P&C Insurance: Delivering the Promise

Claims and location intelligence.

A WHITEPAPER BY CANADIAN UNDERWRITER

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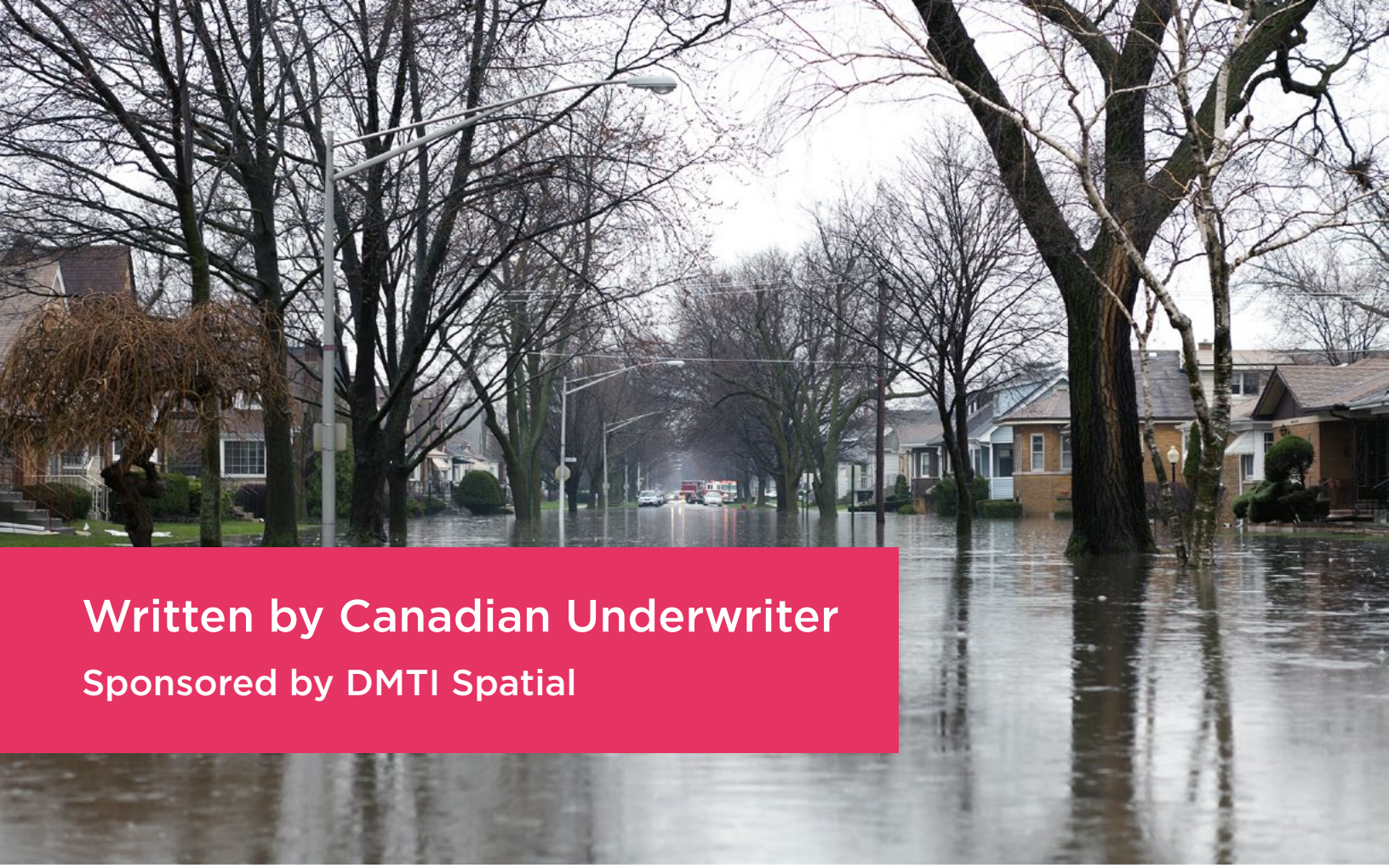

Written by Canadian Underwriter

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EXECUTIVE SUMMARY

This white paper explores how location intelligence can be used across the claims management enterprise of an insurance company. Ultimately, the claims component of the property and casualty insurance industry is about delivering the promise of coverage and protection to customers in a time of need. Location intelligence represents a vital lever to making that promise happen.

