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Digital Claims: The New Normal

To remain in the game, insurers
must transform their customers' experience.

Presented by **Digital Insurance**
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Executive Summary

Rising consumer expectations are shaping the future of insurance, and transforming the claims process is pivotal to improving the customer journey. As carriers vie to retain their clients and capture new ones, they are turning to digital technologies to streamline their claims procedures—reducing their costs and better managing their risks along the way. We walk through how digital technologies can help insurers provide a convenient, multichannel and truly satisfying customer experience.

1 Digital Transformation: The What and the Why

It's been a long-time coming, but the digital transformation of the insurance industry is now in full swing. And nowhere is this more apparent than with how claims are getting processed.

As other industries have set new standards for customer service—companies like Amazon and Uber quickly leap to mind—today's digitally-immersed consumers have grown accustomed to doing business anywhere, at any time and with any device. That is especially true for insurance claims.

OVER HALF OF CARRIERS SURVEYED INDICATE THAT THEIR FIRMS ARE STILL USING [SPREADSHEETS AND] MANUAL PROCESSES TO SERVICE CUSTOMERS

Salesforce Insurance report, 2019

"There's an imperative for insurers to implement a digital claims strategy," says Martina Conlon, senior vice president for research and consulting at Novarica, an advisory firm for the insurance industry. "They need to do this to demonstrate their value to their customers. Optimizing the claims function by incorporating digital components, working through digital channels and automating the process is really important to meet their clients' expectations."¹

The numbers bear this out. An Accenture survey of 6,000 insurance customers across 11 countries found that three out of four (76 percent) would switch providers for more personalized service.² And J.D. Power's 2018 U.S. Auto Insurance Study finds that customers prefer interacting with their insurer via a mix of online and in-person communications channels. The better the omnichannel experience, the study found, the higher the level of customer satisfaction.³

2 New competition drives change

Protected by regulation, the size of their customer portfolios and a historical tendency for customers to stay put with their carriers, the industry was slow to respond to the newest generation of digital technologies. But new competition from insurtechs and other non-traditional carriers is changing that dynamic, and insurers now face mounting pressure to make up for lost time.

¹ "The claims process goes digital," Digital Insurance, <https://www.pressreader.com/usa/digital-insurance/20180401/textview>

² "The Digital Insurance Customer Wants More Services for Less," Accenture Insurance, <https://insuranceblog.accenture.com/digital-insurance-customer-wants-more-services-for-less>

³ "Auto Insurance Customer Satisfaction Reaches Record High, J.D. Power Finds," J.D. Power, <https://www.jdpower.com/business/press-releases/jd-power-2018-us-auto-insurance-study>

The latest surveys by industry consultancy Strategy Meets Action, for instance, show that 85 percent of all carriers are focused on creating a better customer experience. And industry advisory Novarica notes that while policy admin system (PAS) replacement activity was previously restricted to large and mid-size insurers, given the shift in the industry's business climate, more than 50 percent of all insurers are now making plans or in the process of replacing their PAS with systems that support the latest digital technologies.

A recent report from McKinsey puts it this way: "The insurance industry is in the midst of a radical, digitally infused shake-up. Customers are embracing digital channels and technologies such as the connected car [and] smart home solutions, and artificial intelligence [is ushering in] an era of new products built on data and analytics... Insurers with pure-play digital business models, such as Lemonade in the United States, Youse in Latin America, or Nexible in Europe, are using digital applications such as chatbots to turn the process of buying a policy or filing a claim into a fast, simple and satisfying experience. This approach is a far cry from the analog, and often frustrating, processes of traditional insurers."⁴

With competition intensifying, the report continues, "digitizing the claims function holds tremendous potential" for P&C insurers in particular.⁵

The claims process is so pivotal because, once a policy has been written, the only time most insurance carriers come in direct contact with their customers is when they submit a claim. Yet when that happens, the contacts are frequent and intense, and will largely shape the insured's view of the carrier and willingness to do business with it going forward.

In spite of this, the process of filing a claim remains off-putting for many customers. Many insurers still require their policyholders to call, follow a variety of prompts and provide often hard-to-locate information, before allowing them to speak with someone and submit their claim. Still reliant on manual and paper-based procedures, these insurers struggle to meet their customers' expectations for rapid, convenient and more personalized service. Whether it's how they force their policyholders to fill out a claim form, obtain a damage assessment or submit a police report, these carriers still lag behind other industries in terms of digital adoption.



