Claims innovation: beyond technology

Claims club

22 May 2014
Hong Kong
The agenda of claims departments is rapidly changing:

- Intensely competitive industry
- Regulatory tsunamis
- Sluggish economic growth in Asia
- Thin margins
- Low interest rates
- Capital markets volatility
- Talent scarcity
“When the winds of change are blowing some people are building shelters, and others are building wind mills”

Chinese proverb
Agenda

1. Predictive modeling
2. Social analytics
3. Usage-based insurance

+ 40 info-bits
Agenda

1. Predictive modeling
2. Social analytics
3. Usage-based insurance
Predictive modeling: the ability to predict future events or behaviors in a statistically-sound way

8 applications
- Acquisition
- Growth
- Retention
- Satisfaction
- Loyalty
- Efficiency
- Capacity
- Fraud

4 steps
1. assemble data
   - internal
   - external
   - social
2. build model
   - regression
   - classification
   - machine learning
3. visualize results
   - reporting
   - slice-n-dice
   - dashboards
4. integrate workflow
   - operating models
   - process library
   - performance metrics

employee
pricing
customer
business
agent / partner

Claims innovation: beyond technology
Predictive modeling and claims

**Reduce losses**

- Fraud Propensity
  - identify fraud at every step in the claim settlement process *real time*

**Recovery/Subrogation**

- score claims based on recovery indicators / predictors and by tapping into unstructured data (descriptions)

**Improve customer experience**

- Claims triage
  - fast-track claims settlement

**Improve efficiency**

- Assignment
  - optimize *skills-based* assignment
Agenda

1. Predictive modeling
2. Social analytics
3. Usage-based insurance
Significant digital innovation over the last 20 years - the speed of change is now getting faster

- MOSAIC - First Web Browser Released
- Netscape goes public
- First Nokia phone with Internet Access
- Business.com sold for £80k
- SFDC founded
- Dot Com bubble bursts as NASDAQ peaks at 5,048.62
- Napster taken off-line by federal judge
- App-Store Launched
- Facebook YouTube Founded launched Twitter launched iPhone launched iPad launched
- Facebook passed 1bn users

Worldwide Internet penetration


- 55,970 Average number of mentions for a Fortune 100 company per month on Twitter
- 72 Hours of video uploaded to YouTube every minute*
- 6,101 Number of people talking about each corporate Facebook page
Digital disruption has empowered consumers

- **217**
  - New users connect to the mobile web every minute
  - Source: Ultralinx

- **50bn**
  - Internet connected “things” by 2020
  - Source: Ericsson Vision 2020

- **16**
  - Days for Google Plus to reach 10m users
  - Source: Google

Consumers have access to unprecedented levels of information

- **178**
  - Average number of social media accounts for a company with over 1000 employees
  - Source: Altimeter Research

- **30%**
  - Of IT spend happens outside Corporate IT
  - Source: Diamond Management & Technology Consultants

- **20%**
  - Of Dell’s new product’s developed created directly from customer suggestions

- **600k**
  - Mums provide feedback on products on P&G’s Vocalpoint

Everything is transparent

Trust has shifted from companies to peers
Social analytics and claims

Improve customer experience

Listen to sentiments

► proactively understand customer pain points around brand, service, claims
► measure effect of improvement programs

Understand buzz

► what is our brand’s share of voice compared to competitors?
► who are the key influencers generating the buzz?
► what topics they are discussing?

Reduce losses

Reduced fraud

► spot fraudulent claims by synthesizing seemingly unrelated unstructured data
► support litigation
Agenda

1. Predictive modeling
2. Social analytics
3. Usage-based insurance
# Usage-based insurance (UBI)

- **Penetration of global integrated telematics for new cars**: 88%
- **104 million** new cars to have some form of connectivity
- **16 million** new cars to have embedded telematics in the US

<table>
<thead>
<tr>
<th>Feature</th>
<th>1990</th>
<th>2000</th>
<th>NOW</th>
<th>2015+</th>
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<tbody>
<tr>
<td>Hands-free calling and screen-based navigation</td>
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<td>Portable navigation and satellite radio</td>
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<td>Connectivity with the vehicle</td>
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<td>Seamless integration of mobility and the web</td>
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UBI / telematics: how it works?

**Traditional**

- Annual or semi-annual policy
- Premium based on rating factors (age, gender, etc.)
- Actual usage of the car is not known
- Limited customer contact
- Commodity product

**UBI**

- Pay-As-You-Drive
- Pay-How-You-Drive
- Know the car
- Real-time customer
- Customised product

**Connected Car**

- Location
- Motion
- Speed
- VIN number
- Acceleration
- Force of impact
- Weather
- Traffic conditions
- Road conditions

Real-time data transmission

UBI / telematics and claims

**Improve customer experience**

**Accident Assistance**
- **Instant** crash notification to EMT; response to a location
- Check records and contact family/customer

**Breakdown Assistance**
- **Instantly** notify the location of the vehicle
- Direct the nearest recovery team to the vehicle

**Anti-Theft**
- Theft alarm is activated; customer is notified
- Vehicle-recovery info provided to the police

**Reduce losses**

**Timely FNOL**
- Nature, type and extent of the damage
- Early indication of bodily injury

**Reduced fraud**
- Avoid delay and increase accuracy of case estimation
- Reduce fraudulent claims
Claims innovation: beyond technology

40 info-bits

18 reasons to innovate

10 facts

5 ways to reduce claims loss

6 ways to improve claims customer experience

1 way to improve claims efficiency
So, you can either embrace the innovation ...
... or become **irrelevant**!
Alex Korogodsky

Alex is an Executive Director with over 20 years of leadership experience in mature and emerging markets as a consulting leader and an insurance operations executive. In his current role he leads the Hong-Kong based Insurance Predictive Modeling & Advanced Analytics (pma²) Innovation Center and focuses on predictive modeling and advanced analytics and use of "big data" for agency, churn, CLTV, treatment, underwriting, anti-fraud applications, and advanced business intelligence and visualization.

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