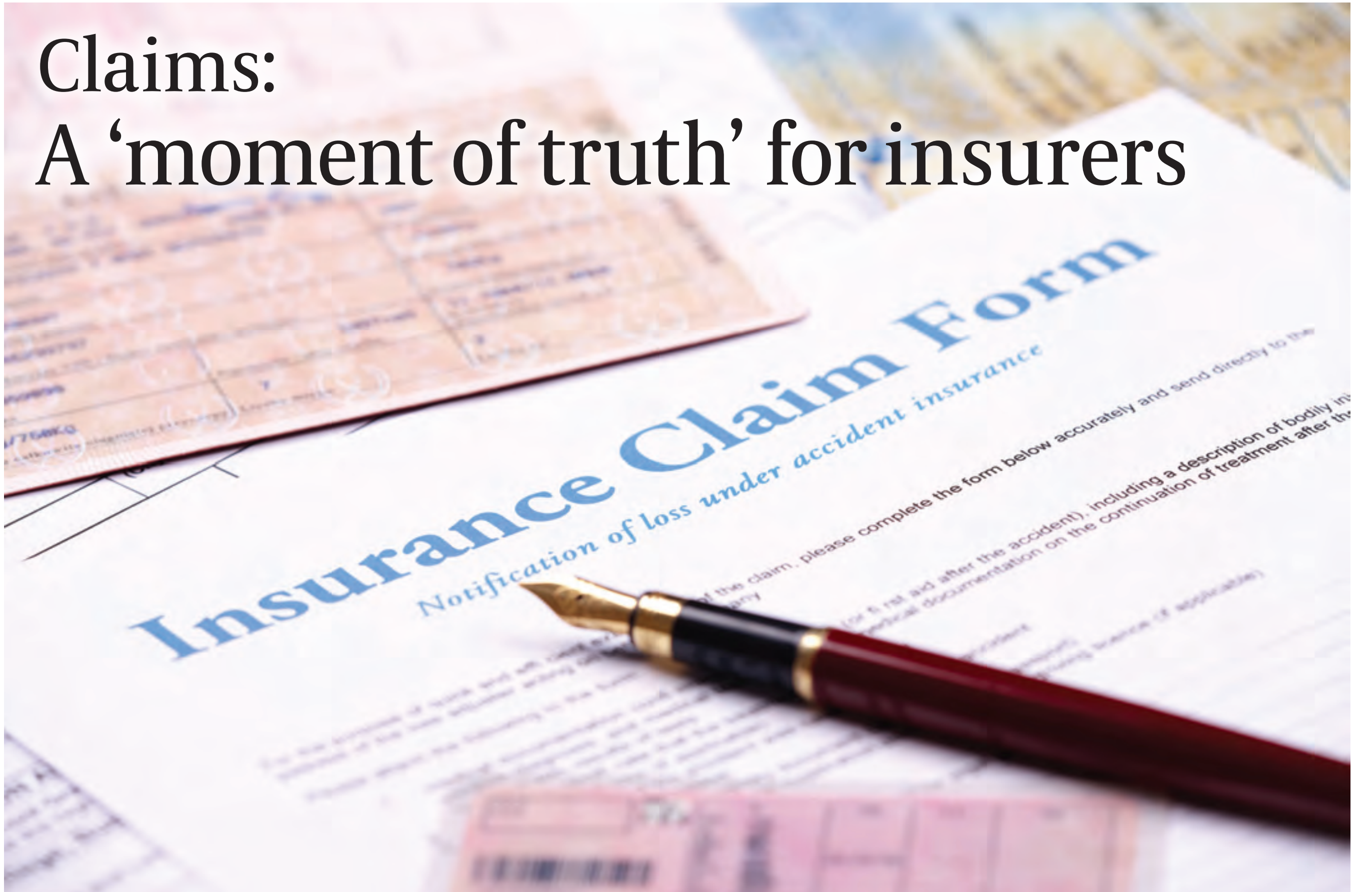
Claims: A 'moment of truth' for insurers



Insurers should view their claims processes from the customer's perspective in order to deliver a superior claims experience, as delegates heard at the recent Asia Summit on Claims Management in a Disrupted and Automated World organised by *Asia Insurance Review.*

By Chia Wan Fen

Insurance has traditionally not been a service-driven industry, and insurers have been traditionally product-driven enterprises. While the value of products remains, the value of service has increased significantly in this new digital world of millennials, with customers being more demanding and expecting more of insurers, said Manulife Financial AVP and head of Asia underwriting and claims practices Saswat Das.

Dr Saswat Das

"Claims is the 'moment of truth', that provides insurers the opportunity to create that bond with the customer, drive up their NPS score and make insurers part of the customer's life," he said, urging insurers to leverage claims to become customer-centric enterprises.

