ADVANCEMENTS IN INSURANCE CLAIMS TECHNOLOGY

Modernizing claims technology

Insurers look to a streamlined claims process for customer experience improvements and increased operational efficiencies.

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Introduction

Claims are at the center of the customer experience in the insurance industry. The path from first notice of loss to claim payout clearly defines the value a customer receives for their premium payments — for better or for worse. This dynamic makes it critical for insurers to meet or exceed customer expectations throughout this process. And those expectations are only getting higher.

The increased prevalence of digital transactions across industries has raised the stakes for customer interactions. Customers are used to increasingly quick, seamless and transparent experiences, whether they are ordering from an online retailer or food delivery from a local restaurant. Making the claims process match those expectations is, and should be, a high priority for insurance companies.

Claims aren't just central to the customer experience, however. They're also a nexus of back-office and administrative activity. Inefficient processes hurt productivity and raise costs. Accurate claims data plays a foundational role in an insurer's strategic decision-making process. And claims are a primary battleground for fraud.

In short, anything insurers can do to improve their claims processes sets the stage for wide-ranging benefits. These upgrades can lead to better customer experiences, which promote loyalty and create a competitive advantage. And these enhanced processes can generate back-office efficiencies, produce data-driven insights to advance business goals and help identify inaccurate or fraudulent claims.

These possibilities have made improving the claims process a core element of many insurers' digital transformation initiatives. The complexity of the process can make it difficult to identify, adopt and integrate the technologies that can revolutionize the claims experience for insurers and their customers. In this report, we'll examine industry priorities in this critical business area, how organizations are using technology to change the claims process for the better and where professionals still see room to improve.

Why read this report?

This content explores the current and future state of claims technology in the insurance industry. This includes the priorities shaping claims initiatives; the impact of changing customer expectations and involvement in the claims process; and how organizations are using technology to improve the customer experience, reduce costs and streamline operations.

Key findings

- Along with improving the customer experience, improving the claims process is a top-two digital transformation priority for more than half of insurance stakeholders. For P&C carriers, it's the top priority.
- A primary reason insurers are focusing on this area is evolving customer preferences for greater transparency throughout the claims process. Further, getting claimants involved in the process through self-service has also helped P&C carriers reduce the cost of dealing with claims and shortened the time between first notice of loss and payout.
- Efforts to improve the claims process continue to be a work in progress, with only a minority of respondents saying their organization has done "very well" keeping pace with customer expectations. Likewise, only a minority feel their organization is "leading the way" compared to their competitors, though most — including most P&C carriers — do think they are keeping pace with the industry.
- Industry-wise, mobile apps, cloud platforms and digital communications tools are already widely in use in the claims process. Further, most companies expect to increase their tech spending to support claims management priorities in the year ahead.
- AI tools are drawing strong interest and greater investment over the near term. Among P&C carriers, these expected increases continue to lag the perceived value of these tools, suggesting potential for further growth in this space moving forward.
- Improved fraud detection and faster processing times are among the most common benefits insurers expect to reap from AI usage in claims management.

Research methodology

This research was conducted online by Digital Insurance (an Arizent brand) between April and May 2024, among 107 leaders across the insurance sector. All respondents have significant knowledge of or direct involvement with their organization's claims process.

RESPONDENT PROFILES

Primary business

- P&C carrier: 70%
- Health insurance/payer: 5%
- Life insurance carrier: 4%
- Commercial lines carrier: 2%
- Agency, brokerage, MGA, MGU: 10%
- Third-party administrator/adjuster: 3%
- Insurtech/tech vendor: 6%

