

Insurance Practice

Claims 2030: Dream or reality?

Over the next decade, next-generation capabilities have the potential to completely transform the claims process. Carriers should focus on four areas to unlock value.

by Deniz Cultu, Elixabete Larrea Tamayo, Michael Müssig, and Swapnil Prabha



Insurers are on the cusp of a new era of claims management, one supported by rapid technological advancements that provide unprecedented visibility into the claims process. Every touchpoint in the claims journey, starting even before an incident occurs, will be supported by a mix of technology and human intervention that seamlessly expedites the process. An example of what the auto claims journey of the future could look like is illustrated in this video:



Organizations in the staid insurance business must strategize quickly to adapt to the rapid advancement of next-generation capabilities such as automation, artificial intelligence (AI), and advanced analytics that has put many industries on their toes. To discuss the future of claims, we selected the year 2030—far enough in the future for lofty aspirations and new business and operating models but near enough to make some predictions with confidence.

We can be assured, for example, that the world will feel different for customers and employees in 2030, as technology enables constant connectivity and speeds decision making. So what does that mean for insurance carriers?

The customer and employee mix will shift dramatically. Millennials and post-millennials (those born after 1997) will make up nearly half of the

adult population.¹ These digital natives will expect seamless, omnichannel, real-time interactions integrated with the platforms they already use frequently—along with some we can't imagine today. Carriers will need to balance the needs of these younger customers with those of the other half of the population: Gen Xers and baby boomers who don't have the same preferences or facility with digital interactions.

Technology will continue to evolve at breakneck pace. The Internet of Things (IoT), connected homes and businesses, self-driving vehicles, and wearable computers will promote instantaneous data sharing across ecosystems. Insurers will know more than ever about customer risk profiles and behaviors. They will recognize fraud more easily and adjust claims faster and more accurately. Digital advances and powerful new analytics will help carriers intervene at the right moments to launch marketing, make sales calls, reduce risks, prevent losses, and tailor products and services to meet specific clients' needs.

We can also anticipate changes that will defy prediction. Entire industries, from record and video rental stores to car services, disappeared almost overnight when disruptors appeared with new business models and value propositions. Netflix is barely 20 years old; Uber is not yet ten. As change accelerates, only insurers with an agile culture and operating model will be able to keep pace with radical innovation.

What does this mean for claims? To prepare, carriers should concentrate on four areas:

Mastering the balance: The digitally enabled human touch

Leading claims organizations will evolve to combine and harness the best features of artificial and human intelligence—and eliminate the blind spots in both. We expect humans to continue to be essential to the claims process. And thanks to their use of digital enablers and AI, they'll be able to work more productively and effectively.

¹ Michael Dimock, "Defining generations: Where Millennials end and Generation Z begins," *Fact Tank*, Pew Research Center, January 17, 2019, pewresearch.org

For example, at first notice of loss, the most sophisticated carriers will use advanced analytics to segment and route each claim quickly to the appropriate claim handler and resolution channel. Routine claims and simple customer interactions with predictable characteristics and patterns—about 60 percent of future volume—may be suited for digital resolution or handling by a “cognitive agent.” Most complex claims and customer interactions requiring nuanced judgment—the remainder of volume—will continue to be handled by humans, who bring true empathy and are equipped with new tools.

Similarly, cognitive “whisper agents”—tools that provide relevant information to support agents—can automatically guide complex-claims handlers in their customer interactions. With this assistance, adjusters can rely on analytics-enabled dashboards to rapidly diagnose claim outcomes and offer customers next steps and resolution paths. Medical-treatment analytics can alert an adjuster that a worker’s compensation claimant has not completed some necessary treatments, prompting the adjuster to follow up with the claimant and notify the customer.

Customer- and internal-facing cognitive agents stand to expedite claims-processing times, eliminate points of friction between claimants and insurers, and even help companies reduce adjustment expense while ensuring the most accurate claims handling.

Redefining proactivity

Proactive carriers will increasingly anticipate and proactively meet customers’ needs in seamless ways. Claims departments may communicate next steps, for example, and provide updates using each customer’s preferred method, from Snapchat or text messages to a one-stop, omnichannel hub. Using video and data-sharing capabilities, claims teams will provide customers with rich, real-time information, answering 100 percent of claims status questions digitally and eliminating phone calls. Examples include the following:

- An auto customer may receive a steady stream of automated repair status updates delivered in her preferred channel.

- A property customer may visit his insurance company’s online claim hub to see photos and videos of his roof repair and communicate directly with emergency mitigation services about areas that require further attention.
- An automated “claims concierge” may guide each customer and claimant through the claim process, minimizing the actions required by the adjuster.