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How quickly and effectively a carrier responds to a time of crisis can mean the difference between a loyal client advocate or a dissatisfied customer quick to share a negative experience with friends and family.

INTRODUCTION

An insurance claim, as many property and casualty insurance industry observers have noted, is the "moment of truth" in the relationship between insurer and customer. How quickly and effectively a carrier responds to a time of crisis, loss or inconvenience can mean the difference between a loyal client advocate or a dissatisfied customer quick to share a negative experience with friends and family.

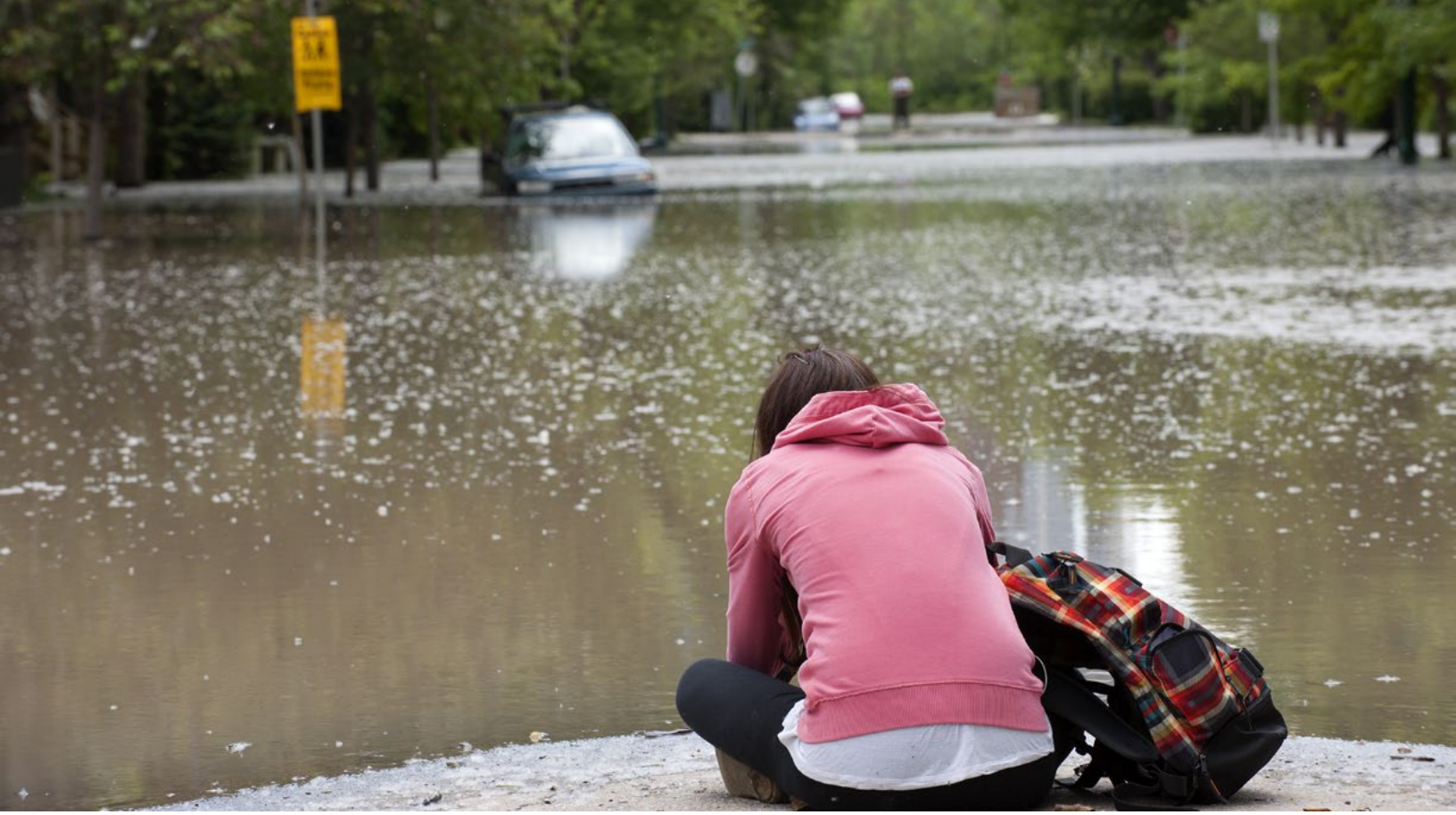
The focus of claims management must be on delivering an outstanding level of customer service – but there is much more to this picture. Claims payouts and loss adjustment expenses also represent the single largest expenditure for insurance companies. Carriers have to manage resources and processes to find the right balance between service and efficiency. That is the crux of the issue for insurers – achieve optimal levels of service while protecting loss ratios and effectively managing all loss adjustment expenses.

