



Connected Claims USA 2020

A case study led report featuring insight from AutoClaims Direct (ACD), Aviva Canada, Texas Mutual, Farmers Insurance® and Founders Insurance Company

September 2020

Introduction

Rarely has the US insurance marketplace looked so challenging. The shape of business and of peoples’ lives is being turned upside down by current events and customers want to feel reassured by the service they receive. Fortunately, the industry is well capitalized and has already begun to grasp the new technologies and capabilities that will help deliver customer satisfaction.

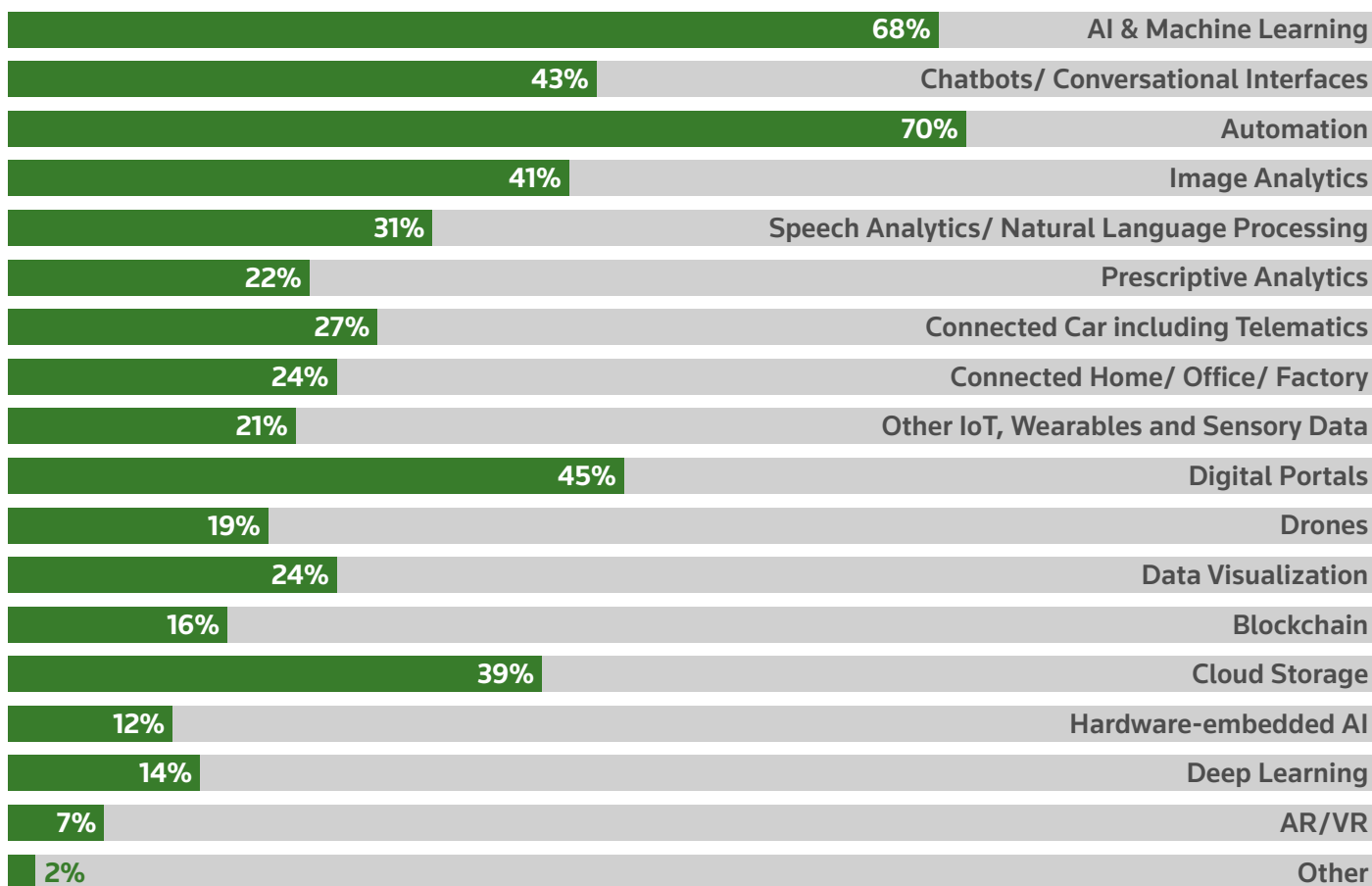
With acute conditions of instability in so many areas, fundamental changes in business models are also under review. How best to enhance the customer experience? How to cut costs while providing customers with an excellent, personalized service, via machine learning and artificial intelligence (AI), offshoring or outsourcing, or shifting data to the cloud? How to grow, run more efficiently and productively and meet rising regulatory compliance demands?

The transformation underway is revealed by the 2020 Reuters Events Connected Claims Survey which shows how companies are planning to invest in AI, machine learning and automation to meet the challenges, over the next two years.

These digital technologies are helping to smooth the claims process and drive efficiencies in the system, right from the initial report and analysis through to final contact with the customer. The competitive benefits include improving claims processing and transaction times, and heading off a talent gap in the workforce. There is also help with incorporating the complex new regulatory requirements on privacy and data management.

As the industry faces up to these and other challenges, not least the ramifications of COVID-19, this is, as the contributors to this report set out, the moment of truth for Connected Claims. ●

THE TECHNOLOGIES TARGETED FOR INVESTMENT IN THE NEXT TWO TO FIVE YEARS





Section 1

Customer Experience: Digital Focus, Human Touch

As the drive to digitize insurance claims accelerates, carriers must never forget that meaningful human interaction will always be a pivotal differentiator in the customer experience



Customer Experience: Digital Focus, Human Touch



Online platform or human agent – when searching for a new insurance policy or claiming for a loss, which does the customer prefer? Pleasing customers was already of prime importance to insurance companies after years of rising competition but the economic squeeze and human distress brought by COVID-19 has made markets even tougher.

Jeanette Ward, Chief Operating Officer, Texas Mutual, puts it like this “The biggest threat to insurance carriers remains not being able to deliver on the changing expectations of our customers in a digital age.”

