customer-centric mindset and undertake an end-to-end reassessment of their customer interactions and touchpoints with a value-driven approach.

# Superiority through an empathetic and enriched customer experience

It is necessary for insurance companies to transform their customer experience in order to meet current consumer expectations.



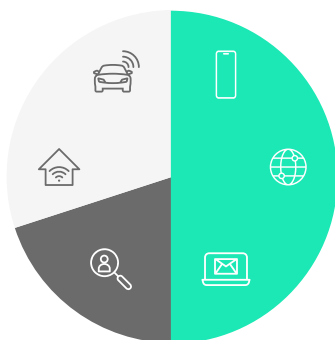
## A seamless digital experience

Insurance consumers are looking for a smooth experience that enables them to combine several types of interactions, such as choosing their preferred

communication channel at any stage of the customer's journey. For instance, a client who starts their digital journey on the internet but then wants to interact with a claims manager should be able to do so without having to repeat cer-

tain steps or provide the same information multiple times. There are 3 types of interactions; it will be necessary to find the right mix to properly support each client.

**Machine-to-machine communication:** IoT and Telematics



**Augmented agents:** Intermediaries and customer relations centers

**Digital communication:** Mobile application, social networks, email, websites

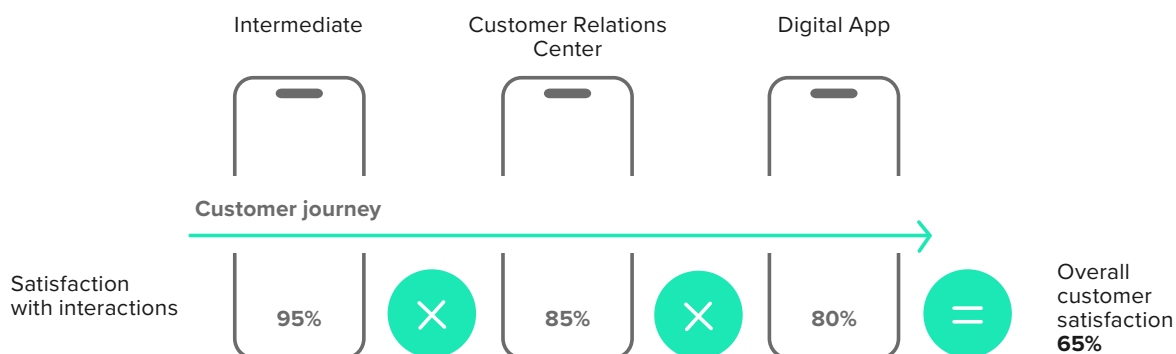
*We estimate that, in the long run, 50% of interactions will take place through digital channels, 1/3 from machine to machine and the remaining via physical interactions with «augmented» claims managers, who will rely on handpicked digital tools to help them make decisions and perform context analyses.*

## Eliminate unnecessary and frustrating interactions

As insurers endeavor to improve the customer experience, the most

successful companies focus on the insured's journey first, and how the unique touchpoints or "moments that matter" impact the journey. Even though each touchpoint may be

considered a high satisfaction rate, the overall level of satisfaction for the entire customer journey typically declines due to the redundancy of these touchpoints.



Therefore, it is critical to restrict the number of customer interactions during the occurrence of a disaster by quickly providing customers with the right kind of support and by avoiding low-value interactions which could be either automated or simply dropped.

A key metric for insurance companies is FCR (First Contact Resolution). For instance, in Asia, one of our clients embarked on a transformation of its customer service centers, ultimately achieving an 88% first-call resolution rate.

An example of an ideal customer journey for simple claims is with Straight-Through Processing ("STP") or expedited claim payments. At the moment coverage is triggered, an automatic payment will be made to meet the customers' essential needs (expedited payments) or even automatic approval (STP) if the claim profile is simple and falls within pre-determined parameters. STP and expedited payments can eliminate the need for a customer touchpoint during a high-stress period. This is an example of leveraging a "moment that matters" in the customer journey that can create the desired user experience that builds loyalty and trust. Parametric insurance is another illustration of a seamless and transparent process requested by policyholders.

The insured party pays a predefined premium and, in the event of specific triggering conditions being met, receives a predefined lump sum as outlined in the contract. For instance, if rainfall surpasses 30 centimeters or a wind speed exceeds 60 kilometers per hour, policyholders receive their designated compensation without the need for claims submissions, regardless of whether they have actually incurred a loss. The cornerstone of this insurance type lies in the accuracy of pricing, ensuring it aligns closely with the actual damage experienced, thus upholding the trust of the insured. Equally vital is the precision of the underlying data upon which this pricing relies. An example in this domain is French Insurtech Descartes Underwriting, which leverages machine learning and real-time monitoring via satellite imagery and IoT technology to underpin its parametric insurance contracts.

Another way to look at this, considering customer expectations to have only one point of contact, is to look at the insurer as the "PMO" of the claims process, taking charge of coordinating the different participants of the claims process: the assistance company, the garage, the experts, etc.