Many insurers have invested in key elements of "claims transformation," including revamping or replacing legacy systems, utilizing data analytics, automating claims triage (such as routing adjuster field assignments) and streamlining supplier relationships. However, location intelligence is emerging as a critical claims management solution to enhance efficiency and provide superior customer service.

If location intelligence is defined as the use of structured and unstructured mapping data to provide a highly visualized and intuitive insight into property and surrounding features, it's easy to pinpoint the advantages of modern geospatial solutions in the claims management process.

Geospatial tools allow for a much more rapid estimation of losses in any given event, quicker response times, more effective deployment of field adjusters and improved customer contact and outreach.

Insurers increasingly see the value of location intelligence as an effective means of managing complex losses, especially catastrophic events, but also as a source of insight into more routine, day-to-day claims. Geospatial tools allow for a much more rapid estimation of losses in any given event, quicker response times, more effective deployment of field adjusters and improved customer contact and outreach. Location intelligence also provides a critical opportunity to analyze or model historical claims events and link these to predictive scenarios for underwriting and actuarial usage.



LOSS EVENT ANALYSIS

There is no question that catastrophic loss events are one of the biggest challenges facing property and casualty insurers. According to Insurance Bureau of Canada, in 2014, catastrophic losses plus loss adjustment expenses accounted for approximately $925 million, making this the sixth year in a row that insured losses were close to or more than $1 billion.

These claims follow the record-breaking catastrophic losses of 2013, when insurers paid out more than $3.4 billion, including $1.8 billion in the costliest insured disaster in Canadian history: the floods in Alberta. Whether the disaster at hand is flood, wildfire, earthquake hail or windstorm, it's clear that catastrophic management is a top priority for all insurance carriers.

For assessment of likely claims, location intelligence systems can provide a strong business advantage. Insurers can plot the area of impact and the system is able to sum up all current exposure in that area. This assessment of the aggregate risk can also include items not typically post coded such as bridges or infrastructure.

Location intelligence allows an insurance company to visualize and analyze catastrophic situations, both real and as part of "what if" scenarios. This technology can view data from multiple data sources in a single, integrated view, with the added dimension of location and also assists in identifying critical areas and determining options, using intuitive maps that show

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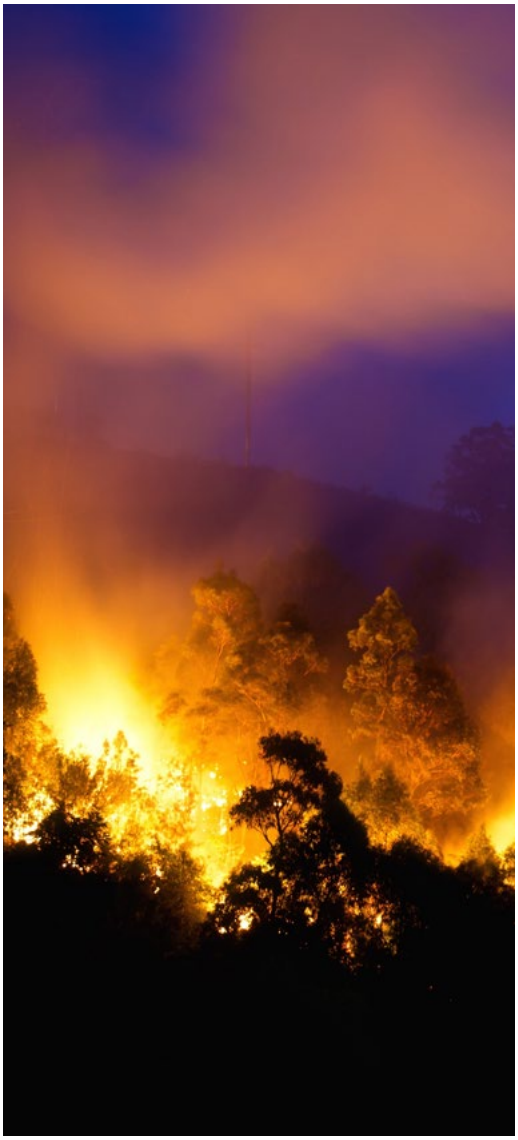