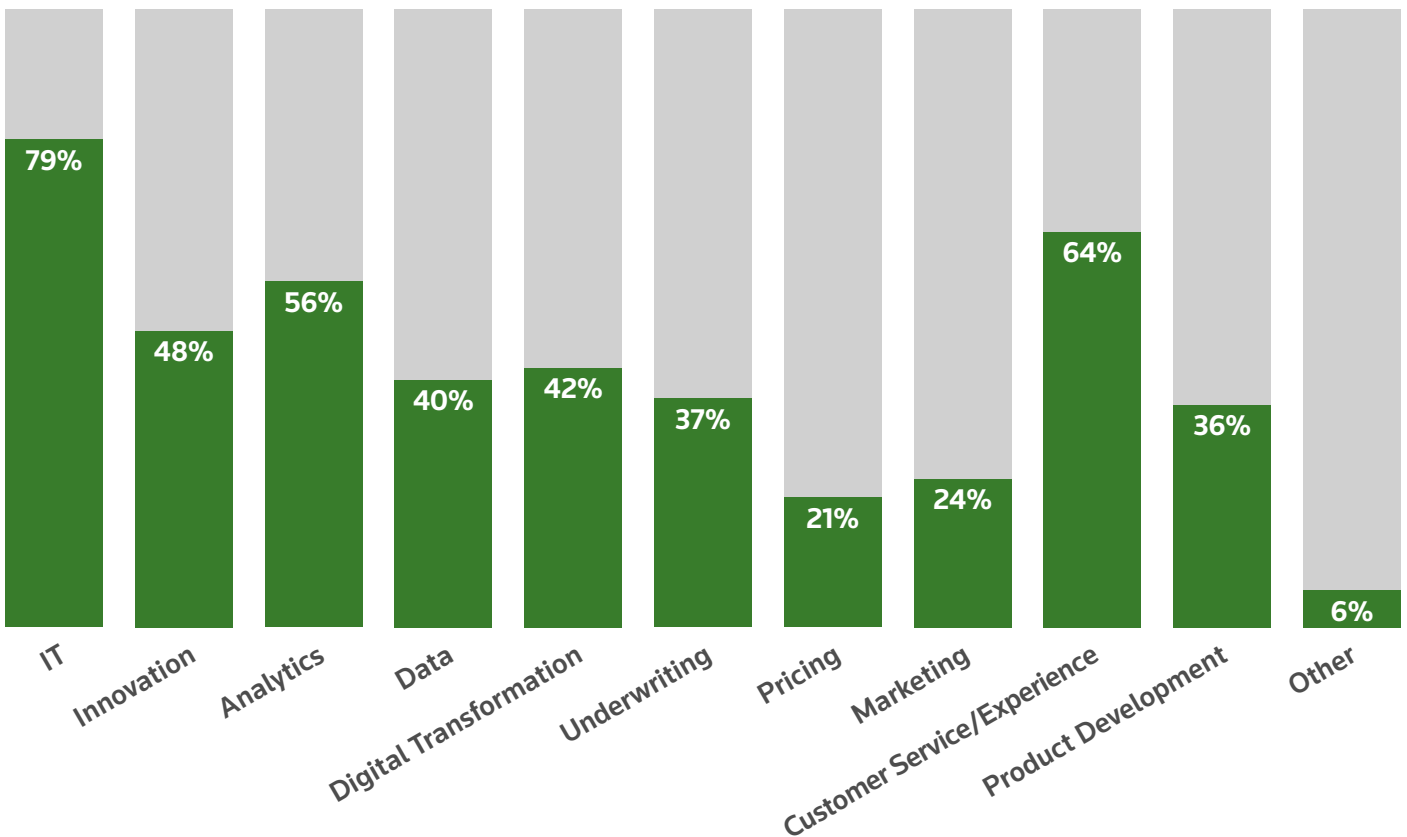
Insurers with a digital roadmap were already working hard to deliver ‘purpose-driven’ claims, an approach that balances exceptional customer experience with the operational efficiency required to manage costs and losses. However, it remains a question of getting it right. As

consultants PwC point out in their [Insurance 2020](#) report, customers want ‘the simplicity and accessibility they’ve become accustomed to in other sectors’ as well as ‘customer engagement’, and they also want ‘to dictate how and when they want to do business’.

The industry has recognized this and in 2020 customer experience and service have risen up the list of priorities. When asked which departments outside claims were most responsible for the claims experience, Reuters Events survey respondents ranked CX and service as second only to IT. This is a marked shift from how US executives were thinking in 2019 when customer experience tied sixth with digital transformation after IT, analytics, data, marketing and innovation. These findings echo [PwC’s Global Survey of Insurance](#) CEOs, where 70% said they would prioritize or invest in CX over the next year.

70%
of insurance
CEOs will prioritize
CX in the next
12 months

BEYOND CLAIMS: THE DEPARTMENTS THAT ARE ALSO VIEWED AS RESPONSIBLE FOR CLAIMS TRANSFORMATION



4 Cornerstones of Claims Transformation

1 Balancing automation with empathy

As part of a multinational group, defining a digital roadmap remains a top-three priority for 2020 at Aviva Canada and the pandemic has not changed that. In fact, Bryant Vernon, Chief Claims Officer, Aviva Canada, says the overall direction of the industry has not altered much, just accelerated, and the same could be said for customers. "Digital focus and adoption by customers is accelerating like never before and they are looking to interact in ever more technologically advanced ways," he says.

Interestingly, 28% of US survey respondents in 2019 said digitalization played a role in claims transformation compared to 60% in Europe. However, in this year's global survey (where 74% of respondents were US-based) this has edged up a little, with 42% ranking it as important.

At Farmers Insurance®, Samantha Santiago, Head of Claims Strategy & Automation, is preoccupied with the balance between automation and customer empathy. However, her view is that: "Empathetic human-to-human interaction is, and will likely always be, one of the most important aspects of claims handling."

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SAMANTHA SANTIAGO

Head of Claims Strategy & Automation, Farmers Insurance®

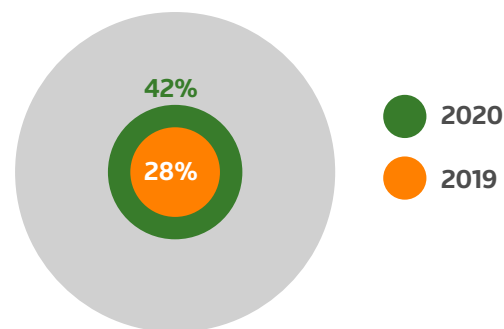
Vernon agrees: "The industry as a whole has to strike a balance between offering technology solutions that give customers freedom to customize their journey and the human touch."

Their points are underlined by a study from US data analytics and consumer insights company **JD Power**. While a preference for digital status updates during the course of a claim has increased by 6% over the past two years, "a majority of claimants still prefer proactive, non-digital status updates". In fact, when personalized communication such as calls from the agent or insurer is used, customer satisfaction with the servicing of claims is significantly higher.

An early digital adopter, Farmers®, a provider of home, life and car insurance, has been investing in technology to help



RESPONDENTS SAY DIGITALIZATION PLAYED A ROLE IN CLAIMS TRANSFORMATION



customer engagement in new ways - such as aerial imagery, electronic first notice of loss, photo estimating and touchless and virtual claims handling. During the coronavirus crisis, Farmers' investment in technology enabled thousands of employees to begin remote working in a matter of days.

Access to real-time data also allowed the company to quickly understand how COVID-19 was impacting customers and it moved to extend grace periods for payment and reduce car insurance premiums by 25% for April.

"The combination of listening to customers across channels, analyzing data in real-time and doing so with empathetic professionals always at the end of a line, helped us maintain positive customer experience momentum during the pandemic," says Santiago. She adds: "The important call is that technology must always be viewed as a complementary piece of a complex puzzle – one that continues to factor in empathy and also the broad expertise of claims employees."