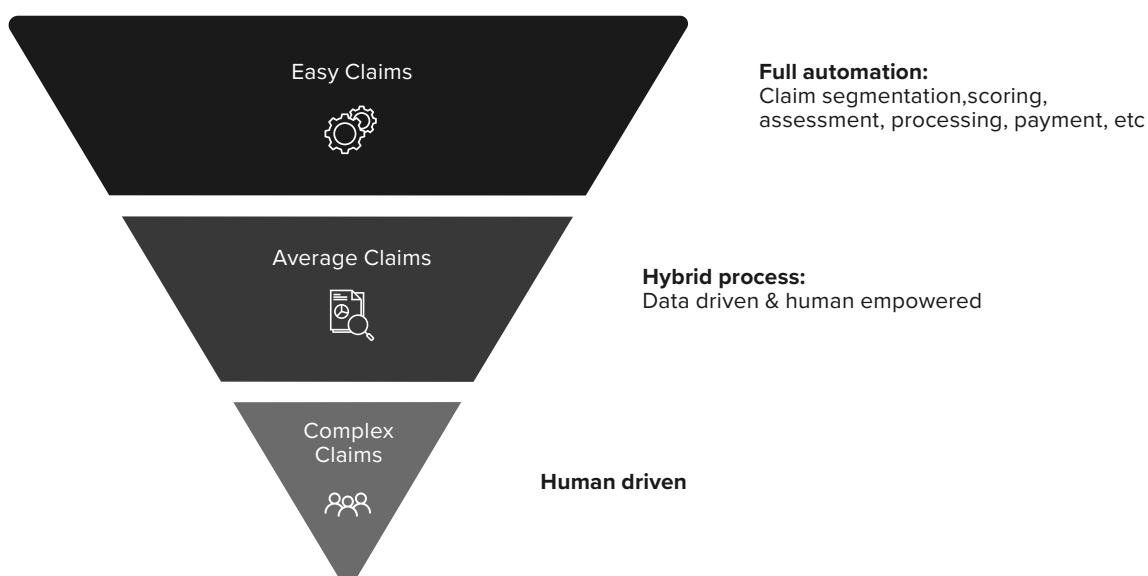
## Customizing the customer journey and support beyond contractual status

When a claim occurs, insurance customers expect a personalized experience related to their specific situation regardless of whether they are long-standing clients or not. Depending on the claim context, the initial contact will be handled differently. For

example, if the claim is related to travel insurance and results from a loss of luggage, a follow-up via alerts and digital texts will be sufficient because it is exactly what is necessary and expected in this case.

In the case of a travel claim caused by sickness, an agent will be expected to contact the insured to accompany them and organize the services they need because in this context a greater level

of service is appropriate. The client expects their insurer to treat them with empathy and provide human support. Likewise, in a car insurance context, even if the contract does not encompass car replacement services, the insurance company, as a partner, must offer a replacement vehicle at a negotiated price.



## A need for permanent transparency and visibility

Much like today's parcel or meal delivery services, consumers are increasingly asking for solutions which enable them to have complete visibility through every single step of the process: progress status, deadlines, as well as the next steps. The customer expects visibility in the management process for their claim, with regular status updates until closure. Many insurers have already made significant strides with live tracking solutions to address the immediacy of a distressed insured's need for information. This also makes it possible to limit direct contact (agency, telephone, email) with the customer because they already have all the in-

formation they need. From the moment the claim is initiated, policyholders ask for continuous visibility on status changes until the closure of their claim. The mobile (through application or webview) is a real asset in this context. Currently, there are just over thirty active applications in damage insurance in France compared to around a hundred in 2017. Our studies show that the point of contact for which these mobile applications remain relevant is the occurrence of a claim, whether for the submission of a simple claim or the monitoring of a claim's progress status (the notion of immediacy).



## Prevention, a win-win stake

Beyond interacting solely after a loss or damage has occurred, insurers would be well advised to proactively contact their customers with suggestions and risk management tips that can reduce the danger of a loss. In other words: prevention is better than restoration. Whether by sending notifications to warn of weather changes to encourage customers to park their cars in the garage for risk of hail, or by using sensors and telematics devices in machines to reduce the risk of overheating and

causing injury, proactive behavior generates value. More and more insurers such as AXA or MAIF are setting up ways to raise public awareness around prevention, either through dedicated advertising or supplying free guides and services.

Generali, for its part, has set up the service «Ensemble face aux risques, open to all, allowing its users to assess their home's exposure to climatic, nuclear and industrial risks, enabling them to better understand the events to which they are exposed. Prevention services and advice are associated with each

exposure.

Loss reduction will fundamentally change the relationship between insurers and their customers, by making the insurer and the policyholder partners in risk management and loss prevention, unlike the current risk-carrying model. This also tends to increase the number of interactions outside key historical moments such as underwriting or claims management, thereby increasing policyholders' loyalty