Insurers need a solution that provides timely and advanced insight into the duration, size, impact and number of addresses affected by Canadian events, both natural and man-made. This allows carriers to easily share exposure information across their organization. Moreover, insurance carriers require national insights in real-time. This provides them with the ability to take advantage of property level event information and other perils that may impact their book of business.

A carrier should be able to overlay this data on to the location intelligence platform's map-based dashboard with the locations of its insured properties to dynamically determine the probable maximum loss (PML) associated with the event. With this type of information, carriers can analyze geographies likely to be affected on a virtually real-time basis to take pre-emptive action.

"The timeliness of claim processing is always an important differentiator among P&C companies, but especially so when major disasters such as hurricanes occur," notes research firm Cognizant in its study – Location Intelligence: The Next Big Wave. "However, the magnitude of the challenge for a timely response can be formidable in an emergency."

In events such as wildfires, floods or earthquakes, typically there will be an evacuation alert/evacuation order or in more dire scenarios, a State of Emergency. Faced with such a situation, insurance companies need to quickly answer questions such as:

- How can we properly define event boundaries?
- What's the risk of client/property in a specific region, and how many customers would be affected?
- How can we mobilize resources to handle claims from this event?

The ability to align internal stakeholders and respond quickly as a business unit is imperative.

In short, economic and property damage can be minimized by improved rapid response to large-scale disasters like floods, earthquakes or windstorms. Weather-related data regarding severe storms can be integrated into other insurance systems to predict the number of customers impacted, as well as the exposure to a book of business.

MOBILITY AND MEASUREMENT

A key area of claims management is the mobilization and assignment of adjusters for claims handling following a major event. Knowing the best way to allocate field personnel for claims management is critical during a disaster.

Location intelligence and geo-tracking technology can play an instrumental role in claims handling practices. Geospatial data can help insurance companies become more proactive in claims management. For example, an insurance company can use a geospatially enhanced map to determine where a large percentage of its claims are coming from after an event, and then send adjusters and other personnel to those areas first.

Through the use of such technology, the strategic and efficient deployment of catastrophic response teams can be enhanced. Claims departments, for example, can accurately forecast the number of adjusters and inspectors necessary to handle the incident and optimize their routes using location intelligence. This feature will be of particular importance during the occurrence of catastrophic events, assisting in the deployment of the best suited and closest situated adjusters in a fast and efficient manner.

Location intelligence technology can be used by carriers to optimize routing and workloads for claims adjusters through wireless applications. Call centers can queue First Notice of Loss (FNOLs) within their system, assigning them to the appropriate claims adjustors based on the proximity of the claims locations. If new, more urgent FNOLs arise, the schedule can be re-prioritized, with new routes and assignments provided to adjusters in real- time while they are in the field.

Other location-based tools, such as drone technology or microsatellites, can also aid in pinpointing geographic property locations and gaining early estimates of damage. Unmanned aerial devices serve as the eyes of an adjuster, enabling them to remotely access and capture images and photographs of a loss site that may be difficult or unsafe to enter. The bird's-eye view captures vital footage, enabling a claims professional to properly survey and assess the extent of damage.

