

**TIN** THE INSURANCE  
NETWORK

# Successfully applying automation in claims processes

*Balancing human empathy and digital technology to improve the customer experience*

Sponsored by





# Introduction

In Spring 2022, The Insurance Network and Endava conducted a claims practitioner survey to establish what progress the UK insurance sector is making in automating claims, what the main drivers are for automating claims processes, how the business case is perceived (and articulated), and what practitioners see as the key challenges in applying automation in claims. These questions, and the results of the survey, were discussed at a virtual roundtable on May 25<sup>th</sup> that sought to explore those drivers and challenges and share some learnings around strategies for successful implementation.

This report summarises the survey findings and discussions at the virtual roundtable, which was held under The Chatham House Rule.

# What are the key drivers for automating all or part of the claims journey?

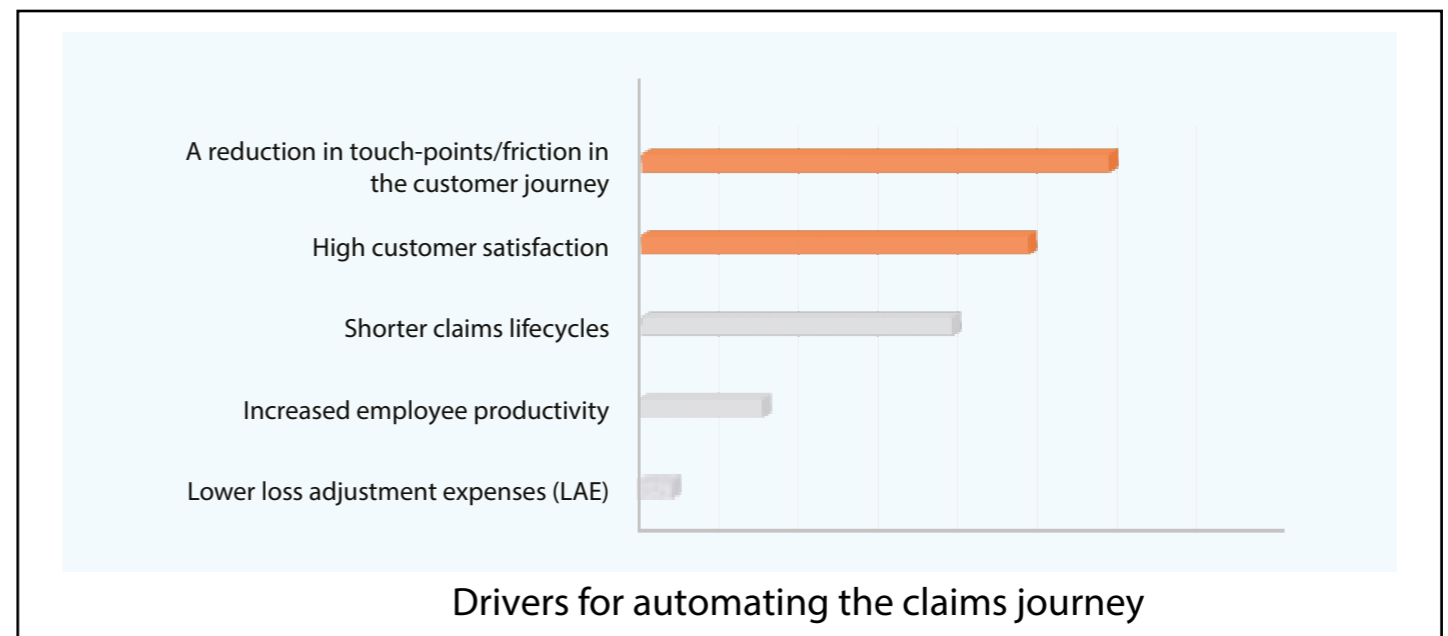
The survey asked what the key drivers for claims automation are. It is clear that the focus for automation projects has shifted away from cost reduction or efficiencies towards improving customer experience and the claims journey. The two highest ranking answers were “a reduction in touch-points / friction in the customer journey” (with more than a 3rd of respondents placing this top of the list of key drivers) and “higher customer satisfaction” (just under a third), with “increased employee productivity” and “lower loss adjustment expense (LAE)” ranking bottom.

3

This was generally not the case pre-pandemic when most participants in the virtual roundtable agreed efficiency was the main metric. This echoed comments made by survey respondents:

*Customer service and making processes more streamlined is a significant driver for improved digital journeys*

