The Auto Insurance Triple Threat:

Modern Thinking and Technology Are Required to Overcome Today's Challenges

Author: Rick Trevino, Head of APD—Claims, ISO ClaimSearch Solutions

ROBUST DATA
POWERFUL ANALYTICS
BETTER DECISIONS

Balancing speed and precision is vital to improving claims management. Our trusted solutions leverage quality data and leading analytics to support the best customer experience and enhanced results.

INNOVATIVE TECHNOLOGIES
AI, machine learning, predictive analytics, RPA, digital forensics, and more

DEEP DATA
14PB of data, including a proprietary claims database containing 1.4B+ records

COMPREHENSIVE SOLUTIONS
30+ solutions across the life of a claim and for every line of business

TRUSTED SECURITY
Nearly 50 years protecting insurer data

UNPARALLELED INDUSTRY EXPERTISE
5K+ experts in claims management, data science, compliance, medicine, law, and more

Verisk

Property/casualty claims are a delicate balance between pace and precision. Move too quickly and you may miss critical information. Dive too deep and you may wind up compromising customer experience and personal productivity—with no real benefit to anyone. Nowhere is this more evident than in the handling of personal auto claims.

Market forces are now creating a triple threat to auto insurers, where sustained performance and the ability to compete hinge on strategic adoption of digital technologies. While many insurers recognize these threats, not all are equally prepared to deal with them in a way that protects and bolsters the bottom line.

Advance planning and sophisticated solutions can make a significant difference.

THREAT 1 • Severity challenges insurer productivity and financial health.

According to a 2020 report from the National Safety Council (NSC), fatalities from motor vehicle crashes increased 14 percent in March despite COVID-19 stay-at-home orders. People are driving long weekends at increased speeds, and open lanes of traffic are leading to reckless driving. Increased pedestrian and bicycle traffic are also factors.

Compounding the problem, dangerous distractions abound across all age groups. In a 2019 National Highway Safety Administration (HTSA) report, 8.5 percent of fatal motor vehicle crashes were attributed to distracted driving. According to the NHTSA, in 2020 660,000 drivers use electronic devices while driving.

It's not just the number of auto claims that's on the rise but also the severity. New and high-priced vehicles are on the road, loaded with sensors, cameras, and other expensive tech—all of which make damage repairs costlier. Longer repair cycles and growing repair costs have also led to added expenses for insurers.

660k
drivers use electronic devices while driving

Meanwhile, from 2008 to 2017, the average loss costs across the U.S. rose 31 percent for bodily injury claims and 26 percent for personal injury protection no-fault claims. And these trends are likely to continue in the short term.

Automated Technology Is Neutralizing the Threat

Evolving technology provides important tools to address evolving needs, as the escalating number and severity of claims can put a strain on profits. The power of telematics is at the forefront. Sophisticated data-gathering capabilities built into most of today's automobiles enable far greater automation of claims reporting to insurers. This translates not just into faster information but also more accurate information.

Connected vehicles and mobile technology have the potential to instantly transmit data, including the precise location of an accident, the nature and extent of damage, and the possibility of injury. Guesswork is largely eliminated. The process is streamlined. And insurer resources can be mobilized more efficiently and economically.

Telematics data serves as the catalyst to large quantities of information, and the result is a fuller, clearer picture of the event and the parties involved—potentially in minutes instead of days or weeks.

A wide range of additional data and forensic tools is available to help insurers cost-effectively deal with a deluge of complex claims. Through automated processes, damage images can be rapidly uploaded and compared to other prior losses to help achieve consistent and equitable settlements. Likewise, personal injury can be similarly evaluated in the context of an insurer's historical records. The end result: better-informed management of claim settlements in a timelier manner.

1. This information has been updated from the original published article to include statistics from a more recent study.

A wide range of additional data and forensic tools is available to help insurers cost-effectively deal with a deluge of complex claims. Through automated processes, damage images can be rapidly uploaded and compared to other prior losses to help achieve consistent and equitable settlements. Likewise, personal injury can be similarly evaluated in the context of an insurer's historical records. The end result: better-informed management of claim settlements in a timelier manner.

THREAT 2 • Customer expectations are increasing faster than insurers can meet them.

While insurers struggle to process claims that are rising in volume and cost, customer expectations have never been higher. But one study suggests that traditional insurance products, services, and processes fall short of what millennials, Gen Z, and even older consumers are looking for from their insurers.

Digital and mobile technology has become the model experience for transactional businesses of all kinds, especially among millennials and Gen Z. Insurers as a whole, however, have not optimally used these innovations to the customer's advantage at the same pace as many other industries—and that presents a problem.

Millennials may shop for cost, but they stay with a company for service. They expect a fast, convenient insurance experience that makes getting paid for claims as easy as downloading their favorite games or music. Insurers that best leverage digital tools to enhance the customer experience will be clear winners in the quest for customer acquisition and renewals.

Digital "Customer-First" Processes Can Meet Customer Expectations
To deliver the kind of experience customers seek, insurers will benefit from adopting a customer-first mindset and continually reimaging how to provide service. Data is abundant, and the need to quickly analyze large quantities from multiple sources is critical to serving their customer base. Digital data collection and analysis are the catalysts transforming the staid world of the claims department, enabling touchless claims in which checks are cut and received by customers in record time.

