Digital transformation and the future of claims QA

Insurance QA conference
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Will digital help us do less or be more?
The insurer of the future will look, act and be structured very differently than today

**Traditional insurer**

**Product and underwriting**
- Complicated features, long launch cycles, organization- and economics-driven offerings, preset pricing, dependent on manual research and legwork

**Marketing and distribution**
- Agent-dominated, traditional mass advertising strategies and channels

**Servicing and operations**
- Product-centric, reliant on agents, phone- and paper-based, labor-intensive and cumbersome

**Claims**
- Manual processing; long wait times; dependent on subjective, self-reported information

**Risk management**
- Reactive, risk impact mitigation-oriented, relies on broad demographic and historical information

**Digital insurer**

**Product and underwriting**
- Quick speed to market, driven by consumer needs and lifestyles, internally and externally sourced features, tailored and more accurate pricing, assisted by technology (e.g., drones)

**Marketing and distribution**
- Digital-direct, personalized and contextual, social and engaging

**Servicing and operations**
- User-centric with omni-channel presence, simple and seamless, self-service friendly

**Claims**
- Automated processing, fast turnaround, leverages objective measured/collection data

**Risk management**
- Proactive, risk occurrence monitoring and prevention-focused, incorporates rich real-time data

**From**
- Product-centric
- Risk- and cost-focused
- Rooted in tradition and legacy
- Resistant to change

**To**
- Customer-centric
- Experience-focused
- Innovation at the core and on the edge
- Agile and adaptive
Shaping the future of claims in a digital world
Modernized and advanced technology

In the future, simple claims may be more often settled automatically if:
► They fall below a certain financial threshold (e.g., US$1,000).
► No fraud indicators are present.

“Superior customer service will not be defined by the level of human interaction on offer, rather by the level and quality of choice available to customers.”

Newer-generation technology platforms will deliver:
► Streamlined workflows
► More efficient core processes
► Improved productivity

The simpler and more standardized products are, the more insurers will be able to automate claims validation and processing.

85% of US customers will manage relationships with businesses without human interaction by 2020.

Source: Gartner

Senior executive and participant in Future of Claims research project
Retail and personal insurers may reduce their employee base by up to 50%, with commercial specialty insurers seeing smaller reductions.

What capabilities will be needed in this leaner organizational structure?

► Robust digital channels to handle most low-complexity claims (especially in personal lines)
► Automated, rules-based processes to replace human handling and intervention in less-complex tasks
► Fewer lower-skilled claims handlers, with a greater focus on more complex adjusting skills

Workers in the claims operation of the future will have a different set of skills.

► Overall, they will be higher skilled and more experienced, thanks to the elimination and automation of many simple tasks and increased adoption of self-service.
► Analytical skills will be in higher demand as data breadth, volumes and availability expand dramatically, placing a premium on competitive insights.

The long-standing talent shortage in claims will be alleviated to some extent by increased automation and changing skill requirements.
What does this mean for quality assurance (QA)?

► How should QA be assessing the accuracy of video/photo adjusting?
► Can improvements in data quality (accuracy, completeness, timeliness) help QA better target claim selection to identify leading indicators/root-cause drivers of claim severity trends?
► Can robotic process automaton (RPA) help automate QA for process adherence?
► What is the best way for QA to help ensure the accuracy of straight-through processing of claims?
► Will this free up QA resource to focus more heavily on claims with greater complexity, exposure and risk to the company?
► How should QA respond and ensure relevancy and a seat at the table as these changes are implemented?
Emerging technology: drones and advanced video/photo

Foundational technology for accelerating timelines and rapid claim process efficiency improvement

Drones and advanced video/photo in claims:
► Information gathering by drones, customers or third parties
► Heavily utilized in catastrophe situations
► Remote assessments in claims
► Smartphone applications
► Diagnostic initial repair estimates

Questions on the impact to QA:
► How do we identify fraud and leakage in automated processes?
► Does reduced human/employee interaction and faster settlement result in higher-than-appropriate financial leakage?
► How can we build appropriate oversight over vendor partners?
► Does the current QA workforce have the skill base to assess technology innovations?
Emerging technology: Telematics and Internet of Things (IoT)

Real-time streams for more timely and accurate data, and more efficient claims handling

**Telematics and IoT in claims:**
- Real-time driver behavior data for commercial claims
- Warehouse monitors and fleet management for preventative maintenance and loss prevention
- Connected home: loss prevention and severity mitigation
- Claims fraud prevention

**Questions on the impact to QA:**
- Does faster and better data allow for better selection of claims for QA?
- Will exception-based selection be the norm?
- How can an organization build automated QA in a test environment?
- Is data accessible 24/7 to support automated process adherence QA?
Emerging technology: robotics

Heavy lifting and number-crunching in core manual and repetitive claim functions to free human resources to focus on anomalies, high-risk cases and more value-added tasks

Robotics in claims:

- Foundational for processing of low-risk or low-complexity claims
- Auto-population of key data fields from other systems, i.e., scanning, indexing and converting forms/data
- Streamlining vendor applications and estimating
- Identification of potentially fraudulent claims by flagging data outliers

Questions on the impact to QA:

- How are robots uniquely qualified to assist QA staff?
- Why will compliance be strengthened?
- How will QA staffing be affected?
- Is there a need for traditional, labor-intensive QA?

