



Shift

SHIFT TECHNOLOGY INSURANCE PERSPECTIVES

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EDITOR'S NOTE

Welcome to the Q1 2021 edition of *Shift Technology Insurance Perspectives*.

You may have noticed right away that our publication has a new name. When we introduced the inaugural *Shift Technology Fraud Insights* back in April of 2020, Shift was a very different company. We were known for using Artificial Intelligence (AI) to help insurers spot hidden fraud in their claims processes. The company was also beginning to be recognized for our work in the claims automation space. Our first three *Shift Technology Fraud Insights* reports reflected the company's focus.

Today, Shift offers global insurers a [suite of products](#) which apply AI-driven decision automation and optimization capabilities across the policy lifecycle. In addition to helping insurers detect claims fraud, we're supporting their digital transformation efforts with claims automation, reducing claims leakage and helping reimburse policyholder deductibles through subrogation detection, mitigating the impact of writing bad policies with underwriting fraud detection, and overseeing their entire ecosystem and helping maintain compliance with financial crime detection.

Our company's evolution prompted an evolution of this report. There is no question that we are still experts in insurance fraud and the fraud trends impacting carriers around the globe. But, we can also offer valuable perspectives outside of fraud.

In this, the inaugural issue of our new *Shift Technology Insurance Perspectives* report, we focus on trends in the claims process. We take a look at how quickly insurers are closing claims and how those metrics have been trending over the last five years. Part of this examination will look at trends related to the number of claims being closed within a week.

We also explore how much is being reimbursed to policyholders when they file a claim and examine the differences between auto and property claims. With a nod to the impact COVID-19 had (and is still having) on the insurance industry we also look at when auto claim numbers began to normalize with a specific emphasis on France and Spain, where travel was more significantly restricted due to lockdowns.

Finally, we analyze if claims professional involvement - think how many times the claims is "touched" between FNOL and settlement - impacts how quickly claims are closed.

Special thanks go to Adrien Lina, a member of Shift's data science team, who was invaluable in the development of this publication.

HOW LONG DOES IT TAKE TO SETTLE A CLAIM?

There has been a concerted effort among insurers to deliver exceptional customer experiences to their policyholders. Without question, the ability to accurately and fairly settle claims in a timely manner is a key element of any customer experience strategy. Looking at data related to the average time between FNOL and settlement, we see that in general, claims are being closed in less time today than five years ago.

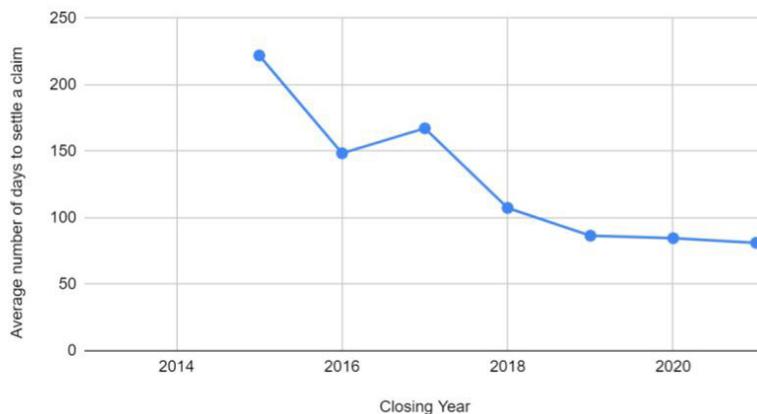
Interestingly, we do witness some significant deviation in the deltas when comparing trends in auto claims vs. home/property claims. Over the last five years, the average time to settle an auto claim has dropped from approximately seven months to five months - a 34 percent decrease. Time to settlement for property claims, although decreasing, is not nearly as dramatic. Five years ago property claims took an average of 5.4 months to settle as opposed to 5.2 months today, a modest decrease of three percent.

When examining the difference between changes in the time required to settle a claim based on geography, we see that insurers in the U.S. have decreased the average lifetime of a claim by approximately 60 percent

over the past five years while European carriers have cut their processing times by approximately five percent.

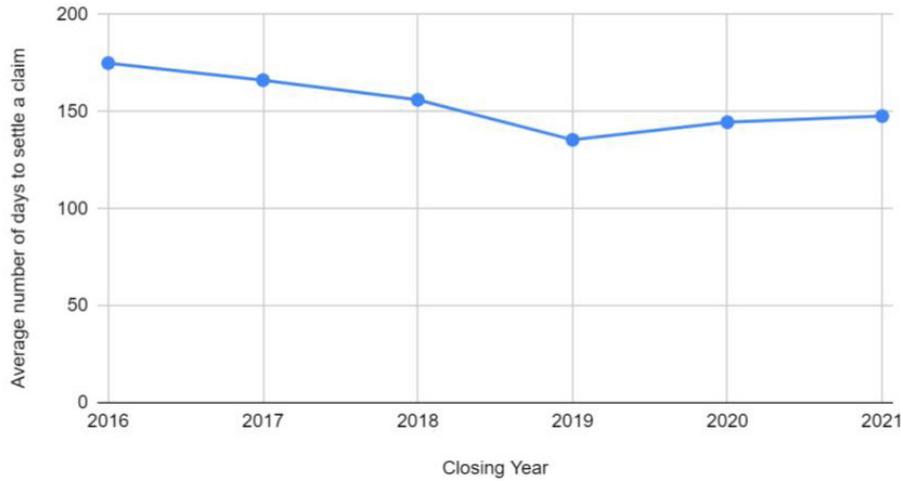
Perhaps the most exciting trend we are seeing in the data is the growing percentage of claims closed in one week's time. Globally, we are witnessing that 17 percent of auto claims and 16 percent of home/property claims are settled within a week. Looking at these trends by geography, US carriers, on average, are closing 28 percent of claims in one week. European insurers are averaging 12 percent of claims closed in one week. We can theorize that initiatives to bolster Straight Through Processing, Low Touch/No Touch Claims, and other claims automation strategies are positively impacting insurers' "time to close" rates.