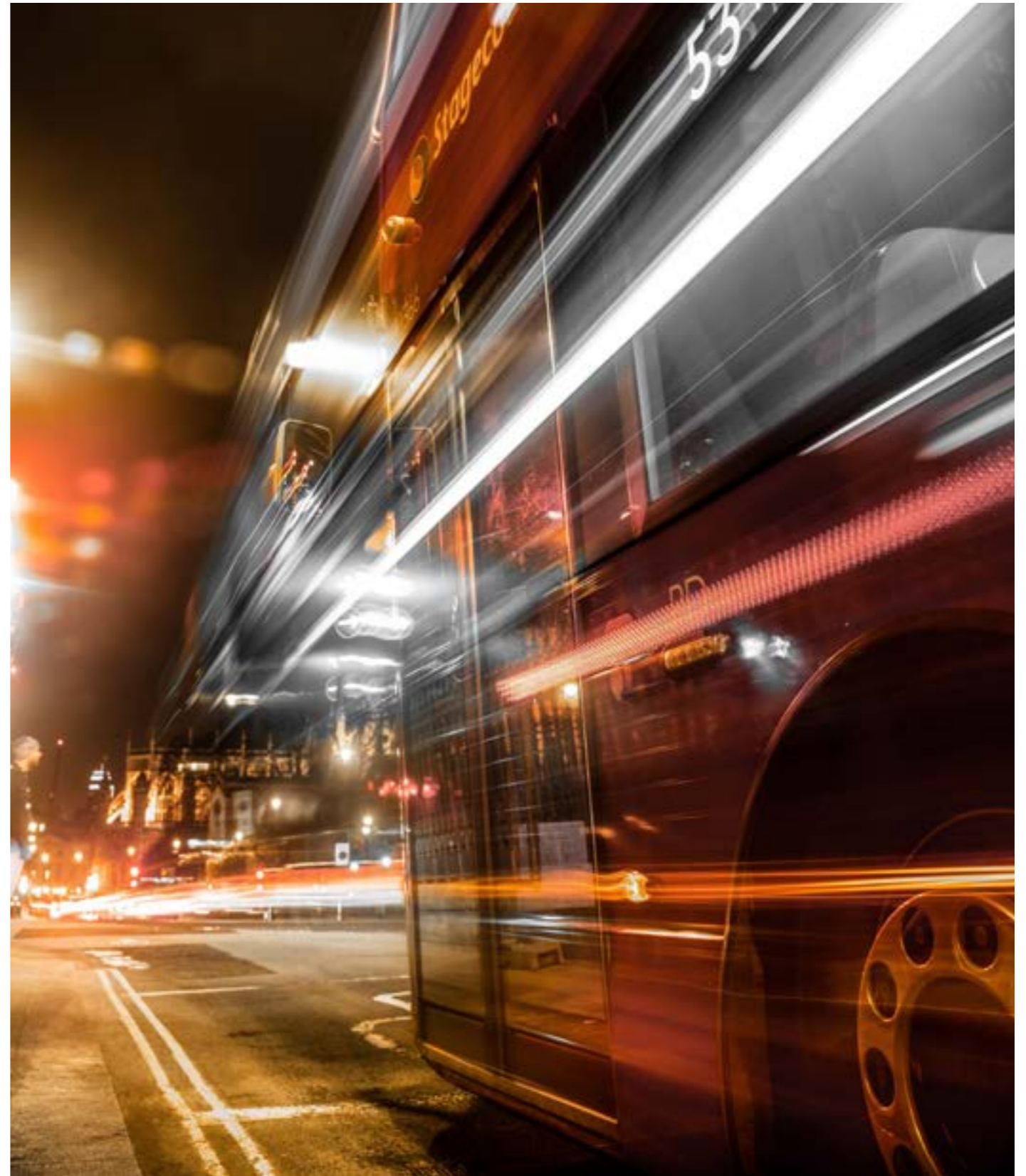
*We see digital as the opportunity to simplify the claim experience, removing complexity and effort for customers, leading to increased satisfaction with the process, the outcome and the time to settle. Similarly, staff experience can also be improved.*



However, respondents were keen to stress that the two are not mutually exclusive, and in fact have become more intrinsically linked as digitisation and automation play a bigger role in claims:

*A reduction in touch points should lead to faster processing with fewer errors, meaning reduced expense and shorter lifecycles.*

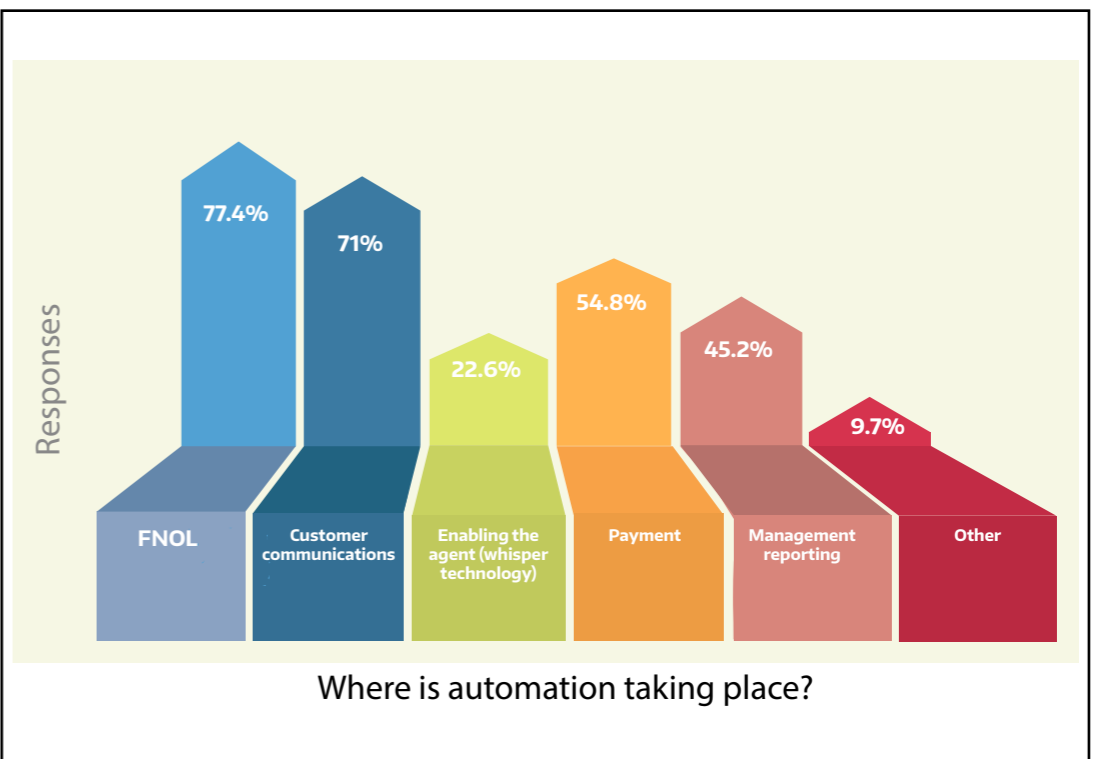
*Automating the claims process leads to less ambiguity as information is interpreted more consistently. We do see a cost saving on opex but this is not the biggest driver. Creating fantastic friction-less claims self-service journeys is my priority which will naturally have an impact on claims lifecycle and opex.*





