



Navigating the Future of Insurance Claims Transformation

Customer-first. Digitally focused.
Collaborative. Forward-thinking.

Connected Claims USA 2023 | Post-Event Report

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Illuminating Insights from Connected Claims USA 2023

In a dynamic and pressured environment, claims professionals are juggling multiple balls. As carriers look to the future, however, they are finding new ways to balance their act through strong leadership, thoughtful communication and discerning innovation.

Introduction

Amid persistent global uncertainty, U.S. insurance claims organizations continue to face a barrage of pressures. A stark warning comes from the U.S. [National Centers for Environmental Information's](#) latest weather and climate findings. By October 2023, 24 natural catastrophes had hit the U.S., trebling the annual average since 1980, and with losses exceeding a billion each. The global picture is as bleak with [AON's 2022 figures](#) showing a rise of 57% on the 21st century average.

Adding to the woes, inflationary impacts are driving costs higher and as nuclear verdicts continue to soar, a new law in Nevada raises concerns around affordability of admitted liability insurance. Meanwhile, the claims organization, which is both revenue generating and client facing, must respond to ever-shifting customer expectations, an evolving insurance ecosystem, and pivotal advancements in artificial intelligence (AI).

In the current resource-constrained environment, keynote speaker Mike Fiato, *EVP & Chief Claims Officer, Liberty Mutual*, spoke for many when he said: "It has become more complicated to prioritize how to create a winning set of priorities". However, he was clear that the days of "doing new things with an old mindset" were over.

A silver lining comes from [Fitch Ratings](#), which has revised its 2024 reinsurance outlook from "neutral" to "improving", to reflect strengthening financial performance but it is no time for complacency in times of dynamic change.

Reuters Events: Connected Claims USA 2023 (#CCUSA) – Sept 26-27, 2023 in Austin, TX – gathered 700+ senior claims leaders and innovators from across the claims spectrum to discuss key challenges and share strategic insights as the treadmill of claims transformation accelerates. A round up of the takeaways can be found in the pages ahead.

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1. Transformation, collaboration and a holistic approach

The transition from legacy systems to the cloud is, said Liberty Mutual’s Mike Fiato, delivering multiple ways to be “operationally excellent”. However, if “you’re not thinking about it holistically”, the result would be “sub optimization”. Sustaining transformation was really about “matching technology with the human component of change,” and the speed, Fiato said, “will be as fast as my people can go”.



A holistic understanding of the inflationary pressures hitting every insurance segment, even on an international scale, was underlined in the Day 1 plenary panel discussion. Shawn Crawley, *Chief Claims Operating Officer, North America, Sompo International* called for much greater collaboration and alignment across different departments including underwriting, risk control and actuarial teams.

Recent regulatory guidance from [National Association of Insurance Commissioners \(NAIC\)](#) provided some clarity on the use of artificial intelligence. In the case of algorithmic AI, the obvious opportunities, said David Vanalek, *SVP Chief Legal & Compliance Officer, Richmond National*, were to streamline underwriting, triage severity and route claims to the right teams. But as a former litigator, he saw generative AI playing a potentially invaluable role in reviewing large volumes of documents, such as medical records. “There are great materials out there that can really help drive some efficiencies, and have a positive impact on expense ratios,” he said.

The panel also considered the question of whether carriers should be hedging against inflation through partnerships with vendors or suppliers to pre-purchase materials, for example. Explaining the need, Shawn Crawley pointed to the wildfire in Lahaina Maui, Hawaii, where insured property losses are [estimated to be \\$3.2-billion](#). Crawley said underwriters had priced premiums on reasonable replacement costs. However, the unforeseen 100% increase in labor and materials was never “priced into the cost of rebuilding a city like that,” he said.

The industry is seeing emerging coalitions in Auto that can deliver segmented models for a particular accident scenario, and potentially layer on technology to help facilitate a much more holistic approach which can take control of loss costs.

At **USAA**, Sean Serafin, *VP Property Claims Operations* saw NatCats as the area to be investing in, testing and being creative. USAA’s early pioneering work with the Federal Aviation Administration (FAA) “to get approvals to fly beyond line of sight...and into some broader areas” was underway. This information is being shared with civil authorities, law enforcement and other bodies to ensure swift rebuilding of communities. In addition, he said carriers should be proactively identifying tech solutions – such as drone inspections or home material identification – to improve loss ratios.



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2. Social inflation and litigation concerns

Until recently nuclear verdicts, commonly viewed as jury decisions of over \$10-million, have dominated commercial lines, but are now creeping into the personal lines space. Laila Brabander, *Head of North American Personal Lines Claims, Client & Producer Engagement Team, Chubb* said social inflation, the practice of juries awarding more money for non-economic damages, were being used "to right a lot of socio-economic wrongs". Aggressive advertising and anchoring tactics used by plaintiff counsel were worrying trends. She described how a Chubb policyholder, who was tripped up and injured by an unleashed dog, was awarded \$3-million in non-economic damages. Brabander explained: "The 'anchoring' plaintiff counsel during this trial used the technique of saying 'what's \$140,000 for the rest of this poor woman's life? What is that amount of money to this rich insured? Nothing.'"



