

# QUICK STUDY | DIGITAL TRANSFORMATION AND THE CLAIMS PROCESS: A HISTORY

The claims environment, a complex ecosystem with centuries of evolution behind it, is poised for digital transformation. Innovative technology will play a critical role in this latest evolution, especially artificial intelligence and machine learning, drones, wearables and the internet of things. One thing won't change, and that is insurers need to focus on the customer. In fact, customer experience will play perhaps its greatest role in insurers' success ever. How will insurers — and the claims process — get there? Here's a primer to help set the stage.

## \$375 billion

The annual cost of billing- and insurance-related paperwork in the U.S. healthcare system, according to a BMC Health Services Research report.

## 80%

The average percentage of industry business data that is unstructured, according to Big Data Analytics, by Frank Ohlhorst.

## 61%

Percentage of insurance chief executives who see digital disruption as an opportunity, according to a KPMG survey.

## 50%

Insurers with strong digital cultures increased revenue 50 percent faster than others, according to analyst firm McKinsey.

### HISTORICALLY LABOR INTENSIVE >

**Paper and manual processes:** Since the modern era of insurance coverage, sometimes attributed to an evolution of the industry after the Great Fire of London in 1666, the insurance claims process has been paper-heavy and labor intensive. For employees, this means work hours spent on what are typically low-value tasks — inputting information, filing paperwork, searching for customer information and more. For insureds, this means payouts that can take weeks or months — and a customer experience that will not cut it in the digital age.

**Unstructured data:** You are familiar with unstructured data, even if you are not sure what the term means. Its official definition is “information that either does not have a pre-defined data model or is not organized in a pre-defined manner.” It is better known as emails, chat sessions, videos, photos, audio files, notes, presentations and so on. In many ways, it's the digital version of the paper problems insurers still face today.

**Why it matters:** Two reasons. By all accounts, customer experience will be the business differentiator for insurers in the very near future. That is number one. This means retaining customers will depend more on how they feel and communicate with your organization and less on how much premiums cost. In fact, 88 percent of insurance shoppers are looking for more customer experience personalization (and more than half will switch companies based on experience alone). Number two: big data. Mining unstructured data to better understand customers and provide the experience they desire is becoming more the standard. Not long ago, insurers were only processing 10 to 15 percent of structured data. But more than 80 percent of all the data used by businesses is unstructured. That is a lot of information getting lost.

### DRIVERS OF CHANGE >

**True digital transformation:** The drive to make the claims process more efficient is nothing new to insurers. Property and casualty claims has always thrived as a sophisticated ecosystem with complex workflows and data requirements. Over the last few decades — well before today's InsureTech innovations and even before the internet — insurers have applied a great range of technologies to automate processes and support adjusters and claim operations. The impetus to digitize, however, is stronger — and more vital — than ever. In many ways, insurers do not want to digitally transform the claims process. They need to.

**Digital data:** One thing is central to this evolution — the catalyst of it all — and that is data. Digital data in all forms is increasingly vital for claims — including images, video, voice, text messages and emails, in addition to the structured transaction data. Managing digital content is now a mandatory, mission-critical capability for insurers.

**Why it matters:** Digital changes every facet of doing business — customers, products, risks and operations. And every segment of property and casualty is undergoing this transformation, including personal, commercial, workers' compensation and specialty lines. More than that, the ability to harness that data to improve processes, speed claims resolution, provide employees with the right information at the right time, and build a customer experience that both retains and attracts insureds is key to future success. Maybe even simply remaining competitive.

### ENHANCING BUSINESS AND TECHNOLOGY CAPABILITIES >

**Claims professional optimization:** In an era of automation and artificial intelligence, it is even more vital to harness the expertise of human subject matter experts in claims. Finding the right blend of human involvement and technology augmentation will be important for every insurer.

**Personalized, omni-channel communications:** The ability to create efficiently personalized communications, and the flexibility to deliver it through the channel and device of the user's choice, is rapidly becoming table stakes. Insurers must support all types of inbound and outbound communications in a timely manner (statements, emails, correspondence, text messages and more).

**Content services platform:** A set of applications and flexible technologies organizations can use to aggregate content across multiple repositories, connect disparate applications, provide complete, centralized views of information, and enable the sharing of content with stakeholders, customers and collaborators both inside and outside company firewalls.

**Why it matters:** Insurers need to rethink the claims environment for the digital age. The nature of required business capabilities are evolving as the demands from claimants, policyholders and partners change with the times. The right business and technology capabilities, like a robust content services platform, helps ensure that the right information is provided to the right people, where and when they need it. Content services solutions surface information in context by connecting data and systems across the insurance enterprise. By providing users with easy, secure access to complete information — anytime, anywhere, on any device — carriers can pursue strategic digital transformation programs and facilitate more responsive, meaningful interactions between users and customers.

Discover more. Download SMA's P&C Claims and Digital Content Services: A Platform Approach >

## 38%

Percentage of customers who display negative feelings toward a brand when it does not meet response expectations, according to Life Happens, a nonprofit insurance education organization.

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