4 Cornerstones of Claims Transformation

2 Trust, transparency & timing

Trust remains a prime requirement and it is also closely linked to customer satisfaction. On average, according to JD Power, a one-point increase in trust (on a 5-point scale) would correlate with a 118-point increase in overall satisfaction. Yet insurers in the auto space are still not getting it right, with only 42% of customers ‘strongly agreeing’ that they trust their insurer.

Vernon, who has worked for and consulted with numerous carriers, understands there are many factors that play into whether or not a customer trusts an insurance company. This could be anything from the time it takes to process a claim to the vendors assigned to do the work, or even something as simple as having an adjuster call when they say they will.

“At Aviva Canada, we know that there’s a lot going on behind the scenes that the customer doesn’t see or frankly care about. This is where automation can help speed up the claims process, make it more transparent and ultimately lead to greater levels of trust among our customers,” he says.

Of course, the desire for transparency has driven strict data and governance and global regulatory requirements like General Data Protection Regulation and the California Consumer Privacy Act. However, [Accenture’s 2019 Global FS Consumer Study – Insurance](#), found that four in five people would be willing to share their data for a personalized experience.



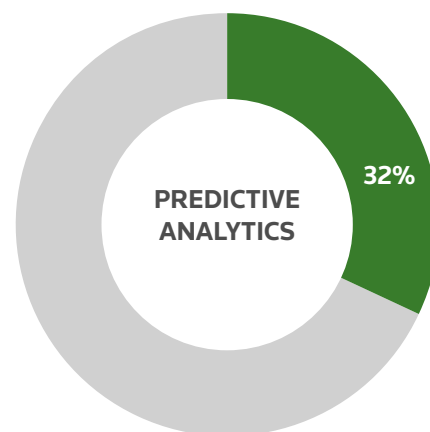
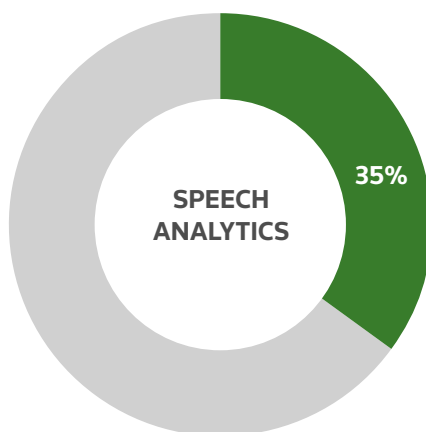
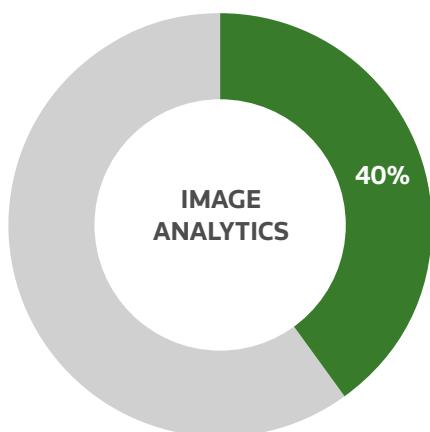
Automation can help speed up the claims process, make it more transparent and ultimately lead to greater levels of trust among our customers

BRYANT VERNON

Chief Claims Officer, Aviva Canada

Ultimately, customers want claims processed quickly, or they want clear information about why this may be delayed. Yet one in seven customers still believe claims take too long to resolve. This is being tackled, as Aviva Canada points out, through technologies such as image processing. Solutions like this would enable companies to service many more customers than currently. In the soft skills space, Aviva Canada is also excited by AI-driven technologies that help to evaluate employee rapport with customers. In addition, use of data analytics as a diagnostic tool is one of the Canadian carrier’s top three priorities in 2020.

SURVEY RESPONDENTS WITH AN EYE ON INVESTING IN ANALYTICS OVER THE NEXT TWO-FIVE YEARS



CASE STUDY

How Aviva used predictive analytics to shorten claims cycles

In June 2019, Aviva Canada deployed a new vehicle remedy tool at First Notice of Loss, which incorporated real-time predictive analytics right into the auto claim setup process. The tool, integrated directly into the Claim Wizard of Aviva Canada’s Guidewire ClaimCenter system, provides adjusters with an instant (under 5 seconds) and accurate repair prediction, even before an appraisal has been completed.

There were ‘staggeringly’ positive results for customers in 2019.

- **59%** - The reduction in customer cycle time on total losses, namely the time from customer notification to payment (22 to nine days)
- **52%** - The drop in average rental days (20 to 8.4 days)
- **56%** - The fall in storage days (19 to 8.3 days)
- **+150%** - The rise in net promoter scores

Customers were asked to complete a net promoter score (NPS) survey 28 days after their claim. Prior to deploying the vehicle remedy tool, scores were between 15+ and 20+. Since adoption of the tool, scores for total loss claims have been consistently over 40, even reaching 50+ in the months immediately after the launch.



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4 Cornerstones of Claims Transformation

3 Frictionless flexibility & customer understanding

To take the customer experience to the next level requires more than straight e-commerce, says PwC. Instead, the goal is to use technology “to gain an enhanced knowledge of the customer, harness it to profile effectively, fine-tune underwriting and deliver customized solutions”.

According to a 2020 digital experience study from JD Power, property and casualty (P&C) carriers are heading in the right direction. It found that customer satisfaction scores for insurance products and account servicing rose sharply after significant investments in direct-to-consumer websites and mobile design. Where they falter, however, is in “providing too much complex and expansive information and pushing heavily to a mobile-first approach”.



If you can remove any routine or simple tasks, so the adjuster can focus on the more complex issues of a claim, then they can be far more effective

ERNIE BRAY

CEO, AutoClaims Direct (ACD)

In the current climate, as consumers scrutinize their existing policies and shop around for new ones, delivering the right information will be a key differentiator. Industry veteran and insurtech innovator Ernie Bray, the CEO of ACD, an award-winning technology and services company, says: “A car accident that results in a claim is a very stressful time for anybody involved so that personal, human touch is what is important. But if you can remove any routine or simple tasks, so the adjuster can focus on the more complex issues of a claim, they can be far more effective.”

For this there is “no silver bullet”, says Vernon, but what he does know is that “you can’t do customer care in a half-hearted way.”

Speaking at the 2020 Reuters Events Connected Claims USA Virtual Conference, Eric Brandt, Executive Vice President and Chief Claims Officer, Allstate, recommended ‘design thinking’, the practice of developing an understanding of who products are being built for as a useful approach. This, he said, allows you to “begin with the customer pain point and work back from there”.

CASE STUDY

Customer mapping: Just do it, says Texas Mutual

When Texas Mutual Insurance embarked on an innovation drive, it was important to understand what customers were seeing and experiencing. To do this, they used ‘customer journey mapping’, a visual representation of every experience a customer has with a brand.

The first step was to create different customer personas to establish what it felt like to interact with the company - to apply for a policy or pay a bill or report a claim. Questions were asked and data gathered: How did they arrive at Texas Mutual? What information were they given? Was it a good or bad experience?