# Where is automation taking place?

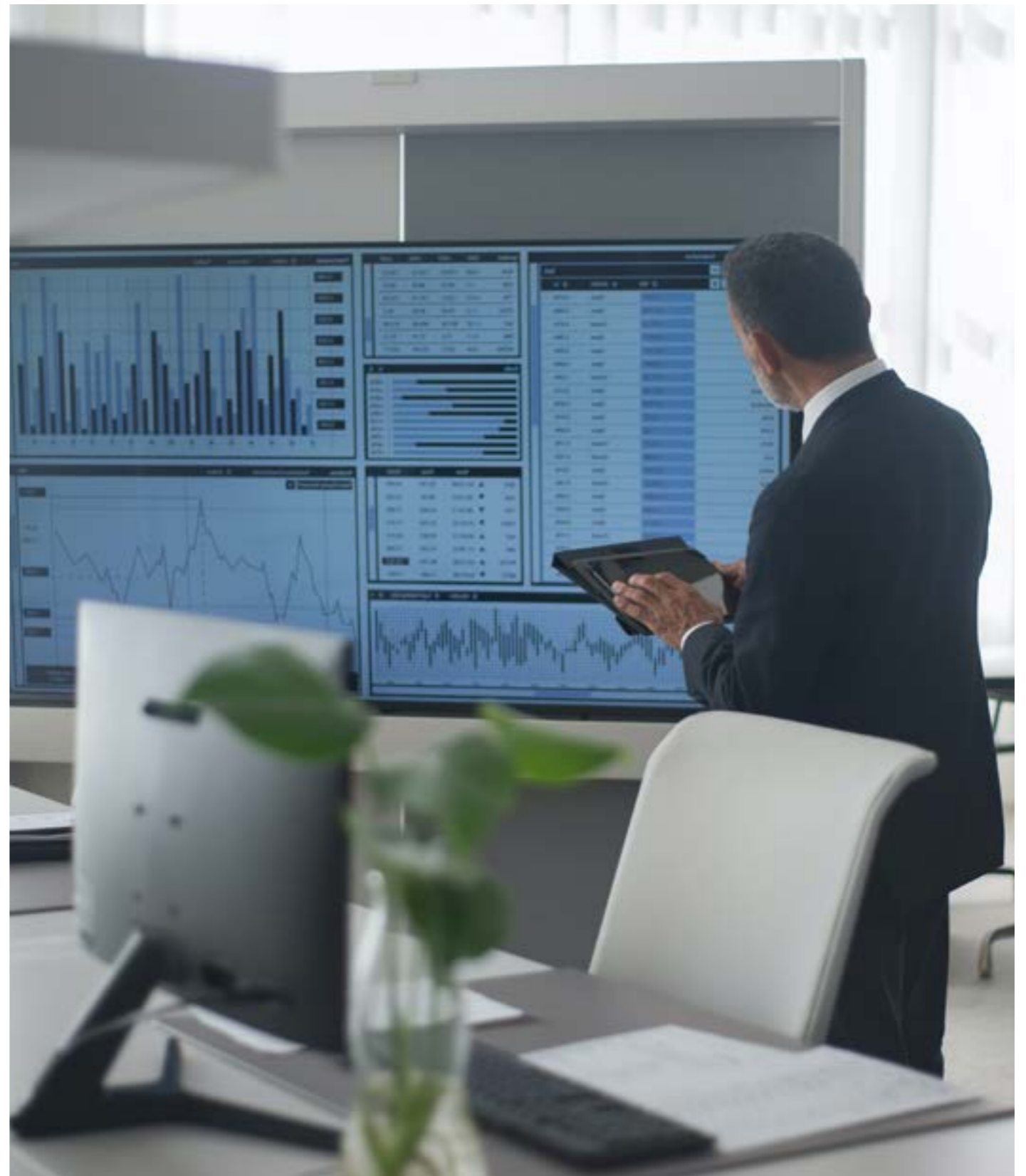
When asked where in the claims journey automation is being applied first, the survey indicated that many organisations are focusing on FNOL and improving customer communications as the focus for automation initiatives:



