Touchless Claims

Agenda

What is a touchless claim?

The Evolution of Claims

	Manual process		Completely automated process
Traditional claims	Low touch claims	Touchless claims	Instant claims
Advocate involved in most decision points	Advocates & vendors work the claim. Advocate touchpoints are reduced.	Advocates do not touch the claim. Tasks are delegated to vendors.	No human involvement other than from the customer
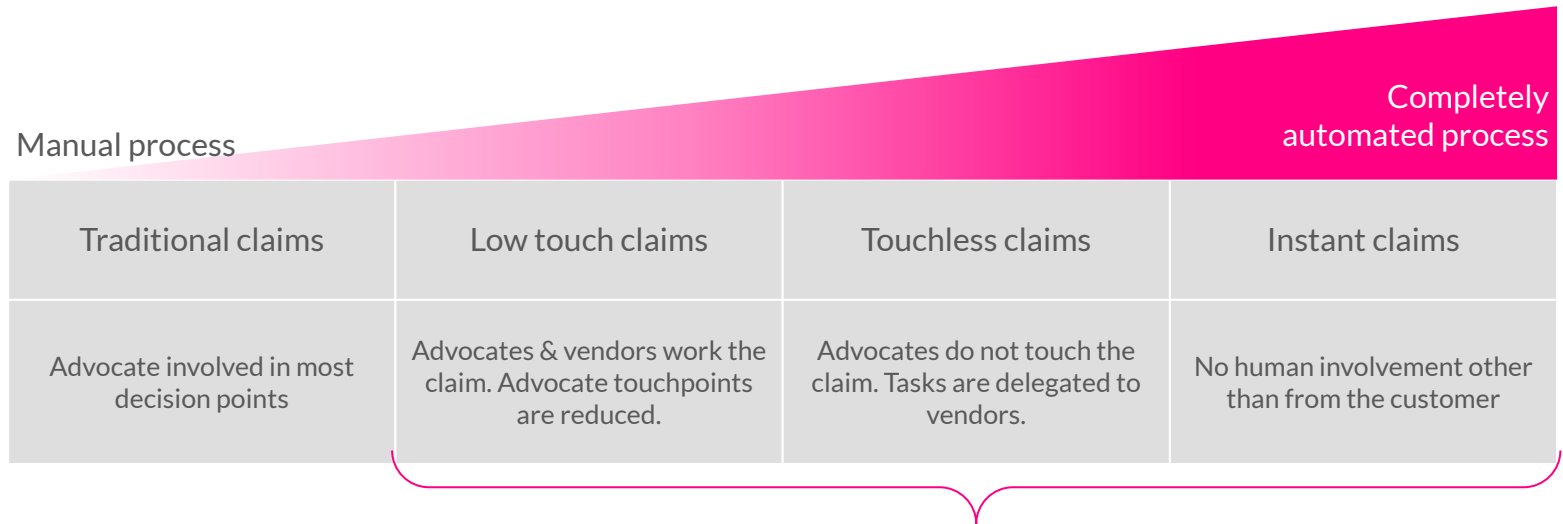
How and when this mix is split is critical to delivering a world class experience

Touchless claim example: Home water claim

Customer's toilet water line breaks. She files a claim through the app.

Claim is automatically dispatched to a **Contractor.**

They arrive on site *within 4 hours*. Starts the water mitigation and dry out process *(prevents further damages)*.

Contractor sends repair estimates to insurance company through the app.

Customer decides to use the contractor for repairs.

Insurance company automatically settles the claim and sends a payment to the customer.
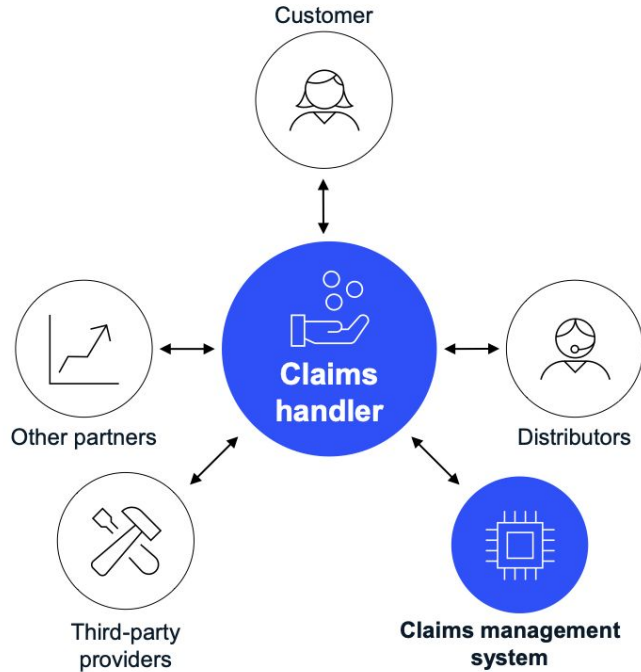
Contractors are available 24/7/365 so the experience, loss costs and expense envelope are improved