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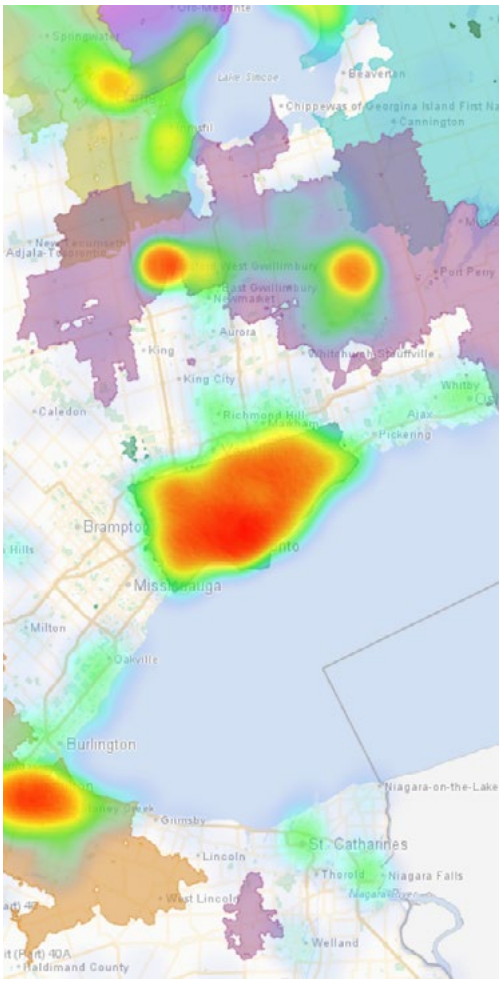
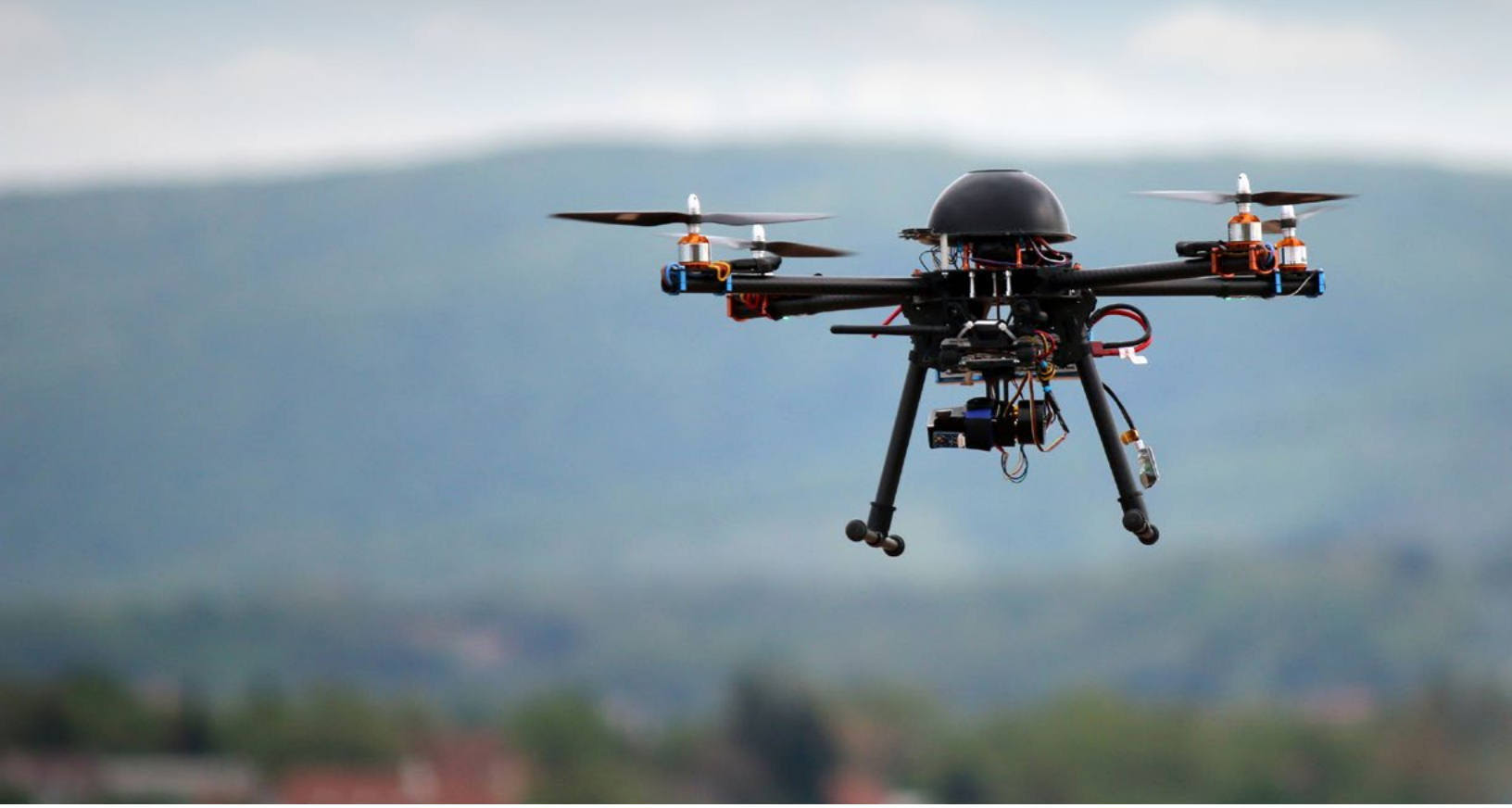




