The Human Factor

The future of claims management will be a bionic blend of people and technology.

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Property/casualty insurers are racing headlong toward full automation and digitization of their claims management operations. That, in any case, is the trending view among industry experts and media reports.

Cars will file their own damage claims. A chatbot will interview the policyholder for loss details. Drones will send photos and data from the accident scene. Artificial intelligence algorithms will determine coverage, assign liability and assess valuation.

Technological change will drive the future of P/C claims, according to this accepted wisdom. People will become passé.

But wait—not so fast! Successful P/C claims management of the future will require a bionic blend of people and technology. Tomorrow’s claims organization will retain significant roles for people, most importantly, because feelings and fairness will continue to matter. A claim is far more than an economic event. It is an emotional event. At times it is adversarial, as assignment of fault usually is; all claimants want a fair outcome.

Relying on Trust

The recent surge of climate-related catastrophic events in the United States—with thousands of homes and businesses destroyed by wildfires in California and hurricanes in the South—are a potent reminder that claims resolution is a critical moment of truth for the insured that relies on trust. And trust requires people. Getting the process right is not an insignificant matter on a national scale because P/C claims resolution is an economy unto itself. More than 110 million claims are filed annually in the United States—300,000 per day—paying out $300 billion of indemnities, equivalent to the gross domestic product of Denmark.

Distracted by the flash and disruption of advancing technology, it’s easy to forget that questions of liability and valuation require subjective as well as objective determinations. The outcomes of complex...
professional liability and workers’ compensation claims, for example, rely substantially on human judgment and negotiation. That is not likely to change. Insurers want to pay what they owe, but overpaying hurts the whole risk pool, as well as profits and future investment. Arbitration and the courts backstop the process with human judges and juries.

True, technologies such as artificial intelligence will play a growing role in determining coverage, liability and valuation when claims are simple and straightforward. But most claims are resolved through negotiation based on the right of each party to make its case. How do you negotiate with a machine? Can a machine project empathy, feelings and fairness?

**Working With ‘Digital Minions’**

A better way to envision the future is that human claim handlers will have digital minions—intelligent tools and processes—that handle simple claims, perform limited activities on complicated claims and provide advice and perspectives that improve decision-making. They will recognize and insulate against common human cognitive biases and mistakes.

The fluid human-computer interaction portrayed in blockbuster movies is still years in the future. But claim handlers today are already wielding tools offering advanced quantitative insights and tapping a rapidly expanding universe of big data. That will improve decision-making, and claimants’ experience will improve as well.

The skills required of future adjusters will also evolve. Adjusters will have to learn to program a drone, not just be able to access the roof of a house. They will need to help their machines learn, and vice versa. The machine may suggest a negotiation strategy, but a human will be required to execute it full-heartedly. Insurers cannot borrow the human body and heart but outsource decision-making to technology. The claimant needs to feel that the adjuster understands the circumstances of the claim. The claimant wants explanations for each item’s valuation in the sub-claim. This implies that tomorrow’s human adjuster needs to collaborate with the advanced tools—the minions—while retaining ownership of the resolution.

To be sure, claims organizations will be radically transformed by technology over time, as big data and artificial intelligence disrupt and revolutionize processes. Organizations will employ fewer people. The demands of proximity, specialization, scale, learning and regulation will require new blends of human and machine resources, developed both in-house and outside. Front-line claim managers will play crucial roles as human capital transitions to new roles. Solutions will need to be invented and assembled rather than just built.

The role of the claims adjuster is already shape-shifting, as a new and more complicated supply chain evolves. This evolution will probably accelerate as technology produces new efficiencies—particularly AI and deep learning algorithms in loss settlement and telematics in processing. Qualified adjusters will progressively take on specialized skill sets and tasks designed to add critical value where human touch, interaction and oversight are required.

Crawford & Company, an independent provider of claims management solutions, bought into this future vision of specialized skills-for-hire when it acquired WeGoLook in January 2017. The company’s independent specialists offer diversified skills and experience, ranging from AI, mobile and cost expertise to military service.

By 2030, claims organization employees will likely be reduced to half or one-third of today’s number, as the duties of digital minions expand. While the largest P/C insurers will be able to develop and retain most of these resources internally, the majority will need to tap pools of independent labor and claim adjudication contractors, to achieve similar productivity.

It will be prohibitive for most insurers to staff up sufficiently to excel in all areas of claims management. Many carriers will likely nurture in-house skills in areas of excellence while integrating external specialists elsewhere.

Insurers’ operating models will evolve, in turn, based on these choices in value-chain specialization.

**Technology’s Limitations**

Technology will continue to expand access to data-based knowledge and insights. For example, AI might recommend better negotiation strategies in Michigan based on court precedents in Mississippi. But AI faces hurdles in replacing human specialists. While adept at processing large volumes of data into layered statistical models, it will continue to perform poorly in novel situations with little data.

As technology disrupts traditional P/C practices, a massive wave of claims reskilling will be borne by insurers and claims employees alike. The winners likely will be insurers that prepare employees for the new and rapidly shifting competitive environment, while adapting technologies that intersect smoothly with human social processes.

Even in a high-tech future, crucial moments of truth in P/C claims will remain moments of human interaction.