**On average, proactive and preventive services will improve loss ratio by 5%**

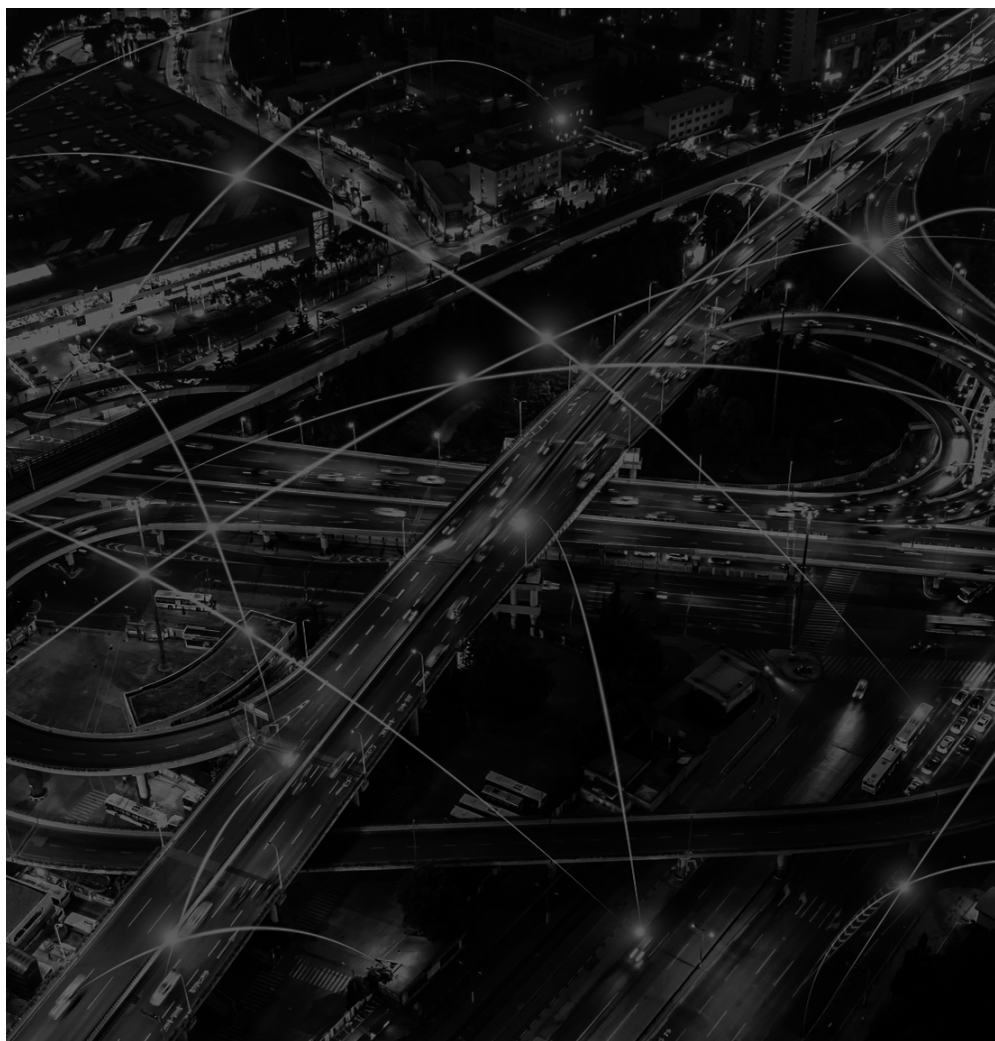
## Towards more sustainable claims management?

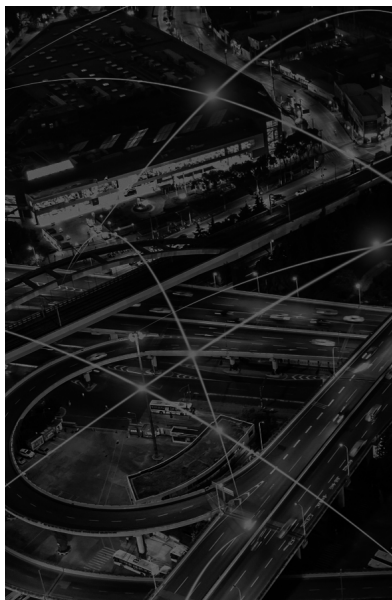
A push towards more environmentally friendly claims practices can be felt across the world. Global initiatives such as the Principle of Sustainable Insurance (PSI), an international sustainability framework of the United Nations Environment Program Finance Initiative (UNEP FI), are providing support and guidance regarding ESG best practices. Their first principle regarding claims management states that companies should integrate ESG issues into repairs, replacements, and other claims services. However, insurance companies are often faced with the difficult decision of following such principles and fulfilling their obligation of policyholder indemnification and cost-effective claim management strategies. Across the globe, some common trends stand out:

- *The increased use of recycled materials in P&C claims management, to do repair and replacement work.*
- *The leveraging of technologies to help streamline processes and provide better recommendations to customers (e.g., regarding choice of suppliers, etc.).*
- *The inclusion of social aspects, like giveback initiatives (Lemonade, Luko)*

These trends bring substantial value to businesses: lower costs, increased

efficiency, lower ecological footprint (fewer carbon emissions, promotion of circular economy...) and higher customer satisfaction and engagement. But with benefits usually also come challenges. In certain cases, replacing materials with environmentally friendly options is costlier and over-indemnifies the insured. On the flip side, some insurers dislike the idea of being reimbursed for used parts/materials.





## Zoom in on some motor claims trends

- *The motor industry is among the first impacted areas with many professionals offering the possibility to choose between repairing some damaged car parts or replacing them with recycled ones.*
- *However, practices vary quite substantially between insurers when it comes to the coverage of recycled parts: some only insure specific parts depending on the vehicle's age, while others offer discounts. If there is no mention of it in the contract, guarantees usually remain equivalent for new and recycled parts.*
- *Since 2017, French mechanics must - for specific car parts - offer the option to replace them with recycled or second-hand ones (doors, seats, windows...). Since 2019, they must also clearly inform customers of this choice. For example in France, Direct Assurance initiated a program offering second-hand parts as an option to their customers in need of vehicle repairs.*

## Zoom in on some property claims trends

- *Replacing damaged or destroyed property using more sustainable materials can be costly and therefore possibly over-indemnify the policyholder, a violation of policy ground rules.*
- *The use of reclaimed bricks or sustainable timber products is typically left up to the contractor's discretion.*
- *In some instances, indoor appliances like HVAC systems can be replaced by more eco-friendly appliances, but only when price permits.*





# Moving from a claims processing framework to a **customer care framework** will benefit both insurers and claimants



# The need to implement a digital operating model



Investing in digital and analytical capabilities allows insurers to better capture their customers' expectations and accordingly offer them solutions relevant to their unique situations. However, this effort is not just limited to tools but involves a redefinition and digitalization of operational models to address current challenges in terms of resilience and flexibility.

