

# Claims Transformation in a Digital World

September 11, 2023



# Agenda



State of the Market: Industry Insights

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Changing the Conversation, Investing in Transformation

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Emerging Technologies

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Generative AI and Disruptors for Claims

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Claims Workforce of the Future

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Questions

# With You Today



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# The Future of Claims Transformation is Here

## Decreasing Claims Volume

Claims frequency will continue to fall significantly in some lines, but severity may increase in others due to litigation.

# 20%

average decrease in claims losses for P&C carriers in 2022\*

## Digital Disruption

Consumer expectations for seamless and omni-channel experiences will continue to grow.

# \$4.9B

estimated spend of the global insurance market for technology by 2025\*\*

## Hybrid and Aging Workforce

Hybrid working models and talent retention will continue to drive the need for updated claim capabilities.

# 4 years

average tenure for a front-line claims professional\*\*\*

Sources:

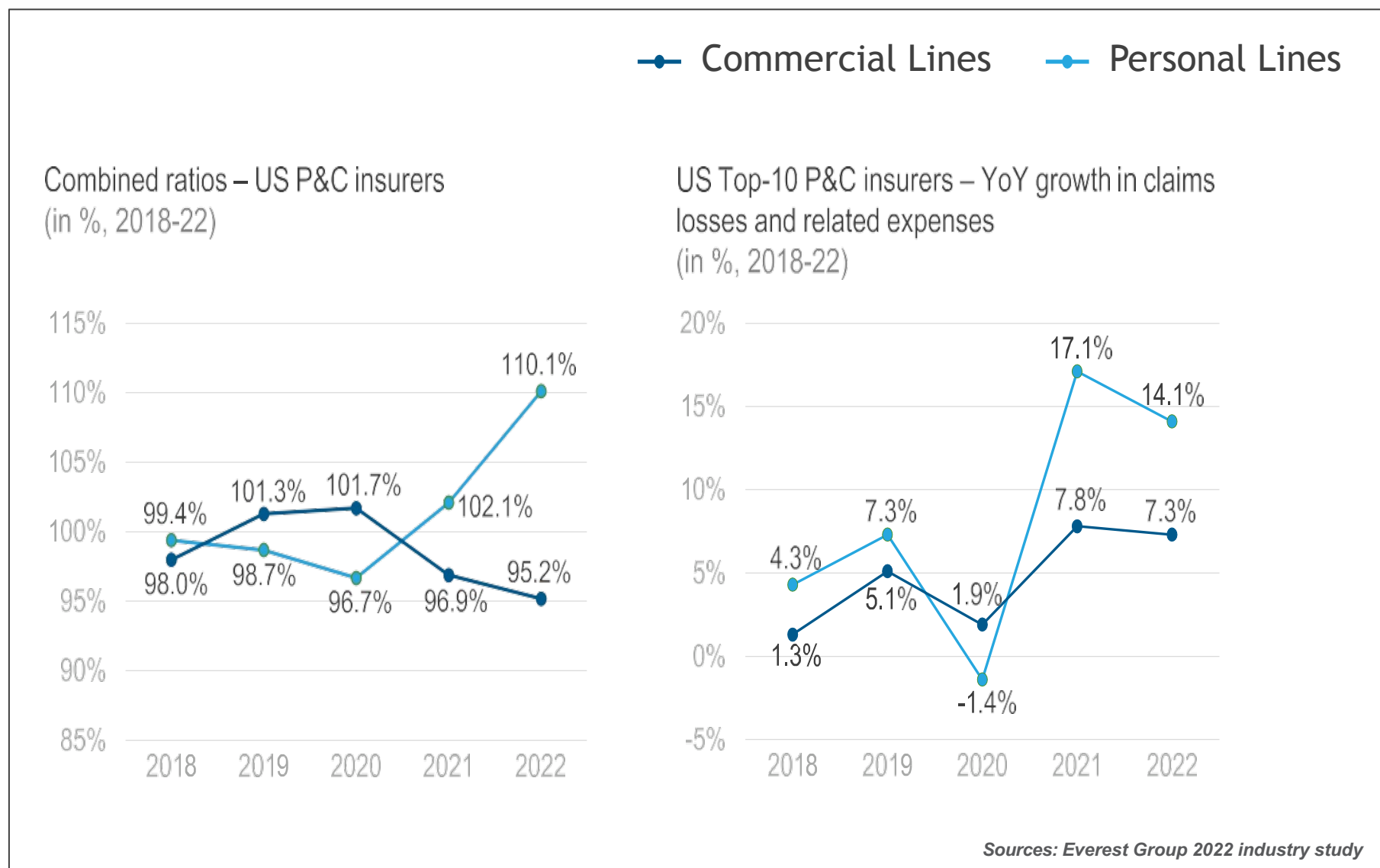
\*Business Insider, Business Insurance 2022