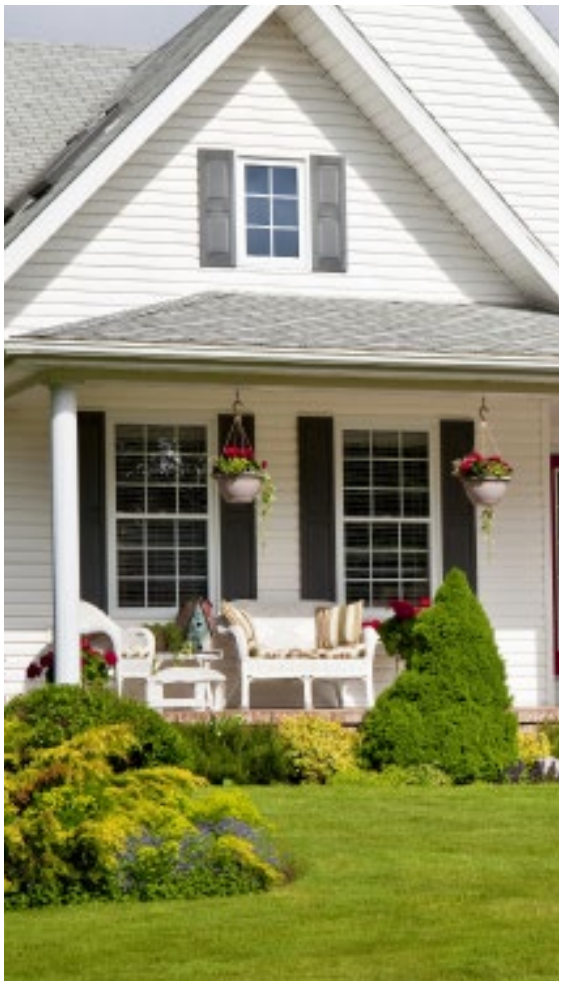
Similarly, microsatellites create a network of devices that can conduct highly targeted imaging, giving a very precise location of where a claim is and the extent of damage. Insurance companies, for example, could use the satellites' "before" and "after" views to monitor insured property and validate claims after a disaster. Many insurance carriers and independent adjusting firms have already begun to pilot test the use of drones and microsatellites for claims handling.

Location intelligence is not just crucial in large-scale events; it's also a key element of ordinary, day-to-day claims handling and loss control. It can aid carriers in analyzing the thousands of claims they receive on a daily basis and more quickly respond to the needs of its policyholders.

In the past, adjuster assignments were scheduled based on the order a call is received instead of the more efficient manner of proximity to the location of the adjuster's last visit. This lag in action can add time to the process, which often drives higher costs and can increase customer dissatisfaction. By optimizing routes for building inspections and on-site premium audits, location intelligence reduces operational costs. In addition, the ability to provide faster service greatly improves customer satisfaction, which in turn minimizes additional costs, such as litigation.

To complete an on-site inspection and assessment of the damage, field adjusters need directions to the loss site, accurate location information and the tools and forms needed to capture information about the loss details. Location intelligence adds efficiency to the process by giving field adjusters with mobile devices access to the same location analytics and information that are available to personnel in the office. This is a crucial efficiency boost for tasks such as validating insured location, optimizing a field adjuster's workload using customer proximity, identifying and accessing information such as dimensions and measurements improve efficiency and effectiveness.