Ward says the process not only helped Texas Mutual to understand customers better, it also drove business and IT teams out of their silos and into more collaborative relationships. This resulted in improvements across the value chain, helping the firm “to adapt, adjust and become more resilient,” she says.

Documenting these so-called ‘moments of truth’, where the company and the customer connect, allowed the whole company to rally around the customer and improve the experience. Says Ward: “It is eye opening and easy to do. If you haven’t done it already, you really are missing out.”

Putting people at the center was Aviva Canada’s approach when it examined its methods of communication. After surveying customers, the firm elected to prioritize its texting capability over, for example, building a native app. “Our customers told us that that this is what they wanted. It was a technology they were already using and when we look at adoption rates for texting and the reduction in call volumes, the improvement in service capability was apparent almost immediately after rollout,” says Vernon.

4 Cornerstones of Claims Transformation

4 There is no CX before EX



If you are not really cultivating talent, then it is going to be very hard to deliver those solutions and services that improve the customer experience

AVIVA CANADA

Automation may help to solve the growing need for skills in insurance, but talent shortages remain. Even attracting people into the industry is tough, according to a report from Deloitte, which states that only four percent of millennials are interested in working in insurance. Meanwhile, across the pond, the European Commission has forecast a digital skills gap of 760,000 in 2020 but even that may be conservative. In fact, digitalization has accelerated during COVID-19, prompting Microsoft to launch a [global initiative](#) aimed at bringing more digital skills to 25 million people worldwide by the end of the year.

Unsurprisingly, a top-three priority for Aviva Canada, and many other carriers, is the proper management and

acquisition of talent, along with continuous support of employees.

If there is one silver lining in the pandemic, it is that there is an opportunity to look further afield for talent. "There have been times when we didn't go after talent because of where they were in the world. Now when we look at how our people are using platforms like Microsoft Teams, we can see how cohesive a team can feel if you provide right support," Vernon says.

Engaging and empowering talent is at the top of Aviva Canada's agenda and the company's chief claims officer believes that everybody, in both business and technology teams, needs to be invested in the process - from frontline employees to the CEO. "If you are not really cultivating talent, then it is going to be very hard to deliver those solutions and services that improve the customer experience," Vernon says.



Section 2

Business Efficiency: Evolve the Ecosystem

Running a tight operational ship has always been a priority for insurance executives, but it no longer needs to be a trade-off with customer satisfaction



Business Efficiency: Evolve the Ecosystem

Not all that long ago in the insurance industry, operational efficiency and customer satisfaction was a trade-off, with one usually thriving at the expense of the other. The efficient firms kept costs low while customer-facing ones drove loyalty. With the shift to digital, successful firms were starting to better manage this tricky balancing act. However, as a result of the global pandemic, the industry is staring down one of biggest claims pay-outs ever, and companies are again faced with a stark choice - to slash costs and stall innovation or to forge ahead and emerge from this crisis more competitive and resilient.

Industry veteran and insurtech innovator Ernie Bray, the CEO of AutoClaims Direct (ACD), says the choice is clear: "Right now is absolutely the time for insurtechs and others from across the ecosystem to collaborate and fill in the gaps. Only by working together, can we deliver exactly what the insurance carrier needs."



Right now is absolutely the time for insurtechs and others from across the ecosystem to collaborate and fill in the gaps

ERNIE BRAY
CEO, AutoClaims Direct (ACD)

Failure to do so, he warns, could be a matter of survival: "If I was a carrier who wasn't embracing the power of technology and solutions today, I would be worried about the future viability of my business."



Admittedly, the relationship between the insurance industry, technology partners and the insurtechs has been an uneasy one. As insurtechs ended the decade with a whopping \$6.8 billion investment, many traditional insurers were still upgrading their legacy systems. However, this is changing as more companies embrace digitization, and form partnerships to build products or purchase solutions that increase operational agility and technical expertise.

Worker-compensation provider Texas Mutual is one such

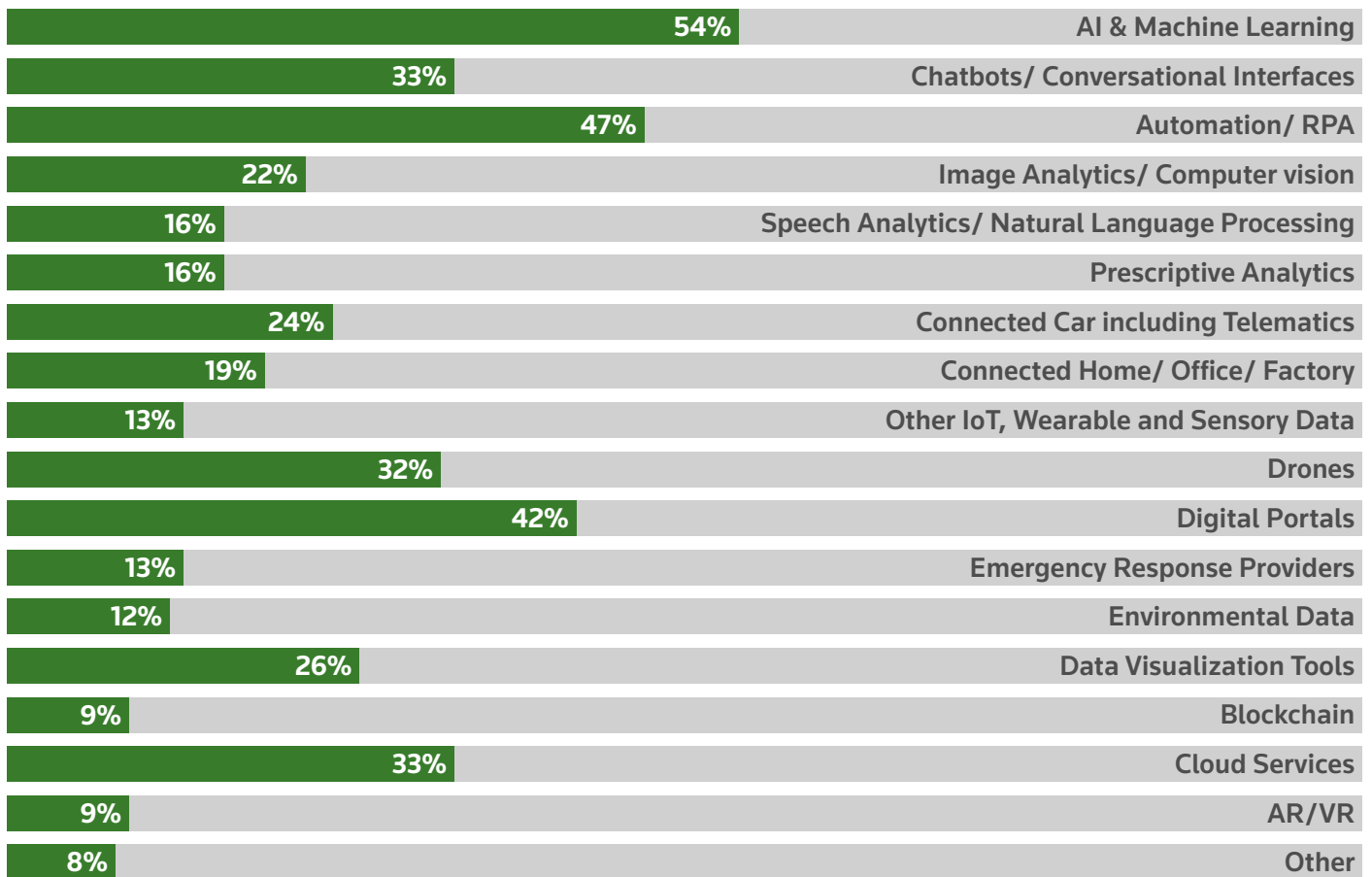


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EXTERNAL PARTNERS CURRENTLY VIEWED AS VITAL TO THE CLAIMS TRANSFORMATION AGENDA