Claims and loss trends in 2018

Outlining recent major claims trends relevant for the region, Allianz Global Corporate & Specialty (AGCS) regional head of long tail claims Volker Ziegs highlighted the following: Major Asian Nat CAT in the form of recent typhoons; large increase in personal injury cases like catastrophic injuries and financial lines security class actions in the US; and an increase in cyber claims in Asia, with more than 50% coming from the travel industry. The AGCS Global Claims Review 2018 found that the top 10 causes of loss account for over 75% of overall claims value analysed, and the average value of each claim is EUR82,789 ($93,900).

Mr Volker Ziegs

Corporate value has seen a shift from heavy (tangible) to light (intangible) assets; the latter accounting for 87% of the total, said Mr Ziegs. These intangible assets like data, social media and IP tend to be underinsured, leading to increasing potential loss estimates of $979m as at 2017, up from $297m in 2015. And in tandem, with the rise of intangible risks like cyber incidents and regulatory changes, businesses now regard non-damage risks as increasingly important.

Future shifts in risks and liabilities

Looking ahead, Mr Ziegs said that emergence of AI, IoT and autonomous vehicles mean that businesses and insurers have to prepare for new risks and liabilities as responsibilities shift from human to machine, and therefore to the manufacturer or software supplier. Assignment and coverage of liability will become much more challenging in future. Although there may be fewer smaller losses due to automation and monitoring minimising the human error factor, this may be replaced by the potential for such large-scale losses, once an incident happens.

Technology transforms claims - and it's not an IT issue

While the technology to transform customers' claims experience is already available, the challenge for insurance companies is to weave the various solutions into something holistic so that customers can benefit the most. They should also adapt technology to strategy - not the reverse, and let business leaders reimagine their processes – not palm it off to IT.

Mr Francois Metzler

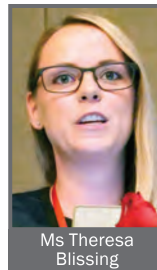
Accenture managing director and ASEAN insurance lead Francois Metzler laid out three claims conundrums and the challenge to achieve the right balance in juggling them, ie, paying the right amount, containing administration costs and satisfying the customer.

Predictive analytics and automation can certainly reduce friction for customers, but carriers also need to take a long hard look at their processes to reduce inefficiencies. In digitalising claims, insurers should also assign the right level to the right claim in the first instance to avoid multiple escalation levels. For example, some 'green lane' claims can be a 'no touch', 'straight through' process, though insurers should also constantly monitor changing claims conditions.

Mr Metzler also emphasised the importance of leveraging the InsurTech ecosystem outside of the insurer that can help bring innovation to specific areas of the claims value chain. This could facilitate the change of role for insurers from pure payer of invoices to that of a service coordinator.

The claims department's mission is, therefore, to look for differentiation, improved customer experience and cost reduction by being able to outsource parts of the process in an agile manner, he said.

InsurTech landscape in claims management


Ms Theresa Blissing

Expounding on the claims InsurTech landscape, Accelerating Insurance director Theresa Blissing similarly urged insurers to leverage new InsurTech enablers to fill their demographics and human behaviour data gaps. Thailand's Claim Di, for example, works with many companies and has a much larger source of data than one insurer.

"The best machine-learning algorithm is only as good as the data and historic data you put into, it and this is something the insurance industry has been lacking – really rich data about claims. So these InsurTechs can help you, as an insurer, collect more and more data and enable you to automate parts of the claims management process," she said.

Examining the $500m that has been invested in claims-focused InsurTechs, Ms Blissing observed that the investors in enablers are mostly non-insurance players, which generally do not buy the product but take a share of the InsurTech. In contrast, most incumbent insurers invest in disruptors – from which they want to learn - rather than enablers, while those investing in enablers focus on general AI firms rather than claims management-focused enablers.

Insurers also tend to buy new software and technology in claims off the shelf instead of having direct investments and acquisitions in claims InsurTechs. She said this is also a fair strategy, though incumbents should be aware of the other approach – from the perspective of improving data access and offering better customer experience and service.

Honour claims as a career

Elaborating on improving claims efficiency, JDK Advisory director Kelvin Foong highlighted the positive example of committing to claims processing times for the client, which many insurers have not been keen on. One Singapore case even committed to pay-outs turnaround for critical illness, which is particularly challenging.

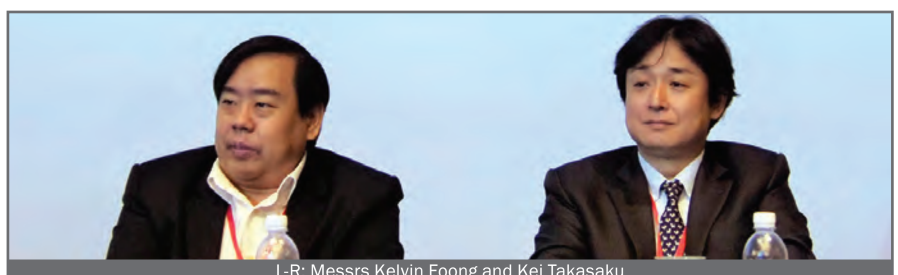
He said that from the typical 'turnaround time management' model, more insurers are now moving to the 'claim cycle time', which is more client-centric, given it measures more indicators to complete the claims process and allows more analysis of specific function to locate claim gaps – like how long an insurer takes to do the first review and for the client to respond.

