




Why Now?




Regulation



Financial



Technology



Customer

The need to deliver meaningful change to Claims is being driven by a combination of changing customer expectations, ongoing regulatory scrutiny, persistent cost inflation, and emerging tech capabilities, with generative AI high on the agenda. A radical yet holistic approach could turn the dial for insurers and their customers.

Regulation: Claims under scrutiny

Consumer Duty:

- Ease of process at point of claim in line with Quote & Buy experience
- Ensuring “Good” customer outcomes, whilst anticipating the FCA and FOS interpretation of this across claim scenarios

FCA claims review:

- Regulator’s business plan includes multi-firm work covering speed of response to claims by insurers, complaints handling, and the management of claims for vulnerable customers

AI Regulation:

- Insurer strategies for implementing AI will need to be developed in the context of anticipated regulation and good practice
- The industry has started to respond to the likely impact of AI, with the development of the voluntary Code for the Use of AI in Claims

Innovating while facing into claims inflation

Line of business	2020 COR*	2021 COR*	2022 COR*	2023 Forecast
Motor	104%	93%	109.5%	104.6%
Home	110.5%	103%	122%	114%

Key Drivers of Claims Inflation

- Increasing labour costs, led in part by shortages in availability
- Second hand car values
- Prolonged vehicle rentals, due to increased time taken to repair
- Delays in sourcing and increased costs of materials
- Increased costs for alternative accommodation due to delays
- Energy inflation adding to the cost of each repair

Impact

- Reduced profitability, causing internal costs pressures
- Increased focus on indemnity control and operational efficiency
- Internal tension of managing costs whilst delivering on service ambitions, Consumer Duty obligations and managing customer vulnerability

Where AI impacts Claims

The growth of Generative AI (GenAI) over the past 18 months has invoked significant hype and a rush to demonstrate its use through applications across the Insurance industry. Here is a summary of the areas where GenAI could impact Claims.

Powerful natural language processing (NLP) capabilities can be utilised to revolutionise how insurers manage customer interactions, providing accurate, relevant responses and where necessary driving assignment to the right teams.

Conversational UI

Large Language Models can be applied to extract, combine and interpret data. Computer vision tools can be used to assess and quantify damage. Network and voice analytics can help detect fraud risk. These solutions improve the accuracy, consistency and efficiency of the claims process.

Analytics

AI assistants are being deployed to augment claims handlers and their processes. GenAI can be used both at this level and at a portfolio level to provide a system-driven ‘deputy’ view of where to focus improvement activity.

AI Assistants

As insurers move towards the use of highly configurable core and digital layer systems, we expect GenAI to reduce the time and effort required to visualise and implement changes (e.g. to claims workflow).

Speed of change

AI

A new operating model for claims

Customer

1

3

2

5

4

6

Third Party

5

Legal Procedure

Portals

Customer’s Insurer

Fulfilment Suppliers

Analytics

Decision Engine

NLP

Policy

System of Record

Claims experts

1 Customer focus: Target Operating Model (TOM) designed with knowledge of the starting point, i.e. the claims process from a customer perspective, in terms of speed, effort and transparency.

2 Digital Layer: Customer can access real-time data on progress and engage with insurer and suppliers through chosen channel.

3 Supplier integration: Allocation to the right supplier, based on capacity, cost, and specialism.

4 Analytics: AI to augment claims decision-making, built on robust data management, granular classification and internal expertise and strategy.

5 3rd Party Management: Early, tech-enabled engagement, reducing cost and time to settle. Replicate the customer experience where possible.

6 Beyond MI: Embed data principles and analytics capabilities into the new model; implement GenAI to articulate performance against strategy, and not just process related SLAs.

Insurers can re-define the existing model, with claims professionals operating in a digitally driven environment, reduced manual activity, and delivering outcomes for customers that exceed their expectations in terms of speed, transparency and individual control over the process.

Fundamentally, claims will always require human involvement, whether it’s in defining strategy, managing complex claims, executing sensitive decisions, or communicating with genuine empathy.



In our latest Insurance whitepaper, we cover the detail of the areas highlighted in this infographic, the drivers for change, key challenges and the impact on the UK Personal Lines insurance sector.

Click here to download now

* COR data based on previous analysis produced by EY, Insurance Times and Data Lab.