

## **Rise of the Machines:**

Automation and the Insurance Claims Revolution



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### With contributions from:



**Ian Thompson**, EMEA  
Chief Claims Officer,  
**Zurich**



**Luis Charlo de Paul**,  
EMEA Director of  
Operations, **Mapfre**



**Tim Willcock**, Director  
of Operations, **Lloyds  
Market Association**

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7-9 Fashion Street, London, E1 6PX

### Author

Morag Cuddeford Jones

### Editor

Josh Gordon  
Project Director  
Insurance Nexus  
T: +44 (0) 207 422 4348  
E: [josh.gordon@insurancenexus.com](mailto:josh.gordon@insurancenexus.com)

# Rise of the Machines:

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### The rise of the machines

Technology is infiltrating the insurance sector from every angle. From in-home sensors, telematics and even wearables for people, information is flowing between customers and companies without any human intervention. Informing policy schedules, reducing premiums and even, in the case of autonomous cars, fundamentally changing the nature of risk altogether, technology is having a massive impact on the sector.

Specifically, in the claims arena, deploying technology has the potential to deliver both significant operational efficiencies for the insurer while also improving customer experience. One provider suggested that introducing claims processing software cut document management costs by 75%<sup>1</sup> while others insist that the introduction of automated business processes can deliver 100% accuracy<sup>2</sup>.

### Why automation is needed

Insurers agree that reputationally, their brand image is often made or broken during the claims process. While the industry is changing to become a more year-round experience, it is accepted that the claims process remains the single most important moment of truth.

It is therefore a problem in need of a solution when research reveals that poor communication during the claims process (and also at point of sale) is a 'significant driver of complaints in the sector'<sup>3</sup>.

"In a claim, as with lots of other touchpoints we need to give clients the freedom to interact with the company in the way they want and offer multiple entry points at the most efficient cost. It's hard to retain a customer who has a poor claims experience," says Mapfre's Regional Director of Operations, Luis Charlo de Paul. He explains that automation is critical in supporting the organisation's ability to be present wherever the customer wants them and whenever.

Ian Thompson, ZIP/ EMEA Chief Claims Officer, at Zurich Insurance agrees that multichannel presence is central to a good claims experience and it's one that only automation can enable: "As a market, we need to take on board the lessons from those that are best at servicing customers. To me, it's all about offering customers a choice in how they access the advice, support and information they want, when and where they want to, increasing transparency in our processes to enable more self-service and being proactive in communicating with customers throughout the claims process."

### Healthy organisation, happy customer

To allow the insurer to be present in all those channels is not a customer-facing issue as much as it is an operational one. Customers want to be able to move from

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1 [http://www.lexmark.com/en\\_us/solutions/financial-process-automation/terminology/claims-processing/claims-process.html](http://www.lexmark.com/en_us/solutions/financial-process-automation/terminology/claims-processing/claims-process.html)

2 <http://www.uipath.com/automate/claims-processing-automation>

3 <http://www.bond Dickinson.com/insights/publications-and-briefings/fos-annual-report-2016-complaint-trends>

## Rise of the Machines:

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one channel to the next, whether it is the call centre at the site of an accident or an email read on the morning commute, knowing that all information is accurate and up to date. For humans to keep on top of all this information, and in real-time, is an extremely difficult and demanding exercise.

"There are great opportunities to use readily available and relatively cheap tools to replace manual processing and streamline operations - predictive analytics, workflow management and robotics, for instance," states Zurich's Thompson.

Using automation in these processes isn't just cost effective because of the time it saves or the reduction in human resource cost. Using robots to complete more standardised tasks such as form-filling, photo recognition and data transfer result in much higher accuracy and minimises delays from checking and correcting.

Such efficiencies can even be gained in the relatively complex and bespoke Lloyd's market. Tim Willcock, Director of Operations, Lloyd's Market Association, demonstrates how automation greases the wheels in a sector where processes have been time-consuming and laborious:

"We've introduced an electronics claims file that has moved us from manual to automated. Information comes in, it can be responded to electronically and that has significantly reduced the waiting time for the information to be passed around. It's hugely beneficial."

Willcock explains that the next step will be to institute a centralised workflow system so that all parties can access information, new data can be transferred in real-time and responses can be generated very quickly.