A claim file that knows its own status

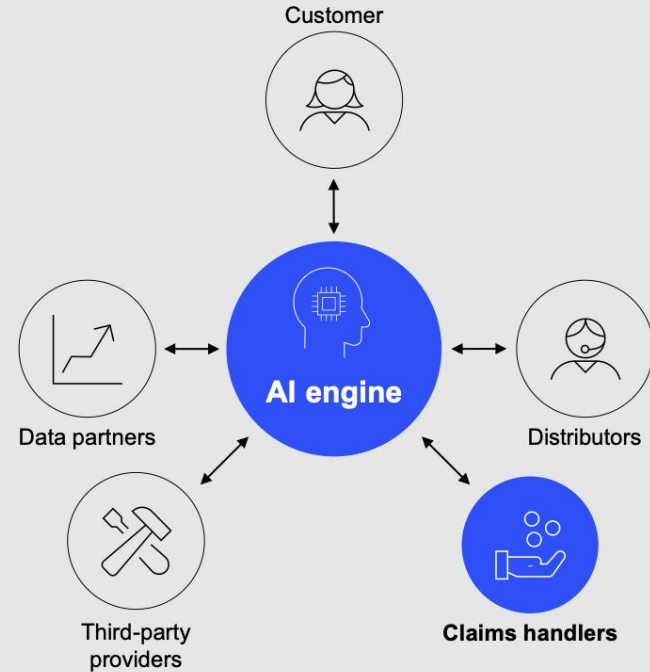# We've been discussing the potential for AI to serve as the central claims orchestrator for years
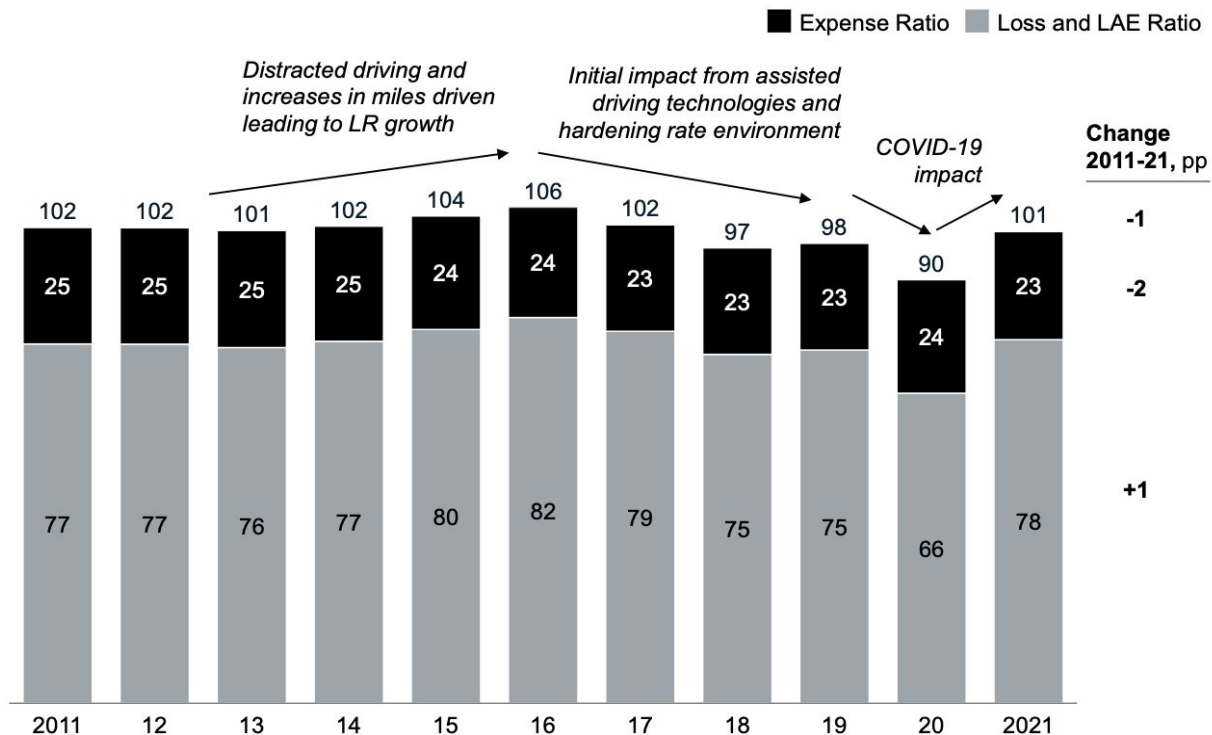

Traditional claims management

Customer

Other partners ⟷ **Claims handler** ⟷ Distributors

Third-party providers

Claims management system

VS

AI-enabled claims management

Customer

Data partners ⟷ **AI engine** ⟷ Distributors

Third-party providers

Claims handlers

Why Now?