76%

of insurance customers would switch carriers for more personalized service.

Accenture survey of 6,000 insurance customers

⁴ "Claims in the digital age: How insurers can get started," McKinsey & Company, <https://www.mckinsey.com/industries/financial-services/our-insights/claims-in-the-digital-age>

⁵ Ibid

3 Working to transform claims

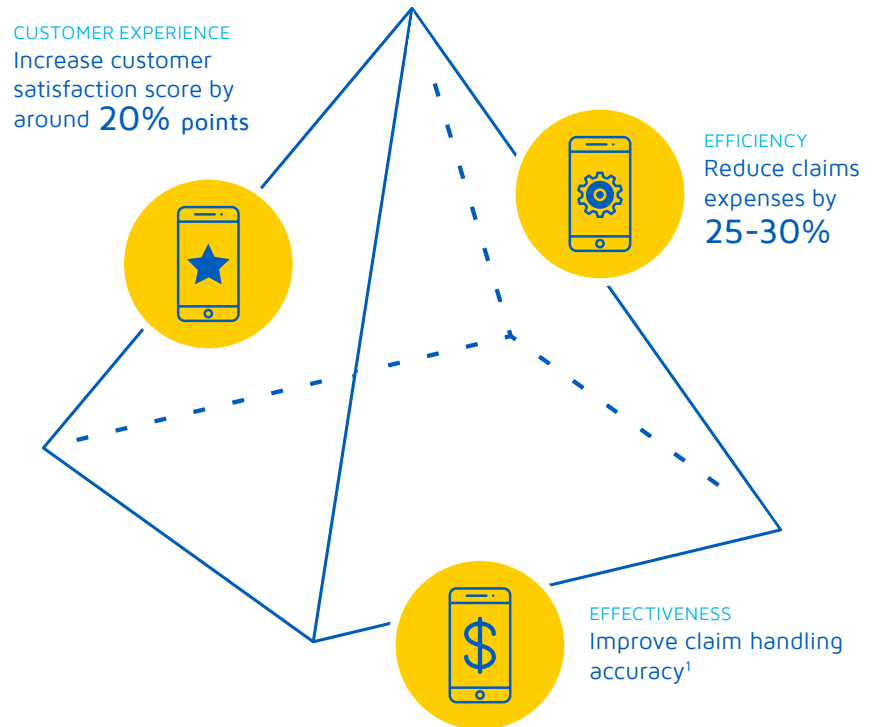
Many of these companies are keenly aware that they need to adopt digital processes, but they have been restrained by decades of investment in legacy systems that they can't simply abandon. But while paper process remain widespread, the majority of insurers are now seeking to incrementally deploy new technologies in ways that are compatible with their existing core systems.

Mobile is a good example of how this is playing out. Numerous carriers now encourage policyholders to file certain claims via a smartphone or similar device. Allstate and Farmers Insurance, for instance have introduced apps that allow policyholders to settle simple fender-benders without visiting an adjuster or getting an estimate. Using their smartphones, customers send their insurer photos of the vehicle to have their claim adjudicated. Directions on their phone guide them through the process, including how to take and submit pictures of the damage. Fraud deterrence features prevent the user from doctoring a photo.⁶

"The industry needs to be thinking about completing the entire claims process—from first-notice-of-loss all the way through settlement—as a mobile-only process," notes DocuSign vice president and insurance sales team lead Jim Sieve. "There are consumers out there right now who expect that."

One standout example of mobile-friendly technology is data prefill. From the point of view of policyholders, guided, prefilled forms are much easier to fill out and don't require chasing down a lot of information that in many cases their carrier already has. Using this information to provide prefilled forms to its customers, Sieve says, "A carrier sends a strong message that 'We know who you are, and we're not wasting your time. The additional information that we're asking for here is over and above what we already know about you.'"

DIGITAL CLAIMS TRANSFORMATIONS GENERATE IMPACT ACROSS ALL OF CLAIMS' FOUNDATIONAL KEY PERFORMANCE INDICATORS.