\*\*Everest Group, Adoption Survey 2021

\*\*\*Gartner

# State of the Market: Industry Insights

- ▶ **Personal Lines:** The combined ratio reached 110% in 2022, marking the worst performance in decades.
- ▶ **Homeowners:** The combined ratio remained at 104.6%, driven by two consecutive years of insured losses from catastrophes surpassing \$100B.
- ▶ **P&C Insurers:** Should explore technology and automation initiatives to enable more efficient claims intake and adjudication processes that allow claims staff to make faster decisions.



# How Insurance Executives Have Changed the Conversation

## CONVERSATIONS WITH INSURANCE EXECUTIVES IN 2019 - 2022



>80% highlighted intent to upgrade core system/move to cloud. Adopt a faster process to move apps to cloud—need roadmapping support on how to redesign infrastructure microservices and containerization.



>75% focused on digital experiences for their customers. Modernize the platform, become a consumer-savvy digital company.



>60% indicated underwriting and distribution as biggest priorities for the next three years. Move to cloud and explore new business lines, broadening the number of use cases, and scale adoption.



>35% increased investment budgets for AI and data. Investing in big data, digitization of business using AI and DevOps.



## CONVERSATIONS WITH INSURANCE EXECUTIVES IN 2022 - 2023



>60% indicated focus on realizing value from existing investments. Improve KPI monitoring, hyper automation and embed more predictive models into core systems, enable more low touch claims.



>50% scaled investments in becoming a data-driven enterprise. Scaling up of newer tech such as AI/ML, building in-house data scientist data.



>50% highlighted claims efficiency as a priority area for investment. Straight through claims processing, innovation in digital engagement, and multichannel communications on AI module.

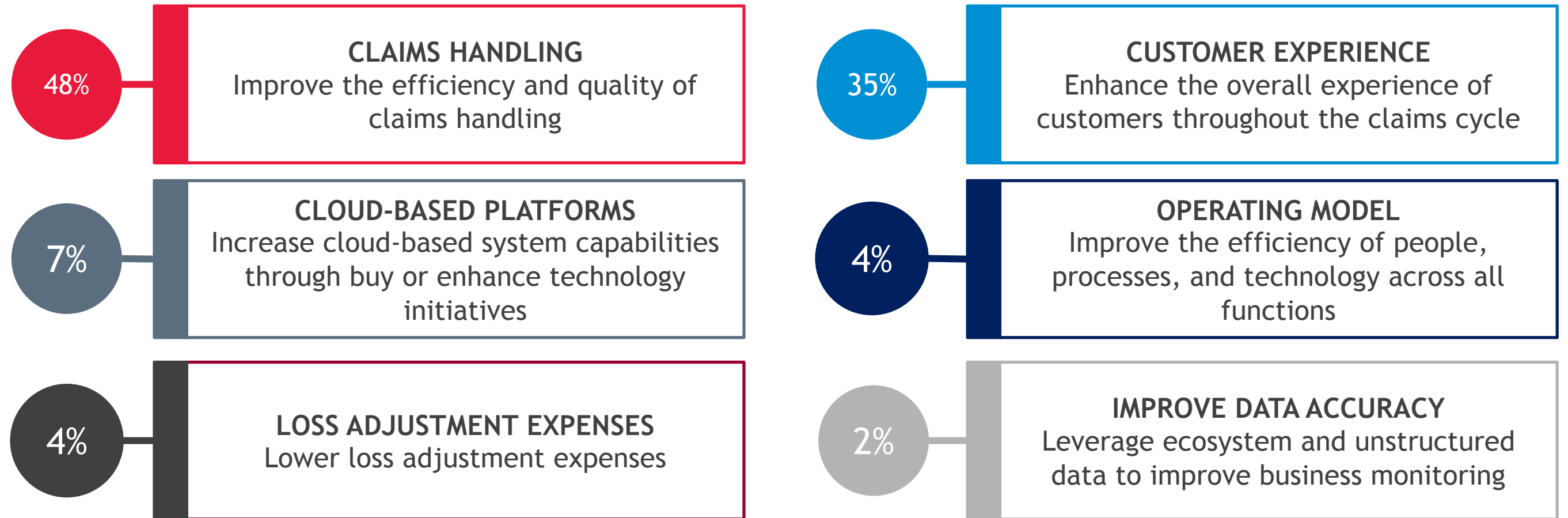


>40% increased slowdown in large-scale investments. Investments in newer products, newer features will be more on smaller and focused scale.