In states like California that do not have caps on non-economic or punitive damages, Brabander said social inflation was also having an impact in the high net-worth space, where ire was directed at big expensive cars and large SUVs, as well as distracted driving.

Moves like the one in Nevada, which in October became the first state to ban the widely used 'defense within limits' provisions from admitted liability policies, requires a new and nimble approach from specialty firms brave enough to stay the course. Jamie Carsey, *Managing Director and Head of Litigation* at specialty insurer **Markel** stressed the importance of breaking down silos, having consistent information to attack things in a cohesive way, and ensuring information is shared across organizations. She is "reaching out to other carriers, and using defense panels...to talk about trial tactics to fight nuclear verdicts..."

As competitors have withdrawn from the market, carriers in the "non-admitted" space have an opportunity to write specialized bespoke policies at a higher premium for higher risk. From a claims perspective, Brabander sees an opportunity for Excess & Surplus lines to "lean in" to distinguish and differentiate in marketplace. But she warned that claims teams needed deep expertise to identify and understand the complicated raft of forms, endorsements and myriad of different exclusions.

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3. Communication and customer experience

Nobody wants to buy insurance and nobody wants to make a claim, so how do insurers make customers happy at an unhappy time? A view reiterated throughout the event was that it all starts with intentional, consistent and clear communication. As former agent and underwriter, Eileen Potter, now *VP Insurance Marketing, Smart Communications*, says: "A comprehensive customer communications strategy is a key differentiator for insurers – because every interaction with a policyholder is an opportunity to either make or break an insurance relationship." When effective it's good for business and can even reduce attorney representation.



At Texas Mutual, up to 80% of all claims are low-touch or no touch but they represent just 1.5% of payments. Kim Haugaard, *SVP Policyholder Services, Texas Mutual* said that handholding, empathy and education about the system, had decreased attorney representation in high-touch claims by 25%, and the number of disputes by 32%.

At specialty firm Great American Insurance, where complex risk is shared with claimants and deductibles are anything from \$250,000 - \$500,000, it is critical that claims professionals can focus on relationship management, coverage analysis, negotiation, and market feedback for underwriters and product people. However, Angela Cerini, *Divisional Vice President, Great American Insurance* is still looking for a tech solution to address some of labour intensive, low-value tasks.

Charlie Wendland, *VP & Head of Claims, Branch Insurance*, outlined three key ingredients to efficient claims handling: simplicity, of internal and external processes; integration, especially leveraging data; and proactivity, in following up communications. One strategy was to use net promoter scores (NPS) at certain milestones to encourage real-time feedback and take immediate course of action.

At Travelers, a clear business strategy requires clear OKRs – objectives and key results – that are defined at the top. Nikita Patel, *VP Claims Customer Strategy, Travelers* said personalized digital experiences were table stakes. Travelers has explored self-service vs. assisted service, and micro-experiences, and learned that customers prefer text messages, and should never be asked for data a company already has. She pointed to service blueprinting, a diagram that displays the entire process of service delivery, including all activities at each stage, as "a really cool way of laying out every touchpoint and interaction, whether it be with technology, with customer or employee".

What gets measured might get done but Neil Harrison, *Global Chief Claims Officer, Aon*, argued the case for using impact rather than efficiency metrics. Rather than claims files, loss ratios or fraud detection, he advocated client satisfaction, retention rates, and problems addressed and solved. "Because now you're talking about the revenue line... about claims as front office...as a positive differentiator," he said.

Whether a claim is no touch, low touch or high touch, "somebody is having a bad day," said Andrew Leeds, *Chief Claims Officer, Plymouth Rock Home Assurance Corporation*, thus all communication should be built "on a foundation of empathy".

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Liv Nwankpa Jr., *Insurance Claims Executive*, **Allstate** said their strategy is be efficient and “very prescriptive in triaging claims to the right bucket.” This means that traditional liability adjusters are free to “focus on true unclear losses”. Allstate is exploring visualization tools to better understand risks, such as driver action or inaction, and formulate strategies to address these more effectively. Machine learning (ML) and natural language processing (NLP) is also being explored to minimize manual inputs into the claim file, and data mining for trends.

Case study: How a major US insurer cut costs and boosted efficiency

The insurance industry is moving towards more interoperable and scalable systems in the cloud. According to Smart Communications’ Eileen Potter, “this is allowing companies to create agile technology ecosystems and encourage a culture of continuous innovation.”