¹ Improving accuracy aims at reducing both overpayments and underpayments of indemnity obligations. Next to reducing overpayments, also reducing underpayments can lead to an overall reduction of loss costs through reduced processing times, higher customer satisfaction, and lower incidence of claim disputes and litigation.

⁶ "The claims process goes digital," Digital Insurance, <https://www.pressreader.com/usa/digital-insurance/20180401/textview>

But from the insurer's point of view, greater customer satisfaction is only one of prefill's many benefits, explains Karen Pauli, a principal at the insurance technology consulting firm Strategy Meets Action. Using data prefill also increases the accuracy of the data the insurer collects and allows it to integrate a greater variety of data sources into its underwriting process, thereby reducing its risk and increasing its profitability.⁷

To help combat fraud, insurers are also deploying identity management systems. Fraud is an increasingly acute challenge for the insurance industry that crosses all segments and lines of business. The Insurance Information Institute estimates that fraudulent healthcare claims alone cost medical insurers at least \$80 billion a year. For the property and casualty sector, fraud accounts for 10 percent of all claims-related losses—or roughly \$30 billion a year.⁸ In response, DocuSign's Sieve reports that "Many carriers have begun integrating an identity authentication framework into their claims process."

These frameworks or platforms provide various degrees of identity verification and management. For small, straight-forward claims, such as minor auto accidents, insurers are including simple ID authentications, such as text-delivered pin numbers and security question responses, as part of an automated claims adjudication process.

For larger, more complex commercial claims, Sieve says carriers are implementing more rigorous identity management systems that compare documents like driver's licenses and federally-issued identity cards against data in the insurer's own internal database.



THE BETTER THE OMNICHANNEL EXPERIENCE, THE HIGHER THE LEVEL OF CUSTOMER SATISFACTION.

J.D Power 2018 Auto Insurance Study

⁷ "Why data prefill is on the rise in commercial lines," Digital Insurance, <https://www.dig-in.com/opinion/why-data-prefill-is-on-the-rise-in-commercial-lines>

⁸ "Background on: Insurance Fraud," Insurance Information Institute, <https://www.iii.org/article/background-on-insurance-fraud>

4 Addressing outstanding challenges

Many of these companies are keenly aware that they need to adopt digital processes, but they have been restrained by decades of investment in systems that they can't simply abandon. To remove paper-based processes, insurers need digital technologies that integrate with their existing infrastructure, and can be deployed incrementally to drive immediate value.

Melded into a seamless claims solution, these technologies and others—like electronic signatures—address the two outstanding claims processing challenges that continue to confront insurers in virtually every line of business. The first is overly long claims processing cycles that frustrate clients, increase operational costs and heighten the risk of litigation and dispute.⁹

The second is failing to provide sufficient opportunities for customer self-service, especially when dealing with relatively minor and straightforward claims. This also adds to customer inconvenience and frustration, and by forcing skilled service agents to spend time inputting basic information wastes valuable resources and significantly adds to costs.¹⁰

**A DIGITAL CLAIMS PROCESS
INCREASES CARRIER EFFICIENCY
BY UP TO 30%.**

McKinsey & Co.

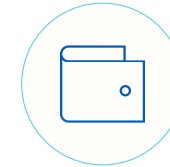
A digital claims process, according to McKinsey, can increase carrier efficiency by as much as 30 percent.¹¹ Breaking this down further, McKinsey calculates that insurers offering best-in-class customer experiences:



**Grow their premiums
three percent
faster than their line-
of-business average**¹²



**Are 80 percent
more likely to retain
customers**¹³



**Have a two percent
lower average
expense ratio**¹⁴

5 How DocuSign can help

Conditioned by their experience with other industries, consumers today expect to be able to conduct business with their insurance carrier wherever, whenever and however they want. For insurers, this means providing a claims process that can be initiated on a smartphone or tablet, followed up with a phone call or on a website, and makes use of prefilled forms that are easy to complete and can be signed, submitted and verified online.

