

*The Next Normal* | Video transcript

# The future of insurance claims

Four McKinsey partners describe their Claims 2030 vision.

## The coming evolution of claims

**Deniz Cultu:** What happens now is, if you have an auto claim, for example, you typically have to go through and answer questions for ten to 15 minutes, explaining everything that happened. Think of the technology that's now becoming available in cars. It's going to really accelerate over the next decade. That's going to allow the insurance company to get at most of that information automatically. They're not going to have to ask about the damage, because sensors in the vehicle will already tell them what's damaged or what's not. So instead of having to ask you 40 questions to understand what happened, they're going to ask you simple questions like, "Are you OK? Do you need help?"

**Alex Singla:** I think there will be automatic payments. So before you even file a claim, the insurer will have a perspective of what the incident was, what the damages were. And you're going to be getting a check—or not even a check, a direct deposit—immediately as the incident occurs. The customer very often won't have to talk to anybody. It will be much, much more self-service oriented.

**Michael Müssig:** We also will have a lot of new digital channels, which will have a much leaner, much faster process for the consumer. He or she will have a lot more transparency. He or she will always know, "What's the status of my claim?" He or she can always contact the insurer whenever he or she wants, in whichever kind of way and channel he or she wants.

Another important part is prevention. I think that will be a major focus in the next five to ten years for insurance because, obviously, the best claim is the one that doesn't happen at all. So that will be a big focus, and that will change. We will have sensors that will basically notify the consumer before the water leakage happens.

## The changing role of the claims manager

**Elixabete Larrea Tamayo:** I believe one of the more fundamental changes in the claims organization will actually be the role of the claims manager. There are three stages, in my view, in that role evolution. The first one is what I call the "firefighter," the second stage is the coach, and the third stage is the integrator. I believe that many organizations are in that journey. But those that will be really successful to deliver on the aspiration for the 2030 mission will be the ones

that are able to do that transition from the firefighter to the integrator in the next five years or so. To be able to provide a better customer experience, a human touch, they'll be able to integrate technology in their not day-to-day but almost minute-to-minute interactions. And that is not an easy thing to develop, so I do believe there is a challenge that might feel a bit counterintuitive: that in a more technological era, the human element will become even more important.

**Michael Müssig:** I think the next critical step is that insurers start thinking about their HR strategy and people strategy, and that's not just the business of HR. If it's important for my business, I, as a CCO [chief claims officer], need to have a view on that. HR is my business partner to help me get there, but I basically need to weigh in and have a clear strategy on what people I need. And that's a combination of recruiting and building up the capabilities internally.

**Deniz Cultu:** For a lot of the newer generation of employees, working someplace where they can help others—where there's a purpose to what they're doing—is really important. Insurance careers can offer that. You're helping people in their greatest time of need.

## Advice for insurers

**Deniz Cultu:** As you think about, "What does this look like ten years from now?" we think that the ecosystem that you have to work with is going to grow significantly. You're going to need data providers. You're going to need connections to vehicles or to smartphones to get information there. You're going to need connections to employee systems to understand how employees are working or how they may be getting injured on the job. How do you get the right interaction points and the right partnerships to share the right information? Those are going to be new skills—new capabilities—that really will push organizations to be much more externally oriented.

**Michael Müssig:** Invest in your people. That would be my key advice. Because there's a lot of technology, there's a lot of partnerships, and those might change—but I think people make the difference. And if you have the right people, I think that's the key ingredient for success.

**Alex Singla:** I would start with the notion of, "How would I simplify it by 75 percent of the cycle time? How would I reduce 60 percent of the cost base?" People don't talk and think like that. They fixate around 5 percent or 10 percent increments versus putting an audacious goal out there that fundamentally requires a completely different way of thinking about the problem.

**Elixabete Larrea Tamayo:** Don't let the different technology providers, et cetera, dictate where you need to go. Proactively be the one that's shaping the industry.

**Deniz Cultu** is a partner in McKinsey's Minneapolis office, **Elixabete Larrea Tamayo** is a partner in the Boston office, **Michael Müssig** is a partner in the Munich office, and **Alex Singla** is a senior partner in the Chicago office.

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