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MOMENT OF TRUTH: INJECT CHANGE INTO LIFE & HEALTH CLAIMS

In the multistakeholder world of Life & Health insurance, carriers are undergoing a fundamental shift away from transactions and towards relationships built on trust. Though long considered a cost centre, the business case for transforming the customer experience at the moment of loss is greater than ever.

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Swiss Re



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INTRODUCTION

Everything happening all at once is one way to describe the pressures claims leaders are under at Europe's Life & Health (L&H) insurance carriers.

Post-Covid claim volumes, ageing populations, talent constraints and expensive medical innovations are among the contributors to greater frequency of claims and rising costs.

This is reflected in the 2024 forecasts of British-American consulting firm AON, which projects a medical trend rate in Europe at 10.4% versus 2.5% for general inflation. The trend rate, which reflects medical inflation along with changes in treatment, usage and regulation, has risen from 9.1% in 2023 and nearly doubled since 2022.

In Europe, the extent to which carriers can pass higher costs on to customers is constrained by the competitive nature of its insurance markets and, in some cases, by societal pressure. With mounting challenges carriers are taking

stock and rethinking their business models. Impetus for the change coming from organisation's like the [United Nations](#) environmental programme (UNEP) which sees the insurer's role as two-fold: closing the protection gap and promoting preventative measures that improve health outcomes.

This represents a fundamental shift, not only in the way L&H carriers deliver products but in how they interact with their members. Historically transactional, carriers are looking to greater engagement and relationships built on trust. By leveraging emerging technologies, ethical use of data, and driving stronger stakeholder communication and collaboration across the ecosystem, carriers can see win-win relationships.

Until recently, technology investments have largely been directed towards underwriting and distribution, but the spotlight is now shifting to claims. The moment of loss is and always will be the moment of truth, and it's time for carriers to bring claims out of the cost centre.

SECTION 1: CUSTOMER EXPECTATIONS AND MAKING A DIFFERENCE



Claims is emerging as a “tangible differential,” says Roberto E. Hernandez Martinez, Chief Claims Officer (CCO), Zurich Spain (Zurich).

As claims’ chief of the multiline carrier in Spain, Hernandez is well aware of the challenges, both internal and external. Insurance executives want claims operations that improve the customer and broker experience. Employees demand technology that automates the mundane so they can engage more frequently with clients and brokers, and focus on more meaningful, complex tasks. Customers expect excellent experiences across all touchpoints, and claims paid as soon as possible.

Meanwhile, Europe’s regulators are baring teeth, demanding better outcomes and service for customers and society as a whole. This has been brought into sharp focus by the recently enforced CSRD, an EU directive requiring companies to track the impact of corporate activities on the environment and society. Air pollution is the largest [environmental health risk](#)

in Europe, and is also a leading cause of morbidity. Though Zurich Spain’s remit is wider than life and health, as a multiline carrier Hernandez Martinez is all too aware of the impact of claims on the environment. [Global consultancy McKinsey](#) say property & casualty (P&C) claims account for 85% of operational emissions.

Zurich Spain is responding to customers, whose needs have evolved and demanding it. For this reason, says Hernandez, “in Spain we are increasing our focus on offering claims services that better support our customers and communities to become more resilient to risk through loss prevention and care”.

One manifestation of this in Spain is the Henka programme, an initiative of the Z Zurich Foundation, a charitable organization funded by various members of Zurich Insurance Group, and the Spanish institution San Juan de Dios. Hernandez explains that Henka is a program aimed to improve emotional well-being of young people.

The inclusive and universal project is expected to impact more than half a million people in Spain in four years, targeting the entire educational community and putting their environment at the center. In addition, it promotes social awareness, making the emotional well-being of young people a priority in the educational and community environment through awareness-raising actions aimed at society.

