The Future of Claims: Unlocking the Value of Video

As smarter technologies emerge, the manually heavy claims management process is a prime target for overhaul. Video-powered solutions are re-creating claims, improving the customer experience — and driving competitive advantage for insurers.

Executive Summary

Processing claims is a major cost for insurers. A 2016 McKinsey report noted that claims management represented 28.5% of overall operating costs for European property and casualty (P&C) insurers. The claims process can also be a major source of customer dissatisfaction. Indeed, a 2015 Financial Conduct Authority (FCA) survey of small businesses found that a key source of frustration was the delay of commercial insurance claims, often due to a lack of communication with claimants.

Emerging technologies, such as drones and artificial intelligence (AI), are poised to transform and improve the insurance claims process in a variety of ways. These range from enabling automation and increasing efficiency that results in dramatic cost reductions, to minimizing the likelihood of fraud and enhancing client satisfaction by resolving claims more quickly. And new solutions have the potential to compress the claims lifecycle even more across the board.

Drones, for example, are already being used to investigate property claims in inaccessible locations, thereby speeding up inspections while reducing the risk to adjusters.
VIDEO IS CHANGING THE GAME

Mobile technologies are redefining the way that consumers and commercial customers interact with their insurance providers. And consumers expect insurance processes to become faster, more direct and more flexible over time.

To date, much of the focus on improving customer experience has targeted the sales process, the result primarily of intense activity from start-ups and incumbents that are investing in this area. In practice, however, the claims process is often where insurers directly engage with customers and represents the actual product that customers buy — making a faster, more convenient experience a competitive advantage. Indeed, the FCA’s research found that in a number of cases, claimants felt the time taken for settlement was excessive, which led to a negative experience — no matter what the settlement was.

While insurers are excited about where these technologies can take them, in reality some may take several years to mature and only a handful of use cases can be documented today. As this white paper highlights, more immediate gains are being realised by insurers that are embracing new video-driven solutions to reengineer the claims process. In cases where loss adjusters are traditionally involved — across both retail and commercial insurance lines — these solutions can deliver significant value for insurers.

Meanwhile, robotic process automation and more advanced AI (in the form of advanced machine learning) are being applied to automate aspects of the claims process, such as replacing manual processing steps or enhancing image processing and fraud detection. In Japan, Fukoku Mutual Life Insurance is already making use of AI to calculate payouts to policyholders, forecasting a 30% increase in productivity as a result.

Insurers are also experimenting with the use of blockchain to enable “smart contracts.” While this is a nascent area, AXA last September revealed that it will use the Ethereum blockchain to offer parametric insurance (i.e., policyholders are compensated if pre-agreed triggers linked to specific risk parameters are hit) for delayed flights. Via AXA’s new product, flight purchases are recorded and securely connected to global air traffic databases, with customers reimbursed immediately if their flight is more than two hours late.

New video solutions are enabling insurers to reduce the time taken to process a claim and thus improve customer satisfaction. They offer insurers the potential to capture and transmit claims evidence in real time via smartphones, while meeting stringent standards of data integrity. The use of video is moving into the mainstream and achieving adoption scale — one platform provider has processed over a million digital files through its platform.
Using video technology, footage can be captured instantly by the ship’s crew and uploaded straight into the claims system. This allows the claim to be dealt with even before the ship docks in port and radically changes the insurer’s dependency on an adjuster.

Video claims solutions are already generating gains in commercial property insurance. But applications are growing in insurance areas such as motor, commercial and fleet, and marine. The attraction is clear.

Within marine insurance, for example, when damage occurs to the cargo of a container ship, the traditional process would require a loss adjuster to attend the site to gather photographic evidence—a costly and time-consuming task. Using video technology, footage can be captured instantly by the ship’s crew and uploaded straight into the claims system. This allows the claim to be dealt with even before the ship docks in port and radically changes the insurer’s dependency on an adjuster.

Based on our analysis, reimagining the traditional claims process through the use of video technology could enable substantial reductions to operating costs (see Figure 1).

**Traditional Claims Process: Cost Challenge & Opportunity**

* McKinsey’s insurance cost benchmarking for P&C European insurers (incl. UK insurers). Illustrative conservative estimated improvements in operational costs of 10-30% through use of video claims solution to replace on-site adjustor visits. Greater benefits would apply across the entire value chain.
Quick Take

Video Technology in Action

Technology purveyor eviid is pioneering the use of evidential video technology in the area of insurance claims, with the technology already adopted by some forward-thinking insurers.