Positive trend in Auto profitability since 2016 reversed in 2021 as vehicle usage recovered

Personal Auto Net Combined Ratio, % of NPE

■ Expense Ratio   ■ Loss and LAE Ratio

Distracted driving and increases in miles driven leading to LR growth

Initial impact from assisted driving technologies and hardening rate environment

COVID-19 impact

Change 2011-21, pp

Year	Expense Ratio	Loss and LAE Ratio	Total
2011	25	77	102
12	25	77	102
13	25	76	101
14	25	77	102
15	24	80	104
16	24	82	106
17	23	79	102
18	23	75	97
19	23	75	98
20	24	66	90
2021	23	78	101

-1

-2

+1

Expense ratio for Auto has decreased slightly (-1 pp) on the back of rate growth. Large carriers appear to benefit from scale economies

Underwriting results for Auto deteriorated between 2013-16 as distracted driving became more common and miles driven increased steadily

LRs have improved from 2016-20 driven by rate increases and a potential secular decrease in the personal auto liability frequency on the back of new assisted technologies and COVID

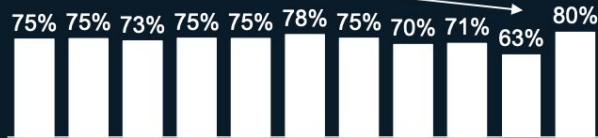LRs started to deteriorate in coming out of the pandemic as miles driven started to increase again.

Source: Insurance Regulatory Data sourced from S&P Capital IQ Pro

McKinsey & Company   2

LRs in Auto had been decreasing until 2020 but have significantly increased since 2021
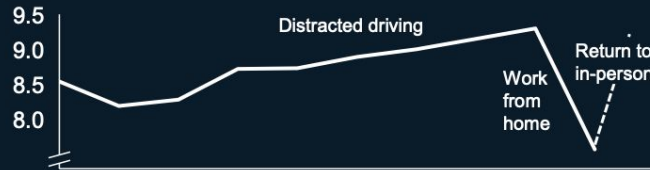
Drivers of Loss Ratio

Personal Auto Physical Damage

Personal Auto Liability

Indicative – data not yet available

Net Loss Ratio

% of NBW (incl adjustments/other expense, defense and cost cont. expense)

Physical Damage: 75% 75% 73% 75% 75% 78% 75% 70% 71% 63% 80%

Liability: 78% 78% 78% 79% 83% 85% 82% 77% 78% 68% 76%

Claim Frequency[1]

Claims per 100 Earned Car years

Physical Damage (9.5–8.0): Distracted driving, Work from home, Return to in-person

Liability (4.5–3.5): Distracted driving, Assisted technologies, Work from home, Return to in-person

Claim Severity[2]

$

Physical Damage (3,200 / 3,000 / 2,800 / 2,600): Growing replacement cost (inflationary pressure)

Liability (9,000 / 8,000 / 7,000 / 6,000): Growing replacement cost (inflationary pressure)
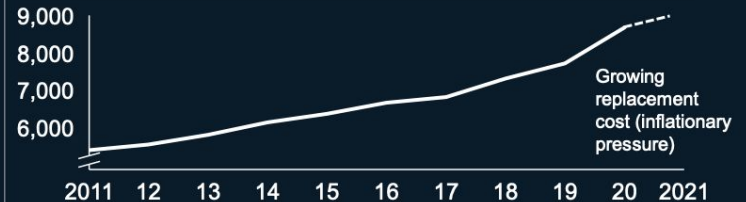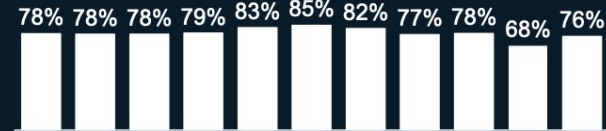
2011 12 13 14 15 16 17 18 19 20 2021
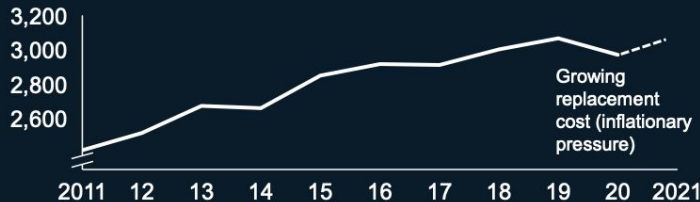
1. Claim frequency is claims per 100 earned car years. A car year is equal to 365 days of insured coverage for one vehicle
2. Size of claim including Loss Adjustment expenses

