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The Next Normal

The future of insurance: Faster, easier claims



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For many people, filing insurance claims means tedious paperwork and stressful phone calls. It doesn't have to be that way—and, soon, it won't. *The Next Normal* looks at how telematics and artificial intelligence will enable faster, easier claims.

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The future of insurance claims

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The coming evolution of claims

Deniz Cultu: What happens now is, if you have an auto claim, for example, you typically have to go through and answer questions for ten to 15 minutes, explaining everything that happened. Think of the technology that's now becoming available in cars. It's going to really accelerate over the next decade. That's going to allow the insurance company to get at most of that information automatically. They're not going to have to ask about the damage, because sensors in the vehicle will already tell them what's damaged or what's not. So instead of having to ask you 40 questions to understand what happened, they're going to ask you simple questions like, "Are you OK? Do you need help?"

Alex Singla: I think there will be automatic payments. So before you even file a claim, the insurer will have a perspective of what the incident was, what the damages were. And you're going to be getting a check—or not even a check, a direct deposit—immediately as the incident occurs. The customer very often won't have to talk to anybody. It will be much, much more self-service oriented.

Michael Müssig: We also will have a lot of new digital channels, which will have a much leaner, much faster process for the consumer. He or she will have a lot of more transparency. He or she will always know, "What's the status of my claim?" He or she can always contact the insurer whenever he or she wants, in whichever kind of way and channel he or she wants.

Another important part is prevention. I think that will be a major focus in the next five to ten years for insurance because, obviously, the best claim is the one that doesn't happen at all. So that will be a big focus, and that will change. We will have sensors that will basically notify the consumer before the water leakage happens.

The changing role of the claims manager

Elixabete Larrea Tamayo: I believe one of the more fundamental changes in the claims organization will actually be the role of the claims manager. There are three stages, in my view, in that role evolution. The first one is what I call the "firefighter," the second stage is the coach, and the third stage is the integrator. I believe that many organizations are in that journey. But those that will be really successful to deliver on the aspiration for the 2030 mission will be the ones

that are able to do that transition from the firefighter to the integrator in the next five years or so. To be able to provide a better customer experience, a human touch, they'll be able to integrate technology in their not day-to-day but almost minute-to-minute interactions. And that is not an easy thing to develop, so I do believe there is a challenge that might feel a bit counterintuitive: that in a more technological era, the human element will become even more important.

Michael Müssig: I think the next critical step is that insurers start thinking about their HR strategy and people strategy, and that's not just the business of HR. If it's important for my business, I, as a CCO [chief claims officer], need to have a view on that. HR is my business partner to help me get there, but I basically need to weigh in and have a clear strategy on what people I need. And that's a combination of recruiting and building up the capabilities internally.

Deniz Cultu: For a lot of the newer generation of employees, working someplace where they can help others—where there's a purpose to what they're doing—is really important. Insurance careers can offer that. You're helping people in their greatest time of need.

Advice for insurers

Deniz Cultu: As you think about, "What does this look like ten years from now?" we think that the ecosystem that you have to work with is going to grow significantly. You're going to need data providers. You're going to need connections to vehicles or to smartphones to get information there. You're going to need connections to employee systems to understand how employees are working or how they may be getting injured on the job. How do you get the right interaction points and the right partnerships to share the right information? Those are going to be new skills—new capabilities—that really will push organizations to be much more externally oriented.

Michael Müssig: Invest in your people. That would be my key advice. Because there's a lot of technology, there's a lot of partnerships, and those might change—but I think people make the difference. And if you have the right people, I think that's the key ingredient for success.

Alex Singla: I would start with the notion of, "How would I simplify it by 75 percent of the cycle time? How would I reduce 60 percent of the cost base?" People don't talk and think like that. They fixate around 5 percent or 10 percent increments versus putting an audacious goal out there that fundamentally requires a completely different way of thinking about the problem.

Elixabete Larrea Tamayo: Don't let the different technology providers, et cetera, dictate where you need to go. Proactively be the one that's shaping the industry.

Deniz Cultu is a partner in McKinsey's Minneapolis office, **Elixabete Larrea Tamayo** is a partner in the Boston office, **Michael Müssig** is a partner in the Munich office, and **Alex Singla** is a senior partner in the Chicago office.

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The power and potential of AI in insurance claims

Githesh Ramamurthy, chairman and CEO of CCC Information Services, shares his views on the future of claims.



CCC Information Services provides technology solutions and services for the automotive, insurance, and collision-repair industries. It helps insurers, for instance, improve and simplify claim processes through telematics and artificial intelligence (AI). Githesh Ramamurthy joined CCC in 1992 as its chief technology officer, becoming its president just five years later. He has been CCC's chairman and CEO since 2000.

In the future, will people need to file any claims at all?

[A question I get asked all the time is,] What happens in a world where there are no accidents or there are no claims? In terms of the increase in vehicle miles traveled and density of vehicles on the road, we've not seen any significant change [in the number of claims].

But we live in a mixed, multimodal world where some cars have different levels of autonomy. So in that world, we think frequency of claims may start to come down. But the cost of repair, we think, will continue to increase. That has to do with the complexity of the vehicle and the amount of electronics in the vehicle.

The evolving role of the claim agent

None of us can predict exactly what 2030 is going to look like, but we know what we can do to prepare. That means being on a purely digital platform, a platform that is mobile first, a platform that has deep connectivity to real-time data from the cars. We think the quality of the data will continue to get dramatically better.

When the claim starts to take place, we believe a massive amount of this will be aided by AI. Where the human is going to be involved is where they're providing emotional support to the customers in a highly traumatic situation. If we can free up talent to be able to deal with those high-impact areas—meaning the agent, the insurance adjuster, all the people that deal with the consumer—we could provide a very high-touch experience, so that we free them up from all the mundane paperwork and all of these activities. That is really what we're building toward.

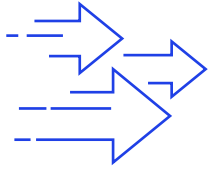
How CCC is future-proofing

When you look at our company, what are we doing to future-proof ourselves and actually to be able to lead our customers? Well, 20 years ago, we built our web platform. Ten years ago, we built our mobile platform. Five years ago, we invested very heavily in AI.

We have dozens of PhDs in AI, machine learning, physics—all kinds of disciplines. But AI by itself is worthless unless you can surgically improve the way an adjuster or a claim manager or a car company can deal with their customers. We have 75 different AI models running today. We have another 250 different models in the pipeline, and we're building them faster and faster to solve very specific problems but in the context of an overall solution.

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