company. “Where we once might have seen the rise of insuretechs as an acute threat, we now see opportunities to partner. This enables us to not only better ourselves but also the emerging start-ups serving the industry,” says Jeanette Ward, Chief Operating Officer, Texas Mutual Insurance Company.

Such partnerships with groups that might previously have been considered competitors are how Bray sees the industry evolving in the wake of COVID-19. “Partnerships, even with competitors, will be vital,” he says.

However, the Reuters Events survey suggests that the industry is not yet fully

\$2.9 billion
Value of RPA market
by 2021
Forrester

25 billion
Connected things
expected by 2021
Gartner

grasping the partnership opportunity. When asked which external partners were vital to their claims transformation projects, responses were mixed. Unsurprisingly, AI and machine learning, robotics, and robotic process automation (RPA) software remain the most popular investments. However, less than a quarter of respondents see value in connected cars, homes or offices. Even further down the list of partnership priorities are the Internet of Things (IoT) and wearables. Yet Gartner is forecasting that by 2021, the number of connected things will exceed 25 billion across consumer and business applications.

Tackling legacy and risk

Many carriers are still being held back by fragmented legacy systems and processes. “Inherently the insurance industry has relied on a lot of old and outdated ways of handling claims because that’s the way it had been done in the past,” says Bray.

Echoing this view is [research from Deloitte](#), which finds that just 10% of innovation resources are being directed toward “fundamentally changing how insurers do business”. Meanwhile, PwC finds that 70% of IT budgets still go towards maintaining legacy systems. In claims transformation the situation could be better; two-thirds of respondents to the 2020 Connected Claims Survey said their departments received less than 5% of the IT budget, although this is expected to rise this year.

As legacy systems date, costs continue to rise and the skills to manage and maintain them shrinks, by 23% on

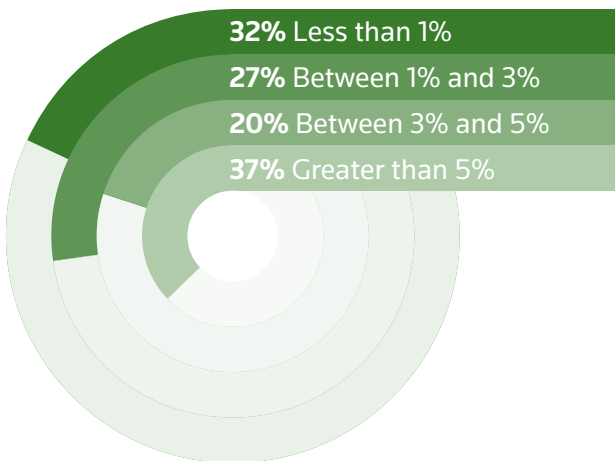
average over the past five years, according to PwC. This can make companies vulnerable to disruption and even failure. Worst-case scenarios include data losses, breakdowns and business downtime, which could lead to substantial costs and harm to a company’s reputation.

However, while sticking with legacy poses a risk, investing in insurtech does too; just 6% of start-ups received 67% of total investment in sector, according to a 2020 report from [NTT Data](#).

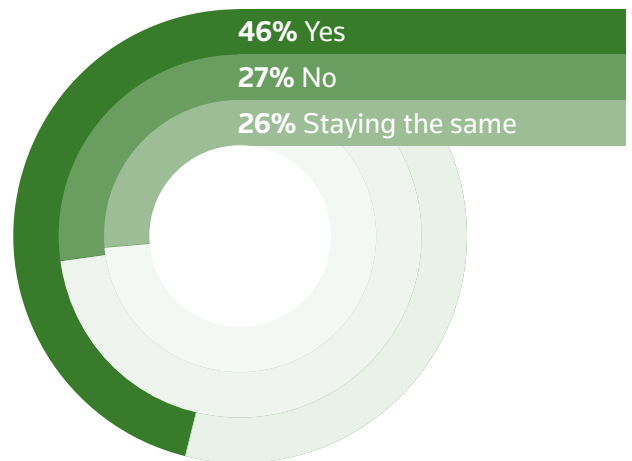
One of the challenges to successful partnerships is that large traditional insurers do business in a fundamentally different way to smaller, innovative companies. Views on investment, outputs, risk and evaluation often vary widely and this can create friction and lead to poor results.

To find ways to take more calculated risk, Texas Mutual established a dedicated innovation council. According to Ward, the rationale was to find a model that would allow the firm to move fast, and take advantage of new opportunities without sinking the business.

THE PERCENTAGE OF TECHNOLOGY BUDGET DEDICATED TO CLAIMS TRANSFORMATION



WILL THIS INVESTMENT RISE IN 2020?



How Texas Mutual tackled legacy

Before shifting to an agile methodology, Texas Mutual approached projects in a traditional ‘waterfall’ way. While this involved extensive planning and could take a year or more to implement, even then they might not hit the mark. “We recognized that this was not going to work in today’s digital forward environment,” says Ward.

To achieve their transformation, Texas Mutual worked with Agile Velocity, an agile methodology coaching company, to overhaul how they approached process and systems projects. A core focus was to enhance digital capabilities including everything from rethinking appetite for risk to empowering project teams to quickly learn and adapt.

Although previously the IT department had a good track record of adding new system functionality and modernizing platforms, nothing was ever formally decommissioned or disconnected. This led to significant technical complexity and made true agility difficult to achieve.

“After taking a long, hard look in the mirror,” says Ward, “we developed a very deliberate plan to decommission legacy systems and move all systems to modern, flexible platforms as quickly as possible”.

Today the group’s focus includes: digital collaboration and smart integrations; data and analytics to drive more automation; architectural standards; and a shift to the cloud.

Minding the data gap



Forward-thinking companies value a data-driven approach. Aviva Canada Chief Claims Officer Bryant Vernon says: “Personally, I don’t know how you run an operation effectively without data analytics. If you don’t have this, you have to iterate a lot more.”

Ward agrees: “Data is the new gold, and it really is driving efficient claims processes at Texas Mutual.”

As part of its automation drive, last year Texas Mutual partnered with a start-up called DataRobot to build an AI-driven claim segmentation and routing model. Explaining what DataRobot does, Ward says: “It is essentially software that gives companies access to hundreds of data science models.”