Amid the myriad challenges facing carriers, many people are also facing cost-of-living crisis - 11% of EU consumers, says [EIOPA](#), the European Insurance & Occupational Pensions Authority, have been left feeling underinsured and unable to afford the coverage they need. In addition, 78% of National Competent Authorities in Europe (NCAs) reported evidence of higher premiums in 2023 as inflation soared. Though inflation dynamics may be heading “broadly in the right direction”, according to the [European Central Bank](#), “the outlook is surrounded by substantial risks”, not least the war in the Middle East.

“WHAT WE CANNOT DO ANYMORE IS TO ADJUST OR INCREASE PREMIUMS TO THE SAME LEVEL AS THE CURRENT INFLATIONARY ENVIRONMENT LEADS US TO, BECAUSE WE WON’T BE COMPETITIVE, AND OUR CUSTOMERS MAY NOT BE ABLE TO AFFORD IT”

ALBERTO GUTIÉRREZ ROJO, HEAD OF HEALTH & EB CLAIMS, AXA INTERNATIONAL & NEW MARKETS

Against this backdrop, says Alberto Gutiérrez Rojo, Head of Health & EB Claims at AXA International & New Markets, “What we cannot do anymore is to adjust or increase premiums to the same level as the current inflationary environment leads us to, because we won’t be competitive, and our customers may not be able to afford it”.

The reality remains, however, that rising costs across all lines of business top the list of challenges at Retail insurance industry Spain. To understand the shifts in claims frequency and where costs are arising, Hernandez is focused on three priorities: understanding the claims mix; differentiating

between underlying consumer price inflation (CPI) from other cost pressures such as social inflation; and knowing the portfolio mix.

It’s a tricky balance. On the one hand, both product and price must be “continuously adapted to what the market asks for but also to what it needs or will need in the near future”. But the most important, and arguably most challenging task for Hernandez, “is to place the customer at the center of the process”.

Unsurprisingly, the complex L&H ecosystem, with its multiple stakeholders – from the policyholder, to family members and beneficiaries, medical institutions, distribution channels and the carrier – presents some unique challenges. In the European context, one consideration for carriers is the [ageing population](#). Despite trends towards healthier behaviour, 36% of people aged 65 or more have over two chronic diseases. At AXA, which is committed to insuring healthcare customers traditionally underserved or excluded from the insurance market due to their medical condition, while finding ways to address chronic diseases, medical inflation is a major issue.

AXA is taking several steps to minimise the cost of claims. It has developed a methodology to reduce claims leakages caused by human error in the adjudication process, and has been doing so for five years. Using machine learning algorithms, both traditional and unsupervised, and classification models, Gutiérrez Rojo says AXA aims “to increase, or at least try to predict the cases with the highest probability of leading to claims leakages”. The first outcomes of the proof of concepts are positive, resulting in a prediction rate on claims leakages above 75%.

As a global reinsurer and technology innovator, Swiss Re has a unique perspective on addressing current market challenges. “When premium costs increase during difficult economic times, sales and persistency also struggle,” says Tim Quick, Senior Vice President - Head of Global L&H Claims Solutions. This has been the case in UK where in 2023, overall sales of individual contracts, including term assurance, critical illness and whole of life, fell to the lowest volumes seen since 2018, according to the [Association of British Insurers](#).

Amid these challenging times, protecting people’s lives and livelihoods has never been more important, and Quick believes this is possible “through efficiency gains, lower operating costs, better customer experiences, and improved risk management practices”.

CASE STUDY:

HOW ZURICH IS DRIVING WIN-WIN VALUE FOR LIFE AND HEALTH

Prevention and care are better than cure, and can drive more efficient claims management and healthier outcomes for members and the business. Stephanie Lloyd, Global CEO, LiveWell by Zurich, explains: "Fundamentally, if we can help policyholders prevent different health issues down the road from occurring, because they're investing in the right behaviours, that's going to be a win-win for all of us."

LiveWell by Zurich, a digital health and well-being platform launched in 2020, is transforming the low-touch transactional relationship typical of life insurance into one that is deeper and more meaningful. Recognizing human uniqueness, Lloyd says LiveWell by Zurich is harnessing behavioural science to understand what motivates customers. "We're trying to offer something that speaks to each person from inside the platform," she says.

