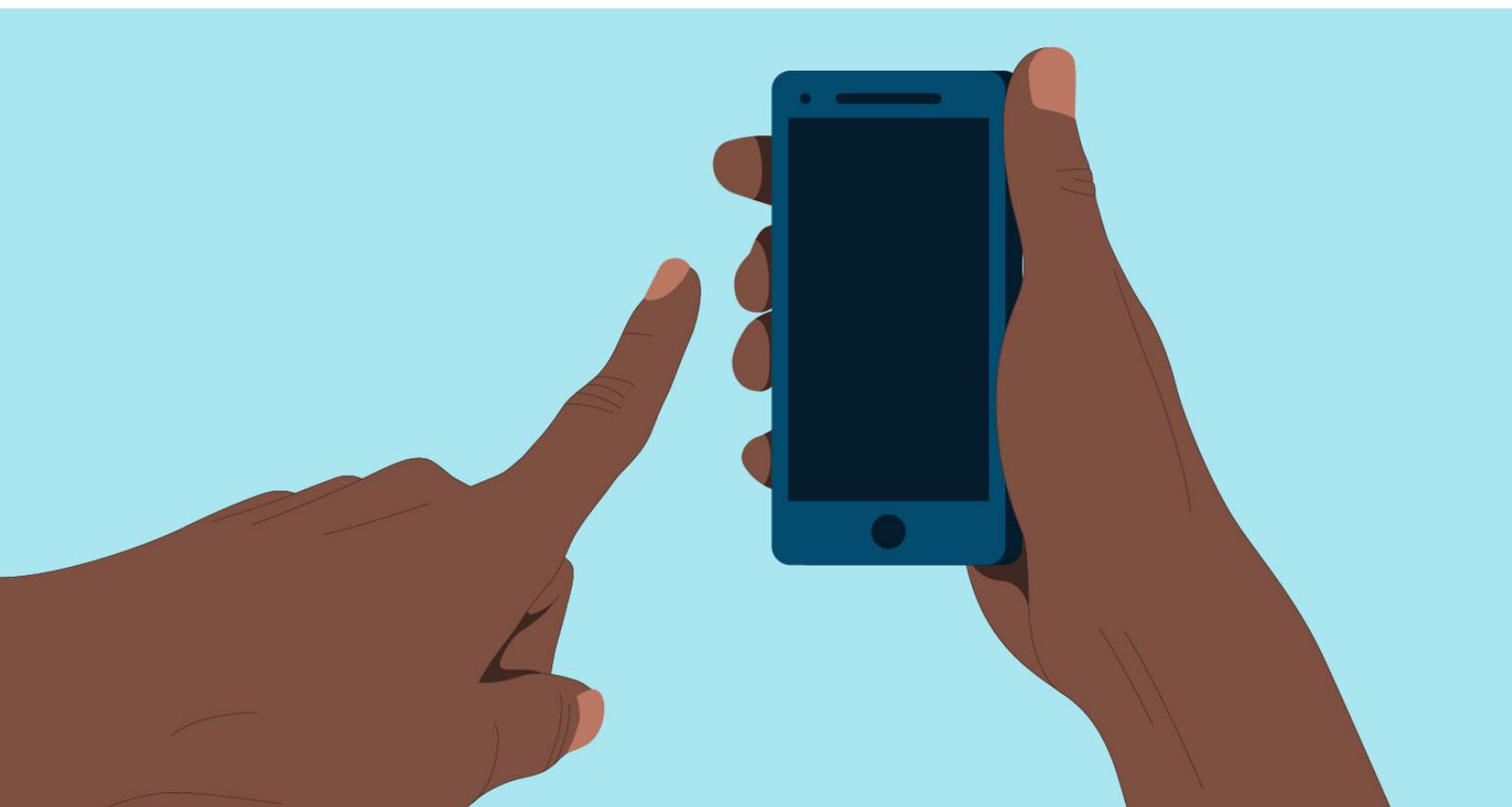


Insurance Practice

Navigating the next decade of US insurance claims

The COVID-19 pandemic has accelerated trends related to customer expectations and digital adoption. Insurers will need to embrace these changes sooner rather than later to keep up the pace.

by Deniz Cultu and Kristen Ganjani



The insurance landscape will change dramatically over the next five to ten years, accelerating the rate of change we have seen over the past decade, thanks to two primary trends: evolving customer expectations and accelerating technology evolution.