In addition to meeting customer expectations, the insurer must rethink its organization's operational efficiency and

cost controls communication channel at any stage of the customer's journey. For instance, a client who starts their digital journey on the internet but then wants to interact with a claims manager should be able to do so without having to repeat certain steps or provide the same information multiple times.

There are 3 types of interactions; it will be necessary to find the right mix to properly support each client.

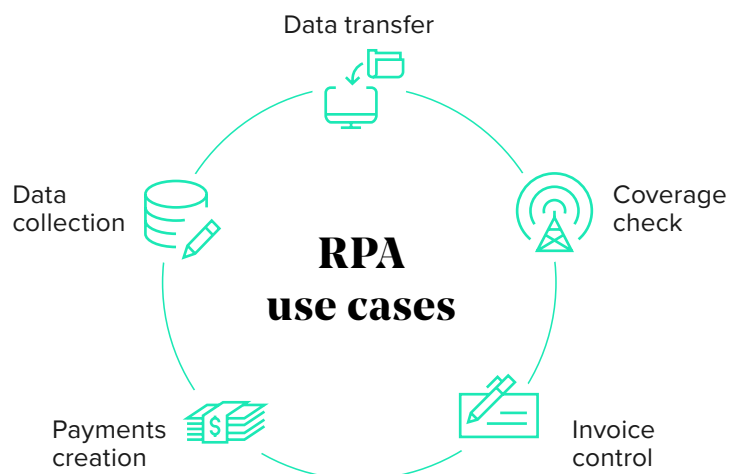
## A gradual digital revolution of information systems

The choice of the core business system is central to the transformation strategy. Beyond simplifying the workstation of the claims manager by allowing them to access data quickly, these tools are at the heart of transformation because they lay the foundation for a seamless omnichannel experience and make it possible to capture all the data necessary for the continuous improvement of AI algorithms.

Tool deployment is an opportunity to structure data sets and define automation use cases. Global data management strategies are then put in place to allow the exploitation of data pools related to claims and customer contexts to make predictive models more sophisticated.

Sequential automation should occur

cohesively throughout the claim workflow, replacing claims management acts usually carried out by claims managers with a robot. This is effective for simple tasks such as capturing or transferring data, verifying guarantees or automatic payment.



Robotic Process Automation (RPA) is a solution which can allow for surprising gains in FTE in some cases. One of our customers in Asia has increased its rate of end-to-end automation of glass breakage claims from 0 to 95%. Another client has defined thresholds below which invoices are paid automatically when they come from a predefined panel of vehicle repairers.

Large-volume, repetitive, simple tasks that add little value can be taken over by robots, while more complex and specific tasks can be handled with more complicated artificial intelligence. After the claim is filed, claims managers assess cases manually throughout the process to decide which steps to take, such as scheduling an appointment with an adjuster or direct repair with service shops.

Thanks to AI, an intelligent assessment automatically identifies the best course of action on specific customer journeys, reducing customer touchpoints

and dramatically accelerating the management process. For example, this technology can enable a customer to make an appointment with a repair service provider as part of their claim submission (either through Self-care or via a proposal from a claims manager) or to advise non-contracted services at negotiated costs to facilitate the customer's daily life.

Let's take the example of a multi-risk home insurance policyholder following water damage that made their home uninhabitable. The policyholder will be offered accommodation at a negotiated price for the duration of the repair, although the latter has not subscribed to the relocation guarantee. This empathetic relationship is the cornerstone to building customer loyalty and converting them into long-term partners.

This AI technology will also allow us to predict loss characteristics and assign them to the right customer profile when human interaction is necessary. It can

even put forward suggestions for preventive actions to avoid having a minor loss become a serious loss or to avoid lengthy litigation. AI can be proactive in offering fair and fiscally responsible compensation to avoid litigation.

Different AI use cases in claims management are being deployed at insurers, especially around fraud detection and document analysis. That is what Shift technology offers to its clients, through AI-based solutions that allow them to detect fraud by looking at out layers (leveraging a network), automating repetitive tasks with low added value and also assisting them in decision-making on complex processes.

But only a select few insurers have succeeded in redefining customer journeys. Best-in-class insurers are already starting to estimate vehicle damage in real-time when filing a claim based on images provided by the customer and damage descriptions thanks to the latest advances in AI and image recognition.



# The Future of Claims is already being launched in some insurance companies

These new Claims management processes must balance benefit and complexity while having the capacity to make users adopt the new uses.