Sources: Everest Group 2022 industry study

# How Insurance Executives are Investing in Transformations

The percentage breakdown below is out of 100%.



Source: Everest Group 2023 – based on analysis of 55 case studies on claims modernization by P&C insurers between 2021 & 2022

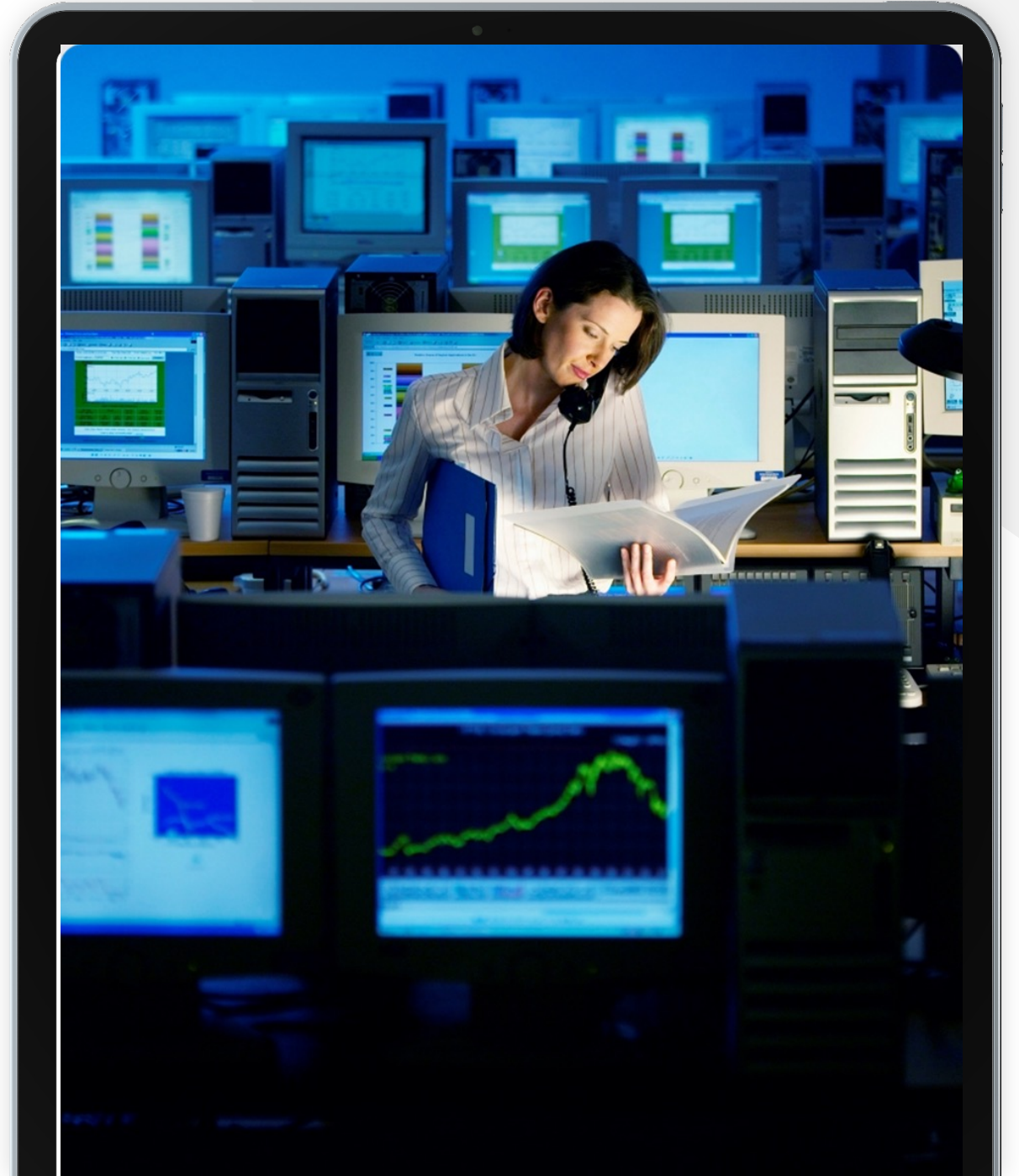
# Emerging Technologies Within the Insurance Industry

- ▶ Predictive Models
- ▶ Robotics
- ▶ Generative AI
- ▶ Telematics
- ▶ Blockchain
- ▶ Drones

80%

of U.S. customers will manage relationships with businesses without human interaction by 2025.