Job level or position

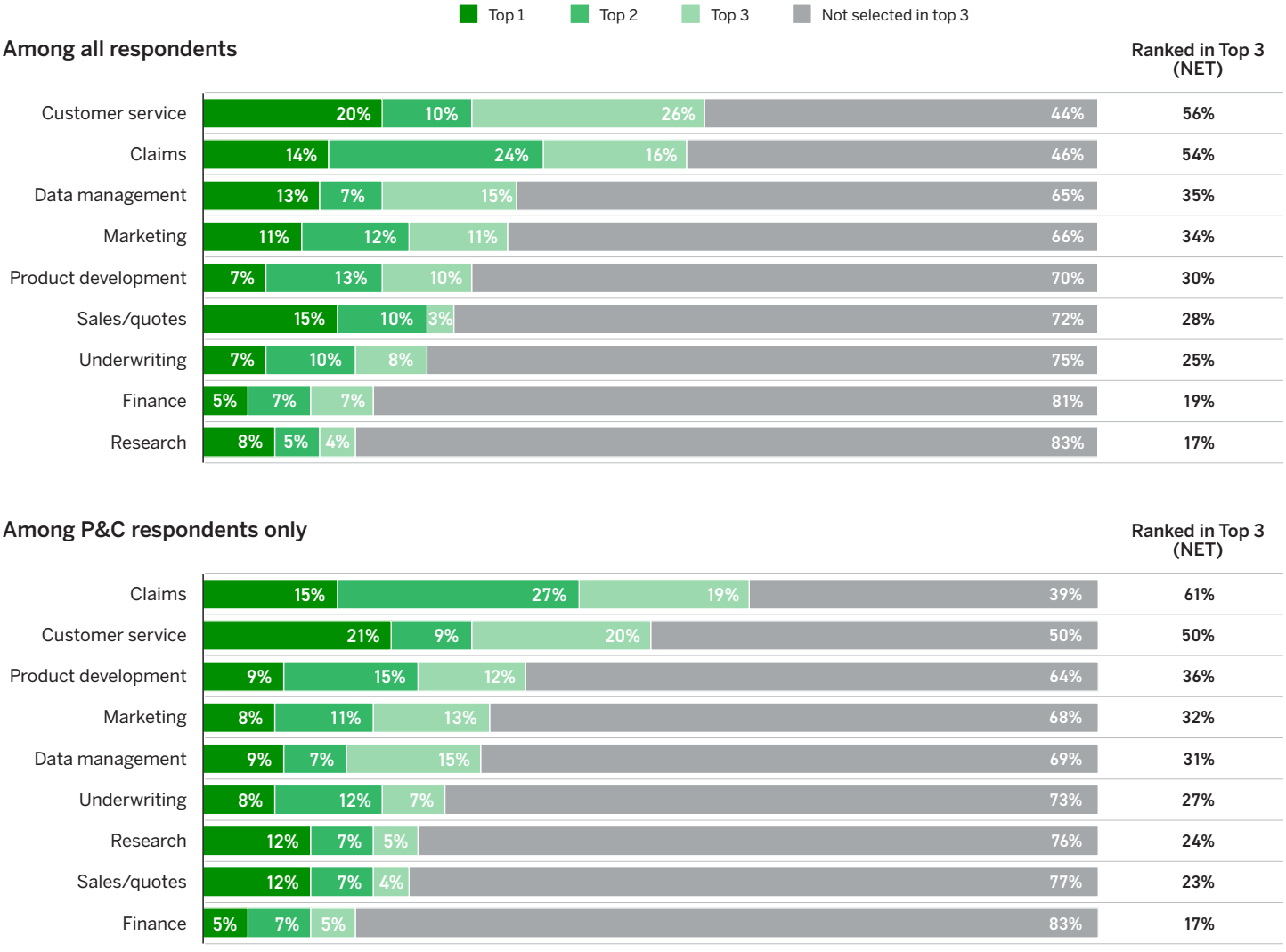
- Executive: 35%
  - C-level executive, 12%
  - Senior business unit executive, 23%
- Upper management: 40%
  - Division/department head, 19%
  - Director/senior director, 21%
- Manager/senior manager: 23%
- Non-management: 2%

Claims are a top priority in digital transformation strategies

Given the critical role of claims in the insurance industry, it is no surprise more than half of respondents rank claims as one of their top three priorities for digital transformation over the next 12 to 18 months (see Figure 1). For P&C respondents this percentage is even higher. Claims, along with customer service, are the primary levers driving adoption and implementation of digital technology. These are inherently intertwined, with the customer experience during the claims process core to how consumers view the value of their insurance, make their decision to retain the company for future needs and if they'll publicly recommend or pan the company. As one respondent says, "By focusing on making things more user-friendly, offering more ways to connect with customer service (like phone, chat, etc.) and remembering the human touch we can create a truly exceptional claims experience for everyone."