## Potential barriers to user adoption



Risk of **job loss** due to automation



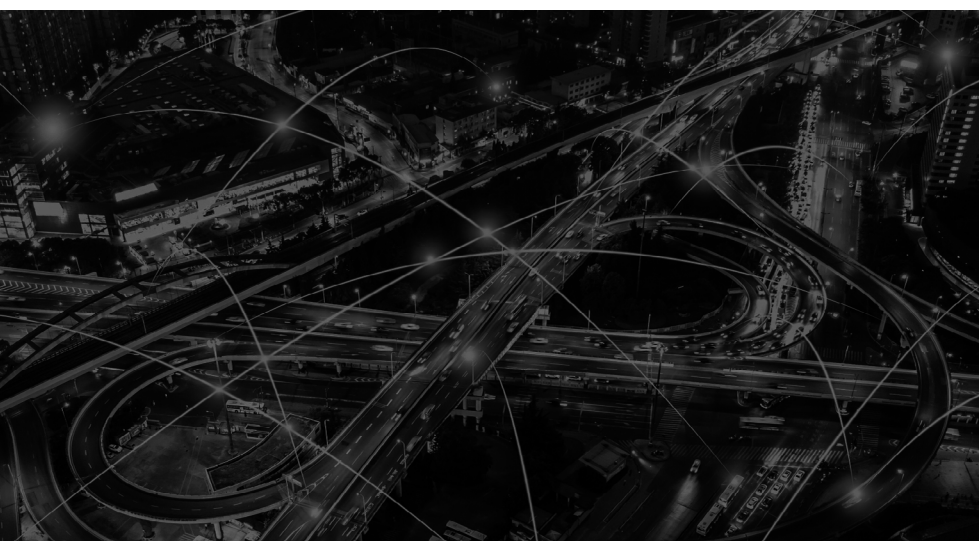
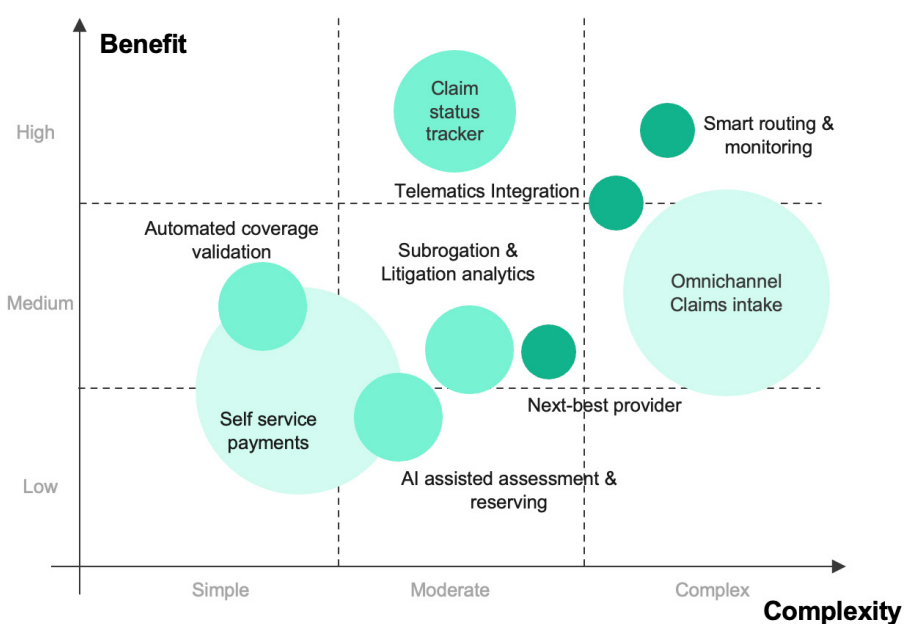
Risk that users are **resistant to change**



Need to have **qualified people** with technological skill sets to automate



Risk that claimants **reject the automatically generated results** of their claims