Insurers that can communicate proactively with customers—for example, by using analytics and algorithms to anticipate their needs and suggest products—will reduce redundant calls to claims centers, improving the customer experience and freeing call-center agents to do higher-value work, such as handling more complex claims.

Reimagining the insurer role: The power of prevention

Insurers can differentiate themselves from the competition by fundamentally reimagining the claims customer journey, starting by dedicating 20 percent of claims organization resources to claim prevention instead of traditional claims handling. Telematics capabilities coupled with connected devices (such as health trackers, wearable sensors, and mobile phones) will alert customers and would-be claimants to risks before losses occur.

For example, sensors in buildings will alert owners and insurers when temperatures indoors get low enough to freeze pipes and automatically trigger integrated smart thermostats to turn up the heat. In areas vulnerable to hurricanes, smart homes will automatically deploy hurricane shutters based on weather notifications sent by the insurance carrier. Similarly, in the manual labor workplace, sensors embedded in workers’ clothing and telematics devices in machines will notice that an employee is working long stretches and prompt her to take breaks to maintain alertness. When she steps out of a “safe zone,” sensors monitoring her movements will send an alert that stops her machine automatically, preventing injury. Based on an insurer’s guidance, an organization could install new flooring that changes color when wet to highlight hazards that could lead to injuries.

Reducing claims will fundamentally change the relationship of insurers to customers—instead of interacting only after accidents or losses, customers and insurers will become partners in loss prevention.

Evolving the claims ecosystem: A collaborative model for insurers

Innovation is accelerating throughout the insurance ecosystem as insurtechs, original equipment manufacturers, weather information providers, law firms, AI service providers, IoT solution providers and aggregators, and many others push the boundaries of the possible. Insurers can unlock value in the industry—and create value for their own organizations—by expanding from managing select relationships to becoming integrators that gather data and insights generated by the myriad third-party providers and insurtechs. Achieving this integrator status will not be easy, but it will be necessary because of fierce competition between the various parties seeking to own customer data and information. Insurers will need a strategy to succeed.

In the new claims ecosystem, third-party infrastructure—such as street and factory cameras, telematics, and native sensors (for example, those built into cars, wearable devices, and machines)—will give carriers automated access to basic

facts of loss. Customer- and claimant-provided photos and videos will further enrich the available information. With the right computing tools and analytics, carriers will be able to determine liability more quickly and make more accurate appraisals and damage assessments for 90 percent of claims—increasing the share of claims that move from submission to settlement in one click.

For example, when sensors notice that a sump pump has failed, the insurance company can automatically search local retailers' inventory and facilitate the ordering of necessary parts, accelerating repairs and lowering the risk of water damage. Similarly, sensors inside a company-owned car involved in an accident will provide data on the point of impact and speed of travel. The insurer will combine that information with video from traffic cameras to re-create the accident and determine whether the employee was at fault. Using advanced analytics driven by claim characteristics, in conjunction with repair shop timelines and performance ratings, insurers will generate claim-specific repair shop recommendations for each customer involved in an accident.

If some of these examples seem too easy to imagine, it's because they're already in use. For other carriers, however, the concepts may seem more like a vision for 2070 than 2030.

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Today, most carriers are working hard on specific components of products and services, but few have sought to completely overhaul the claims journey. To make that kind of transformation—and keep up with the leaders—carriers will need to invest in new technologies and double down on their commitments to a proactive and human-centered customer experience. In addition, insurers must shift to an ecosystem mind-set and solve associated challenges such as data security and building the right capabilities.



The benefits of Claims 2030, from more satisfied customers to greater efficiency and lower claims-processing costs, will be substantial. In the coming years, the insurance industry will undergo immense change. Still, the truth is that there is no way to reliably predict the future and how quickly the claims process will be transformed. Successful carriers—those at the forefront of the changing landscape—will identify the changes that must be made to reimagine the claims journey while remaining ready to adapt to a shifting landscape.

Standing still is not an option; that's just a surefire recipe for falling behind the competition. Executives must assess whether their organization has the

vision and capabilities required to thrive in this journey. Although many unknowns lie ahead, carriers that take the necessary steps now will be well positioned to respond and adjust along the way.

In subsequent articles, we will explore factors that will shape the claims journey as well as examine the steps that leading insurers are taking to reimagine internal capabilities and customer engagement.

Whether insurers are well on their way to modernizing the claims journey or still in the early stages, leading organizations will follow a similar process. After defining their Claims 2030 vision, they will take stock of their capabilities and make strategic investments that enable them to outperform competitors. Successful carriers will identify the changes that must be made to reimagine the claims journey as well as the barriers that stand in their way.

Many unknowns lie ahead, but carriers that take the necessary steps now will be well positioned to respond and adjust along the way.

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