The company’s patented evidential video technology for smartphones can be used either by insurers’ own claims adjusters or directly by customers to capture photos and videos and upload them for assessment. The technology also supports live two-way recorded evidential site visits, whereby an insurance claims handler can guide the policyholder around a property, for instance.

“As well as the high-quality video and audio that’s being captured, the policyholder can take high-definition photos and annotations of things they are seeing,” explains John Ridd, eviid’s Founder and CEO, in an interview with us. “The insurer’s claims team, which may be based in a central HQ, can also manage the policyholder’s phone remotely if permitted access.”

Insurers such as Liverpool Victoria (LV=) have already embedded the tool as part of their property claims adjusting process and have been able to significantly reduce the need for adjustors’ on-site visits. (These benefits in improved efficiency and customer experience are discussed in more detail on Page 8, in the Quick Take “Removing Intermediaries from the Claims Process.”)
Quick Take continued

The solution does much more than the standard video tools that come with smartphones:

- A tamper-proof “wrapper” containing contextual data such as GPS location and SIM card information is added to each frame, making it impossible to alter the footage or the metadata without leaving a trace.
- Video uploads are 15 to 20 times smaller than when using a device’s native camera. Files can be uploaded over low-bandwidth GPRS rather than limited to a WiFi or 3G connection, making the service practical from remote locations.

The combination of eviid’s security features and its video transfer capabilities make this a transformative technology for claims that would traditionally involve adjusters.
KEY BUSINESS BENEFITS

Secure video solutions have the potential to significantly streamline the claims process, reduce costs and improve customer satisfaction.

In property insurance, where initial take-up has been strongest, a typical claims process may involve site visits by a third-party loss adjuster, and subsequent back and forth between adjusters and processing teams when unexpected developments arise.

For the right claims event, where a visual inspection is all that is required to assess the damage, video can radically streamline the adjusting process (see Figure 2). Several different models are available:

- The loss adjuster still visits the site but works more efficiently. The entire report is video-based and is sent immediately to the underwriter or claims team to review.
- The adjuster or other staff member uses the video tool, while other team members – such as the underwriter, adjuster or contractor – view the video remotely and collaborate to make real-time decisions.
- A junior adjuster uses the tool on site while a senior person assesses the claim centrally. This enables the more experienced person to visit more sites virtually, thereby increasing claims-adjustment efficiency.

Reimagining the Claims Adjusting Process

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<tr>
<td>Call Handler</td>
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* Generalised estimates from observations

Figure 2

Use Cases
- Property Claim
- Internal Adjustor
- International Location
- Visual Inspection
- Nonstructural
A centralised expert adjusting team can instantaneously collaborate with a local adjustor and/or the claimant’s staff using the shared video claims process. This will drastically reduce the time for reaching a conclusion on a claim, which is vital when a business is reliant on a payment to continue operations.

For commercial insurers, where international travel is often involved in adjusting a specialist claim, the opportunities can be particularly compelling. Beyond the obvious reduction in travel costs, the benefit to the customer is the reduction in wait time needed to get appropriate staff to the site of the claim. A centralised expert adjusting team can instantaneously collaborate with a local adjustor and/or the claimant’s staff using the shared video claims process. This will drastically reduce the time for reaching a conclusion on a claim, which is vital when a business is reliant on a payment to continue operations.

In other cases, such as simple personal claims, customers may be able to shoot a video and/or upload videos themselves – thus removing the need for a loss adjuster to visit the site at all.
Quick Take

Removing Intermediaries from the Claims Process

In an interview with us, Martin Milliner, Claims Director at Liverpool Victoria (LV=), outlines how the company's implementation of eviid's technology is paying dividends.

Following a successful trial of the eviid technology, LV= has now rolled out the solution to streamline its property insurance claims process. Traditionally, the insurer has used third-party intermediaries to carry out site visits and document property damage. However, after introducing video claims adjusting, the insurer has largely been able to remove intermediaries from the process.

Under the new process, customers use their own smartphones to capture and upload photos and videos, thereby avoiding the need for field visits. Consequently, Milliner says that in roughly 80% of cases there is no longer a need for third-party loss adjusters to carry out site visits — and this could increase to 95%. The new approach has resulted in faster decision-making lifecycles, as well as efficiency and cost benefits.

