# To Maximize the Benefits of Self-Service Auto Claims, Insurers Must Find the "Goldilocks Zones"

*Although mobile self-service technologies promise to trim LAE and improve customer satisfaction, there's a danger. Unless these tools are applied to a narrow band of claims and customers, they may cost insurers more money than they save.*

**ACD White Paper**

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**ACD** | TECHNOLOGY + CLAIMS SERVICES

**August 2014**

Section 1

# Executive Summary

Self-service auto claims processing is the hot trend today among auto insurers and many customers, especially members of the Millennial Generation. The reasons are both simple and compelling. Thanks to mobile web and app technologies that let customers initiate claims and upload photos of their vehicles from smartphones and tablets, insurers can dramatically reduce Loss Adjustment Expenses (LAE) while improving customer satisfaction and retention – a classic win-win scenario.

For example, with a mobile self-service solution such as ACD's Self(ie)™ Service, insurance companies can:

- Reduce the cost of processing each accident claim by an average of 50 percent compared to sending a staff appraiser into the field, and by 35 percent or more compared to the cost of using an independent appraiser.
- Shave the time needed to process the average claim from three or five days to three or four hours. Obtaining same-day settlements improves staff productivity by freeing appraisers and claims adjusters to tackle new assignments instead of maintaining hundreds of open files.
- Create better experiences for select customers by speeding claims processing and eliminating hassles for the customers.
- Quickly assess and identify potential total losses in remote locations for proper file triage.

As with many new technologies and applications brimming with promise, however, some within the industry are succumbing to irrational exuberance, touting self-service as a panacea – something that can be applied to nearly every auto claim, (no matter how big or small) and every customer (no matter how old, young or tech-savvy).

Section 2

# One-Size-Fits-Some

Mobile self-service tools offer dramatic, but incremental benefits to insurers and the insured, automating parts of the claims process for a growing percentage of consumers who are eager and willing to use the technology. These solutions are ideal for processing low-severity accidents among certain customer segments, but are woefully inadequate for processing high-severity claims unless they are used solely for the purposes of pre-qualifying a file for proper triage.

As the CEO of a claims services and technology company with 19 years of industry experience and having analyzed more than $2.5 billion in auto claims processed from our organization, I'm more than skeptical about some of these grandiloquent promises. It's shortsighted to suggest that insurers apply these tools in undifferentiated ways. Attempting to extend the benefits of self-service from a narrow range of claims and customer segments to a universal audience and every type of accident will position insurance companies for failure on an epic scale.

In short, mobile self-service should be applied as a "one-size-fits-*some*" solution. The technology is by no means suited to every claim and customer. Generally speaking, tech tends be less popular among members of the Baby Boom, Silent and WWII Generations while Generations X and Y are more likely to embrace and demand it.

Trying to extend the benefits of self-service to accidents involving complex and/or hidden damages, or to the wrong customer segments, may cause significant harm to a company's bottom line, as well as its customer relations efforts.

According to studies by JD Power, higher customer satisfaction results when an insurer settles a claim faster[i], but overselling self-service can generate more problems than solutions. Based on our analysis, maximizing the benefits and minimizing the risks of self-service requires insurers to locate and live in these three Goldilocks Zones[ii].

Section 3

# The Three Goldilocks Zones

**1. In terms of usability, the technology should not be too simplistic or too complex.** The average policyholder has an accident once every 17 years[iii]. For this person to download an app, register it, input the claim information and then start the claims process can be frustrating and time-consuming. In addition, the app will then occupy landscape on the smartphone or tablet, where it will probably lie dormant for another decade. Some of the main customer complaints about self-service apps are: they don't download quickly enough (if at all) and registration takes too long.

Conversely, if the app features too few steps or provides insufficient guidance, a non-tech-savvy customer may not use it properly. This will also diminish the customer's experience. Although apps are "in", mobile web solutions are often superior for one-time use as they offer the benefits of immediacy, compatibility and "app like" behavior. Mobile solutions allow for immediate engagement, are available across an array of mobile devices and can behave just like an app.

In the case of Self(ie) Service™, the process consists of four easy steps:

Step 1: The policyholder receives a secure link after contacting the insurer – one that doesn't require an exchange of personal information.

Step 2: The user accepts the terms of service.

Step 3: The software guides the user in taking photos of the vehicle. The policyholder merely presses "select photograph," and each photo is instantly uploaded to the claims system for back-end processing.

Step 4: Once photos are uploaded, the user taps "I'm done" and the window closes with a confirmation message and the user is finished. No software remains on the person's smartphone or tablet.

The key to winning customer acceptance is creating a tool that is user friendly. It should offer just enough information to help users do it themselves, but not so much that they'll become confused or frustrated.