Carriers can contact their customers who are in the path of a flood or hurricane and tell them what steps they can take to protect their house. In this fashion, the customer can help limit the damage and the insurer can minimize the loss and the payout.



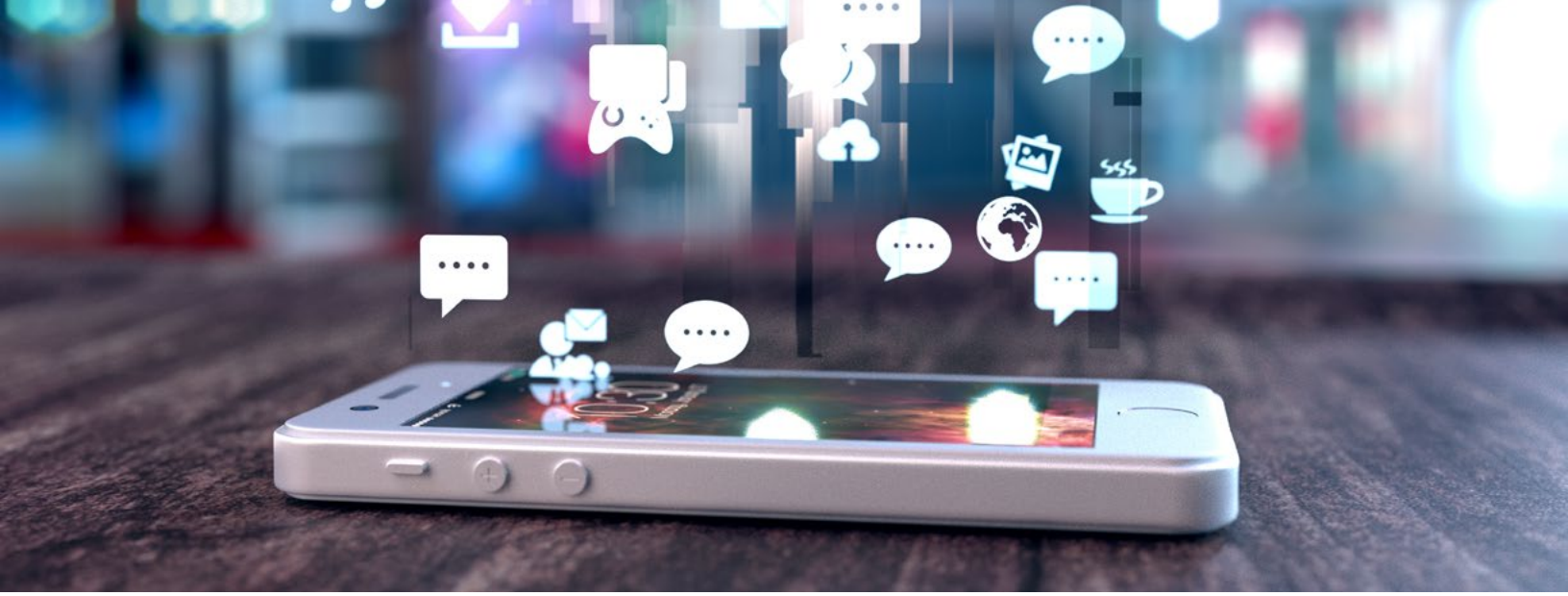
Additionally, making maps available to managers and adjusters via mobile devices gives them what they need to track key claims performance indicators, such as duration of site visit, reserves and cycle times. Location intelligence web services can be deployed to a carrier's internal claims department, independent adjusters, broker network, or directly to customers via the Internet, to increase efficiency and customer satisfaction. For example, web-based customer self-service applications provide policyholders with a convenient way to locate the nearest authorized auto body repair shop, supplying detailed step-by-step driving directions and maps.

Location intelligence gives claims managers a real-world view of conditions, workload, field adjuster effectiveness and performance. Organizationally, these kinds of geographical analytics can help discover how the claims operation is effectively meeting its obligations to resolve claims in a timely fashion. An organization's leadership team has access to claims status information by geography and in real time for greater agility and active response to customer service.