Figure 1: Top digital transformation priorities revolve around customer service and claims

Question: What are your organization's top three priorities for digital transformation over the next 12-18 months?



Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: Total respondents n=107, P&C carriers n=75

Changing customer expectations are helping drive change in the claims process

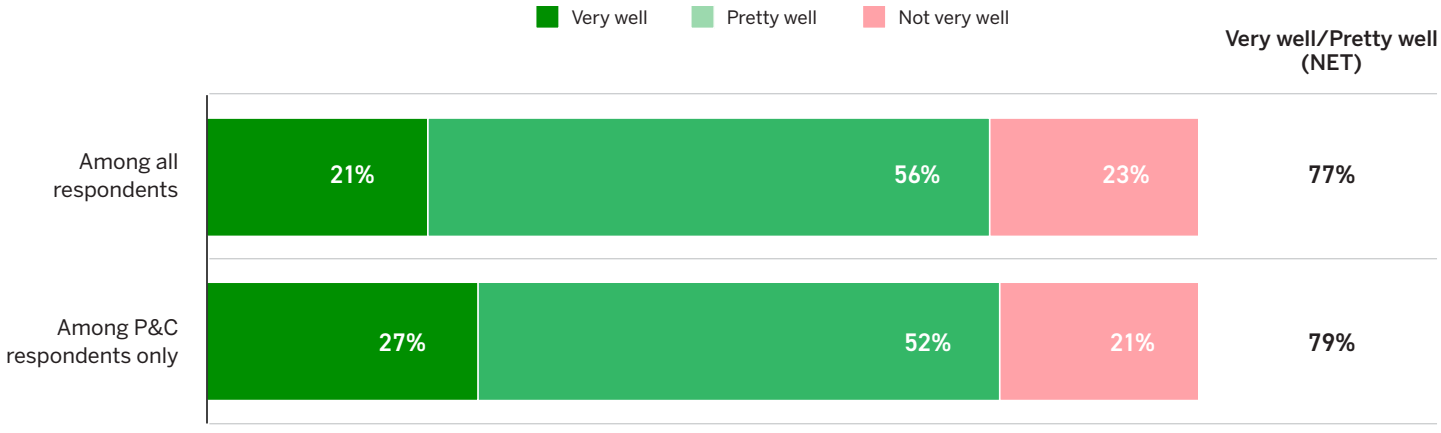
And as technology continues to improve and instant access to information and services becomes the norm, consumers are expecting experiences that are faster, better and easier from all of their providers, including financial organizations. Nearly half of all respondents (47%) say the biggest change in customer expectations over the past two to three years is an increased expectation for transparency. This is more than the 32% who see the biggest change as customers expecting fully digital experiences or the 21% who view the biggest change as customers desiring more human interaction in processes for reassurance. As one respondent aptly notes, "If I could magically fix one thing standing in the way of improving the claims process, I would choose to provide real-time transparency and visibility to customers throughout the entire claims journey." (A recent survey from J.D. Power speaks to this issue and impacts on customer satisfaction.)

> **"The emergence of digital claims processes presents both opportunities and obstacles. Adapting swiftly to market shifts is essential for maintaining competitiveness amid evolving trends."**
>
> **– Survey respondent**

Unfortunately, less than one-third of all respondents say they are doing "very well" at keeping up with changing customer expectations around the claims process. (see Figure 2). P&C carriers think they are doing a little better on this front, but not much. Since customer expectations are unlikely to remain static, current gaps in service could easily become larger in the future. By the same logic, carriers that find ways to bring the claims process more closely in line with customer expectations — or give themselves the tools to meet and exceed them — could find themselves with a competitive advantage in a key area of the customer experience. (See a recent Digital Insurance article on delivering a better customer experience.)

Figure 2: Few insurance respondents are doing "very well" at keeping up with customer claims expectations

Question: How well do you think your company has adapted to keep pace with changing customer expectations around the claims process?



Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: Total respondents n=107, P&C carriers n=75

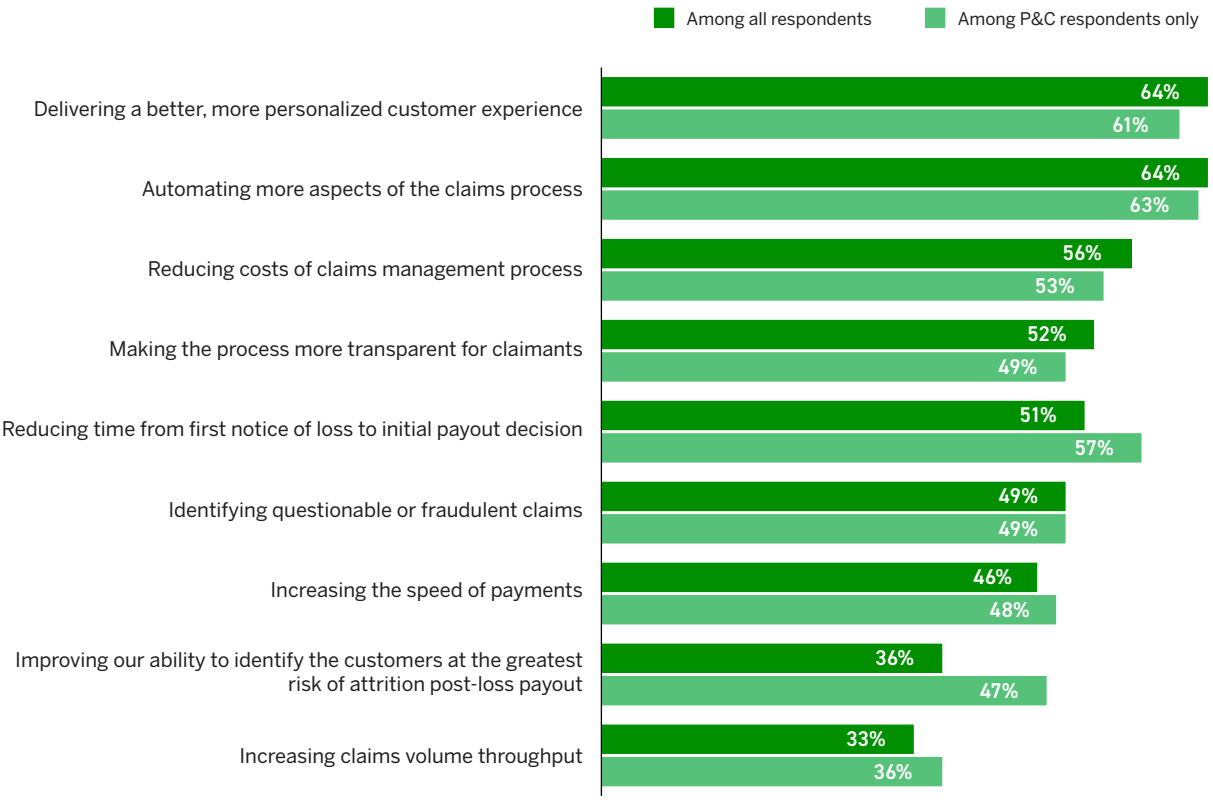
Transparency offers insurers an avenue to address front- and back-office priorities

Adding transparency and convenience to the claims process can benefit insurers beyond elevating the customer experience. Insurance stakeholders are pursuing a more transparent, streamlined claims process with both customer-facing and administrative objectives in mind (see Figure 3). These respondents see similar strategic importance in delivering a better, more personalized customer experience and automating more aspects of the claim process. That they also see claims improvements as an opportunity to reduce costs suggests the value of an improved claims experience extends beyond the customer. A more transparent process for claimants could reduce the support burden on staff, for example. Process improvements that allow insurers to focus additional attention on customer retention or manage a greater volume of claims drive both customer satisfaction and improve scalability. Or, as one professional shares, "Streamlined operations eliminate unnecessary steps to cut short the process and reduce administrative costs as well as [impact] customer efforts."

> **"Tailored interactions and personalized support with customers and solving their queries increase trust in the company."**
>
> **– Survey respondent**

Figure 3: Drivers of claims improvements include customer-facing and administrative goals

Question: What are your organization's top strategic priorities for improving the claims process over the next 12-18 months?



