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Future Claims: Adaptable, Innovative and Inherently Good



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Future Claims: Adaptable, Innovative and Inherently Good

Reuters Events has partnered with digital intelligence company ABBYY on a round up of **Connected Claims USA 2021**. Featuring insights from USAA, Liberty Mutual, American Family Insurance, Farmers Insurance, Hippo Insurance and more.

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*Thought leadership extracted from speaker presentations, panels, and fireside chats as part of Connected Claims USA 2021 online event hosted by Reuters Events in November 2021.

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Introduction

As 2021 draws to a close, leaders from across our industry are reflecting on the lessons learned since Covid-19 took hold almost two years ago. Much has changed. From virtual workforces to automated claims being paid at record speeds and the industry's first robot, the advancement of digital technology is bringing irreversible changes.

Looking ahead to 2022, end-user spend on technology and IT services is forecast to hit \$255 billion globally, promising greater efficiency, more accurate risk assessments and better customer experiences. Against the backdrop of new regulations, growing calls for price and value transparency, more demanding customers and disruptive competition, those investments should be thoughtful, data-driven and data-informed. They are also essential.

Long-term planning is still relevant, but projects will have to move faster, in a spirit of agility, and with much closer collaboration between business and IT. At the same time, they must go above and beyond the expectations of customers who are no longer benchmarking their claims experience against an Aviva or an AON but against Amazon, Netflix or Google.

The claims experience is where insurers are most able to impact the customer journey, and at Connected Claims 2021, not only did we hear how companies are thinking outside the box, but how they are rebuilding the box. Some of those industry insights can be found in the coming pages. Enjoy.



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EILEEN POTTER
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Innovation against the odds

Growing risk awareness is expected to push the global insurance industry's premium bill up towards [\\$7 trillion next year](#), a 3% rise that reflects the uncertainty created by the pandemic and climate change. These game-changing events, plus cost pressures, are hastening the insurance market's transformation to digital-first business models.

In the opening fireside chat on Day 1 at Connected Claims 2021, Ramon Lopez, Vice President Claims Operations at USAA, outlined how executing "one of the largest technology transformations ever underway virtually", during the pandemic, had set the company up "to be as agile and nimble as you ever could imagine".

However, Lopez stressed that it was only thanks to having "clear strategy and a north star" before the pandemic that allowed the group to continue "delighting" U.S. military members and their families with insurance, banking and investment services. The group is now ready for business with a core piece of claims technology developed in partnership, along with cloud-based capability with API-driven integrations.

It was also full steam ahead at Farmers Insurance, where Samantha Santiago, Head of Claims Strategy & Automation, said fostering innovation during times of change can encourage effective use of opportunities for new and future growth.

The speed of change forced by the pandemic was not welcomed by all, but at USAA it had spurred on adoption of digital solutions that were already available. What USAA members wanted, said Lopez, "was a level of accuracy, transparency and definitiveness" that is simply not possible to achieve over the phone. However, he acknowledged that it had been "hugely complex" to, as an example, shift from five field inspections a day to fully virtual estimations. Getting this right for members and employees could not "be understated or under sold".

As Mike Fiato, Executive Vice President and Chief Claims Officer at Liberty Mutual, warned in a Day 3 fireside chat, what the business hopes to accomplish and what customers expect are "not always going to be aligned". In addition, operationalizing new technologies such as telematics insurance at scale "is going to be tricky". The telematics insurance market may be forecast to grow at compound annual growth rates of 18.5% in the next five years, but it still requires significant investment, partnership, and a multi-disciplinary effort across the organization. For this reason, "good old communication" is fundamental, especially when the pace of change is so fast, because "there's a tendency for misinformation".

Commenting on the challenge of technology, industry veteran Eileen Potter, Solutions Marketing Leader at digital intelligence company ABBYY, had this to say: "Technology is not an inexpensive investment so you want to make sure that any decision is data-driven or data-informed. This is really important, especially because insurers are going to need to be more agile than ever before."