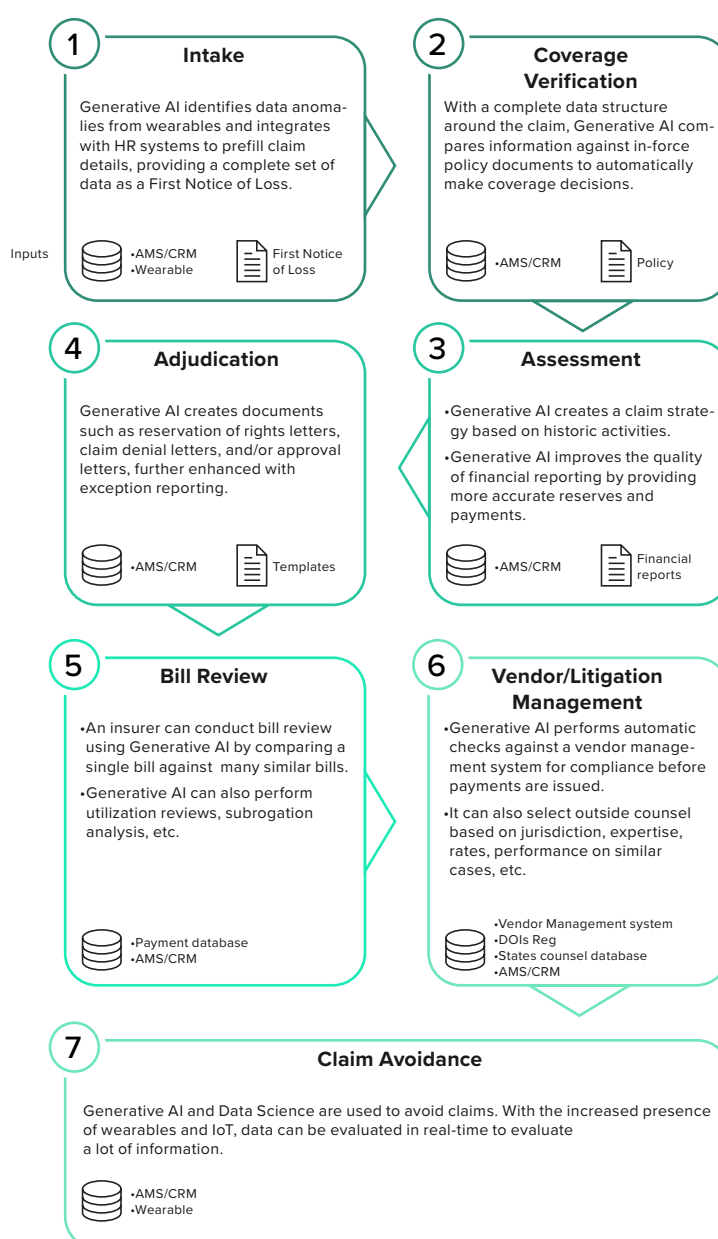


The main idea behind these AI technologies is to “augment” claims managers, endowing them with tools that will ease their work and allow them to dedicate more time to proactive risk management and tasks that require empathy to build customer relationships.

**AI-driven automation enables a reduction in customer service costs by 30% -50%**

# Focus: Impact of Generative AI on Claims Management.

These new Claims management processes must balance benefit and complexity while having the capacity to make users adopt the new uses



## Restructuring the organization while monitoring costs

To design this new customer-centric digital operating model, the whole value chain will be solicited to increase customer satisfaction and provide them with meaningful support. One prerequisite for this fluidity is the simplification of internal processes, through a reorganization that will aim to break down organizational silos and eliminate any low-value processes.

One of our clients in Asia once had a siloed claims management process in which each step was handled by a dedi-

cated team (claims submissions, provider relationship and assessment, payment, etc.). The numerous interactions between these teams ensured an understanding of the elements included in a file that dramatically reduced their efficiency. We supported this client in the rationalization of its model by appointing a single claims manager, responsible for the whole claim process stream, to be both a unique point of contact for the client and to orchestrate interactions with other stakeholders. This made it possible to eliminate the numerous unnecessary interactions that were time-and-energy consuming, while providing an improved response

through better knowledge of the customer and the claims context. At no time should the client have to undergo a rigid and siloed process.

We have also noticed that teams that directly interact with the customer tend to be re-internalized, contrary to low-cost offshore or Nearshore systems that handle large volumes of calls (especially in a French context where the customer prefers to deal with “made in France”).

**Re-internalization of claims managers can drive costs down by 20% to 40%**

Thanks to digitalization, if the customer journey is intuitive and transparent (declaration in Selfcare, live tracking, etc.), the need for human contact will be reduced, and claims managers can focus on more complex cases. In this context, the re-internalization of these FTEs is a key aspect of ensuring customer satisfaction. The settlement powers of these internal claims managers will also have to be extended to allow autonomy and accountability. They must have sufficient leverage to address difficult cases while providing the necessary empathy when faced with a client who has suffered damage.

Parallel to internalizing the functions that are in direct contact with the customer, functions pertaining to the back office such as managing complaints and recourses as well as fraud investigation - could be delegated to external providers who are liable for the SLA, the latter being defined upstream, in agreement with market standards.

It will be in the insurers' best interest to keep these functions internal or to even define new hybrid models between outsourcing and strategic in-house roles. The fact is that between a claims manager, a recourse claims manager, and a fraud investigator, mentalities differ.

### Claims Manager

Customer Focused  
Cost Center  
Quick Resolution  
Avoids Conflict

### Recourse Claims Manager

Business Focused  
Profit Center  
Quality Resolution  
Thrives In Conflict

# Partnerships in a digital ecosystem



In the ecosystem of different stakeholders in the insurance sector, open insurance involves insurers opening up their information systems to third-party companies. The creation of partnerships fosters innovation and enables insurers to concentrate on their core business, leaving the parts of the value chain they are least familiar with to specialist players.

Ecosystems are indeed now powerful growth vectors often setting up affinity or banking partnerships (e.g. ING/AXA integration). In the context of claims management, the ecosystem rests upon networks of expertise and repair, but also in improving the digital experience. The advent of expert 2.0 digital solutions reduced the necessity for an expert to move around to assess a claim, which turns out to be a true asset given the decrease in travel costs. Remote expertise enhanced by AI algorithms makes it possible to accurately estimate the damages for which to compensate the insured. Likewise, making an appointment with a repairman is now done digitally.

For instance, Weather Claim Control (W2C), a French Insurtech, reveals that 35% of weather-related compensation claims lack justification based on meteorological conditions. Their solution, which relies on real-time meteorological data analysis, shifts the burden of proof onto the claims manager. If conclusive evidence of a weather event exists, the manager can promptly decide to compensate the client. Conversely, if such evidence is lacking, the manager can calmly substantiate a “non-guaranteed” status with a real-time certificate issued by a meteorologist, supporting their decision. As a result of this innovative approach, Insurtech claims to reduce

the time spent by their clients’ claims managers on weather-related claims by a remarkable 22%.

In order to be integrated into this digital ecosystem, many insurers are migrating towards an integrated modular architecture via APIs (Application Programming Interface).

APIs will allow your products or services to communicate with other products or services without knowing the details of their implementation. They offer flexibility, and administrative support, and simplify the design and use of your services by providing you with means to innovate.

These APIs will allow integration with external services such as ViibE (remote assistance and tele-expertise solution without downloading), Darva, or Weeprov (digital automotive inspection solution).