Currently, this spans various dimensions of well-being and includes topics from the physical to mental, financial and social. Within the LiveWell app, there is inspiration as well as incentives - from lifestyle and activity trackers, meditations and educational content to competitions, financial rewards and more.

"Our core proposition is focused on lifestyle changes, encouraging behaviours and habits that users can adopt and perform consistently," she says.

The rationale, based on evidence, shows that healthier behaviours drive better health – a mere 1,000-step a day increase, for example, is associated with a 15% decrease risk of all-cause mortality.

"While it's too early to isolate the direct impact of this on our claims results, we can say confidently that we're having a positive impact on our users' lives," Lloyd says.

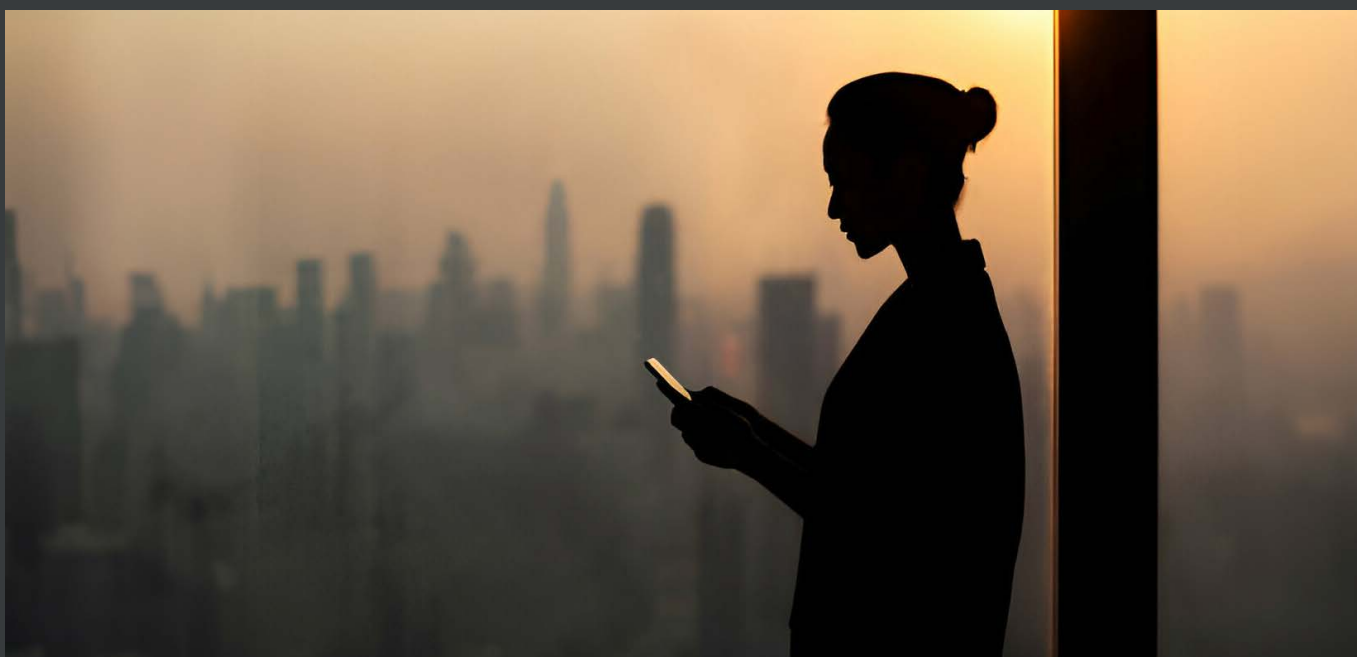
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STEPHANIE LLOYD, GLOBAL CEO, LIVEWELL BY ZURICH

Three ways that LiveWell by Zurich is stepping up:

- **Increased activity:** Between October 2023 and March 2024, 41% of LiveWell's user base were classified as either low activity or inactive. On average they were doing just under 3,000 daily steps. Over a 30 to 60-day period, however, those users increased their step count to 5,500.
- **Customer retention:** In Australia, where LiveWell has been operating longest, Zurich's data indicates that app users are more engaged and more likely to stay as customers over a 12-month period.
- **Engagement:** LiveWell users are engaging with the app around 15 times a month, which means sponsors are 15x more times more likely to get in front of users with the right information, at the right time, connecting them with the right services.