## But what about the business case?

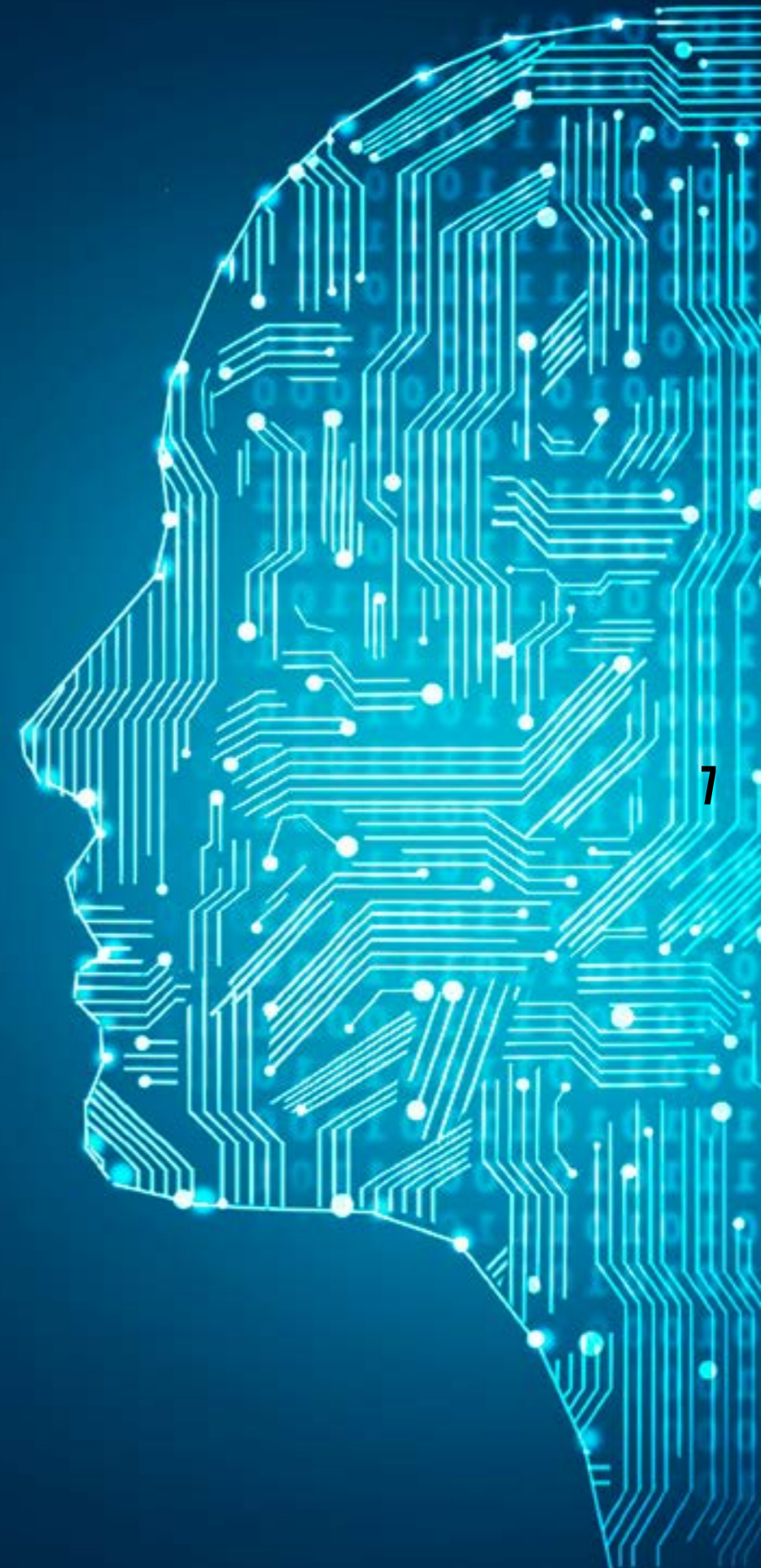
One roundtable participant stressed the importance of showing an immediate outcome to establish the business case for claims automation. For example, if a customer claims online via an app or the website, then that customer is not phoning the call centre, and clearly that's a saving: it's important to demonstrate a productivity and efficiency saving before automating the journey.

Another benefit that adds to the business case is the ability of automation to deliver a consistent outcome. Another participant explained that whereas before automation it was very much the case that one claims assessor would have a slightly different interpretation of a claim than another, and customers would object, saying, "Well, you've made this decision this time, but last time you made a different decision", after automation the assessment was consistent, and these complaints evaporated: claim leakage was arising from not giving consistent claim outcomes, and mitigating that was another business case for automation.



All participants agreed that “the robots” have the potential to make processes more efficient, in order that people now can do more value-add work. In one case no one was made redundant during the automation process: people were redeployed into doing different roles. The business was growing at that time, which helped because there were more opportunities for redeployment, but another participant developed this point, arguing that automation is a useful weapon in the current war for scarce talent, an opportunity for automation to add real business value: when there’s a million less people looking for jobs than two years ago, it’s difficult to recruit - so the whole worry about replacing people with robots is gone.

The reality is the people aren’t there to replace, and there is also the opportunity to get claims people doing what claims people do best (handling the more intricate nature of claims) by automating the more straightforward claims processes that would otherwise occupy their time.