It has also driven significant efficiency and costs benefits at a major national U.S. carrier. With \$2-billion in assets, 800 employees, a network of 1,500 agencies and 18 legacy systems, the speed of product rollouts and form development and maintenance costs was hampering innovation.

To address the challenges, the carrier worked with Smart Communications to create a scalable, cloud-based architecture, with an aggressive rollout plan. The foundation for the future is now laid and delivering measurable results.

- Design and implementation initiated for 26 environments within a year
- Product releases now 3x faster
- Document generation process time cut by 67%
- 18 legacy systems modernized and placed

4. The march of data, automation and traditional AI

The synergistic relationship between big data, automation and traditional artificial intelligence (trad AI) is delivering raft of benefits - from claims processing automation to enhanced data extraction, workload distribution, fraud detection, settlement optimization and so much more. Used effectively, technologies can mitigate damages, predict and address inflationary pressures, and provide insights into trends and changing economic conditions.

On a plenary panel discussion focused on how AI is powering claims management, Gloria DiCandia, *Head of Claims Experience & Process Optimization*, **USAA**, said the starting point for success was “a positive culture, a positive mission, vision and core values that your employees can really like wrap their hands around and embrace when automation and technology don’t go right”. She also advocated “a strong process optimization improvement innovation program”, to ensure people understand that it’s not just about point solutions or end-to-end processes but an “entire ecosystem.

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Bob Valliere, *EVP Chief Operations Officer* at **CSAA**, advised stepping back, looking at end-to-end journey, and evaluating what makes the most sense. For CSAA claims accuracy is an opportunity. "The 62 cents of every dollar that we spend on loss is where I see the power of AI and automation tools coming in," he said. CSAA's AI council is establishing principles and guardrails around its own use of AI but also it could be used to identify fraudulent claims.

Automated claims distribution that rapidly assigns claims to the most appropriate adjusters, can boost efficiency, reduce misdirected enquiries and drive customer satisfaction. At insurtech Lemonade, 93% of claims are assigned by an AI-driven bot and is driving clear efficiency benefits, said Sean Burgess, *Chief Claims Officer*, **Lemonade**.

From First Notice Of Loss (FNOL) some carriers are using predictive and multivariate models to identify claim type. From assessing whether it is simple or complex triage case, validating and verifying coverage (based on complex set of rules) to work assignment and routing to the end to payment. USAA's Gloria DiCandia said FNOL could be even more effective. DiCandia advised looking at inputs and data, and "always reassessing what the model is pulling from and making decisions on because we change, and we change often".

Data continues to be "a big hurdle" for Sampo International's Shawn Crawley, who said: "We, collectively as an industry, don't have the data that we need to do the predictive analytics." Perhaps this explains why Liberty Mutual is prioritizing data over the next five years. Fiato said to build a winning data strategy, with data access and modeling capabilities will be, "a pretty incredible springboard" for other improvements.

Gen AI, the hype and hope

Much-hyped generative AI (gen AI) was a hot topic at Connected Claims USA 2023, and Darien Acosta, *Chief AI Officer*, **Cover Whale**, a commercial trucking insurtech explained why. "Stochastic generation is usually something that humans do, that unpredictable generation is not a computer trait. It's a human one", he said.

All innovations have hype cycles, but as "overly ambitious plans meet reality", Acosta identified several emerging subfields of Gen AI, they include:

- AI Tourism for trust, risk and security. Companies deploying gen AI need to trust the results.
- Multimodal Gen AI, based on large language models (LLMs) that can interpret text data, and sight and sound.
- Domain specific Gen AI. Fine-tuning chat GPT to become an expert in a particular niche such as actuarial, underwriting or claims.
- Autonomous agents are a year away from becoming "really, really useful". They will venture out into cyberspace over several days and conduct extensive research for specific goal such as compiling a specific report. ChatGPT for Vision is just weeks away and "will be very good at interpreting the context" of any image, Acosta said.

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USA 2023**

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Other recommendations included to create a dedicated team and consider bias when looking at build versus buy decisions; stay informed, experiment and be curious; evaluate AI vendors based on proof of value, trustworthiness, and their ability to align with goals.

5. Talent management, training and retaining

The talent crunch is real. According to insurance recruitment company Jacobson Group, over the next 12 months, 63% of insurance carriers plan to increase staff and 27% expect to maintain their current staff size. Claims positions, along with technology and underwriting, are most in demand.

To attract the right people, Neil Harrison, Global Chief Claims Officer, Aon, said: "We have to think about claims truly as client facing, front office, revenue generating, professional services function. A differentiator that we want to use to sell and retain customers and clients and as the product." Only then, he argued, would carriers be in a position to attract better talent. Diversity, equity and inclusion, and more specifically diversity of thought, culture and background, were he said, "absolutely critical" and would "greatly benefit customers".