PROACTIVE CUSTOMER CONTACT[5]

As more geospatial data becomes available, insurers are moving away from a reactive role of merely assessing damages and paying out claims, and toward a more proactive role of helping their customers understand the natural perils and even help prevent damages from occurring in the first place.

Carriers can contact their customers who are in the path of a flood or hurricane, for example, and tell them what steps they can take to protect their house. In this fashion, the customer can help limit the damage (such as broken windows or leaky basements), and the insurer can minimize the loss and the payout. Carriers can tap into weather feed information about severe storms coming through an area to determine the insurer's exposures and how many policies can be affected by such a storm.



With the ubiquity of social media, insurance organizations are tapping into Tweets and other social media posts to plan and execute their response to events. As the relationship between maps and social media matures, insurers have found that the information and insight gained serve as vehicles to verify and validate assumptions about safety warnings, preemptive messages and actual handling of loss events.

Mapping posts from Twitter, YouTube and Facebook feeds provides options for insurance agents to connect with their insurers on claims or coverage needs. These mediums provide a means for customers to track damage and share the progress of repairs and also provide information about their health and safety.

As events are reported, social media can also provide a mechanism for two-way communication, which was not possible because other means of communication were down. In this fashion, using maps and social media gives customers access to tools that help them help themselves more effectively than they have ever been able to in the past.

In another proactive context, claims departments can also conduct pattern analyses for fraud detection and provide the carrier with insights needed to improve underwriting and rating. Location intelligence provides a powerful tool to spatially analyze and, if necessary, visualize claims data, making it possible to identify geographic trends or anomalies that would otherwise not be apparent.

Place is critical to the insurance claims process. Knowing “where” helps insurers better understand how to respond to customers. Carriers can make more timely decisions by understanding the location of a potentially imminent or existing claim, and knowledge of exposures and other data about location ensures that they have adequate resources available to service their customers at a time when they are needed most.

With the use of location technology, insurers can quickly test different worst-case scenarios to plan, prepare and price for possible outcomes. Whether on the desktop, intranet or Internet, users at all levels — from claims examiners to adjusters — have the ability to perform on-the-fly analysis and make more effective decisions. In this way, location intelligence solutions help insurers respond to claims – particularly catastrophic claims – more quickly and efficiently.

CONCLUSION

While location intelligence has been prevalent for years in underwriting and catastrophe modeling, it has not been fully realized in the context of claims. Yet the opportunities are equally applicable to the claims management functions of insurance companies.

The basis for location analytics is ensuring that carriers have the correct address right from the start with high-precision geographic coordination. This enriches an insurance company's ability to make a better location decision, whether in claims, underwriting, risk assessment or actuarial.

Processing a claim is one of the most important transactional events between the insurer and the customer – how well the insurer settles the claim is key to loyalty, retention and brand image. Using location intelligence analytics to guide claims management can help strike the right balance between enabling superior customer experience, cost containment and minimizing the risk of claims leakage.

Moreover, a modern approach to claims management through geo-spatial analytics creates a virtuous circle of supporting information throughout the policy lifecycle. Understanding policy, claims and service coverage is an essential step in improving claims management procedures.

With location intelligence, insurers can gain insight into the overall performance of the claims process and drill down to determine the underlying root causes of issues. This insight then feeds back into the underwriting, risk and actuarial process to help fine tune models and improve bottom-line results. Claim results help inform the underwriters when coverages need to be reviewed, deductibles increased or even new products developed.

The adoption of location intelligence solutions is rapidly increasing as insurers realize the importance of location to an insurance company's profitability. Location-based technology injects visual intelligence into an insurance carrier's planning and decision-making process. This, in turn, results in benefits not only to an organization's bottom-line, but also to the service provided to its policyholders.

By combining location intelligence and other analytics technologies, insurers gain a powerful resource for determining how to treat an individual claim at every stage of the claims lifecycle. The optimization of claims management through location intelligence can increase customer satisfaction, control claims-related costs and improve the utilization of claims resources for a competitive advantage.

To learn more about how DMTI Spatial can help your business, please contact us at info@dmtispatial.com.

ABOUT DMTI SPATIAL

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We help businesses grow through actionable insights uncovered by leveraging location to bring together and analyze a growing world of data. We make breakthrough products that change the way people use location. Learn more at www.dmtispatial.com

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