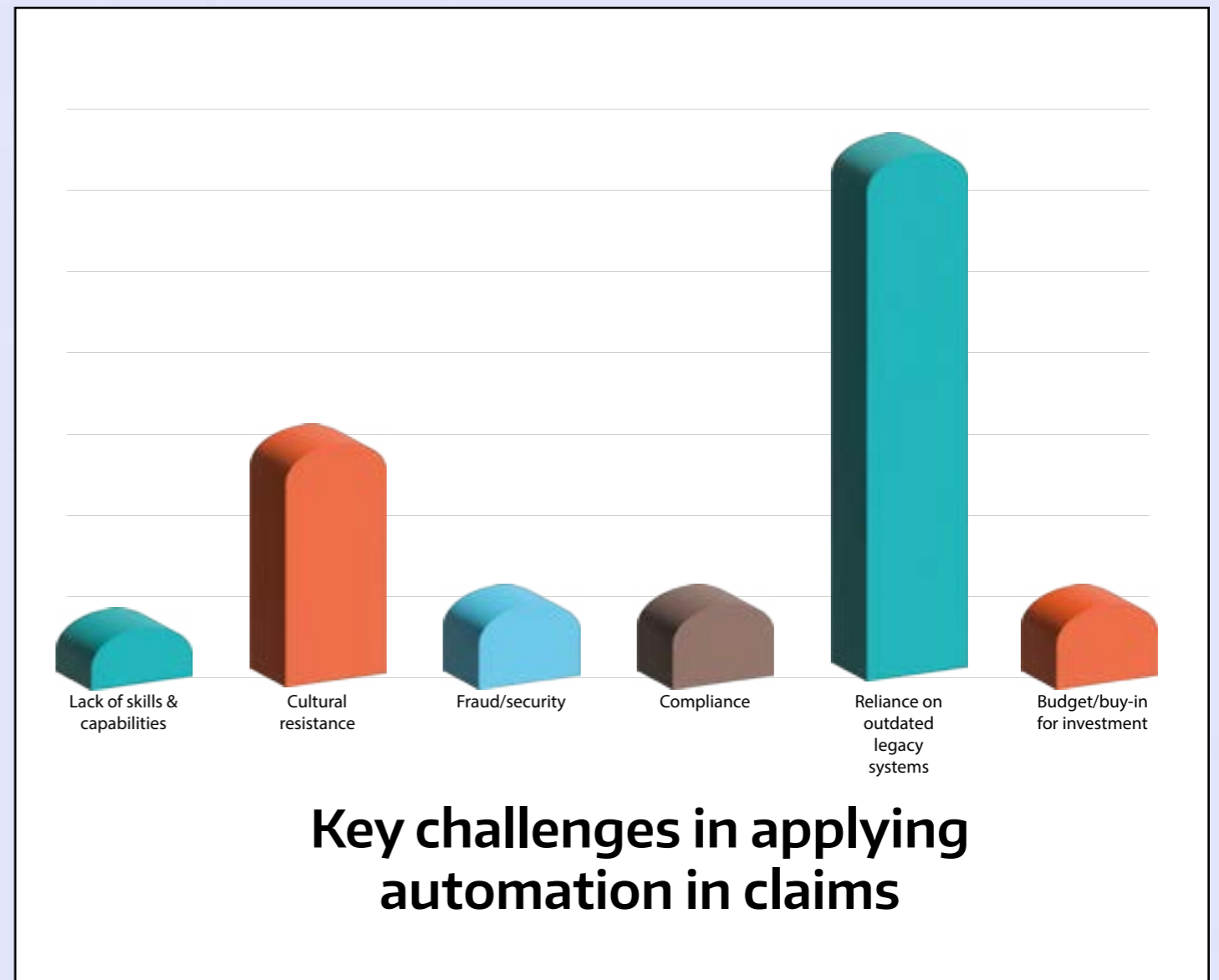
# Overcoming key challenges in applying automation in claims

Four big challenges were identified in the survey and discussed at the virtual roundtable:

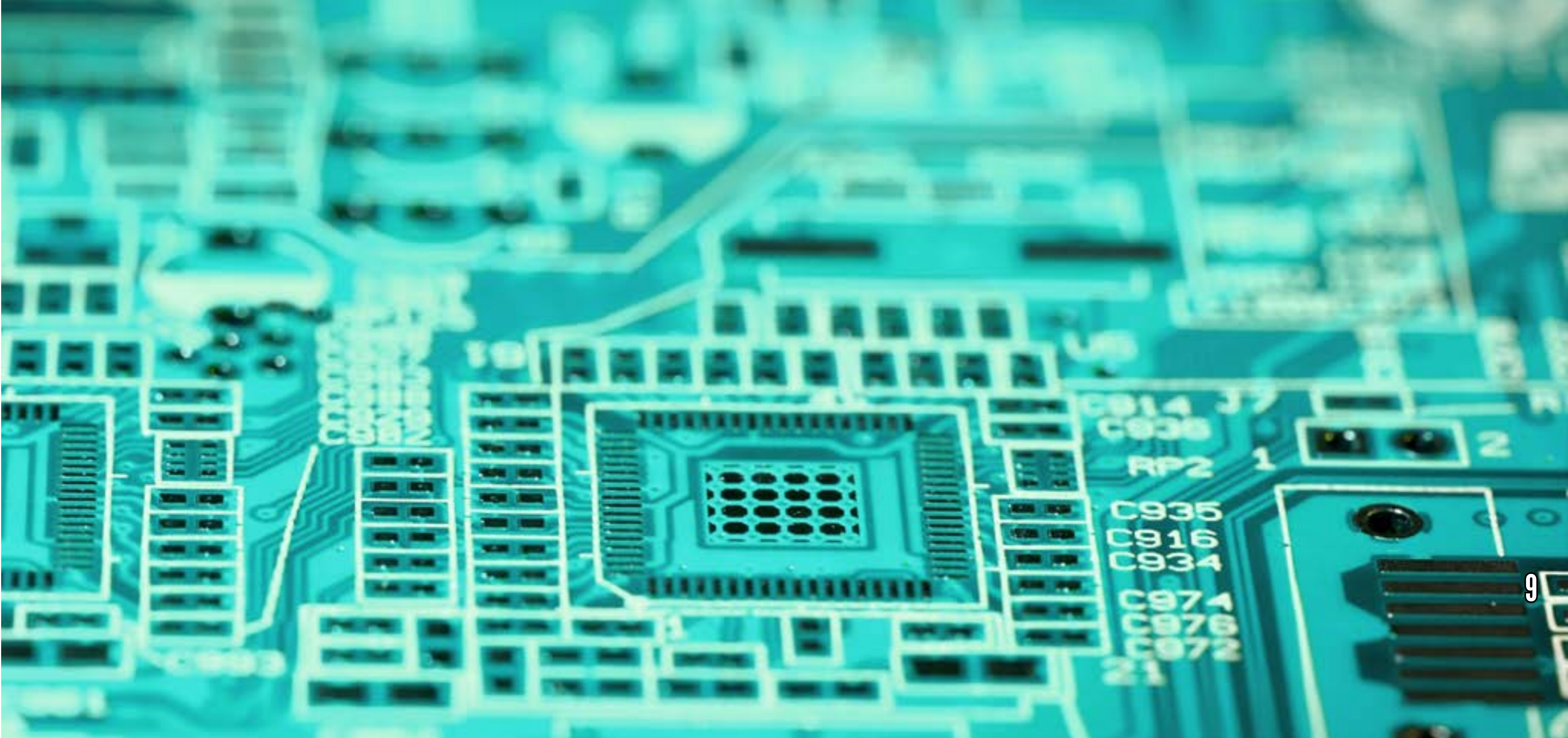
## 1) Legacy technology

In the survey, when respondents were asked “what do you see as the biggest barriers to automation in claims?” the top answer by some margin was “Reliance on outdated legacy systems” with 40% of respondents placing it as the biggest barrier (with “lack of skills and capabilities” and “cultural resistance” in second and third).