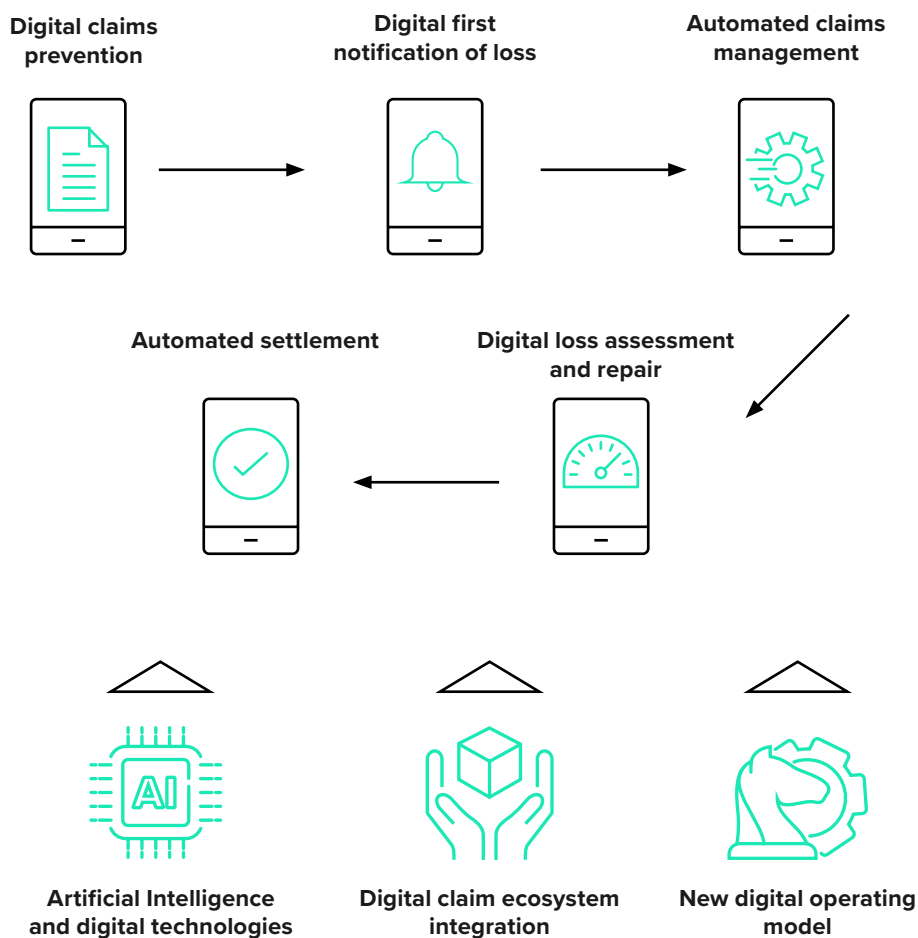
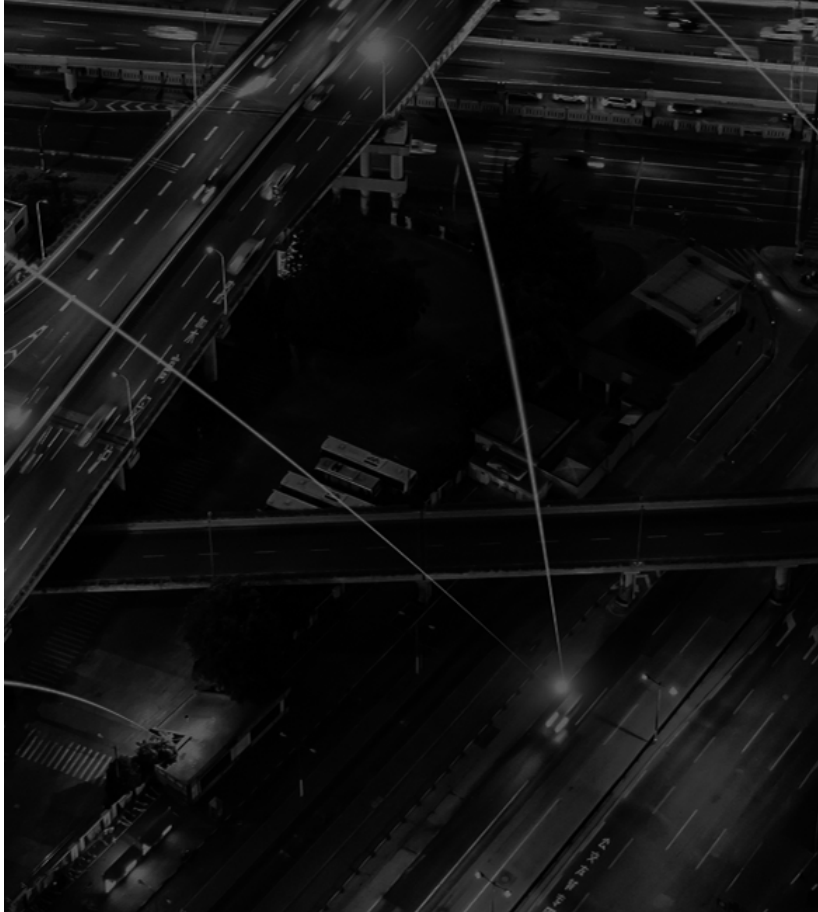
Suravenir, a subsidiary of Crédit Mutuel Arkéa, chose the insurtech Lidix to implement the first 100% digital French SaaS solution for succession management. Their inheritance management for life insurance beneficiaries is simplified by offering them tutorials in the collection of the constituent elements of the files as well as intuitive digital pathways to reduce procedures and formalities related to the settlement of inheritances, with a pre-filled data-driven customer journey.