The partnership is driving greater precision. According to Ward, the company’s old claims segmentation model was just 21% accurate and led to adjusters wasting significant hours reassigning claims due to incorrect

predictions. “Once we implemented the new model, we saw an immediate improvement,” she says, adding that the system also allows further data gathering to drive greater efficiency in the future.

While Texas Mutual is moving in the right direction, just 40% of respondents to the 2020 Connected Claims Survey see data partnerships as playing a crucial role in claims transformation. However, looking forward to the next decade, 30% expect to invest in data visualization technologies.

Historically, Aviva used data analytics exclusively to track financials, but it has recently pivoted to also investigate operational metrics and KPIs. The result is that frontline managers can better understand the performance of their teams and answer certain questions about customer demand.

Data analytics plays a role throughout the claims value chain, and Aviva Canada believes that a successful strategy will not only support customers but the success of employees. “This is absolutely critical and the right way is to use data as a diagnostic tool,” Vernon says.

40%
of survey respondents see data as vital to claims transformation

30%
will be investing in data visualization in the next decade

Source: Reuters Events Connected Claims Survey

Powering ahead

There is so much already that technology can deliver, both in improving the customer experience and driving business efficiencies. Technologies that detect accidents, predict fires and prevent heart attacks are increasingly being used to meet customer expectations and streamline businesses with lower claims handling and indemnity costs. But some of the most exciting future possibilities are in photo and video imagery, voice transcription and translation. These, Bray says, provide the richest opportunity for gathering data that can be used for straight through claims processing. In fact, in the auto insurance business with little, if any, human involvement, smart IT systems are able to calculate the cost of claims and attribute fault for accidents.

Bray is a “huge believer in process” and augmented intelligence. “If you remove needless touchpoints, there is opportunity for real process improvement and cost containment. Plus, you can deliver better service because you’re focused on what’s important,” he says

Elsewhere, there is a growing interest in digital payments. At Aviva Canada, for example, funds are still dispersed by

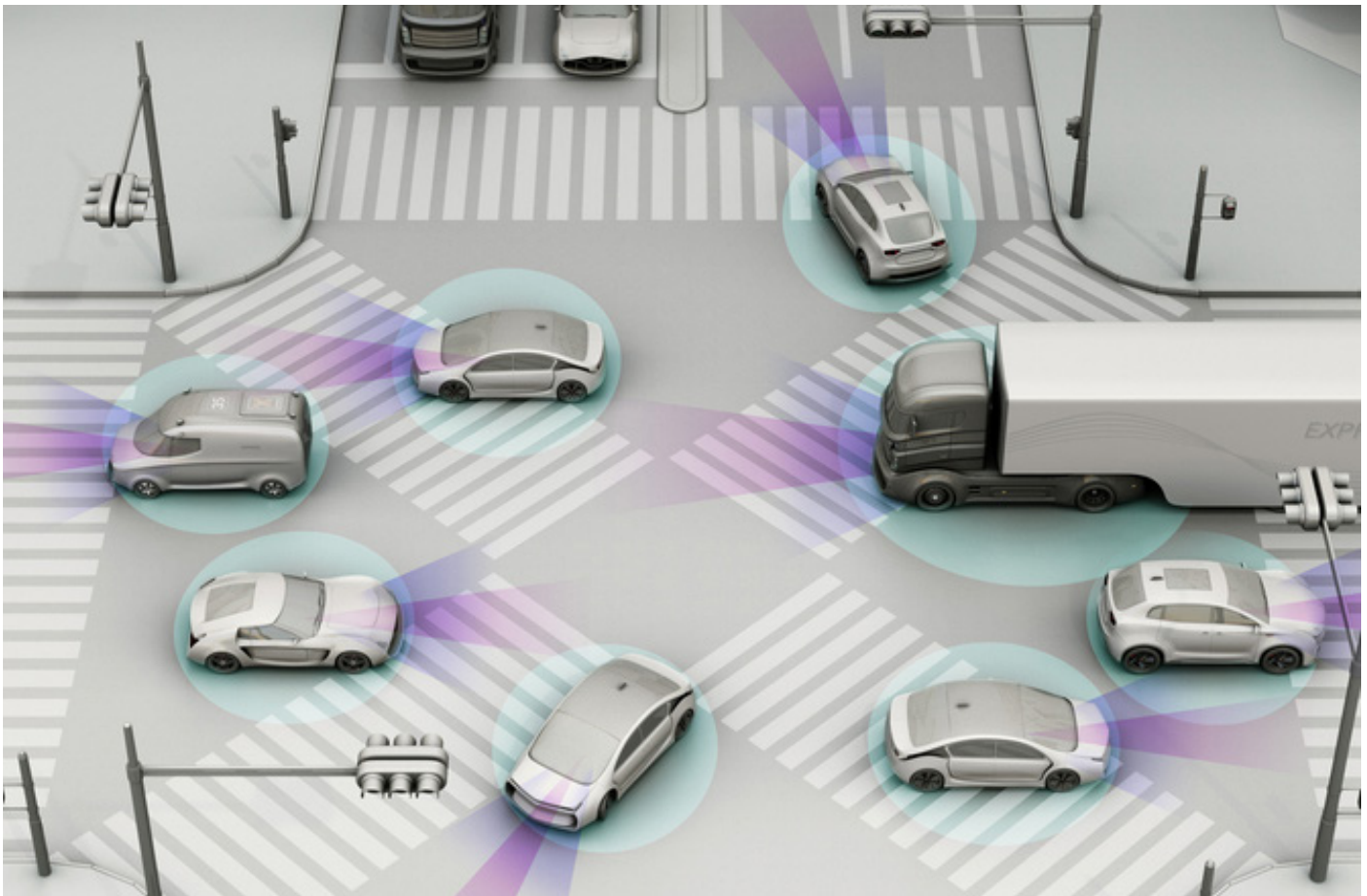
check or electronic funds transfer (EFT) and even that is not immediate. But the Canadian carrier is not alone. Speaking at the Connected Claims USA event, Mike West, Vice President – Visa Direct Digital Disbursements, said: “Just five of the top 10 insurers we work with have made the shift to digital payments.”



If you remove needless touchpoints, there is opportunity for real process improvement and cost containment

ERNIE BRAY

Of course, taking the right steps forward is challenging for capital-constrained smaller carriers, especially at this time of great uncertainty. But Bray has this advice: “The shift to digital transformation is a journey. Start small and implement the things that can give you a great ROI. There really isn’t a need to do everything at once.”



CASE STUDY

Going the extra mile

Intermediaries often get a bad name in business. But ACD’s client, a third party administrator (TPA), was ready to take it up a notch and rethink its workflow management. The company was already using a competitive legacy solution to deal with auto claims workflow management, dispatching and reporting. However, there was growing frustration with the lack of customization, unfulfilled promises and broken workflows.

As the contract was coming up for renewal, this presented an opportunity for the TPA to rethink the status quo and evaluate competitive offerings as a potential replacement. There was an initial discussion and ACD was invited to run a 12-month pilot project for the basis of comparison.