A key challenge for many organisations is how to integrate automation into a technology architecture without ‘creating tomorrow’s legacy today’, and adding to technical debt. The complexity of outdated legacy systems, added to over time by different business units with different priorities, and the manual workarounds that support them, make transition to a fully automated claims journey extremely challenging.







## 2) Data

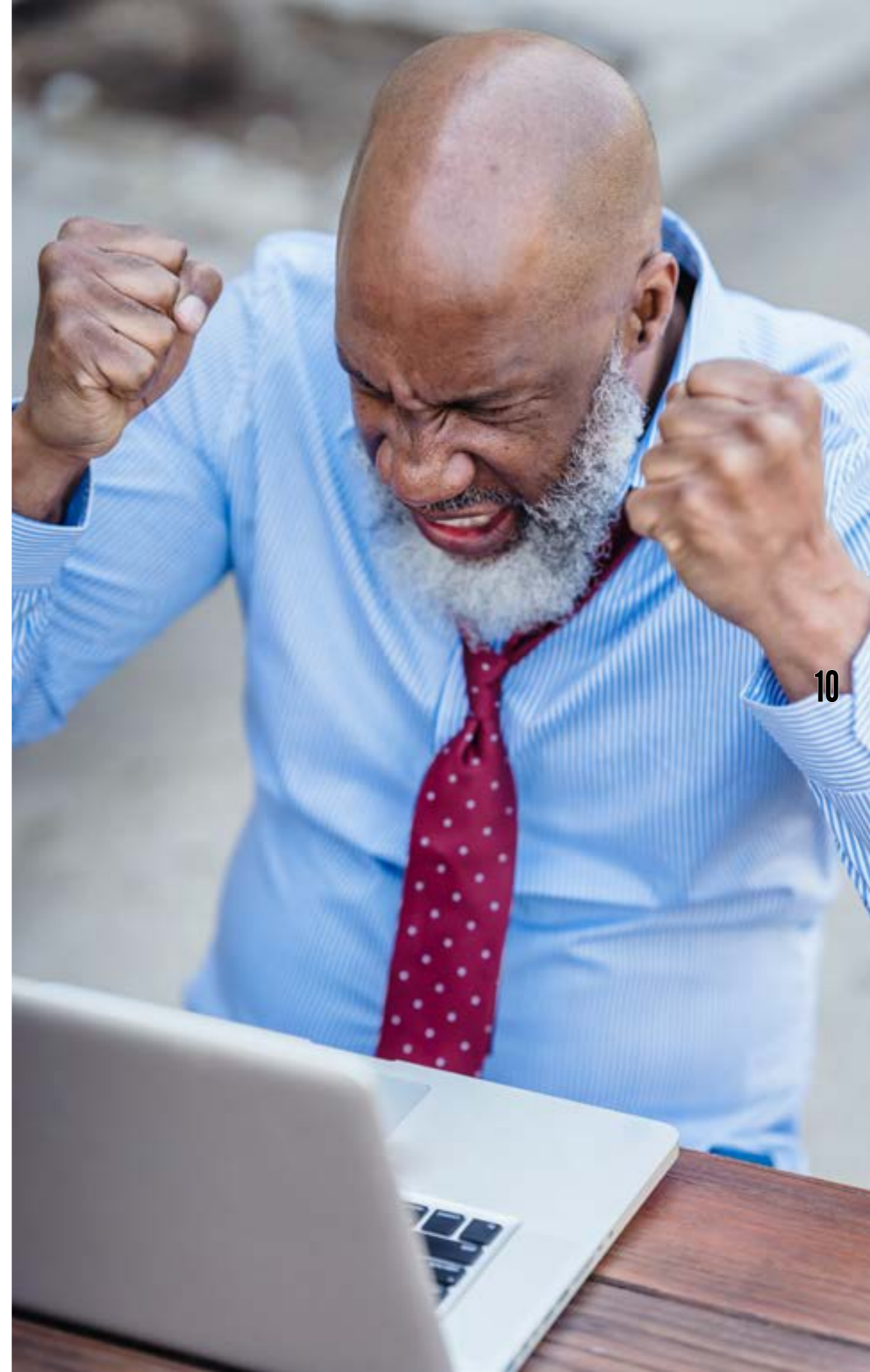
The next big challenge for leveraging automation is data availability, consistency and accuracy.

One participant with an intermediary network of 300 local offices described the challenges around data availability, consistency and accuracy when they are not doing business through a digital frontend which helps police the way data gets entered. This means they have a lot of work to clean data up and understand what the data is actually telling them before attempting to automate. For another participant the answer lies in “datafying your product” (and your customer) – ensuring the data that the robots need to operate is accessible and in the correct format – before setting rules for the robots tailored to the data.

### 3) Applying automation with multiple third parties in the supply chain

Many of the participants agreed that one of the biggest sources of complexity and friction in claims journeys is the number and variety of third parties in the supply chain. One had done a root cause analysis on non value added contact in motor claims: 46% was customers chasing supplier updates (repair updates, repair decisions and updates on when they can expect their car back etc). Ideally third parties would be able to provide this data to the insurer (preferably via an API) or directly to the customer, but it seems not many suppliers are able to do so. More than one participant described challenges in getting support from their supplier network to proactively give that information, stick to SLAs and give timescales so they can proactively inform customers.