AVERAGE DAYS FROM FNOL TO SETTLEMENT - US



US carriers, on average, are closing 28 percent of claims in one week.

AVERAGE DAYS FROM FNOL TO SETTLEMENT - MOTOR



THE COST OF CLAIMS

We see that insurers are making concerted efforts to make sure policyholder claims are paid in a timely manner. But how much money are customers getting back when they file a claim? We see in the data that globally, auto/motor claims are getting smaller over time. Over the last five years, the average value of auto claims has decreased by slightly more than 30 percent to just under \$3,000 per claim.

Conversely, Homeowners/ Property claims reimbursements are trending in the other direction. Since 2015, the average property claim value has increased by almost 160 percent to slightly less than \$5,500. Looking at claims values in aggregate for the United States and Europe, we see some interesting differences.

With total claims reimbursement values of approximately \$10,000, US insurers have experienced an nearly four percent increase over the last five years.

European insurers have actually seen a slight decrease in total claims reimbursement value of approximately three percent.

THE COVID-19 IMPACT ON CLAIMS

Conventional wisdom would indicate that insurance claims, especially auto claims would decrease during a global pandemic - especially when local and national governments imposed travel restrictions. We see this bearing out in the data.

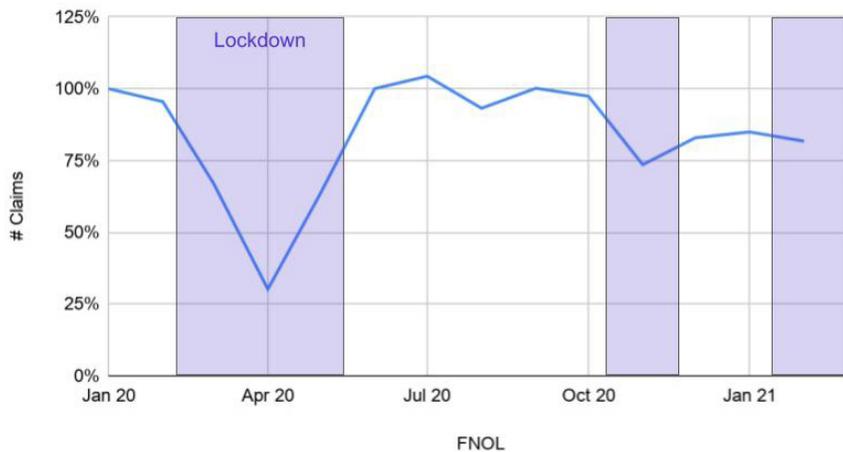
In the US between January 2020 and March 2020 (the generally acknowledged beginning of the pandemic) claims volume decreased by almost 35 percent. In June 2020 claim volume had begun to normalize and as of January 2021 claims volume had rebounded to almost January 2020 levels.

However, France implemented a second lockdown in November 2020 which drove claims volumes down 26 percent. With the second lockdown ending in mid-December, claims volume increased slightly, 15 percent, by the end of January 2021.

The data tells a slightly different story for claims volumes in France and Spain. In France, where more stringent lockdown measures began in March 2020, we see a 33 percent decrease in claims volume between January 2020 and March 2020. By April 2020, claims volume had decreased nearly 70 percent from the beginning of the year. With the first lockdown ending in mid-June 2020, we witnessed a more than 230 percent increase in claims volume.

Drivers in Spain were only subjected to a single lockdown from March 2020 through June 2020. As with both the US and France, the pandemic and resulting stay-at-home recommendations and requirements significantly impacted claims volumes. Between January 2020 and March 2020, claims volumes in Spain decreased by nearly 35 percent. By April 2020 the decreased claims volume was 66 percent. We began seeing claims volume normalize in June 2020 when the lockdowns in Spain ended.

IMPACT OF COVID-19 ON CLAIMS CAPACITY - FRANCE



DOES CLAIMS HANDLER INVOLVEMENT SLOW CLAIMS PROCESSING?

By looking at claims handler notes associated with a claim, we can get a sense of how many times a claim is “touched” between FNOL and settlement. Based on our data indicating claims are closing more quickly than they were five years ago, we may assume that claims professionals are touching claims less frequently.

Interestingly, that assumption is wrong. For auto claims, “touches” have been pretty consistent with an average of 11 interactions. For home/property claims, the number of touches has actually doubled, from four to eight. Either way, it appears that strategies being implemented to improve the efficiency of the claims process are working.

CONCLUSION

Following the point of sale, the claims process represents the primary opportunity for insurers to make a good impression on their policyholders. The ability to quickly, accurately, and fairly settle a claim goes a long way toward meeting customer expectations and building long-term, loyal relationships. The good news is that innovative insurers are not only recognizing this, but taking it to heart and implementing strategies that put modernizing the claims process front and center. And we’re seeing their efforts pay off.

ABOUT SHIFT:

Shift Technology delivers the only AI-native fraud detection and claims automation solutions built specifically for the global insurance industry. Our SaaS solutions identify individual and network fraud with double the accuracy of competing offerings, and provide contextual guidance to help insurers achieve faster, more accurate claim resolutions. Shift has analyzed billions of claims to date, and is the Frost & Sullivan 2020 Best Practices Award Winner for Global Claims Solutions for the Insurance Industry.

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