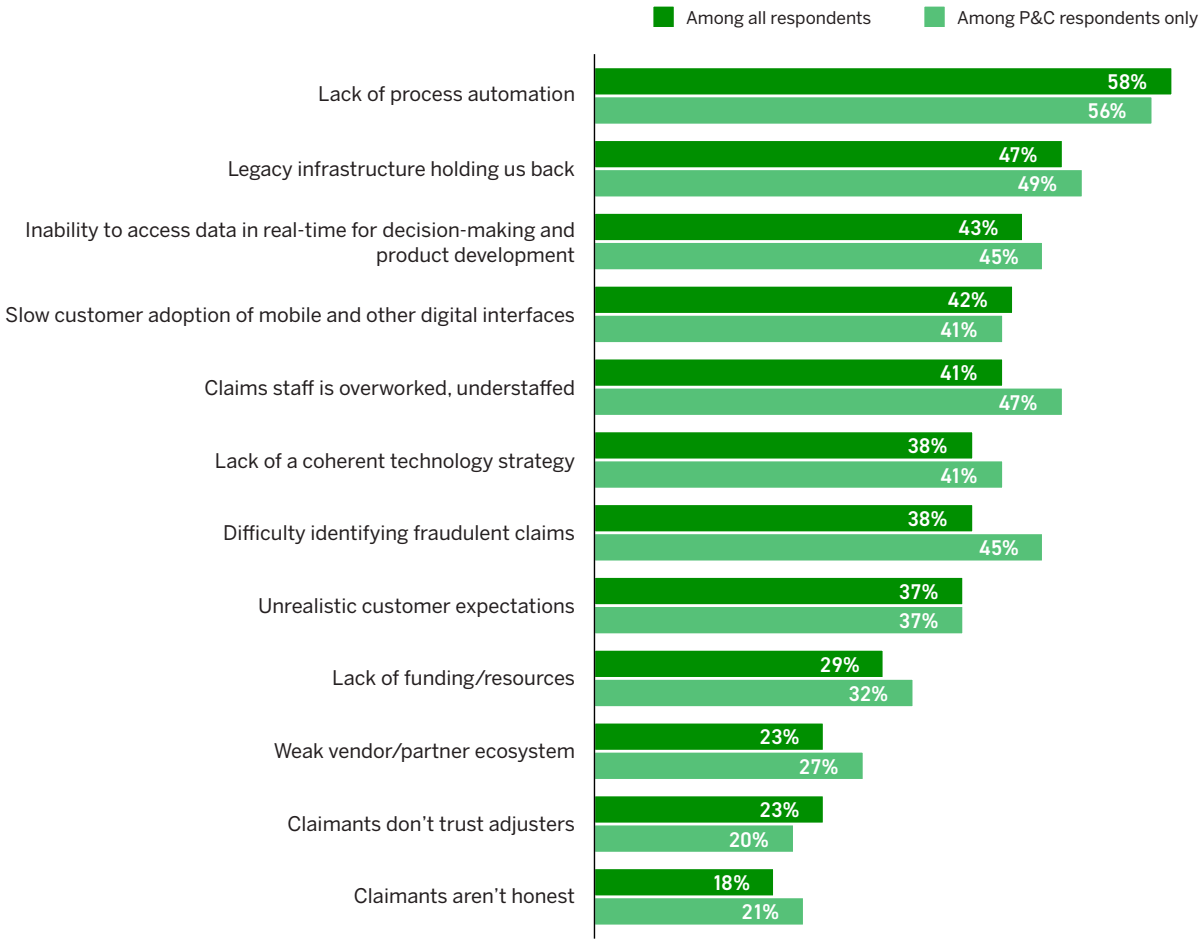
Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: Total respondents n=107, P&C carriers n=75

But claims process improvements don't come easy

Even with the best intentions, organizations have challenges to manage as they try to implement the improvements they see as valuable (see Figure 4). The most pervasive barrier holding respondents back is a general inability to automate processes. Other, related issues include the presence of cumbersome legacy infrastructure and an inability to access data in real time to support decision-making and product development. These point to the level of difficulty involved in implementing a solution that fulfills strategic goals as comprehensively as insurance stakeholders would like. (See Digital Insurance coverage on core systems.)

Figure 4: Common barriers to claims advancements

Question: What are the biggest challenges your organization faces in advancing its key claims priorities?



Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: Total respondents n=107, P&C carriers n=75

Challenges such as these may be part of the reason relatively few insurance stakeholders feel their claims efforts are leading the way. These professionals tend to rate their approach across the claims lifecycle — investigation and evaluation, communications, data collection and authorization and payment tracking — as keeping pace with their competitors. Not that keeping pace is necessarily problematic, especially since progress is happening.

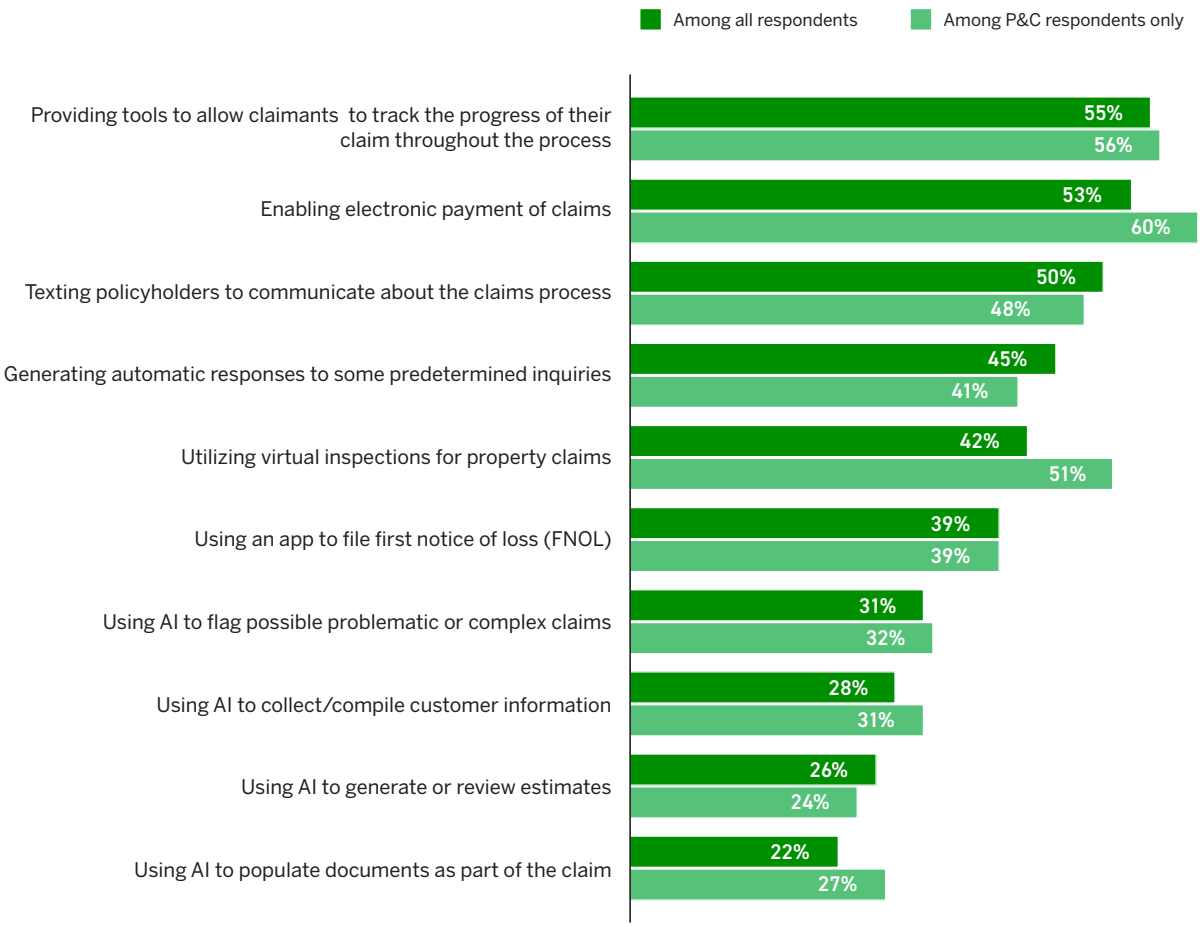
One tactic where positive movement is occuring in the industry involves empowering customers to play a more active role in the overall claims experience (taking pictures, uploading information digitally, etc.). More than half of respondents see this strategy leading to reduced costs in the claims management process and more transparency for claimants. Other benefits include: a better, more personalized customer experience (47%), increased speed of payments (43%) and increased claims volume throughput (30%). A respondent explains, "One aspect that has worked well for us is our investment in digital capabilities and self-service options."

