

Industry Benchmarking Report – Claims Value Chain (Auto Insurance India)

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Research Methodology

Primary Data Collection

By conducting primary survey with business & IT leaders from Insurance organizations in Indian market, by directly engaging and collecting data.

Date Validation & Analysis

All primary research data is stored anonymously in a dedicated data base, access to which is restricted only to Our Data experts do a sanity check to eliminate biases and incomplete responses.

Our Analysts perform a detailed analysis of the refined dataset to derive valuable insights. We do a lot of triangulations within the survey data set to ensure that the insights are accurate.

Report Authoring & Publishing

We leverage the insights from the data to publish reports or provide advisory services for business and IT leaders of an organization to enable the success of their business transformation, digitally.

Our reports help leaders evaluate, ideate and formulate the strategies for such transformation.

Primary Data Collection



Date Validation & Analysis



Report Authoring &
Publishing

Executive Summary

Value stream refers to the business activities involved in creating a product or performing a service. In an Insurance life cycle, claims handling is the process during which a customer understands the benefit of Insurance and a favourable claims experience drives customer NPS and directly influences the top line as well as the bottom line of an Insurance business. Primary activities in a Claims value stream consist of FNOL & Claim Registration, Surveyor Appointment, Inspection & Report submission and, finally Process & Settlement. Cycle time is the most important measure that drives claims experience. So in this report we will analyse claims cycle time along with all the activities that constitute claims cycle time.

We surveyed a representative sample consisting of one third of the P&C Insurers in India to come up with this Claims Value stream Benchmark report. In this report, we have benchmarked the cycle time for claims value stream along with all its primary activities. Interestingly, leaders in the group are faster than most of the industry peers by 2.5 times. There are the ones, some of which are in the Insuretech category, have optimized their performance at each point in the value stream. Digital technologies are a great means to reach to that optimum stage. At other extreme are the ones who take twice as much as most of the industry peers. These are the traditional ones which are at risk of becoming obsolete in years to come.

By looking at these Industry wide data, any P&C Insurer can evaluate and benchmark its claims effectiveness amongst its competitors.

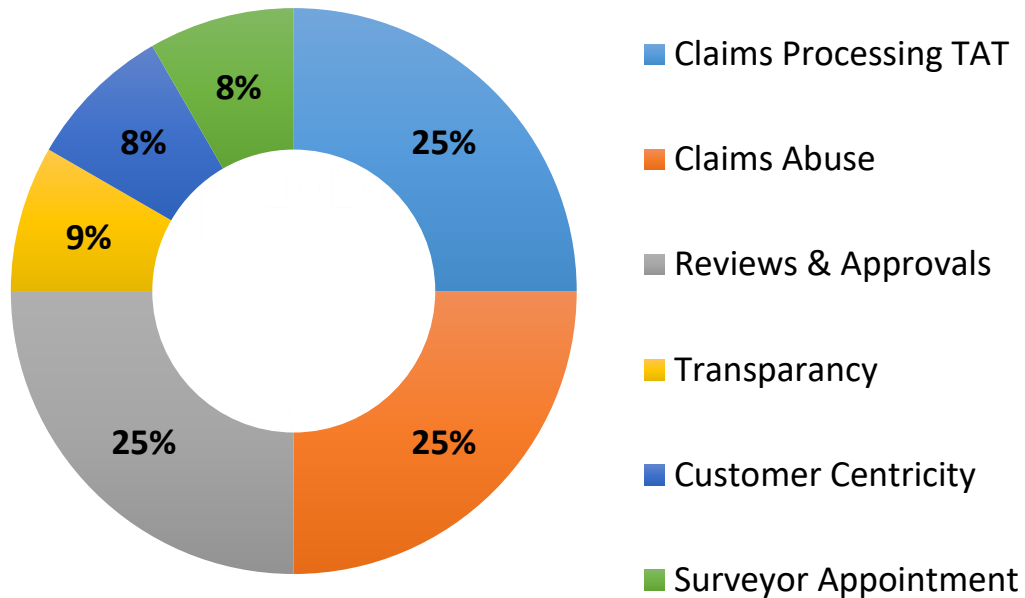
Industry Overview & Performance

Key Industry Ratios across Segment (2022-23)	
Combined Ratio	122.6
Incurred Claims Ratio	85.6
Commission Ratio	6.9
Expense Ratio	36.4

Auto Insurance – Key Facts
<p>Gross Written Premium:</p> <ul style="list-style-type: none">Auto Insurance holds a substantial gross written premium of \$11 billion. This makes it the second-largest segment within the Property & Casualty (P&C) Insurance sector.
<p>Projected Growth:</p> <ul style="list-style-type: none">Over the next 5 years, Auto Insurance is expected to grow at an average Compound Annual Growth Rate (CAGR) of 10.2%.By 2029, it is projected to reach an impressive \$19.4 billion.
<p>Driving Factors:</p> <ul style="list-style-type: none">The robust growth in Auto Insurance can be attributed to the surge in demand for motor vehicle sales. A strong economy is fueling this growth.
<p>Market Landscape:</p> <ul style="list-style-type: none">Auto Insurance is a common product offered by a large number of P&C insurers.Interestingly, only two insurers hold a market share of 10% or more, indicating intense competition.
<p>Target Segment:</p> <ul style="list-style-type: none">78% of the target segment for Motor Insurance resides in Tier 1 & Tier 2 cities.