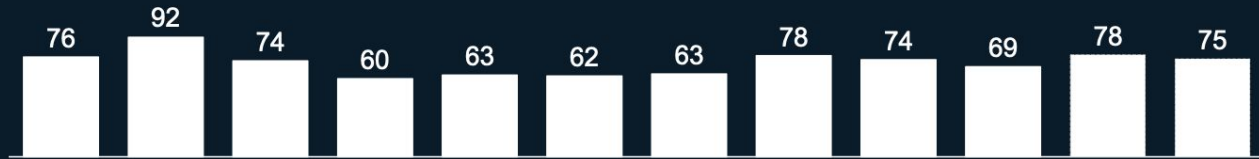# The LR for Homeowners has been primarily driven by the claims severity; frequency has remained stable since 2013
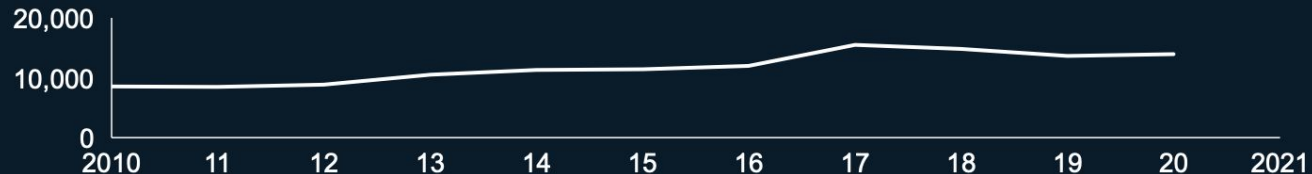
Drivers of Loss ratio[2]

Homeowners Net Losses % of NPE

2010	11	12	13	14	15	16	17	18	19	20	2021
76	92	74	60	63	62	63	78	74	69	78	75

Homeowners Claim Frequency[1] #

Homeowners Claim Severity[3] $ Dollars

1. Claims per 100 house years (policies).
2. For homeowners multiple peril policies (HO-2, HO-3, HO-5 and HE-7 for North Carolina). Excludes tenants and condominium policies. Excludes Arkansas and Texas
3. Average amount paid per claim; based on accident year incurred losses, excluding loss adjustment expenses, i.e., indemnity costs per accident year incurred claims.

Ingredients

Every claim starts with a photo/video

Today less than 45% of claims are reported through a digital channel

Estimates are created instantly

The vast majority of claims still require human interaction to create an estimate

Fraud detection is running 24 x 7

Today fraud is highly focused on static models, next evolution is continuous monitoring

Every claim is measured in seconds

Today the majority of claims are measured in hours, days and weeks

Value vs Action

*Most insurers see the value of touchless claims, but comparatively few are operating in a touchless manner today. While **97% of respondents said touchless claims provided at least some business value,** a much smaller **33% are actively engaged** in operating in a touchless manner.*

If 97% of respondents believe touchless claims have at least some value, but only
33% of their organizations are making some use, then the
"What is holding them back?"

*According to the data, **"difficulty integrating with legacy core systems"** is the most significant barrier.*

One survey points to a significant increase in 3 years

Volume of Touchless Claims Today

17%
Average

4%
Commercial

11%
Personal

24%
Mix

>

Volume of Touchless Claims in 3 Years

33%
Average

13%
Commercial

36%
Personal

30%
Mix

Why Touchless Claims?

What will it deliver?

Loss ratio

Improve the Loss Ratio through accuracy of settlements

Operational expenses

Decrease operational expenses by scaling through innovation & optimization

Customer experience

Bolster your brand by providing delightful and lightning fast service

Car is a great example that highlights operational efficiencies

Field Inspection by and IA

$250

Field inspection by a staff appraiser

$200

Instant estimate created by AI

$50 (this will soon be under $10)

Assigned to a direct repair shop at first notice

$25

Product lines matter; but key principles apply

- Roadside	- Preventative	- Theft	- File that knows its own status
- Glass	- Accident	- Water	- Instant estimates
- Single vehicle, no injuries	- Illness	- Power outage	- Continuous fraud detection
- Multiple vehicles, no injuries and clear liability	- Any reimbursement	- Catastrophe	- Measured in seconds

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Risks and Mitigations to Consider

Risks

- Regulatory environment

- Payment accuracy as instant/touchless % increases

- Increased complexity as 3rd party partnerships grow

- Vendor quality control
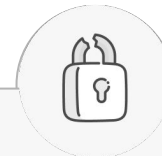
Dependencies

- Government industry relations influence

- Automated audit engines

- Vendor dashboards and clarity on spend vs performance

- Responsible AI

Speed + Ease =
Empathy

Thanks