Nevertheless, it remains necessary to maintain a geographically dispersed network of experts in order to respond to scenarios requiring an on-site presence.

## Developing new skills

Our study estimates that between 30% and 50% of current FTEs who support claims management operations today will be reduced and many of them replaced by new “digital talents”, namely Data Scientists, UX Designers, Scrum Masters, Web Developers, etc. These new digital gems will be the real levers for continuous transformation which adapts to the fickleness of customer appetites.

To support this technological transformation, insurers will have to, on the one hand, invest in the training and requalification of their employees via personalized digital learning tools and, on the other hand, massively recruit digital talents in areas such as agility, user experience, and data analysis.





# Conclusion

## We believe that **the transformation of the claims** handling process and customer journeys will take place in different stages

According to our experience, successful digital transformations in claims management begin with the development of a new value proposition achieved through a redesign of the end-to-end customer journey. The reinvention of the customer journey will be driven by AI and other digital technologies, integration into a claim ecosystem and the establishment of a new digital operating model.

Our Nod-A design thinking teams, together with our customer experience teams, can support you in redefining your customer journey by bringing out

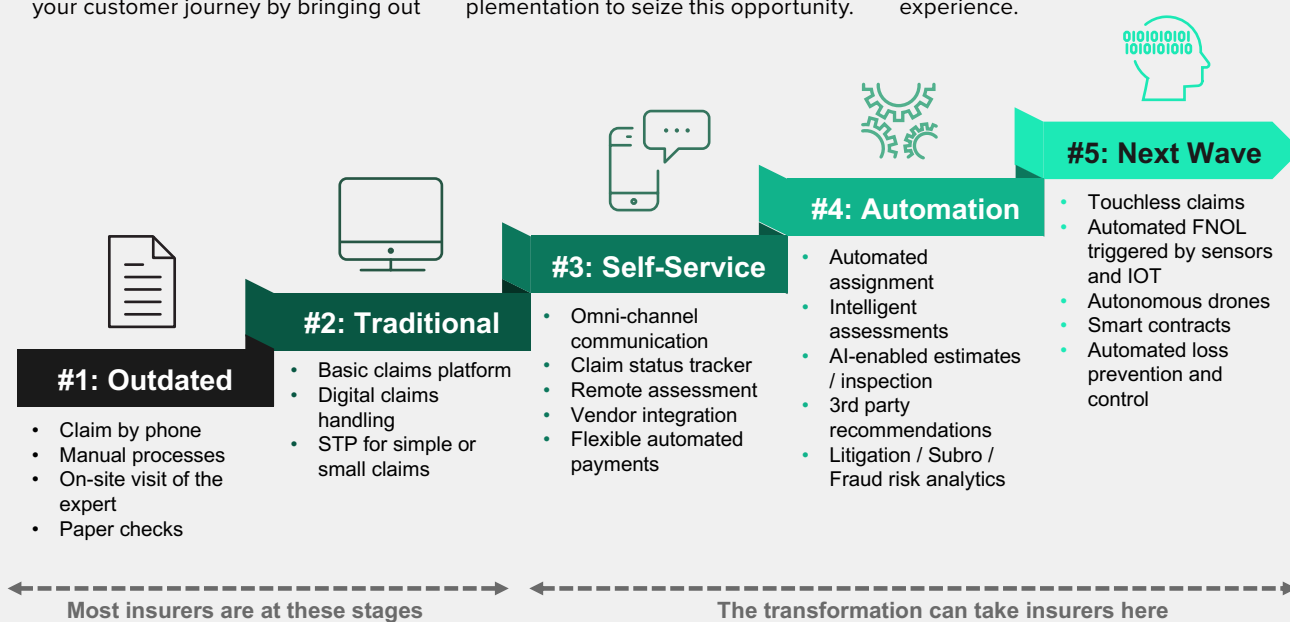
the pain points through the collective intelligence of your employees and defining paths without any technological barrier.

Our teams dedicated to insurance will collaborate with our data science teams to support you in the transformation of both your management tools and your operational model.

Insurers have already taken the first step of this transformation with extraordinary results. This requires a significant and bold investment, paving the way for effective and efficient implementation to seize this opportunity.

As such, players must accelerate their decision to invest in a digital and analytical strategy to avoid a slow decline and prepare for a second wind of prosperity.

It is therefore necessary to define a long-term transformation strategy. Defining the insurer's strategy using the perspective of the insured as a starting point, understanding existing and future customer expectations, and preparing to deploy in an agile way are the elements that will allow for a continuous improvement of customer experience.



Rome was not built in a day. It will be necessary to understand which parts of business operations will be the most impactful and to build them first before putting them on the global scale of the organization. Finally, with data and AI, insurers will be able to reap the fruits of continuous improvement over time.

# About Sia Partners

Sia Partners is a next-generation management consulting firm and pioneer of Consulting 4.0. We offer a unique blend of AI and design capabilities, augmenting traditional consulting to deliver superior value to our clients. With expertise in more than 30 sectors and services, we optimize client projects worldwide. Through our Consulting for Good approach, we strive for next-level impact by developing innovative CSR solutions for our clients, making sustainability a lever for profitable transformation.

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