By 2030, millennials and post-millennials will make up nearly half of the adult population in the United States.¹ These digital natives will expect seamless, omnichannel, real-time interactions integrated with the platforms they already use frequently—as well as new platforms that don't even exist today. At the same time, insurance carriers will need to continue to meet the needs of the other half of the population: Gen Xers and baby boomers who don't have the same preferences for digital interactions.

The other clear trend is that there will be more and new types of data available as the Internet of Things continues to expand. Connected homes and businesses, self-driving vehicles, and wearable devices will expand instantaneous data sharing, enabling insurers to know more about customer risk profiles and behaviors. Digital advances and powerful new analytics will allow carriers to harness that data to engage with their customers in many new ways—helping to reduce risks, customize products and services, prevent losses, and proactively reach out when a loss has occurred.

Although these two trends were building momentum before the COVID-19 pandemic, the past six months

have seen significant acceleration in the adoption of digital practices in the insurance industry. Industry leaders may have assumed they had a few years to sort out digital channels; now many say that things have moved faster in the past few months than they did in the past few years.

Some of the biggest changes have occurred in the adoption of digital claims capabilities, such as a significant increase in the use of virtual estimates in auto and property claims and a major uptick in the use of telemedicine for injury claims. Across industries, many of the changes consumers have embraced during the pandemic will continue: according to a recent McKinsey survey, more than 65 percent of consumers intend to continue habits they adopted during the crisis, such as new shopping methods.²

It's a safe bet that many of the pandemic-induced changes to consumer interactions with the insurance industry, particularly related to claims, are likely to endure as well. In response, insurers are likely to make three major shifts:

Increased use of digital and artificial intelligence (AI) in the claims process. For simple claims, we can expect to see more automated and fully digital processes, with claims personnel focused on ensuring superior customer experience and filling in AI blind spots. For more complex claims, claims handlers will continue to play a central role, helped

¹ Michael Dimock, *Defining generations: Where Millennials end and Generation Z begins*, Pew Research Center, [pewresearch.org](https://www.pewresearch.org).

² McKinsey & Company COVID-19 US Consumer Pulse Survey 8/19–8/23/2020, n = 2,026, sampled and weighted to match the US general population 18+ years.

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by AI-driven decision-support tools to improve decision making and automation to help streamline any manual tasks.

More proactive, multichannel communication with customers. Insurers will increasingly tailor their communication channels to individual customer preferences. In so doing, they will enable customers to provide information about their claims in a variety of ways, such as by uploading images to an app. They will also communicate proactively with customers—for example, by using analytics and algorithms to anticipate questions and send updates through the customer’s preferred communication channel before such information is even requested.

A bigger focus on claim prevention. Insurers are likely to proactively contact customers with data-driven suggestions on actions they can take to reduce the risk of a loss. For example, insurers could push notifications about severe-weather warnings to encourage customers to garage their cars to avoid hail damage or turn up the heat to avoid pipes bursting during a winter storm. Businesses using telematics could receive information about employee behavior—for example, a warning that a warehouse worker is lifting heavy items with bad form and is at a high risk of a back injury. The possibilities are numerous.

To move quickly into the future of claims handling, carriers will need to evolve how they work both internally and externally. Internally, IT, analytics,

design, and business leaders will need to work in an agile manner to prioritize use cases and develop, implement, and continuously improve new digital and analytics capabilities. Claims staffing and organizational structure will need to shift to recruit and develop new profiles as needed to support the new model.

Externally, claims organizations will need to create a flexible ecosystem of partners to deliver parts of the new claims experience. Innovation is accelerating throughout the insurance ecosystem as insurtechs, original equipment manufacturers, data providers, and many others push the boundaries of what’s possible. Insurers can unlock value and accelerate the development of new capabilities by expanding from managing select relationships to becoming integrators combining data, services, and capabilities from an ecosystem of third-party providers.

The global pandemic was not the instigator of change that anyone asked for, but it has led to an explosion of activity to advance insurers’ digital claims maturity. The next steps will center on building upon the advances that companies have been forced to make and maintaining the pace of change. Insurers that use digital and AI to enhance the claims process, pursue more proactive communication with customers, and focus on claim prevention will be well positioned to pull ahead of the pack.

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