“The longer a claim takes to settle, the more it costs,” says Milliner. “By replacing the previous process with a video image taken by our customers, we dramatically shorten the decision-making process. It's quite possible that we could be moving towards having most claims adjusted by the end of day one.”

However, a key finding from these initial trials is that the human factor of claims management is still a vital ingredient in engaging effectively with customers. As such, Milliner emphasises the need for skilled people to work with clients as well as with building contractors to provide a high level of service. “What you're doing is basically video-enabled desk-based loss adjusting,” he says. “The customer has to have confidence in the ability of the person they are talking to — it's essential to have the right skills paired with that technology.”
ENSURING SUCCESS WHEN DEPLOYING VIDEO

Adopting video inevitably entails a number of practical considerations for insurers, from reviewing existing talent requirements to reengineering current systems and processes to maximise the benefits.

- **Customer engagement:** Ensuring customers are comfortable with a video-enabled process, especially during potentially stressful situations, is a critical step in winning customers over to the mutual business benefits of this new approach. Insurers, therefore, must play an educational role and explain to customers the added speed and convenience they can expect, while affirming that direct human engagement will still be available when needed.

- **Cultural adoption:** To support the move towards video claims, claims teams will need to be reassured that this technology can help them work more efficiently, to allay concerns that it will replace them. Traditional call handlers may need to be trained in initiating the revised claims process and interacting with clients over video, as will other third parties, such as repair contractors, involved in the new collaborative process. Likewise, insurers will need to develop skills and business rules to determine which claims to process using video, as this approach will not be suitable for all customers, or for all claims scenarios.

- **Process changes:** The use of video will require new thinking in claims processing to gain maximum advantage. The benefits will come not just from streamlining current processes but from redefining how the claims process works depending on the types of clients, claims being serviced and preferred deployment models. For example, the processes involved in a customer self-service model will differ from those needed when junior adjusters on-site interact with centrally located experts.

- **Integration:** Challenges integrating with older policy and claims systems should not be seen as an impediment to moving forward quickly with proof of concepts. Initial transfer of data between the existing claims system and the new video platform can be implemented using
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manual data processing between systems while volumes are low. Once the benefits are proven, insurers must carefully consider the level of integration required with policy and claims systems alongside the changes to the processes to make the most of video platforms. This may include rethinking integration with legacy claims systems – which may prove to be the greatest challenge in optimising the process.

• **Storage:** With the rise in the use of rich media as part of the claims process and the need to retain any information that becomes part of the claims record, insurers will also need to consider the ability to cost-effectively store, retrieve, manage and archive video footage. Some platforms already address this issue by using compression technology to reduce file sizes and improve data management processes.

**LOOKING AHEAD: THE NEXT GENERATION OF CLAIMS**

With a range of new technologies poised to transform claims processes in the coming years, video has much to offer – both as a stand-alone solution and as part of a deeper, digitally enabled business transformation.

Add blockchain into the mix to enable the secure automation of payouts and it is possible to envisage a radically different claims process, with much faster resolution times. Combining video with machine learning, for instance, could further streamline the claims process. For example, imagine carrying out damage assessments to validate whether a vehicle is repairable using video technology and 3-D image mapping (already available on some mobile phones) while drawing upon information such as a repair cost database, pulled in by machine-learning systems. Use of visual analysis is already being conducted in the medical field for the assessment of cancer cells, where machines are outperforming humans.

A key driver for machine learning is the availability of data – in this case, visual data. Insurers that are early adopters of video and photographic evidence will achieve competitive advantages by building the volume of data required to teach the machine-learning algorithms and learn what works most effectively.

Despite accelerating technology advances, a critical component of reimagining the claims process will be how insurers provide the requisite human touch to enhance customer engagement. Customer satisfaction will depend on the sympathetic adoption of video to augment human advisors on appropriate cases.

The ability to implement video into the claims process, matched with an effective and considerate user experience, will become a competitive necessity for today and for the longer term.
FOOTNOTES


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ABOUT COGNIZANT INSURANCE

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Our consulting-led approach, deep domain expertise and partner ecosystem enable clients to address the dual mandate of “optimizing the business” while “driving digital at scale.” From large-scale core system transformation to adoption of cutting-edge technologies like artificial intelligence, analytics, blockchain, automation and machine learning, we partner with insurers to envision and build the digital insurer of the future.

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