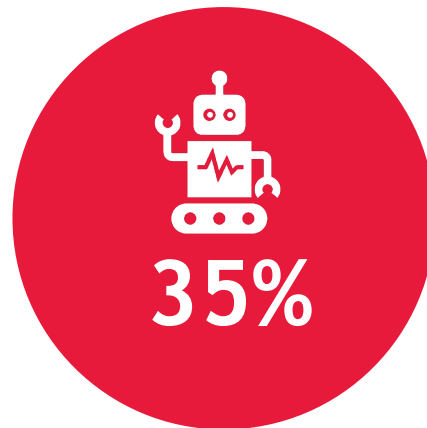
*Source: Gardner*



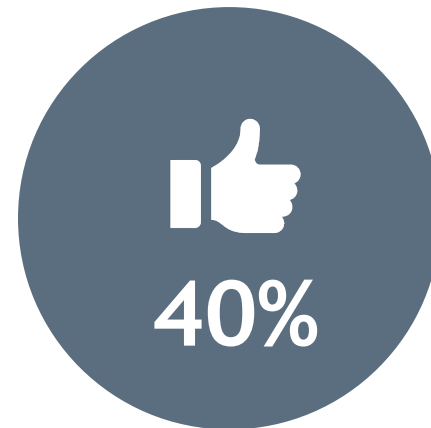


# Robotics

Robotics is an enhanced capability that has rapidly gained acceptance and, for several years, has continued to grow in claim organizations.