On the other hand, another participant working with what was described as “big name suppliers”, who had front ends which they were white labelling and trialing in order to gauge how customers interact with it. Perhaps surprisingly they are finding that the percentage choosing digital when offered the choice is relatively low. People are still quite often reaching for the phone when they want to understand what’s going to happen next in their claim and gain some reassurance. Consequently they warned against assuming that you’re going to have a big operational saving and avoid phone calls, especially with an older demographic - or in fact (as another respondent pointed out) with younger customers with no experience of insurance or an insurance claim, who want reassurance for a different reason.





A participant from a big GI insurer pointed out that it also depends on the claim. You should be able to settle a total loss in a day because you've got the data in front of you, whereas a complex repair by its very nature will take longer to settle and timescales for repairs / restitution will be more difficult to predict. They warned against making promises hoping to match the digital CX of companies like Amazon when your service is inherently more complex than online retail at scale, and involves third parties who may not be able to consistently work to the timescales you would like.



#### 4) Defining effective and appropriate KPI's

One participant was keen to stress that when digitising a manual process, the worst thing you can do is have exactly the same metrics that you had for the paper process for the new digitised process. They gave the example of a high abandonment rate: this in fact might be a good thing if you're pushing a customer on a new online journey that's giving them a better result - there's bound to be a high abandonment rate as people will not be accustomed to a wholly automated experience - but if you just look at the abandonment figures in isolation, it looks like your operations are failing.

Another participant highlighted the danger of metrics like "extent of automation" – the percentage of claims that are automated. Whilst that sounds like a sensible metric, if that's what you measure, then you're pushing your claim managers to simply automate as many claims as possible, rather than the claims that would best benefit from automation. The participant argued for "a progressive deployment of automation", making sure that the people implementing automation really understand the concept behind it, rather than forcing the entire organisation to pivot overnight from the manual mode to an automated mode and then measuring their ability to switch.

All agreed on the importance of clarity and simplicity with metrics, advocating a "less is more" approach and being crystal clear about what 3 to 5 metrics are really important. That clarity should extend to the KPIs applied to your suppliers and your partnerships, and some partners (banks was an example given), don't necessarily understand the nuances of insurance, and might impose KPIs that are not appropriate in an insurance setting (with the example from banking of service credit).

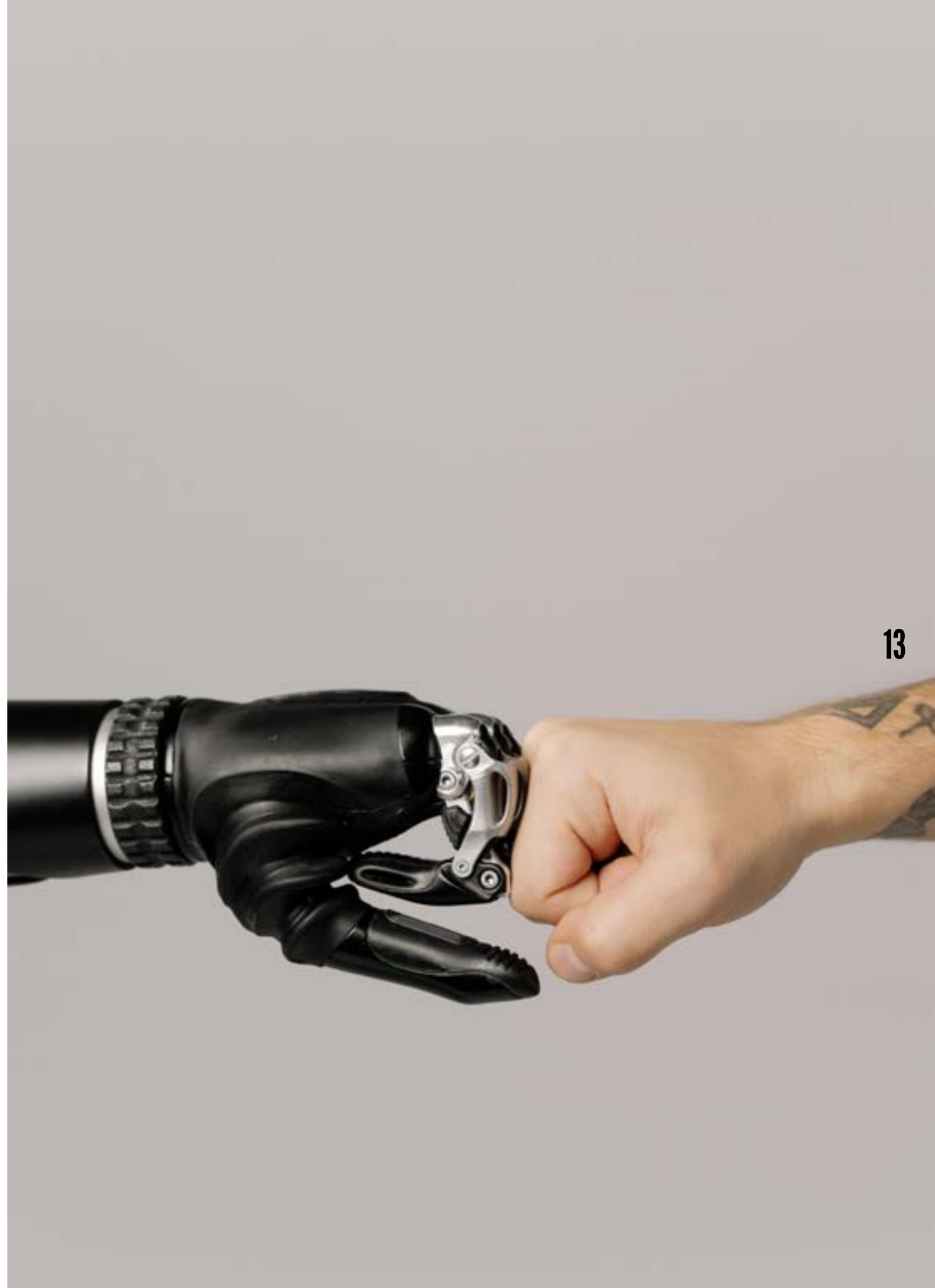
# Insights into successful implementation

Finally, the virtual roundtable participants were asked to share some learnings around strategies for successful implementation of automation projects.