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The qualities of leadership

Innovative leadership was the theme of Day 2's opening presentation delivered by Jacqueline Tirpak, Vice President Corporate Claims Officer, Erie Insurance. Having an innovative mindset is, she said, "a key skill for everyone to have, regardless of your actual role in an organization". Furthermore, the three components of leadership – creativity, change, and transformation – "can help teams and companies become more innovative".

- 1. Creativity.** The ability to think outside the norm and challenge the status quo, just as the now well-known business models of Uber, Netflix and Google have done in their respective arenas.
- 2. Change.** It is not, as Darwin said, the strongest or most intelligent that survives, but the one "most responsive to change". In business, the failure of brands such as Blockbuster and Yahoo, which rejected the opportunity to acquire competitors Netflix and Google in the early 2000s for \$50 million and \$5 billion respectively, is rooted in not being responsive to change. But the sheer size of claims operations makes this tough and insurers should:
 - ▶ Experiment regularly with new approaches including employees, customers and key business partners.
 - ▶ Conduct rapid small tests to uncover specific insights and accelerate good ideas.
 - ▶ Design tests that focus on achieving specific business outcomes, not just on proving a technology works.
- 3. Transformation:** There are two types of leadership; transactional, which is directive, action-oriented and focused on meeting goals. By contrast, transformational leadership looks for ways to accomplish change by collaborating across organizational silos. It is focused on inspiring, motivating and building teams to drive change. Neither is better than the other, in fact both are needed depending on the organization and the outcome sought. However, the latter can shift from a "status quo mindset, and create positive change", Tirpak said.

Incremental vs Breakthrough Innovation

There are two types of innovation:

- ▶ Incremental innovation, typically, is internal, happens regularly and within the restraints of current regulation, and does not impede progress.
- ▶ Breakthrough innovation is disruptive, introduces a totally new product or service to market, and requires costly and time-consuming regulatory change.

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A vision for claims

The claims process is one of the biggest, if not the biggest, cost for insurers. In the property casualty arena, according to a recent Deloitte report, "...paid losses combined with investigative and settlement expenses accounted for around 70% of U.S. premiums collected in 2020". Fraudulent claims are a major issue too; excluding health insurance, the bill it delivers is around \$40bn a year, according to conservative [estimates from the FBI](#). However, the claims experience is where insurers can make the biggest impact on customer experience (CX). Balancing the competing interests of cutting costs and delighting customers is tricky, and much is being pinned on new technologies and data sources to drive increased efficiency, productivity and accuracy, while streamlining CX.

While most insurers may be experts at setting cost-oriented pricing models based on the claims experience, some have a bigger game plan. American Family Insurance, which provides business and personal coverage options for the home, office, autos and life, is one. In her Day 2 presentation, Gwen Olson, Assistant Vice President, Enterprise Claims Strategy at American Family Claims Services (AFCS), explained: "We are on a mission to lead a paradigm shift within the industry by leaving behind the traditional focus on efficiency and speed to settlement."

Over the three-day event, Olson was one of many to share insights into the claims process. While their terminology may have varied, broadly insurers at Connected Claims USA 2021 are on a similar trajectory to invest in data and technology, improve the process, nurture their people, and put customers first.

3 Ways that Claims Leaders are Driving Change

1. Data and technology

Data and technology should be viewed as a strategic asset, and it is at Prudential Financial, which is focused on predictive and automated insights. Using AI and other data-science tools, and continuously upgrading and adding new technologies, Sue Unvasky, Vice President Head of Life Claims said that "before the triggering event happens" the goal is to have "as much relevant customer data" as possible.

Of course, harnessing data to make rates, for example, is not new to the insurance industry, but so much of it today is unstructured – reportedly as much as 80% by 2025, according to multiple sources. "Data is not static and the ability to extract intelligence, and make knowledge-based decisions from customer data is a key competitive edge," ABBYY's Potter said.