of insurers  
have deployed  
robotics  
technology  
today\*



think robotics  
is the most  
enabling  
enterprise  
technology\*



of global IT  
service centers  
are actively  
pursuing robotics\*

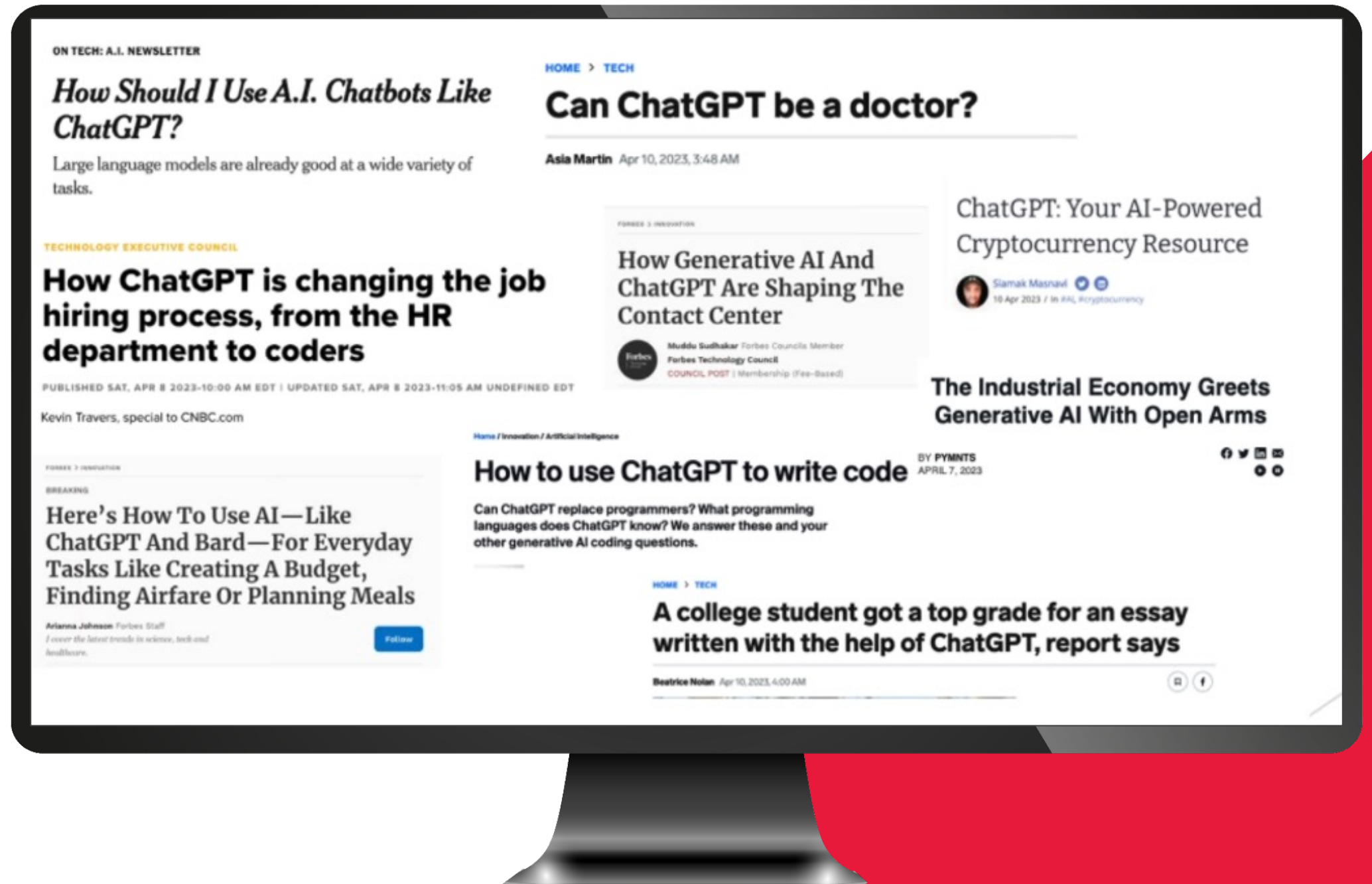


estimated size  
of the global  
robotics  
market by  
2025\*

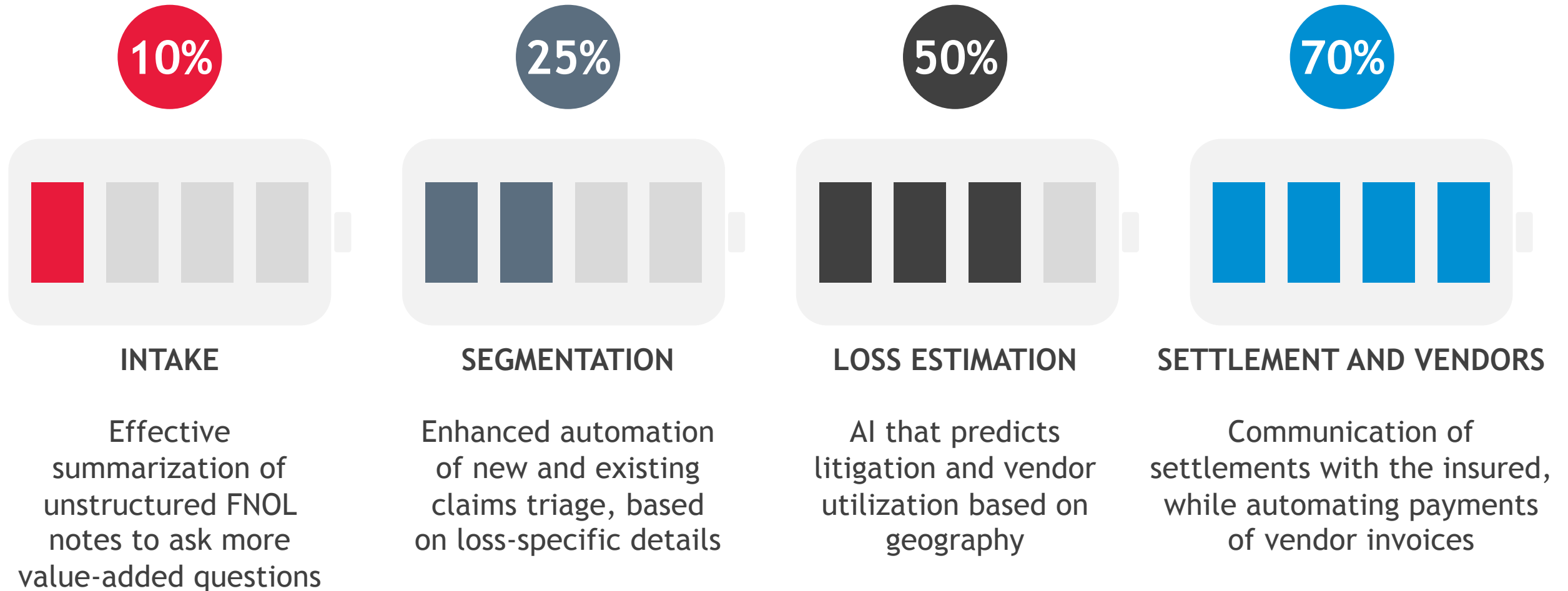
\*Institute for Robotic Process Automation 2020, Everest Group, "Robotics is Transforming Business Process - Delivering Fast, Accurate Service, and Improving Customer Experience.