One participant advocated involving employees that understood the process that was going to be automated. In their case, initially everything done by the robots was checked by a human for quality assurance and validation, and only once the robots were “behaving themselves” and doing exactly what a human would do, would that checking stop. It was about creating a “feedback loop” where if the human said they would have done something differently, then the robots learned from that human feedback over time, until it was no longer needed.

To help integrate automation into the workplace, and overcome cultural resistance to “the machines doing our jobs”, they also “humanised the robots” and gave them names. This resulted in increased engagement and acceptance, because when team members talk about the robots, they talk about them by name, and they think of them as work colleagues rather than a piece of code that automates the process.

Successfully applying automation in claims processes





The second insight was to ‘start small’, with processes or steps in the journey where automation can have the biggest impact, and then build from there. One participant advocated automating more administrative tasks for the customer first – change of address, invoice processing, payments – and the more manual, time-consuming internal processes that make the most difference, and allow you to build trust in your digital offering. They found that if you try to digitise everything at once and something doesn’t work for that customer, then from that point onwards they will want to pick up the phone, because they lose faith in the automated process. Over time, if you can build trust in the customer through them using digital processes that do work, customers will then go down the digital route even when a stressful situation does come about. Finally, in terms of mitigating the risk when migrating to an automated process another participant advocated having back up robots in case the front-line automation fails, and warned against letting people go who could cover if the robots do fail – the same staff that you moved to higher value add roles as a result of the automation should still be available in an emergency if the robots do fail.

# Future of claims

All participants agreed that at this stage of the adoption of automation that its only very simple claims that can be entirely 'touchless' and be automated all the way through. All agreed that for most claims a balance between human and digital in the customer journey leads to the best customer outcomes.

When considering what to automate, it is essential to understand when empathy and human intervention are required and when they are not. But this can be very challenging: the same claim in different circumstances can require very different responses. In some scenarios a bot can quickly and efficiently gather the details of a claim and fast track it towards resolution, delivering a fast and efficient service and a smooth and frictionless customer experience; but in a different scenario, where the customer "just wants to explain something to someone", that same bot can be obstructive and frustrating and become responsible for a terrible customer experience.

It also depends on brand, and the experience you want to give the customer. One participant had multiple brands, and their lower cost offering with what they described as "skinny products", has clients who would be happier to go on an automated journey versus a customer paying for a more premium product who wants to be able to pick up the phone, and doesn't necessarily want a journey that's been automated to the same degree.

Roy Murphy, Partner at Endava, summarised eloquently:

*The emphasis now really is as much on delivering a high-quality self-service user experience as it is on reducing costs of processing simple claims, and if you go to a CTO these days and ask about his performances, improving CX will be in the top three or four priorities. What's more, policyholders today, and not just the young, have a much higher expectation about service. Brand loyalty is rapidly disappearing from their vocabulary, and they want to interact digitally. But that experience has to be easy and fast. As a recent survey showed, over 40% of policyholders would move insurer if they couldn't interact digitally. And this for us is where the adoption of the right technology to streamline an autonomous claims process and improve the user experience is so important.*



## WE HELP YOU MAKE A DIFFERENCE

Through a combination of industry knowledge, technical excellence and an innovative approach, we build a strong partnership with our customers investing experience, time and our reputation to deliver excellent outcomes across the whole insurance value chain. Having a “benefits felt” mindset, we involve teams across the organisation in the business transformation, leading to a faster and more effective adoption process, ultimately helping your business quickly respond to internal and external customer demands, and overcome the inertia of legacy systems.

Our end-to-end services means:

- We strive to understand your business to develop and execute a digital and UX strategy that truly engages your customers.
- You benefit from the insight of IT and industry experts who have typically worked within the Insurance industry for over 25 years and have the experience and tools to help transform your business.
- You can begin leveraging analytics data to drive in-depth insight into risk profiling and customer behaviour, focusing on highly competitive and targeted insurance products/campaigns.

Together, we lead your business’ transformation into a more Agile organisation across your entire infrastructure, application development, management, testing, and service desk capabilities.

Through a long-term strategic partnership, focused on value delivered right into your business, we enable a ‘continuous improvement’ engagement model focused on quality, productivity and innovation.

Endava has 11,001 employees, as of March 31, 2022, located close to client locations in Australia, Austria, Canada, Denmark, Germany, Ireland, Netherlands, Singapore, Switzerland, United Kingdom, United States and nearshore delivery centres in the European Union: Bulgaria, Croatia, Romania and Slovenia; Central European Countries: Bosnia & Herzegovina, Moldova, North Macedonia and Serbia; Latina America: Argentina, Colombia, Mexico, Uruguay and Venezuela.

<https://www.endava.com/insurance>





The Insurance Network provides director level executives from the UK insurance sector with a strategy forum for business networking, knowledge sharing and benchmarking. The Insurance Network hosts a series of annual, one day conferences and a series of breakfast briefings and webinars on an ad hoc basis. The events are for members and non-members alike.

**[www.TIN.events](http://www.TIN.events)**

© The Insurance Network. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without permission in writing from the publisher. any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without permission in writing from the publisher.