The DocuSign solution meets all of these requirements by automating each phase of the claim life cycle, beginning with preparing the necessary documents to settle the claim. Those documents are then signed electronically in a legally valid manner, tracked and managed, enabling

⁹ "Time to move your insurance claims processing into the digital age?" Property Casualty 360, <https://www.propertycasualty360.com/2018/06/25/time-to-move-your-insurance-claim-processing-into/>

¹⁰ Ibid

¹¹ "The growth engine: Superior customer experience in insurance," McKinsey & Company, <https://www.mckinsey.com/industries/financial-services/our-insights/the-growth-engine-superior-customer-experience-in-insurance>

¹² Ibid

¹³ Ibid

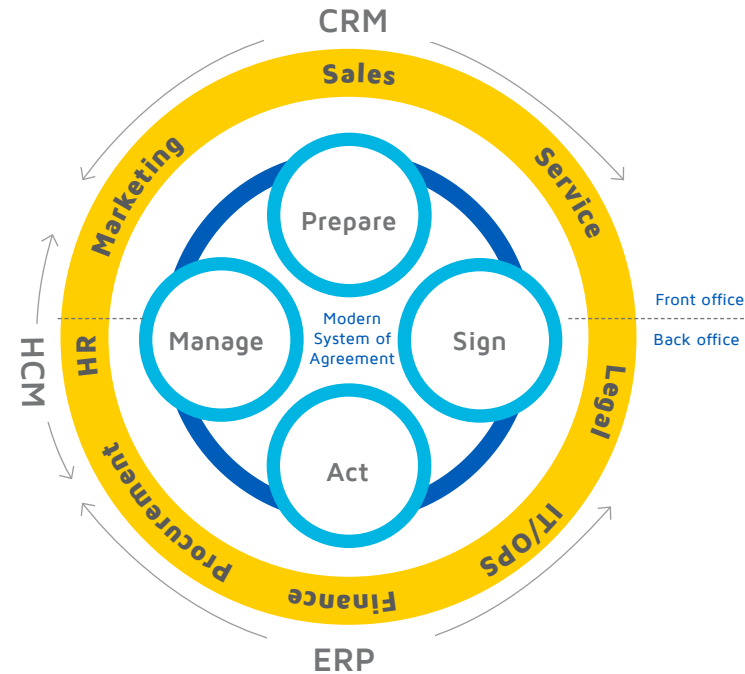
¹⁴ Ibid

the insurer to ensure that the terms are fulfilled and the outcomes reported. The original documents are then stored, so they can be referenced and reused as needed.

With a paper-based process, it can take insurers days or even weeks to obtain the necessary signatures to finalize a settlement. Using DocuSign solutions, this is whittled down to hours and even minutes. The process can be initiated with a mobile device and is carried out securely, using a variety of authentication techniques to verify the claimant’s identity. Throughout the process, federal and state laws and regulations are complied with automatically.

Insurers that have deployed the DocuSign solution have experienced an 85 percent reduction in document completion times and a 100 percent drop in document error rates. Workflows are automated, increasing operational efficiencies and making workloads more manageable for employees. On average, insurers save \$17 to \$25 per document by digitizing their transactions. In use at over 600 insurance companies, the DocuSign platform has become the industry’s de facto standard for digital business processes. “DocuSign hits on everything,” says Eric Eisenman, global head of customer claims operations at AIG, a DocuSign customer.

Over the years, the 90 year-old insurer has accumulated millions of paper-based forms, adding thousands of new forms to its stockpile each



day. “Every form that’s introduced adds costs and complexity to our process,” Eisenman explains. “DocuSign is helping us change that by moving to a digital process that relies on digital forms, allowing us to accurately capture data in a secure way. “DocuSign,” he adds, “is also helping us reduce our risk with automated signature authentication, so we know that a document has been sent to the right person and we’re not exposing data to the wrong party. [The process] improves the customer experience, takes costs out and makes employees lives easier, so [they’re] able to service customers better and solve problems faster.”¹⁵

“DOCUSIGN HITS ON EVERYTHING,”

Eric Eisenman, Global Head Of Customer Claims Operations At AIG, A DocuSign Customer.

[Digitize your claims and policy management process today. Contact Us to learn how we can help.](#)

¹⁵ “Interview with Neil Hudspith, DocuSign, and Erik Eisenman, AIG,” YouTube, <https://www.youtube.com/watch?v=ExQighpNYmc>