Other areas of focus for insurers at Connected Claims USA 2021 included: the omnichannel experience, self-service capabilities; adoption of tools such as DocuSign, which facilitate electronic signatures; co-browse functionality so agents can visualize the customer journey; visualization techniques and virtual inspection tools.

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2. People and process

Talent is a challenge for all industries but especially insurance, which has struggled to recruit for the digital age, so nurturing employees should be a strategic priority. This is the case at Farmers, where Santiago said: “Employees are the foundation of any claims strategy. They are on the frontline with customers and are a key factor in what differentiates the overall experience.” Since 2017, Farmers has been at the forefront of using technologies such as virtual and augmented reality to simulate real-world scenarios for training purposes – for example, adjustors are able to practice soft skills like empathy. It has also been possible to accelerate the learning curve for new frontline claims reps, which today are trained as rigorously as customer service agents and empowered to make decisions that are in the best interests of the customer.

Now that bots are doing the boring stuff, frontline workers today must be creative, critical, agile, empathetic and knowledgeable problem solvers. At Prudential, it is about building partnership between a robust digital workforce and human counterparts, who are no longer “order takers” but “outcome makers”. This digital-human double act is meeting or exceeding accuracy goals, paying claims faster and accelerating process transformation.

On the subject of process transformation, Potter pointed to the value of sophisticated process mining and machine-learning techniques. “This means you can see processes as they are working in real time, make changes, and monitor them to ensure they are meeting expectations,” she said.

3. Customer first

From becoming “customer obsessed” at Prudential to understanding that no plan for customer centricity can be “one size fits all” at Farmers, or “imagining new ways to increase customer feelings of support, control and stability” at AFCS, the customer is the number one priority. Potter summed up the overarching goal as being able to “engage customers at the right time, with the right message, in the right channel”. But is the industry going far enough yet? Not, according to AFCS’s Olson, who said: “Much of what our industry considers innovative is already table stakes to the customer.”

A radical overhaul of the claims journey by 2030 is underway at AFCS which has established key groups - research, execution, and design - that are responsible for everything from sourcing new opportunities to developing exclusive new capabilities and blending design and futures thinking that imagines how strategies might manifest in a range of possible futures.

To shake things up a bit, AFCS has hosted an innovation lab for employees, customers and business partners to rethink the claims journey entirely from the customer’s perspective using tools such as personas, scenarios and point-of-view brainstorming.

Looking to the future, Olson said: “As automation advances, we believe claims handling will have to offer more than an automated claims experience. It will power a personalized service, freeing up our adjusters to show up for our customer in new ways in the moments that matter.”

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ABBYY**Case Study: Enter ROSIE, the robot for rapid response**

In 2021, Farmers became one of the first U.S. P&C insurers to deploy a digitally controlled field robot. Named ROSIE, 'Robotic Operations Systems Innovation Employee', the robot's first application will be to assist with field claims and property inspections after a natural catastrophe. As employee and customer safety is a top priority, Santiago explained that ROSIE will be able to navigate rough terrain that "might be unsafe or inaccessible for humans". Created by Boston Dynamics and customized for Farmers, ROSIE's other applications, which could extend beyond insurance, include:

- ▶ **Help claims adjusters collect critical data**, thus optimizing the claims handling process to assist severely impacted customers more efficiently.
- ▶ **Inspect** unoccupied homes or commercial facilities after natural catastrophes or other dangerous situations.
- ▶ **Reduce** the data capture speeds and augment the field claims review process using a variety of sensors and cameras, as well as site documentation software.
- ▶ **Assist** first responder organizations during post-event search and rescue operations by accessing areas to assess danger.

Regulation, privacy and pricing

Consumers today may expect an Amazon-styled insurance experience, but there is no escaping that insurance is a highly regulated business.