\*\*Everest Group, "Robotic Process Automation Adoption" Survey - October 30, 2021.

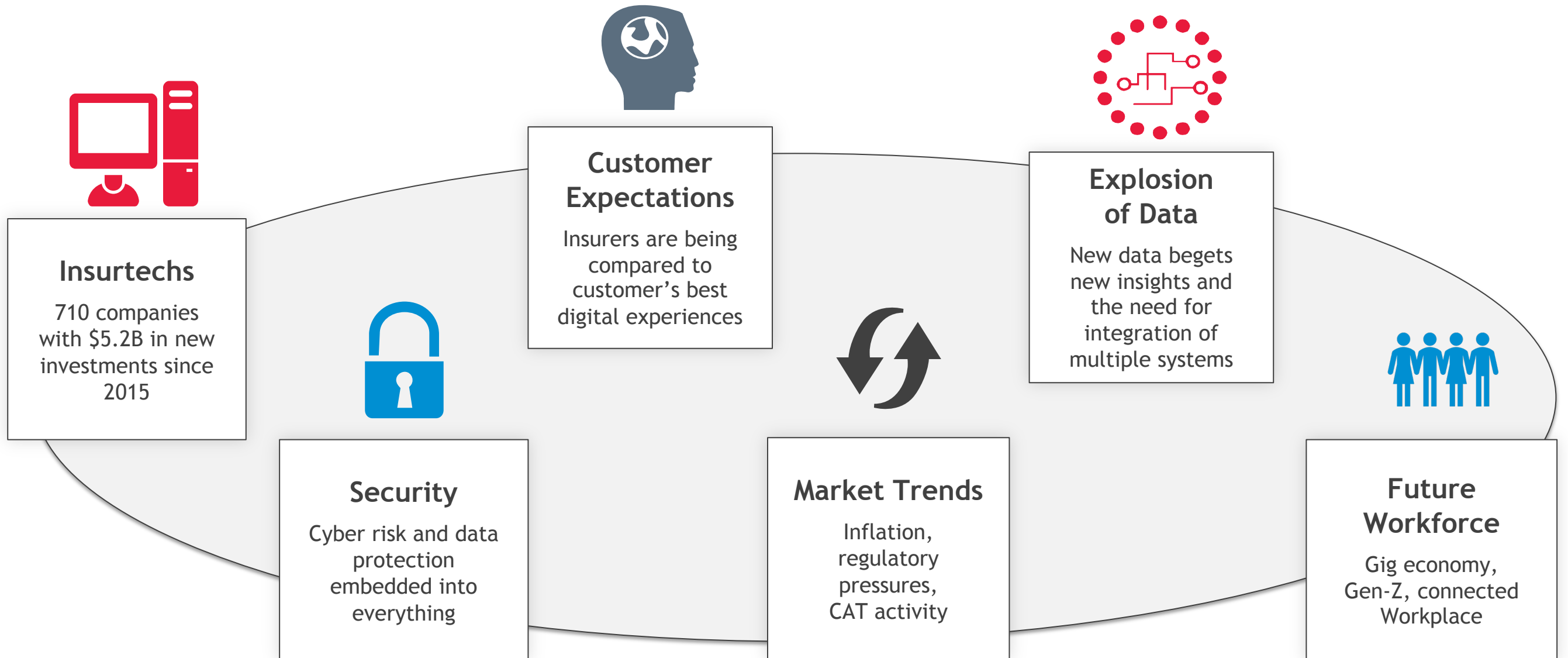
# Generative AI: Where to Begin?



# How Insurers May Invest in Generative AI for Claims



# Disruptors Across the Insurance Industry



# Industry Trends

- ▶ Claims frequency in relation to exposure will continue to fall in many lines of business.
- ▶ Remote work has caused car accidents to decrease, but litigation will likely increase—resulting in higher severity and higher propensity of large verdicts.
- ▶ The use of sensors for monitoring homes and businesses is proving to be effective in claims prevention and mitigation.
- ▶ Despite the long-term downward trend, there will be increased volatility, with a likely increase in severity of claims across a range of products, driven by different factors.