Insurance industry veteran Carey Bond, *Head of Claims, Americas* at **Lloyd's**, said: "You need to know what you don't know...and understand what the need is". Ultimately, that means "right person, right skillset, right time, and, ultimately, the right purpose" for the organization. However, he warned against oversimplifying the "generational thing". Organizations had to understand that "everybody's not monolith, everybody's not the same".



For Angela Delude, *Head of Claims Strategy*, **MassMutual**, as the claims job evolves, "hiring strategy needs to evolve". Waning interest in formal leadership roles had left Delude, wondering if "we are doing good enough role modeling", and she called for deeper, more comprehensive understanding of systemic issues and possible solutions.

Other strategies to emerge at #CCUSA included:

- Identifying candidates who are resilient to change, embrace technology, and can adapt to specific investigative and customer-focused tasks.
- Defining the characteristics and skills required for candidates, not just for today but also for future business needs, would be a start.
- Doubling down on succession planning to avoid the "retirement cliff", the loss of senior leadership expertise that many carriers are facing.

The pros and cons of hybrid working environments are still up for debate, and there are different approaches. Since May 2022, **Plymouth Rock Assurance Corporation** has been back in the office four days a week. *Chief Claims Officer*

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Paul Measley acknowledged this had resulted in some retention issues. However, the “informal mentorship and learning through osmosis” that happened in the office could not, he said, be replicated online.

<https://www.aon.com/weather-climate-catastrophe/index.aspx>

<https://www.ncei.noaa.gov/access/billions/Natural> catastrophes caused overall losses of \$ 270-bn worldwide in 2022, according to Relief Web, and with major ramifications for rates.

6. Change management and adopting a realistic curve

Any organizational change is hard. But to bring all stakeholders on board requires robust change management and a strong communication strategy. Change management is obviously essential to ensure successful technology transitions, but organizations should take into account not only the technical aspects of change but the cultural elements. To stay competitive, companies need look at change as ongoing process and have the agility to adapt to market changes and new technologies as needed.

Liberty Mutual’s Fiato approach is to “anticipate a realistic change curve” and define clear parameters for return on investment. One of the first steps is to define whether it’s a process or technology change, the latter being easier in his view. He also argued that soft rollouts never work. “Either you tell people exactly what you want from them, or they’re going to do something different,” he said. However, you also had to factor in technical debt and drag on employees to move fast, be nimble and protect the P&L.

At MassMutual there is a strong focus on engaging young professionals in the process. “The last thing we want is people that are too far removed”. Involving employees in technology change had boosted inclusion and engagement scores. In addition, focus groups for those not directly involved have helped to ensure everybody’s voices are heard.

A culture of continuous improvement at MassMutual translates to expectations being set and encouragement given, even when things don’t pan out. “It’s okay to fail fast, and pivot and try something else,” Delude said. MassMutual also identified “resistors” who can be brought to acceptance and excitement with input from peers and backed by customer testimonials.

Change should also external stakeholders, policyholders and financial advisors “because we assume they know and what we what we often see is that they don’t,” Delude said.

Erica True, *Head of Claims*, **MassMutual** highlighted how technology could help claims handlers “breathing space” to recover from difficult roles. “We’re really trying to automate around that empathy and really focused on the claims examiners so that they can deliver that experience that we need. We want technology to amplify versus take away from their role,” she said.

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At **American Family**, which takes a “speculative” approach to design thinking, Gwen Olson, *AVP Enterprise Claims Strategy*, and Ryann Foelker, *Strategy Design Director*, said: “You can’t just assume that the linear path you’re on is going to continue. So, we look across a broad spectrum of futures, and then we design for those futures.”

In short, identifying employees, involving them in the adoption, giving them time to adapt and communicating the change and communicating the benefits of the change.

Conclusion

Claims, it is often said, is the ‘moment of truth’ in the customer lifecycle. But the clear lesson from Connected Claims USA 2023 is that this truth is not easy to deliver on at a time of transformative change.

Yet, as AON’s Harrison stressed in his presentation, the fundamental principles of claims remain the same. “We will always have stakeholders, we’ll always have clients, they will always have claims, and they will always want cash,” he said.

Balancing these multiple and varied stakeholder interests in an uncertain risk environment will require strong leadership at every level. Clear, consistent and intentional communication will help customers and employees embrace change.

Crucially, rethinking training and how to retain talent, while balancing technology with a human touch, would be worthy investments in differentiating from the competition.

As advancements in AI rewrite the rules of the claims game, Darien Acosta, Cover Whale’s Chief AI Officer, called for a collective approach. “The insurance industry needs to stop relying only on vendors and consultants to build things. We need to learn how to build ourselves, engage with the conversation or the conversation will be defined for you,” he said.

Ultimately, claims should be seen through the lens of the customer or client, while considering short and long-term goals. Aspirational plans for innovation are vital but to maintain trust and credibility with a customer base they must match the reality of the day.

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