The same telematics technology that benefits insurers is a benefit to the insured. Connected cars make it possible to have accident information forwarded instantly, significantly reducing traditional FNOL lag time—and that means faster resolution of claims for the customer. An increasingly digital-savvy customer base can play a key role, using simple apps to stream video or send photos of damage straight to adjusters, streamlining the process.

The use of artificial intelligence (AI) is another way insurers can ultimately facilitate service to customers. Through a combination of advanced imaging technologies, artificial neural networks, and the right data, AI can automatically determine repair costs and settlement amounts. As a result, a body shop can begin work sooner and get a vehicle road-ready and back to the customer more quickly.

AI

Artificial intelligence can automatically determine repair costs and settlement amounts.

THREAT 3 • Fraud continues to mount at a significant cost to insurer profitability.

The challenge of fraud has long been a constant in the insurance industry, and there are indications that it's only getting worse. At its current levels, fraud is already significantly affecting many insurers' bottom line, in addition to contributing to a rise in premiums. According to the Coalition Against Insurance Fraud, 61 percent of insurers say that fraud is increasing.

Auto insurance in particular is vulnerable, with the National Insurance Crime Bureau (NICB) citing it as the greatest component of overall insurance fraud. According to a 2017 NerdWallet survey conducted by The Harris Poll, 10 percent of Americans who have ever had auto insurance provided false information when buying a policy. And the purchase side is only part of the problem. Studies estimate that almost 25 percent of bodily injury claims resulting from auto crashes are fraudulent, while auto insurance property/casualty claims have a fraud rate around 10 percent.

25%

of auto bodily injury claims are fraudulent.

It's no surprise that virtually all insurers employ some kind of antifraud technology, with the bulk of their efforts focused on claims fraud. But often, IT resources are insufficient to maintain and expand their capabilities as needed. Some fraud systems can also generate false positives—resulting in errors, wasted hours resolving the problem, and slowdowns in processing claims.

Analytics at the Point of Claim Can Fight Fraud from the Outset

Speed in claims processing doesn't have to come at the expense of accurate fraud detection. Effective automated fraud detection involves a combination of robust data and processing power to help quickly distinguish questionable from meritorious claims, beginning at point of claim. Information such as prior claim losses, claimant velocity, police reports on the policyholder, and other data, delivered in real time, can all provide early alerts to potential suspicious activity.

With the appropriate technology platform, claims can be automatically assessed through company-specific business rule sets and algorithms. Powerful automated scoring systems have the ability to compare incoming claims with an industrywide loss history database to flag proven fraud indicators, assigning weights to various characteristics. Claims requiring further investigation are forwarded to SIU, while legitimate claims move through the system more quickly.

While most insurers are already using predictive analytics in their fraud detection efforts, the opportunity exists to make it a more insightful and integral tool in the triaging, routing, and resolution of claims. Along with improving loss and expense costs, such technological enhancements can significantly improve decision making and reduce claims processing cycle time.

The Threats Are Real, but So Are the Solutions

With auto insurance claims increasing in frequency and severity, customer expectations growing, and fraud on the rise, the landscape is rapidly changing. Fortunately, the technology is available to help insurers combat the triple threat and emerge with a competitive advantage. Carriers that integrate evolving technology with streamlined processes enable their human resources to deliver greater speed, productivity, and cost savings in their operations while at the same time ensuring quality and service for a superior customer experience.

Verisk has a suite of antifraud solutions to quell the threats facing auto insurers.

These solutions apply analytics to a variety of data sources, including our telematics data exchange and the 1.5 billion claim records in our loss history reporting platform, enabling claims handlers to reconstruct accident details and link claims to involved-party data, SIU and business intelligence dashboards, and more. By leveraging broad industry data, deep domain expertise, and emerging technologies such as AI, machine learning, and predictive analytics, these solutions can help claims departments automate claims processes, enhance decision making, expedite FNOL, detect more fraud, and manage investigations more effectively.

This content originally appeared in the May 2018 issue of CLM Magazine on pages 32-34. CLM Magazine is a publication of the CLM and covers topics and trends in the claims and litigation management industry. Some statistics have been updated from the original report.

Verisk has a suite of antifraud solutions to quell the threats facing auto insurers. These solutions apply analytics to a variety of data sources, including our telematics data exchange and the 1.3 billion claim records in our loss history reporting platform, enabling claims handlers to reconstruct accident details and link claims to involved-party data, SIU and business intelligence dashboards, and more. By leveraging broad industry data, deep domain expertise, and emerging technologies such as AI, machine learning, and predictive analytics, these solutions can help claims departments automate claims processes, enhance decision making, expedite FNOL, detect more fraud, and manage investigations more effectively.

About the Author

Rick Trevino, SCLA, is head of Auto Physical Damage for ISO ClaimSearch® Solutions. He is responsible for developing and executing Verisk's APD strategies. He has 21 years of claims experience across all lines of business.

For more information, contact:

ISO ClaimSearch Sales

1-800-888-4476

info.claimsearch@iso.com

Verisk™