With the involvement of a nationwide independent network of appraisers, the project deployed two of ACD’s innovative solutions.

- **AutoLink™** - an end-to-end claims workflow tool, which optimizes the entire process from beginning to end, containing costs and providing consistency.
- **Self(ie)™** - a virtual solution that allows customers to take a photo of the damage to their vehicle and send using a secure web link.

The project ran parallel to the TPA’s current system for the purpose of comparing real situations in real-time. ACD agreed to provide its technology for the trial period at a minimal cost, while the current system provider continued to receive payment on its contract terms.



A WINNING SOLUTION

Three months into the pilot program, adjusters and managers at the TPA independently began to adopt AutoLink™ as their de facto claims processing solution. A number of factors won them over: ease-of-use; in-depth reporting; real-time metrics; on-demand appraiser and self-service dispatch; and the overall intuitive nature of the platform. Most telling was that staff began to abandon the incumbent solution even before the 12-month pilot was over.

After terminating the contractual agreement with its legacy partner, the TPA entered into a multi-year deal with ACD to deploy AutoLink™ as their auto claims workflow management platform.

ACD’s client is a national third-party administrator



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Section 3

Change Management: It's a Leadership Issue

A few years from now, successful companies will look back on the lessons of 2020 and remember it as a defining year for the insurance industry



Change Management: It's a Leadership Issue

'As leaders well know, constant change is the new normal in today's workplaces.' This was the prophetic opening line of an article published by global analytics group Gallup in December 2019 titled *How to Adapt to Constant Change: Create It*. That same month, the novel coronavirus emerged in the Chinese province of Wuhan and, as it began its global march, governments introduced strict lockdown measures. In this 'new normal' of 2020, businesses were given no time to 'create change'. They had to change tack – and quickly.

For the leaders of organizations that were already on the road to digital transformation, the rapid transition to remote working may have been less painful but Shannon Harjer, VP-Personal Lines Claims, Founders Insurance Company, believes there will be lessons for all to carry into the future. "It is important to step away from thinking about the pandemic as a one-time event because what leaders learned about organizational behavior and leadership responsiveness during COVID-19 can be transferred to many other types of situations in the future," she says.

Ernie Bray, CEO of AutoClaims Direct (ACD), sees the crisis as "an awakening" for many carriers, which in the past had avoided going virtual or digitizing the claims journey. He says: "When everybody moved to a work from



What leaders learned about organizational behavior and leadership responsiveness during COVID-19 can be transferred to many other types of situations in the future

SHANNON HARJER

VP-Personal Lines Claims, Founders Insurance Company

home environment, it became clear that a connected claims strategy is now a priority. It's time for real change."

It is too early to assess the effectiveness of leadership during COVID-19 but even before the crisis, organizational change management was not getting any easier. Two decades after the Harvard Business Review noted that approximately 70% of all change initiatives fail, global consulting group BCG says the situation is now worse and 75% of transformation efforts still "do not deliver the hoped-for results".

This may explain why only a quarter of respondents to the 2020 Reuters Events Survey believe they are leading the market in claims transformation.

HOW DO YOU VIEW YOUR CLAIMS PROCESS IN COMPARISON TO YOUR COMPETITION?



Intelligent communication

At the heart of any successful change management program is excellent communication. Yet, a Quantum Workplace survey – *The 2020 Guide to Organizational Change Management* - finds that 81% of employees believe their company has miscommunicated more than occasionally. This could explain why change management projects still fail. On closer look, says Harjer, this is the result of a lack of focus on value drivers, poor project management skills and ineffective communication.

In another survey from human resources website Glassdoor, across all income groups, 28% of employees felt their employer had done nothing to respond to their concerns during the outbreak. Yet 67% support mandatory work from home

measures. This does not bode well for outcomes during COVID-19 where the most significant change and challenge has been the overnight shift to virtual communication and collaboration platforms.

As part of a multinational group, Aviva Canada had already invested in Microsoft Teams, and its virtual private network infrastructure, but Vernon continues to look for better ways to communicate. “From my gaming background, which relies heavily on virtual communities to get people engaged and to provide insight into customers, there may be lessons about how we can adapt and do better,” he says.

At Texas Mutual, which has pivoted from a traditional to an agile way of approaching strategic projects, Chief Operating Officer Jeanette Ward notes: “Openness and honesty and the ability to quickly pivot based on feedback are also crucial.”



Building a data-driven culture

One of the challenges, according to Gallup, is that 70% of decision-making is based on emotion and just 30% on rational thought. Harjer believes there are flaws in this approach: “If we base culture and leadership on emotion and not with organizational intelligence and data, then you will naturally create an environment where unnecessary mixed emotions are created and change management attempts fail.”

Vernon agrees that data and business intelligence must be at the heart of any successful organizational change. A new technology implementation, for example, must be informed by the business at every step of the way and this is a cultural change as much as it is a technology change. “We have created a culture that is curious about data, not afraid of it. This means that instead of having a handful of people that are problem solvers, we have a whole organization of them,” he says.

During COVID-19 the ability to solve problems has been vital. Says Harjer: “There has never been a better time to analyze how we handle uncertainty and rapid socio-economic



change. We are all learning through this crisis and we have the chance to improve relationships with customers and our employees in order to fully engage and retain them. This is an opportunity to move the needle on employee engagement and innovation.”

The Intelligent Organization & The Path to Change

COVID-19 has created huge uncertainty for companies across the world, but there are opportunities and lessons from the crisis: Shannon Harjer from Founders Insurance shares some actionable insights for those that are serious about organizational change.