SWISS RE REINSURANCE SOLUTIONS OFFERS LEADING MENTAL HEALTH SUPPORT PLATFORM



Wysa is a comprehensive mental health support platform designed to offer immediate, anonymous assistance through AI-driven conversational care. The service is aimed at addressing everyday mental health needs, particularly for issues like anxiety, stress, and depression. Its AI chatbot provides an initial layer of support, allowing users to openly discuss negative thoughts and emotions without fear of stigma. This approach has proven effective, with 42% of users revealing their declining mental health to Wysa, a significant increase compared to traditional Employee Assistance Programs (EAPs).

The platform offers structured programs based on Cognitive Behavioral Therapy (CBT) and on-demand self-care through over 150 evidence-based exercises. These resources cater to various needs, including anxiety management, sleep improvement, handling difficult conversations, and boosting productivity. Wysa's clinical programs involve daily check-ins by the AI, supplemented by human coaching or therapy as needed. These programs are clinically validated to reduce

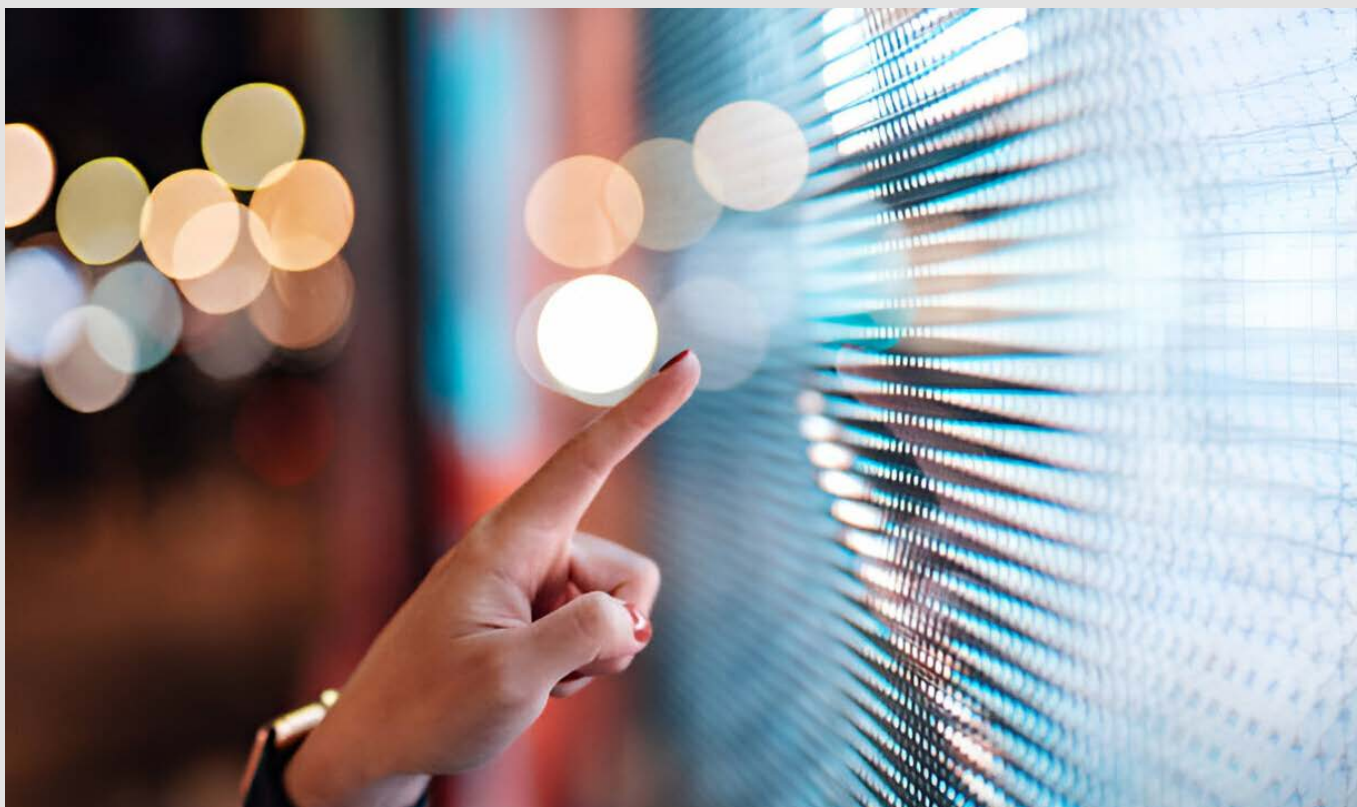
symptoms of depression and anxiety.