Best practices in claims continue to evolve, with tech at the forefront

As they continue to seek ways to improve the claims experience for both operational and customer-focused reasons, industry participants are adopting several practices (see Figure 5). These include providing tracking tools and electronic payments for claimants, use of virtual inspections for property claims and tapping into AI for a host of activities. (Listen to a recent Digital Insurance podcast for more on this topic.)

Figure 5: Common practices to improve support of the claims process

Question: Which practices is your organization adopting in its claims process?

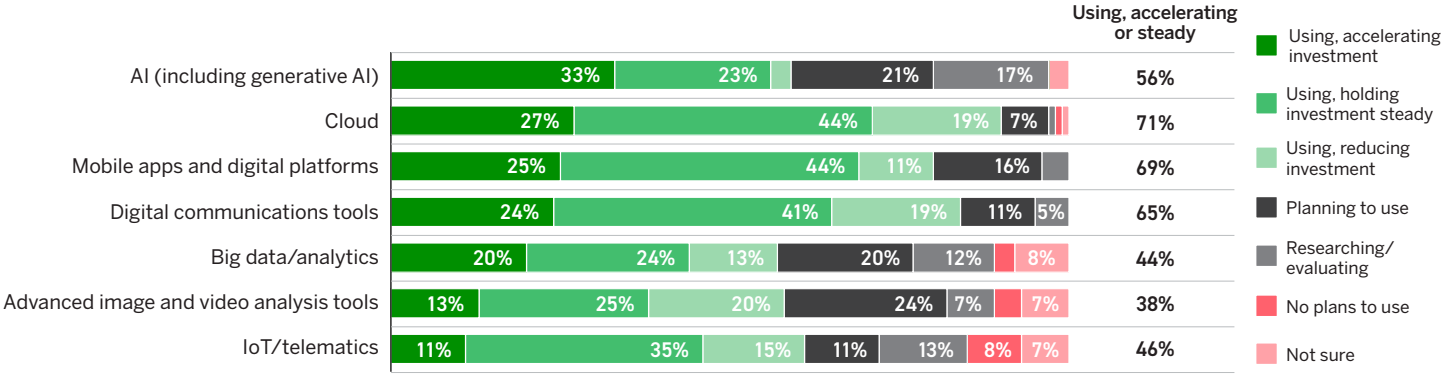


Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: Total respondents n=107, P&C carriers n=75

These efforts tie into what the data shows for current and planned technology usage for the constantly evolving processes needed to support claims management, particularly as this applies to P&C carriers (see Figure 6). P&C carriers have been somewhat aggressive about investing in these areas, especially cloud and digital platforms. Notably, many of these technologies lay the groundwork for the deployment of more sophisticated AI tools. As do the numbers related to tech spend, with 70% of P&C insurers increasing investments to support claims management priorities.

Figure 6: Technologies in use to support claims management

Question: How is your organization expecting to use these technologies to support claims management over the next 12-18 months?