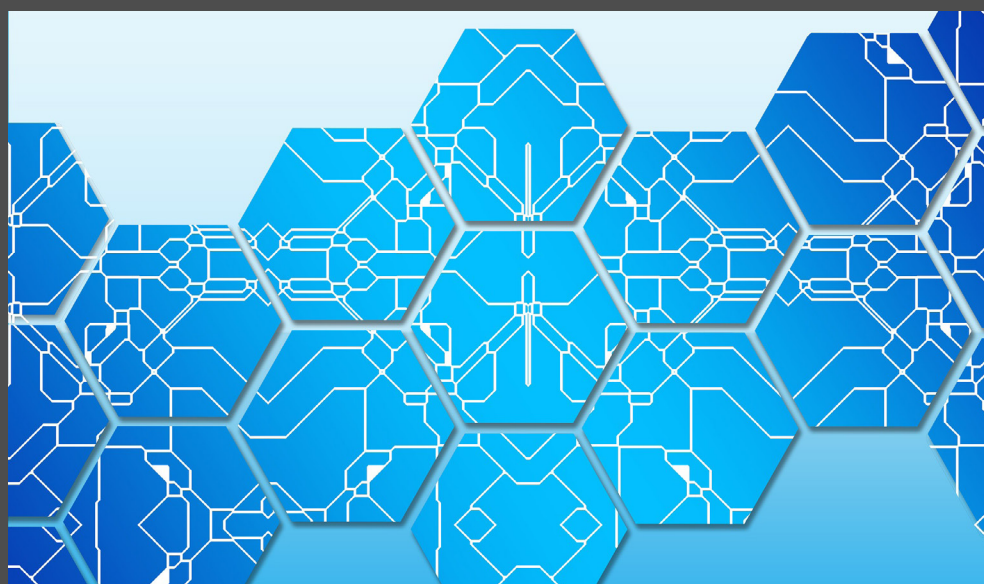
CHANGE MANAGEMENT DOS AND DON'TS

Do

- Realize that change management is not a process. It is an evolution and the path to successful change management is not linear.
- Understand the value drivers. Lack of focus will prove detrimental and will most likely waste time and resources. It could also undermine the trust of employees and customers.
- Ensure everyone is on the same page and able to fully support the initiative - in front of the cameras and behind the scenes.
- Identify the value drivers and focus on the customer and employee experience.
- Get comfortable with being uncomfortable.
- Empower others with authenticity. Set an example and expect others to follow.
- Celebrate progress, inspire and empower people during challenging times and demonstrate appreciation of their success long after the change is implemented.
- Build an environment where employees understand the change process. This way any missteps can be quickly rectified.
- Establish a clear culture. Emotional and organizational intelligence is as important as strong business acumen.
- Communicate, clearly, consistently and honestly.

Don't

- Fall victim to unilateral leadership. If one leader or group dominates the process, this will destroy the opportunity to gain full support of the change and disrupt organizational value chains.
- Focus solely on revenue. You may be able to make short-term gains but in your wake you will leave disheartened employees and customers. This will negatively impact any long-term benefits.
- Underestimate the power of your employees. Change management requires diversity of thought and inclusion of all people. Leaders should be respected and trusted within the organization.
- Ignore the data. Digging deep into your data will enable you to recognize the challenges and grasp the opportunities.
- Create fear and anxiety. This may mean developing self-knowledge to help you understand whether your communication and leadership style is working. Think deeply about your words and actions before you speak or type. Exhibiting cluelessness in word choice could derail the process.
- Be a control freak: Allow the subject experts to do their work – this may be without you.
- Take your finger off the pulse. A lot has changed and leaders must continue to adapt.



Realize that change management is not a process. It is an evolution and the path to successful change management is not linear

Leading and learning

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ltimately, change management is a question of leadership and it is the one issue that is keeping Vernon awake at night. "In any business, but especially the claims business, it is about people and it only takes one leader for things to go wrong," he says.

For this reason, he spends a significant amount of his time talking to people throughout the organization. "Leaders can have a huge impact on whether or not employees feel empowered and I believe it is absolutely critical for us to demonstrate that they are trusted," he says.

With the right leadership, people are also more motivated, and this can have a direct impact on productivity. Data from Gallup, for example, indicates that managers can account for 70% of the variance in team engagement, which is a critical driver of discretionary effort.



If you are asking your staff to do something, you damn well better be doing the same thing

BRYANT VERNON

Chief Claims Officer, Aviva Canada

Leading by example, is the starting point. "You have to build credibility by living the values yourself. If you are asking your staff to do something, you damn well better be doing the same thing," Vernon says.

Harjer agrees: "Your leadership presence, technical competence and efforts to clear the path during change are being mirrored and monitored by those around you. Be the change yourself before you expect it of others."

A post-COVID-19 checklist for leaders

As companies emerge from the crisis, there are many things to think about. Some of the topics that should be up for boardroom discussion include:

- **CRISIS PLANNING:** Prior to the pandemic, what types of crisis plans were on record? Were the directions clear and the information up to date? Clarity and purpose is vital during times of upheaval and change.
- **TIME MANAGEMENT:** Time is of the essence during a crisis and any unnecessary and thoughtless errors can lead to disengagement among customers and employees. Consider how often plans are reviewed in order to remain relevant, and whether they fulfill the needs of the leadership team in a crisis.
- **SETTING AND MANAGING EXPECTATIONS:** It is important to regularly review crisis management in practice, and set clear expectations for the leadership team. Written plans are great but only they are read, reviewed and practiced regularly.
- **FOLLOWING PROCEDURES:** What is the plan for business continuity? Did you follow existing procedures or were there deviations – right now is the time to review this and make necessary changes.
- **DEVELOPING PERFORMANCE:** This is a time for leaders to be introspective, to reflect on what transpired and to assess their personal performance carefully and honestly. Organizations may want to consider coaching and training for leaders with a skilled crisis management professional.
- **ENCOURAGING COMMUNITY:** Supporting each other through a crisis will strengthen employee and customer engagement. Companies can gain competitive edge by identifying the value they bring to customers and taking care of employees during good times and bad.

CASE STUDY

Virtual Change from Farmers Insurance

Before COVID-19, the Farmers claims department was already developing and implementing a strategy to use technology for processing claims in the field. As the pandemic started to impact the US population, this was expedited in order to help ensure the safety of both employees and customers.

Samantha Santiago, Head of Claims Strategy & Automation, says that as with any business shift, a solid change management and communication plan helped to deliver faster, better business outcomes. "We communicated this technology-first strategy to customers and employees in numerous forms, including via a dedicated page on our website," she says.

According to Santiago, customers responded positively to having the flexibility to assess numerous types of physical damage virtually, including auto, home and commercial property damage, and to use self-service tools if necessary.

Looking ahead, virtual inspection capabilities are expected to evolve as insuretech start-ups look to disrupt or integrate with existing technologies. "If we pair that with advancements in AI and camera technology, then we will be able to provide adjusters with the information, helping them to make faster, more accurate decisions," she says.

So far, the solutions Farmers has implemented include: virtual home inspections; photo estimating of vehicle damage using a simple phone app; aerial imagery to assess, for example, roof damage; online training for employees using, in some cases, virtual reality; and IT-driven catastrophe response.

Looking to the future, as part of its ongoing claims transformation process, Farmers is investing in a claims management portal to answer common questions from customers about their claim's status. "This will provide customers with a self-serve option that provides up-to-date information about their claim and helps walk them through each phase," Santiago says.

WORDS OF ADVICE FOR ANY ORGANIZATION IMPLEMENTING CHANGE:

- Communicate early and often. By doing so, you will bring people with you on the journey.
- Be transparent and open to feedback. Diversity of thought around an idea or a solution almost always leads to better outcomes.
- Share the 'why' in an intentional way. This can go a long way to getting people on board and can propel people from awareness to ability on the change continuum.





Conclusion

A few years from now, when this crisis has passed under the bridge, the carriers that survive and thrive will look back on 2020 as a defining moment for the industry. In the midst of this transformation, it is vital for leaders to focus their minds more than ever before.

Achieving long-term profitability will remain top of mind as leaders seek to balance rising customer expectations

with business efficiency. Technological innovation will continue to light the way, and there will be investment for the companies that build believable business cases. A compelling storyline will, however, be important. As Gallup states 'Anthropologists will teach you that civilizations pass down their values and rituals through storytelling. This is the same for your organization.'

These are uncertain and uniquely challenging times, but the insurance industry is well capitalized and resilient. As with other times in its history, it will emerge stronger and wiser but most certainly changed.