How Innovation is Reinventing Insurance Claims As We Know It.

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Claims executives have a choice: Either they can keep pace with their customers or run the risk of being outpaced by the underlying technological drivers that effect changes on all industries. Today innovations haven’t just affected back-office insurance operations. Some are beginning to have profound effects on insurance claims, introducing new types of claims and shifting risk. Innovation is not only revolutionizing business operations, it’s reshaping the claims landscape.

**Internet of Things (IoT)**

Power plants that at one time had hundreds of on-site engineers monitoring production and safety outputs from a control room can now outsource that task remotely using connected devices and sensors. For example, a redundancy control room in Atlanta may use three engineers to monitor 300 gas turbine plants worldwide around the clock. For carriers and claims officials, this signals a potential shift in risk. In the event of a breakdown or unplanned outage, it may no longer automatically be the power plant’s fault. Those same IoT sensors could communicate the breakdown’s cause, helping the carrier determine whether fault lies with the contracted company, software manufacturer or power plant — and which should bear what degree of responsibility. No doubt this will also spark new contractual requirements between parties; this is especially important in the event of an incident with third-party damages.

In the same way, IoT sensors may eventually be used for “live” and continuous communication between a carrier and its customer: Rather than an information update every 12 months at renewal time, sensors connected to the client can transmit real-time data throughout the client-carrier relationship.

**Collaborative Consumption**

“Collaborative consumption” is another innovation that has introduced changes to claims.

Sharing economy pioneers include Turo, Airbnb and Lyft — companies whose users rent or loan things they aren’t currently using, like a car or a house. Insurance coverage in the sharing economy blurs the difference between personal and commercial lines — a phenomenon the insurance industry hasn’t had much experience with. Suddenly, a consumer policy takes on a completely different risk — a personal piece of property must be insured like a commercial piece of property. Any claims must be evaluated through the lenses of both commercial and personal lines, introducing a potentially fragmented and difficult claims process.

**Blockchain**

Blockchain is the latest innovation that will affect claims — specifically in how they are reported, adjudicated, and ultimately settled. Blockchain technology offers three things that are key to processing any insurance claim: transparency, immediacy and security. Blockchain gives every party involved — the client, broker, carrier and even regulator — certainty around even the most detailed part of the claims transaction, including data flows and cash movements, even around the world.
Leveraging Innovation

So how can a carrier prepare for and work with these innovations in claims?

First and foremost, carriers must continue to learn and evolve with their clients, who are constantly adapting their business models to respond to disruptors in their respective industries. It’s even better to partner with experts outside of insurance, including a few academics who can balance a long-term view with practical reality.

Second, carriers must have solid programs around risk aggregation monitoring. For example, when risk shifts from one client to another (as per our power plant example), carriers must react accordingly, perhaps structuring different underwriting guidelines or reinsurance facilities. In short, they must have an insurance-driven response to the new-world reality.

Third, carriers should ensure that a constant flow of feedback between different organizations within their company — claims, underwriting, risk management and actuaries — so that all parties are on the same page and updated on new types of risks and claims and how best to handle them. Understanding claims as a critical part of an end-to-end process promotes accountability and drives efficiency.

It’s a tricky time indeed for carriers, who are frequently encountering claims thinking that straddles the old world and the new. Adding to this complexity is a regulatory framework that is being challenged to keep pace with innovation. Balancing all of these competitive forces, carriers must accept their new normal in the Digital Age — and do their best to evolve at the same pace of change as their clientss and the world around them.

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