Wysa's AI also features an SOS function that directs users to local and national crisis helplines and helps create personal safety plans. While Wysa is not intended for severe crises, it facilitates early intervention and proactive prevention, aiming to handle 80% of support for sub-clinical symptoms. This allows professional human support to be more effectively allocated where needed.

The platform also addresses workplace mental health, revealing that many employees struggle with moderate to severe anxiety and depression but often choose to use an app like Wysa rather than talk to someone in their workplace. To combat this, Wysa promotes transparency and accessibility, offering mental health support that is easy to access and reduces the stigma around seeking help.

Overall, Wysa aims to transform mental health support by providing accessible, anonymous, and effective tools to help individuals manage their mental well-being.

SECTION 2: HUMAN AND MACHINE DELIVER BETTER OUTCOMES



In 2020, [Swiss Re's Global Life & Health Claims Team conducted a study with the UK's Warwick University](#). Beyond positive claim experiences and providing more information, the study showed that empathy, fairness and social influence had the largest and most consistent positive effect on net promoter score (NPS) and repeat purchase intention.

According to Swiss Re's Quick, the key to the modern claims experience lies in the ability to leverage technology to support human engagement. "You can take the tenets of science and apply empathetic and psychologically supportive experiences online, but that is still just doing a very good job of having an online experience. It does not replace the need for human interaction."

In a sometimes "too technical world", Zurich Spain's Hernandez believes that some claims still require a high-level of specialisation and human contact.

A 2022 Forrester report that measured customer experience at European insurers points clearly to the importance of human touch. In Germany, the only country where insurance customers rated the quality of their experience as good on average, carriers "stood out for the quality of their physical only experiences".

It seems Europe's insurers still have a way to go to prove that human and machine are the perfect match for delivering winning claims experiences. One of the problems is that many carriers remain lumbered with legacy systems that can challenge their ability to successfully adopt new technologies. Quick explains why: "Unstructured data, poor reporting capabilities, technology skill gaps, and the overall medical, financial, and occupational complexity of claims adjudication makes automation difficult."

Quality and granularity of data is particularly important in the multi-stakeholder healthcare world. Gutiérrez Rojo explains: “Often there is complexity, subjectivity, and the need for medical expertise, sometimes from more than one individual, around a decision”.

One complication is that while the International Classification of Diseases (ICD) is implemented globally, most countries have their own coding system for medical procedures. In Europe, steps are being taken to address this through the so-called [European Health Data Space](#), which would allow citizens to “easily control their electronic health data”, including across borders. It would also let researchers, innovators, and policymakers access data “in a trusted and secure way that preserves privacy”.

The EU has also been leader in generative AI and recently [launched an office](#) “to foster the development and use of trustworthy AI, and international cooperation”. Quick believes there will be an increase of models for automated decisioning and claims assessment guidance, though it’s still a case of wait-and-see for regulatory guidance. The risk of bias and unintended discrimination are challenges, and [a report from Brookings](#), recommends “health information exchanges (HIEs) to break up data monopolies”.