# Examples of Leading Claims Operating Platforms



Duck Creek  
Technologies



# Customer Expectations

Customers expect you to deliver a new ecosystem.

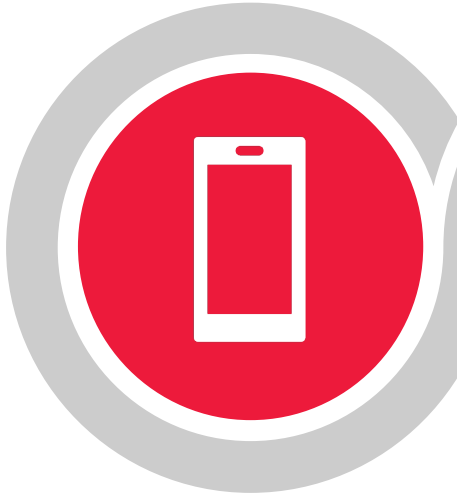
Evolve claims from reactive to proactive engagement vehicles enabling new value propositions.

- ▶ More transparency
- ▶ Faster decision making
- ▶ Objective data they can trust



# Enabled By New Technologies

Transform how claims are managed, and generate efficiencies across the value chain.



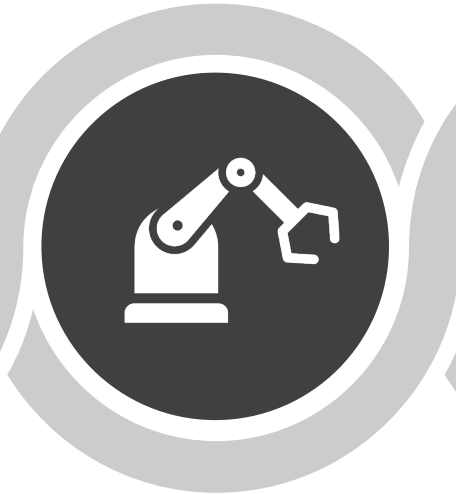
**DIGITAL PORTALS**

Digital self-service will simplify the FNOL function and reduce call center demand for status updates.



**CHATBOTS**

Use of chatbots to manage FNOL claims will reduce employee and efficiency costs.



**ROBOTICS**

Robotics has the greatest value for insurers to link legacy platforms/systems to provide clear customer value.



**AI/MACHINE LEARNING**

Embedding AI/ML into core claims platforms allows for straight-through processing and provides greater insight for claims handlers to drive decisions.



**IOT SENSORS**

Embedding an IoT platform into core technology is key to automatically receiving, analyzing, and acting upon data received from the connected devices.



**BLOCKCHAIN**

Blockchain can be used in a number of claims solutions and leads to better distributions of claims data across the value chain.