Centralisation and the ability to see all the moving parts of a claims operation has another benefit, Willcock adds: "You get transparency over the claim and which party needs to do what." This is vital, he insists, because it suddenly becomes clear which of the partners in the claim - loss adjusters, parts suppliers etc. - are performing to a high-enough level. Weak links in the claim chain can be addressed or, if necessary, replaced.

"Far too many claims professionals limit their innovation focus to those parts of the process that they own.' The bigger opportunities come, though, from engagement across the whole value chain. Aligning with underwriters, sales and distribution teams identifies opportunities to streamline internal processes. Equally, vendors and third party service partners are often overlooked in considering opportunities to deliver a more customer-centric, efficient and effective claims proposition. There are great opportunities in assessing automation jointly with business partners and, of course, from a customer perspective they expect a seamless experience that aligns to their expectations, whoever it is delivered by," Zurich's Thompson adds. By not just using automation to speed up processes but also identifying areas where insurers could be improving their service, it creates a virtuous circle of enhanced brand consideration.

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### Automation and the Insurance Claims Revolution

#### Integrating automation

Bringing automation into the organisation has both a material and human cost. Executives face the challenge of having to update existing systems or create new infrastructures so automation can work effectively.

Insurers have frequently complained of the need to integrate data from across the organisation for a variety of reasons. Whether it's for customer or product-based analytics, managing multichannel marketing or uniting data streams to accurately track fraud, bringing data systems together is no small task. Automation adds to that logistical burden.

"We work with some legacy systems and there is a need to update not just because they are old but because they are designed to fit with an old fashioned approach to insurance and to the customer. Their capabilities are very limited not just from a technological perspective but also from the way we do things now," Charlo de Paul admits.

Thompson adds: "Like many of our peers, we face the challenge of multiple legacy systems and they can be a real obstacle when trying to streamline processes and simplify customer interaction. Rather than looking at the integration of automation tools into these legacy systems, we have had some good wins in using new technology alongside the old systems. For instance, we have very effectively deployed robotics to remove or reduce the number of people involved in rekeying data between systems. The value is not just in freeing up resource for more value-added activity but also reducing errors and, clearly, significantly improving processing time."

While robotics or effectively emulating human activity, just faster and more accurately, is one way of integrating automation, there are other routes insurers can go through before they have to uproot their whole existing technology suite and install a new one.

Cloud technology and software as a service (SaaS) is becoming an increasingly important player in this area. With the inherent flexibility of using another provider's system comes an added benefit that this can be cheaper than managing the systems in-house, although Thompson has a word of warning in that regard:

"There is huge pressure on all organisations to become more cost-effective and claims is always in the spotlight as it is a resource intensive area of the business. Claims is, therefore, an area that has been and will continue to be a focus for right-sourcing, but this can bring both opportunities and challenges. To ensure balanced decision-making it is vital that we take a strategic approach in determining where the opportunities lie, particularly in understanding what our differentiating claims capability is and how to maximise on that while securing the scale and efficiency that can accrue from right-sourcing."

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### The limitations of automation in claims

It's only natural to assume that technology is going to have an increasingly important role to play in claims management. After all, in-car 'black box' technology has the potential to report far more accurately on the circumstances of an accident than a shocked human. Impressive strides are already being made in human-like artificial intelligence (AI) systems that can conduct conversations and learn as they go.

But does automation in claims really mean that we are all to expect an AI-driven future where all interaction will be with a machine? Are we seeing the beginning of the end of the human touch?

For our three executives representing the wide scope of stakeholders in the insurance sector, the answer must unequivocally be: No.

"There is no doubt that insurance in general, and claims in particular, will see significant changes through the automation of knowledge work. Customer choice and the importance to the customer of the claims service will mean that human involvement in the process will always be necessary. However, as claims leaders, we will need to rethink our operating models in the light of emerging technology. "For instance, will claims call centres evolve from the current model of large numbers of people largely performing standard operations and having scripted conversations to a much smaller number of 'problem solvers' being available to support customers when something out-of-the-ordinary creates an exception in the automated processes?" Thompson states.