**2. Claims managers shouldn't be too aggressive or too timid in applying the technology.** To compete in this industry, firms need to sell competitive products, and mobile self-service is certainly one of them. Unfortunately, it's tempting to conclude that this tool represents a total solution. Some now believe the products can be used for losses of any size and type, giving them carte blanche to decimate in-house staffs and jettison independent appraisers.

This is not a prudent course.

The maximum benefits of mobile self-service such as improved employee productivity, decreased overhead and increased customer satisfaction and ultimately better claim outcomes can only be realized when used for accidents that involve minor damage or to potentially serve as a pre-qualifier to ascertain the severity of a loss to properly triage. A great example of “pre-qualifying” a loss would be in a remote borderline total loss situation. An insurer can make an educated decision on whether the vehicle should go to a repair or salvage facility for a further detailed “in-person” inspection based on initial photographs.

Our analysis though, reveals that the Goldilocks Zone for attempting to settle claims with mobile self-service ends when vehicles sustain more than “minor” damage. Historical data supports that once appraised damage exceeds $1,500, the supplement ratio exceeds 10 percent. The ideal supplement ratio should not exceed this amount otherwise the benefits of self-service are negated due excessive staff follow-up required to manage multiple supplements.

Insurers receive the maximum benefits of mobile self-service – in terms of employee productivity, decreased overhead and increased customer satisfaction – when using it for accidents that involve minor dents and dings. Once the supplement ratio exceeds 10 percent and the risk of hidden damage and other variables rises, self-service can become a liability instead of an asset unless it serves as a pre-qualifier to allocate proper resources leading to an overall better claim outcome.

It is imperative that insurers use a triage matrix to determine which files qualify and don't qualify for self-service. This solution is best suited for a targeted niche of losses – those involving dents, scratches, dings, bumper hits and non-injury when attempting to use this tool to settle losses. Applying mobile self-service to settle accidents involving severe losses can result in a large increase in supplemental damage and increased risk of fraud. (Although Self(ie) Service has built-in proprietary red flag indicator warnings that alert auditors to anomalies in photos, the technology is useless without the auditors – human auditors.)

On the other side of the spectrum there are claims executives with an "old school" mindset - professionals who feel more comfortable with the status quo and don't want to apply technology to anything or anyone. These luddites are missing big opportunities to save money through selective deployment of the new technologies.

**3. Recognize that mobile self-service appeals to some – but not all – customers.** In general, members of older generations tend to believe that self-service is for suckers – that the companies are trying to save money by making the customers do the work. Hence, it's not uncommon to hear older customers say, "My job isn't to be a claims adjuster for the insurance company. I expect them to do it for me. That's why I'm paying big premiums."

Meanwhile, members of younger generations tend to have the opposite view. Having grown up in the era of bar codes and Internet shopping, many of them equate superior service with speed and the ability to DIY: "I can do this myself? That's great!"

According to a recent study[iv], Generations X and Y are more likely to choose insurance companies based on website information and ease of navigation rather than price. The study also noted that because Generation Y is the fastest growing segment of new-vehicle buyers, "insurers need to think about how to present information that best addresses the needs of this group."

This isn't to say that there are no tech-savvy octogenarians out there, but as a rule, mobile self-service appeals to a younger demographic. For that reason, insurance companies must qualify customers and prospects before suggesting self-service vs. traditional claims handling. Mobile self-service is an ideal fit for a select group of customers. For others, it may be perceived as an annoyance or a burden.

Section 4

# Conclusion

In this highly mobile world, auto insurers without the technology or financial resources to build their own self-service solutions should partner with a solution provider that can fill this gap. By doing so, they can instantly leverage a tool that will make them more competitive, demonstrate their commitment to superior customer service and produce immediate reductions in LAE.

The Caveat: Mobile self-service is a surgical tool, not a Swiss Army Knife. Insurers that adopt the technology must push mobile self-service only in the right situations and to the right audiences to achieve the best outcome. The overall Goldilocks Zone for self-service comprises easy-to-use products that (generally) target younger customers for non-severe accidents. Because one-third of all auto claims fit into this Goldilocks Zone, insurers can significantly lower their LAE by eliminating staff appraiser needs on files that can be handled through a quick desk estimate. When used for triage assistance, self-service can play a significant part in proper allocation of resources.

[i] "JD Power 2013 U.S. Auto Insurance Study," JD Power & Associates, 2013.
[ii] The "Goldilocks Zone" refers to a narrow orbital band around a star. Only planets falling within this zone are believed capable of supporting life. The name comes from the fairy tale *Goldilocks and the Three Bears*, in which a little girl chooses from sets of three items, ignoring those that are too extreme for the one that's "just right."
[iii] "How many times will you crash your car," Toups, Des, Forbes.com 2011
[iv] 2014 Insurance Website Evaluation Study (IWES).