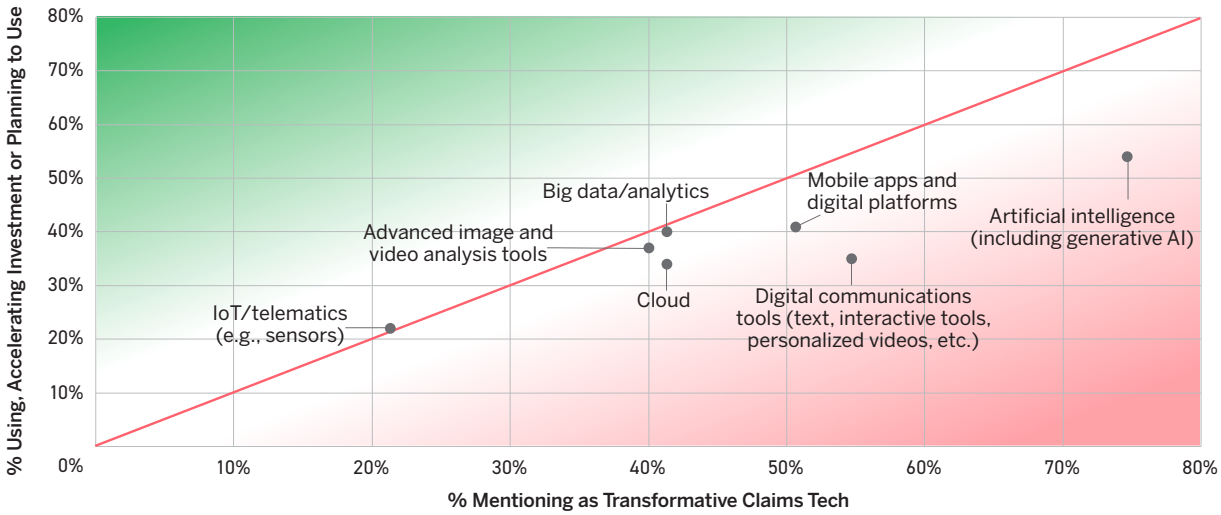


Percentage(s) under 5% are not indicated
Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: P&C carriers n=75

AI is a key focus for claims management tech

All respondents expect AI, communications and big data/analytics technologies to have the greatest impact on claims management over the coming 12 to 18 months. However, despite making investments to support these solutions, adjustments aren't necessarily being made with maximum impact in mind. For P&C carriers, for example, their investments in AI and digital communications tools continue to lag the perceived value of those technologies (see Figure 7). Matching investment focus and level to expected impact is something insurance industry stakeholders should keep in mind as they enter technology planning cycles to ensure they are getting the most out of their investments.

Figure 7: P&C carriers' accelerating or planned claims technology usage vs. potential



Source: Digital Insurance, Advancements in Insurance Claims Technology 2024
Base: P&C carriers n=75

This will be particularly true as organizations explore and implement AI, which respondents see as having great potential to support their systems. For claims management, improved capabilities around fraud detection (70%) and faster processing times across the board (64%) are among the most widely expected benefits (see sidebar, "Addressing fraudulent claims."). Expected automation and efficiency benefits extend beyond the ability to resolve simple claims more quickly. Insurance professionals also expect AI to help flag complex claims or those requiring more of their time and attention, focusing their efforts more efficiently and raising productivity. These types of improvements seem likely to be the primary mechanisms through which insurers expect AI technologies to improve customer experiences and reduce operating costs. (See Digital Insurance article for more on AI.)

The most common use cases include improving the customer experience (40%), flagging fraudulent claims (38%) and streamlining the collection of information from policyholders (38%). Other areas of use include creating and reviewing estimates, expediting underwriting and improving communications either internally or externally. As the sophistication of these tools continues to grow, insurance stakeholders that are able to build up the technological foundation to make use of them may find opportunities to break away from the pack. In the meantime, tools and technologies that help organizations improve the claims experience appear poised to continue to offer valuable opportunities to address important strategic priorities.

Addressing fraudulent claims

More than four in 10 respondents (44%) say they have seen an increase in fraudulent insurance claims over the past 12 months. This trend has been particularly noticeable for P&C carriers, nearly half (49%) of which have seen more fraud-related claims in the past year.

A more streamlined claims process may be contributing in part to this uptick in fraud. More than one in five insurance stakeholders (22%) note an increase in fraud related to their implementation of improvements in the claims experience. Other larger factors appear to be at work as well. Nearly half of respondents (47%) believe AI and other types of technology are making it easier for policyholders to file fraudulent claims.

Detecting and mitigating fraudulent claims will no doubt be an important strategic goal as industry professionals continue to work on streamlining the claims process. A large number of organizations appear poised to fight fire with fire: 70% of respondents believe AI tools will help them improve fraud detection and mitigation. As an insurance industry insider expresses, "If I could wave a magic wand, I would use it to improve the claims process' fraud detection."

Conclusions

- Improving the claims process has become a top digital transformation priority for insurance stakeholders, particularly P&C carriers.
- A shift in customer expectations toward greater transparency throughout the claims process has been a key driver of change.
- The claims processes and technologies respondents have adopted to date have yielded improvements to the customer experience and operational efficiency.
- Evolving technologies and tools involving data, digital communications and AI offer additional potential to further improve the claims process from both the customer and company perspectives.
- Best practices in claims management are likely to continue to evolve in the near future, driven by increased investments in tools and technologies.

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