Consensus is that expertise will remain the domain of human operatives for some time to come. "Certainly the personal lines space seems to lend itself to automation more readily because you can build rules more easily to deal with standard terms and conditions that allow the majority of those claims to be processed with exceptions being spat out for manual intervention," Willcock admits, adding:

"The Lloyd's market is a specialty property and casualty market so automation hasn't been considered to the same degree. Terms and conditions can be very different from one risk to another in a speciality market."

Thompson predicts: "It's not about going to 100% automation from day one. There can be a tendency in claims to overcomplicate processes that are ultimately quite simple and to look for the 'next big thing.' In Zurich, we have found success through encouraging teams to try things through low cost proof of concepts. If it works, then we scale it up, if it doesn't, we move on.

"We are also challenging the concept that automation only works in volume claims. Our segmentation model in the Blueprint encourages Claims Leaders to think how they can disaggregate even the most complex claims to see where parts of the process may be capable of being streamlined."

Charlo de Paul adds that technology is imminent that will be able to go beyond simple process replication (robotics, mentioned above) and document or data-processing but that to date it is not stable enough to deliver the efficiencies required:

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"Sometimes, when we talk about automation, the mind moves faster than reality. From an IT perspective there are many things that can be automated but the outcome is not always as expected. In vehicle damage assessment for example, the first level is to use pictures, and some technologies can analyse those, but when it comes to evaluating the assessment results and merging them with the rest of the processes, the outcome wouldn't be as accurate if it were done manually."

And technological limitations aside, there are occasions where the human touch isn't just useful but desirable: "We have to recognise that customers want options that allow them to interact with their insurer in a way that aligns to the importance of their claim. A customer who has lost a highly valued item of jewellery is more likely to want to speak to someone, meanwhile a customer who has spilt paint on their carpet may be more willing to register their claim online," Zurich's Thompson suggests.

"The client wants to speak to someone, have the possibility to explain. It's important to have good knowledge of your client to know when automation is going to have value," Mapfre's Charlo de Paul adds.

#### The future of automation

Executives warn against diving headlong into seductive technologies: "Whenever you start talking about automation, people can assume this must involve significant investment in costly solutions under-pinned by large transformation programmes. The reality is that there are some very tactical and cost-effective tools available," Thompson says. Charlo de Paul adds: "Change is not easy but digital transformation is close to the heart of the company. We have a clear strategy and agenda."

Mobility, Charlo de Paul says, will be the next big step, moving from compensation to providing a service. "Rather than paying for the car repair, we prefer just to provide the right repair to the car. In order to be cost efficient in service delivery, automation is very important. It links together all the different stakeholders from customer to insurer and repairer."

From a pure efficiency perspective, automation has great potential to bring silos and all the different actors in a claim together. It can sort out the jumble of data that has positive impacts far beyond the moment of claim into improving the efficiency of the insurer altogether. Provided those driving change can get everyone on board, Willcock concludes: "The opportunities are huge but the challenge is to get everyone pointed in the same direction. There is a lot of will in the market so the next few years could be very exciting."

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### Contact Us:



### Josh Gordon

Project Director

Insurance Nexus

T: +44 (0) 207 422 4348

E: [josh.gordon@insurancenexus.com](mailto:josh.gordon@insurancenexus.com)

### Connected Claims Europe 2016

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The contributors of this white paper: Ian Thompson – *EMEA Chief Claims Officer* at Zurich, Luis Charlo de Paul – *EMEA Director of Operations* at Mapfre, Tim Willcock – *Director of Operations* at Lloyds Market Association and Tim Yorke, *Chief Operating Officer* at ERS Insurance are all speaking at **Connected Claims Europe (November 28-29 2016, London)**



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Chief Claims Officer,  
**Zurich**



**Luis Charlo de Paul**,  
EMEA Director of  
Operations, **Mapfre**



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The purpose of this white paper was to develop thoughts and ideas in the run up to Connected Claims Europe.

Connected Claims Europe is a 2-day summit bringing together C-level and senior insurance decision makers from across Europe. It is the only event custom-built to deliver the future of insurance claims, with a focus on harnessing technological and strategic innovation in order to: revolutionise customer experience, streamline services and reduce claims costs whilst driving cost-efficacies.

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