As technology innovations emerge at record speeds, the quest continues to automate claims where possible and equip claims handlers with sufficient supporting detail when expert assistance is needed. In claims, Gutiérrez Rojo says, machine learning techniques could advance straight-through processing and claims automation, which is exactly what we want to leverage at AXA. Promising proofs of concept are underway to explore the possibilities for:

- Optical character recognition (OCR) tools that capture and extract relevant data from medical reports
- Artificial intelligence (AI) to infer clinical coding and standardize medical information for input into a data lake

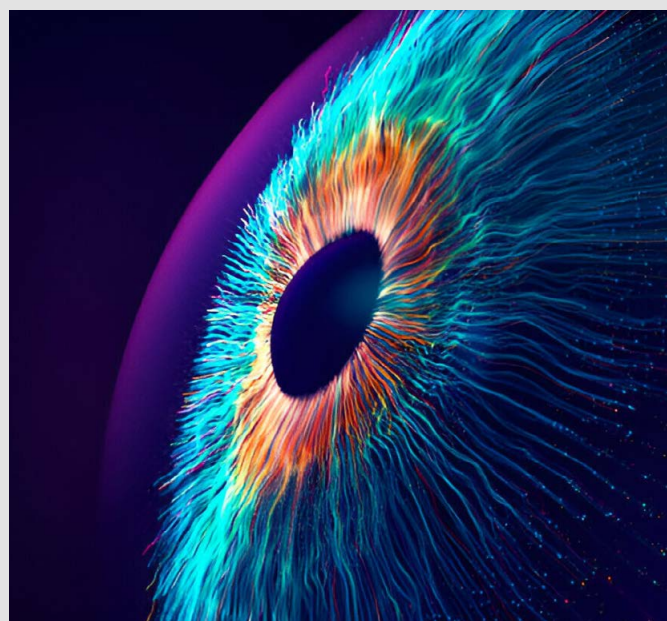
Along with investment in data and analytics, Zurich Spain is providing specialist training to front-line employees. Hello Empathy! - a programme launched last year to provide tools and processes to our teams to manage the most difficult moments of the insureds with empathy and care, says Hernandez Martinez, “addressing customer communication and tone of voice, and up-skilling our front-line handlers to treat customers with empathy”.

“UNSTRUCTURED DATA, POOR REPORTING CAPABILITIES, TECHNOLOGY SKILL GAPS, AND THE OVERALL MEDICAL, FINANCIAL, AND OCCUPATIONAL COMPLEXITY OF CLAIMS ADJUDICATION MAKES AUTOMATION DIFFICULT”

TIM QUICK, SENIOR VICE PRESIDENT - HEAD OF GLOBAL LIFE AND HEALTH CLAIMS SOLUTIONS, SWISS RE

Zurich [Spain](#) also offers WhatsApp to facilitate the opening of home and motor claims, as well as to follow the resolution of the claim online or to schedule an appointment at the workshop for repairs in just a few clicks. It has cut claims handling times from 25 days to less than 24 hours and boosted customer satisfaction by 89%. It adds a visual dimension and delivers many benefits from building trust to reducing handling time, and more.

Skilling up for changing times is an ongoing priority. As experienced assessors retire, Quick says the [“sweet spot” lies in solutions](#) that embed systems with rules and risk-based knowledge and provide validation guidance” to support the next-generation of examiner, even if they don’t have the necessary experience.