# The Claims Organization of the Future

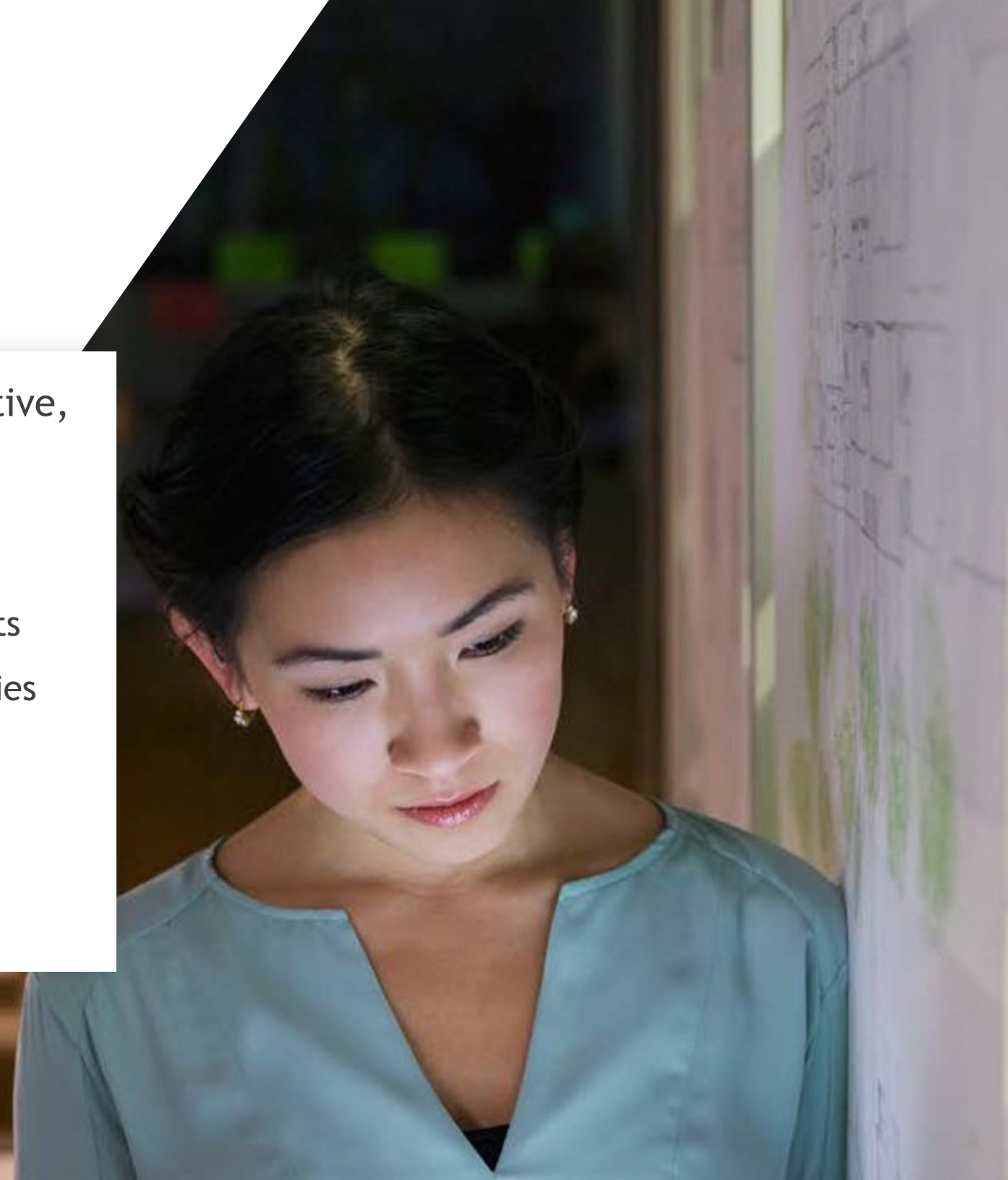
The future is leaner, higher-skilled, and proactive, which includes:

- ▶ Robust digital channels to handle most low-complexity claims (especially in personal lines)
- ▶ Corporate risk management's increasing access to claims portfolio and individual data
- ▶ Automated, rules-based processes to replace human handling and intervention in less complex tasks
- ▶ Fewer lower-skilled claims handlers, with a greater focus on more complex adjusting skills
- ▶ Hybrid work model, allowing for more availability and greater productivity

# The Claims Professional of the Future

The future is more analytical, data-driven and collaborative, and claims leaders must be focused on:

- ▶ Aligning claims strategy and proposition to the long-term business goals
- ▶ Shaping the claims proposition to specific customer segments
- ▶ Investing in the operating model to support future capabilities
- ▶ Facilitating access to the right data sets and analytics tools
- ▶ Investing in people, teams, and skills
- ▶ Exploring new partnership models



# Financial Benefits and Employee Morale

The financial benefits can be significant and realized quickly, all while providing increased employee job satisfaction and retention.

## FINANCIAL BENEFITS



**Up to 60%**

less cost per claim than those manually processed



**40-60%**

reduction in time processing queries and turn around



**> 50%**

improvement in accuracy of claims-related data



**25% – 40%**

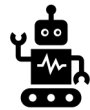
reduction in overall FTEs supporting claims

## EMPLOYEES



**75%**

of employees want to eliminate manual tasks and automate administrative functions



**90%**

believe robotics frees them up to focus on more strategic tasks



**60%**

prefer not doing trouble ticket reporting and documentation



**30%**

prefer not doing routine maintenance and troubleshooting

# Claims Transformation Through New Capabilities

To transform claims capabilities, carriers must be bold in considering emerging technologies and developing new capabilities.



## Experience Design

Before implementing new technology or automation capabilities, redesign and validate your customer experiences.



## Data and Analytics

Do not assess needs in a silo. Assess your data and analytical needs across multiple functions (i.e. underwriting, actuarial, claims).



## Workforce and Culture

Validate capabilities and key performance indicators needed to operate in a hybrid work environment.



## Cybersecurity and Governance

Ensure cyber and system security, as well as internal controls, are updated and tested frequently for compliance and quality.

Questions



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