30%–50%
Potential productivity gains and cost savings from RPA

25%–40%
RPA projects that fail to produce the expected value
Emerging technology: artificial intelligence (AI) and self-service

Smart systems that get smarter in analyzing data, monitoring claimant behavior and interacting with parties to a claim

Artificial intelligence and self-service in claims:

► AI-enabled chatbots to handle basic customer interactions and questions
► Straight-through processing of simple or low-risk claims (in conjunction with RPA)
► Real-time voice analytics to provide direction to adjuster
► Continuous refinement of claims processing and complaint handling

Questions on the impact to QA:

► How should QA evaluate direct machine/system customer or claimant interactions?
► Will QA have access to unstructured data from AI and self-service?
► How will QA evaluate the effectiveness of business rules or more advanced AI-driven claims handling vs. current manual methodologies?
Automated claim handling; telematics-enabled

Business problem statement(s):
1. How can we create a completely automated claims workflow while radically improving our customer’s experience?
2. How can claims processing workflows, which are currently engineered primarily for adjustor’s efficiency, maximize customer experience?

Business opportunity statement(s):
1. Automatically initiate a First Notice of Loss (FNOL) based on advanced telematics data downloaded from the cloud and integrated with core claims processing system
2. Communicate with customer and claimants via chatbot, with each communication triggering the next step in the claims workflow
3. Automate the FNOL through to payment and claim settlement via the integration of intelligent process automation with the core claims processing system
**Connected digital architecture**

**Telematics** video imagery and accompanying data is downloaded from claims cloud and triggers automated FNOL.

Integrated chatbot platform manages conversation with policyholder and claimants to step through intelligent process automated workflow.

Core insurance processing platform manages related coverage verification, policy account data, and integrated policy and claims transactions.

Secure payment system processes payments that are initiated via chatbot conversation with customer.
Future role of QA

**Strategy**
- QA will need to lead and own quality
- Be part of the digital planning process
- No longer back-office function

- High analytics and business acumen ceiling
- Tech-savvy
- Better coordination and strategy between centralized and field-based QA
- Claims-experienced but not mastery
- Secure talent and lead the organization

**QA teams**
- Rapid assessments of pilots and breakthrough technology
- Immediate feedback between QA, training, technology and claim operations

**Business value**
Future-state QA vision

- Rapid assessment and feedback
- Automated QA
- Leakage from objective data
- Manual QA on non-automated functions
- Outcome assessments
- Organic process changes
Will digital help us do less or be more?

- More accurate payments
- Straight-through processing
- Improved customer experience
- Faster resolution
- Better data
- Efficiency gains
- Higher value work

Digital impact
Questions
Will digital help us do less or be more?
The future of claims

As insurers look at large-scale transformation investments, there is widespread consensus that the role of the claims function can – and must – significantly change if insurers are to modernize operations and infrastructure to meet rising agent, client/policyholder and consumer expectations. Claims transformation will continue to be the scope of innovation and investment, with a focus on generating value from core technology and integrating flexible, rules-based processes across channels. That is the road ahead for claims.

Challenges
► Increased growth and cost pressures
► Differentiation and ease of doing business
► Attracting and retaining claims talent
► Aging workforce
► Integration of enterprise risk management
► Changing product landscape and portfolios
► Rising customer expectations
► Process and performance inconsistencies given mergers and decentralization
► Digitization of various channels
► Unstable market conditions
► Increasing risk of fraud

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► Cross-discipline and integrated knowledge – audit, actuarial, risk, finance, operations, transactions, technology, accounting, financial reporting, business intelligence (BI) and analytics, customer experience
► Global capabilities – assisting with claims transformation on six continents

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► Life and health insurers
► Property and casualty (P&C) insurers

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IDC MarketScape
EY insurance sector: facts and numbers

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- Over 1,400 actuaries

Countries
- Over 100 countries

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We serve 90% of the insurance companies on the 2016 Fortune Global 500

and over 74% of the insurance companies on the 2016 Forbes Global 2000

Over 150 insurance publications released in 2016/17

EY recognized as a market leader in financial services

Top cybersecurity consulting firm to watch in 2017: Cybersecurity Ventures

ALM 2017
- EY Leader in Fintech Digital Consulting (ALM)

ALM EY leader in Digital Fintech Consulting (March 2017)

Gartner May 2016
- Gartner ranks EY #2 globally in Consulting Financial Services Sectors for "Banking, Securities and Insurance"

2016 “Consultancy of the year” (InsuranceERM)

Insurance ERM
- The online resource for enterprise risk management
Claim operational and file review services

EY’s team of claims professionals provides an objective analysis to help your company achieve improved outcomes from its claim management function. We will work with you to tailor an approach that best meets your organization’s needs and goals.

1. Claim operational assessment
   - Conduct interviews, process walk-throughs and collaboration workshops with claim leaders and frontline staff to understand current-state practices
   - Leverage EY’s Insurance Framework to rapidly benchmark claim management capabilities
   - Key claim processes including but not limited to: FNOL, assignment, investigation and resolution
   - Operational capabilities such as segmentation, performance management, workloads and spans of control
   - Evaluate whether current claim technology supports efficient claims management practices and assess in-flight or future technology plans

2. Claim management analysis
   - Utilizing EY’s proprietary diagnostic tools, conduct an analysis of an agreed-upon sample of claims to further evaluate the effectiveness of current claim-handling practices
   - Evaluate compliance with service-level agreements and industry leading practices and identify adverse financial outcomes
   - Identify root causes of adverse outcomes and quantify the financial opportunity
   - Evaluate the impact of current-state process execution

3. Impact analysis
   - Develop a finding and recommendations report which includes:
     - Prioritization of recommendations based on level of effort, risk, potential short- and long-term financial benefit, and ability to implement
     - High-level business case inclusive of potential loss and expense savings
     - High-level implementation road map including activities, owners and timing

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