SWISS RE INSIGHTS: SEVEN WAYS TO CHANGE THE CLAIMS GAME

Before addressing the challenges, claims leaders must identify the business case for change. Once funds are committed, the next set of challenges involves vendor assessment, project execution, and change management. Bringing deep industry knowledge and technological expertise, Swiss Re's advice includes to:

1. Adopt a holistic view of the claimant experience. Using claim experts trained in human-centered design not only maps current-state claimant journeys, but also the journeys of assessors and support services who take the claim from notice to decision.
2. Bring the claims intake experience online using a reflexive questioning approach. Make communication omni-channel and engage stakeholders proactively and automatically at every touchpoint.
3. Keep it simple, supportive and practical for all involved. Tasks should be digitized so there is little ambiguity or value in human interaction e.g. Follow-up noticing.
4. Identify experiential pain points, including areas of inefficiency, redundancy, and error. A modular approach can help carriers to select best-in-class solutions that better fit the needs and expectations of their assessors and claimants.
5. Support human engagement but be empathetic, regardless of the touchpoint, whether all human or digital.
6. Leverage the strengths of automated underwriting's rule-based decisioning and risk classification capabilities, while harnessing behavioral psychology to gently nudge and support a claimant throughout the assessment process.
7. Fine-tune every step of the future-state to arrive at bespoke claimant experience that achieves a supportive and trusting experience befitting the gravity of the moment.



SECTION 3: BEYOND CLAIMS TO DIFFERENTIATION AND DISTRIBUTION

Today business-as-usual will not deliver the competitive edge. One warning is the foray of BigTech into healthcare. Its entrance into the EU insurance sector “remains limited so far” but there is “potential for a quick scale-up”, EIOPA says.

AXA is exploring ways to work with the likes of Amazon, Google and Microsoft because, “We have to be realistic,” says Gutiérrez Rojo.

For AXA, the future of health insurance will be flexible and tailor-made. AXA is working on a core system that would allow members to pick and choose from a range of benefits - from prevention and wellness products to mental health support and specialist treatments. As data becomes more granular and predictive, the deliverables could include:

- Differentiated quality of care: Outlier analysis, which plays a crucial role in data validity and reliability, could facilitate peer comparisons between different medical institutions. Metrics, such as average length of a stay for inpatient treatment or readmission rates, could help to drill down to whether the patient received the wrong treatment or if it was a more complex case.
- Disease management programmes: These could deliver 360-degree care and could prevent a condition worsening.
- Individualization: Complex cases, in particular, require a single point of contact with knowledge that inspires confidence. But the ideal would be for each member to be allocated a “medical concierge” who gathers information from health institutions, doctors, even family members and joins the patient for the whole journey. The information would be consolidated in a customer relationship management (CRM) programme for speedy access to relevant data.

It is in the moment of truth that informed, empathetic and meaningful provision of L&H insurance really matters. If successful, it can also be the moment to educate a claimant about other relevant products. But Quick warns: “The ability to upsell and cross-sell successfully from the point of claims ultimately comes down to how well you understand the claimant.”

Providing appropriate pathways is key. People looking for bereavement services, for example, may need very different help. For one it may be funeral expenses from a life insurance payout, another may benefit from an interest-bearing account for a period of time.

Technology makes it possible to opt-in to curated wraparound services, and there are a lot of good reasons, both human and financial, to do so - it creates stickiness and improves lapse rates. Though the industry is not there yet, Quick says: “The next evolution is connecting claims to distribution and it will be game changing for carriers that do it well”.

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CONCLUSION



The potential for L&H carriers to build stronger relationships with customers is a significant opportunity. Many L&H carriers are, however, still in the throes of legacy transformation and are facing some hefty challenges, as this white paper has outlined.

Before taking on Google or Apple, however, they must first grapple with their inability to leverage the necessary reporting that could make business case for change. Managing continuous change effectively at a time of significant disruption needs a clear plan. In short, there should never be a technology investment for investment's sake.

But investing in claims management is now firmly on the agenda and for good reason. A well-run claims operation can save a company from paying claims they shouldn't, while providing exceptional brand experiences by supporting claimants empathetically and sympathetically. Get it right and the customers of today will become the policyholders of tomorrow.

Some may fear the next industrial revolution and what technology may disrupt but, as Swiss Re's Quick says, "what is likely more dangerous is a lack of investment and technology adoption".