From a staff-development perspective, Mr Foong also addressed the importance of claims leadership and recognising claims assessors, who are 'not office administrators' and should be duly recognised and trained.

Greater collaboration between underwriters and claims assessors

Meanwhile, ABeam Consulting senior manager Kei Takasaku noted that underwriting is shifting from 'what' we underwrite to 'how' we underwrite, eventually requiring a leap to a completely new approach that considers insureds' lifestyle and behaviour.

He said it is important for claims,


L-R: Messrs Kelvin Foong and Kei Takasaku

underwriting and marketing to work cohesively together more than ever, in order to connect the dots in developing a holistic and customer-centric operating model, while InsurTech will help bridge the conventional and futuristic approaches.

Medical claims – rules-based data analytics

When it comes to outpatient medical claims, Swiss Re global head of system strategy and analytics, life and health Nikos Kouvaras addressed the use of data analytics to segregate medical claims qualitatively. These are challenging in terms of their huge volumes, short turnaround time required, complexity and variation among insureds. Underwriters are also faced with special exclusions, policy conversion and migration issues, resulting in risks of inconsistent decision making for claims and also increased premiums – which leads to the oft-cited adverse selection 'death spiral'.

Mr Kouvaras highlighted the value of using data analytics to set up a rules-based scoring model which triages claims into high, medium and low risk categories, with the insurer focusing on the small number of claims which bring the maximum risks. The scoring tool will automatically identify incoming claims that should be handled by medical officers and senior case managers, while enabling low- and medium-risk claims to provide improved customer experience like straight-through payments. Over time, such a system also helps to improve transparency, identify fraud and monitor claims expenses.

Two sides to everything

On the flipside, as claims digitalisation has significantly removed the

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>
> – Mr Frits Frasse Storm

Mr Frits Frasse Storm

human interaction both at new business acquisition and at the claims stage, it also leads to increased vulnerability to digital-loving 'armchair fraudsters'. Claims processing can incorporate real-time fraud analytics and natural language processing tools to pick up excessive/exaggerated claims history or recycled incident descriptions, said SAS fraud and security intelligence division senior risk and compliance solutions manager Frits Fraase Storm.

Helping hands

Dr Sinuhé Arroyo

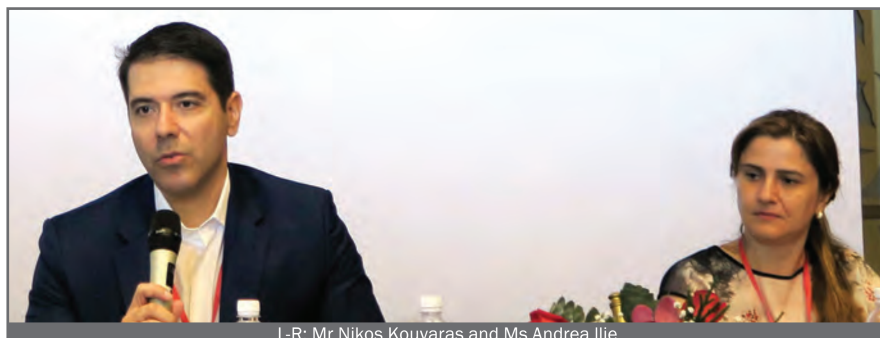
Several speakers touched on up-and-coming tools used in claims, like AI, which is an essential enabler for faster and accurate claims processing. While robotic process automation already helps many insurers to improve the efficiencies of existing simple repetitive workflows/processes by 15-25%, AI's complementary strength lies in eliminating certain cognitive complex tasks by bringing in more automation and control, said Taiger CEO Sinuhé Arroyo. AI's use in knowledge work automation like unstructured information and cognitive virtual assistances can bring about 85% or more efficiency.

Mr Gael Tang

The use of augmented reality-powered video assistance has also been transformative, said Wavecell business development director Gael Tang, whose firm is a provider of the SightCall service. Video, particularly for motor claims, helps to reduce onsite visit costs and reduce claims cycle time. With people seeking instant gratification nowadays, he cited survey results showing that people would be willing to download an app, if it enabled them efficiencies like filing claims remotely.

Meanwhile, MDD Forensic Accountants partner Andrea Ilie highlighted the significant role forensic accountants can play when it comes to quantification of business interruption losses and setting up of sum insured for business interruption, an area where an overwhelming majority of Asians are underinsured, and for which there is a lack of standardised loss reporting forms in the region.

The two-day Asia Summit on Claims Management in a Disrupted and Automated World, organised by *Asia Insurance Review* and supported by the International Federation of Adjusting Associations, International Institute of Loss Adjusters and the International Insurance Society took place in Singapore and attracted about 100 delegates.


L-R: Mr Nikos Kouvaras and Ms Andrea Ilie