Although it varies from state to state, U.S. regulators are, however, moving with the times and this was true even before the pandemic. In 2017, for example, the National Association for Insurance Commissioners (NAIC) launched the Innovation & Technology task force, purportedly in response to disruption brought by insurtech disruptor Lemonade, but also other "breakthrough innovations" such as telematics and blockchain. When Lemonade launched in September 2016 "insurance changed, claims changed", said Erie's Tirpak. Today, Lemonade boasts 30% of claims paid instantly, an app scoring 4.9 out of five, and the fastest-ever claim – in just three seconds. It has also won favor for its ESG (environment, social and governance) strategy that donates unused reserves to charity.

During a Day 3 panel discussion Robert Passmore, VP, Auto & Claims Policy, American Property Casualty Insurance Association, pointed to growing attention from both regulators and consumer activists on how ratings variables, pricing algorithms and external data sources are being used by insurers. This year, the NAIC and its [Big Data and AI working group](#), have issued surveys to gather information about how these technologies are being used in insurance workflows. Also, in Colorado, the [Senate Bill 169](#) has been passed. This will require insurers to prove that the data and algorithms they use do not lead to unfair discrimination, on grounds of race, religion, sexual orientation, ethnic origin, gender expression and more. "That is something everyone should be paying attention to," Passmore said.

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Finding balance

From black boxes to dash and door cams, there are a growing number of ways that insurers can capture customer data, and Passmore's advice is to "be as clear as possible about what you're collecting and what you're doing with it". Although consumers are increasingly protective of their data, they will share it if it delivers value.

For example, 60% of respondents to a survey by [Nationwide](#) said telematics raised concerns about data and privacy. However, 65% said they would be willing to use telematics for a discount. The survey also flagged the need for education, both for customers and staff, as more than a quarter of respondents had no idea what telematics does, and 40% of agents did not feel equipped to explain it.

Turning a wider lens on education, ABBYY's Potter said: "Insurance is a legal document, but it would help to have simpler explanations. If there is more clarity on the front end, then that will make claims handling and customer satisfaction on the back end."

While it may seem that customers are price sensitive, recent consumer surveys show that what they really want is value, and the balance between utility, privacy and pricing is an important one to get right.

For example, a recent study of insurance customers by Accenture found:

- ▶ 69% would share significant data on their health, exercise and driving habits for lower prices, an increase of 19% from two years ago
- ▶ 66% would also share significant data for personalized services to prevent injury and loss, up 54% from two years ago

At Farmers Insurance, Claims Integration Leader Calvin Strong said the challenge was "really simple". In short, once the customer has been hooked with a 30-180 day low premium, beyond that "we've got to figure out how to come up with other utilities that we can offer". Original equipment manufacturers (OEM) are already making headway with find-my-car or unlock-my-car features. Also, smartphone apps are delivering real-time alerts for oil or tire changes, as well as weather, travel and route advice.

For Hippo President, Richard L. McCathron, price is certainly not everything: "If you win by price, you will die by price."

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Conclusion

If there is any lesson from the pandemic, it must surely be that even the world's best risk assessors cannot anticipate what's coming. What they can do, however, is be as prepared as possible for continuous change.

While forward-thinking organizations are already on that journey, Liberty Mutual's Fiato stressed that "the responsibility of a highly adaptable organization is not to pick a path and then just stay on the path, regardless of what's happening around them".

As the industry looks back on the past two years and the role it has played across every facet of society, American Family, for one, is firm in the belief that insurance "is inherently good".

"With education, transparency and armed with the right data insights, it can be even better," said ABBYY's Potter.

Crucially, it must be open to change – even if that is at once exciting and terrifying. In concluding her presentation, Erie's Tirpak ended with a quote from the business philosopher Peter Drucker, who in the 1980s said: "The enterprise that does not innovate, ages and declines. And in a period of rapid change, such as the present, the decline will be fast."

The pace was fast then, but today, Tirpak said, "the pace is faster than it will ever be".

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