Focus Areas

Top Focus Areas



- For a significant 76% of the respondents, claims cycle time is a top focus area.
 - 33% of which are looking at ways to improve the Claims processing TAT that includes Surveyor Appointment,
 - While another 25% wants to reduce the waiting time in the form of reviews & approvals.
 - Improving Claims cycle time is also going to be the biggest contributors to Customer centricity as highlighted by 8% of the respondents.

It will be of a lot of interest to Auto Insurers, to analyze and benchmark all those activities that constitute Claims life cycle

Value Stream Analysis – Claims Servicing

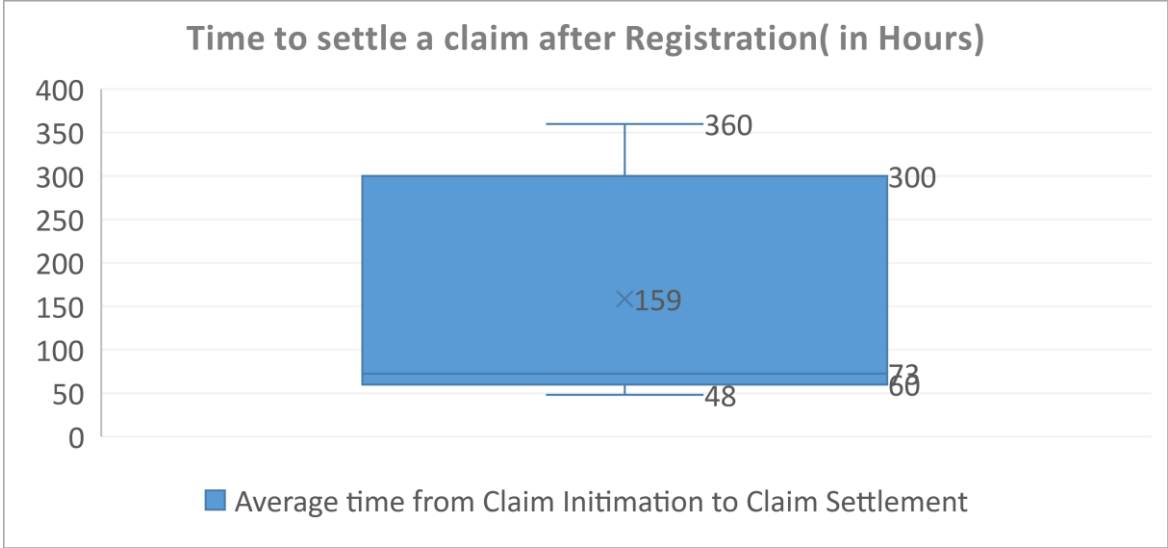
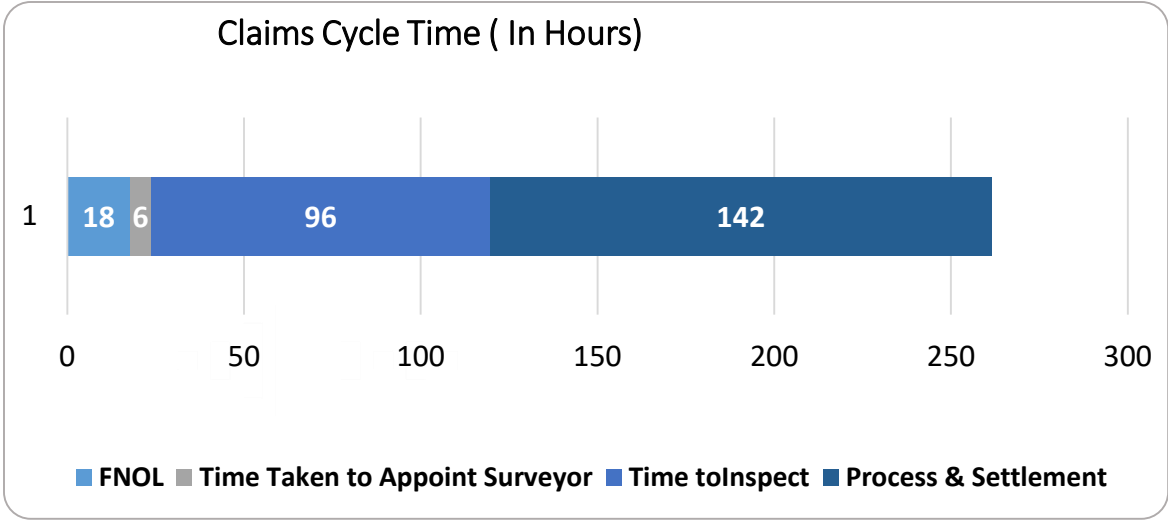
- Value Stream understanding is critical to assess the value an organization brings for both customer and shareholders.
- A Value stream encompasses business activities involved in creating products or services, including Product Development, Product Servicing, Sales, and more.
- Insurance differs from many other businesses, as purchasing an insurance policy doesn't immediately gratify customers.
- Traditional insurance interactions occur mainly during policy purchase, renewal, or claims processes. Reluctance or indifference may accompany policy purchase or renewal, while urgency arises during claims.
- Customer loyalty is a direct outcome of an improved claims experience. Faster, smoother, and hassle-free claims settlement is pivotal for customer satisfaction, enhancing competitiveness in the marketplace and an overall customer experience.

The Claims Value Chain is the most important capability that has a direct impact on the insurance business and is depicted as follows.



In the subsequent pages, we will present the findings of our 2024 survey on claims effectiveness, primarily focusing on the dimension of time, across the Auto Insurance sector in India. Throughout, we will highlight industry leaders and the impact of digital technologies on leapfrogging capabilities.

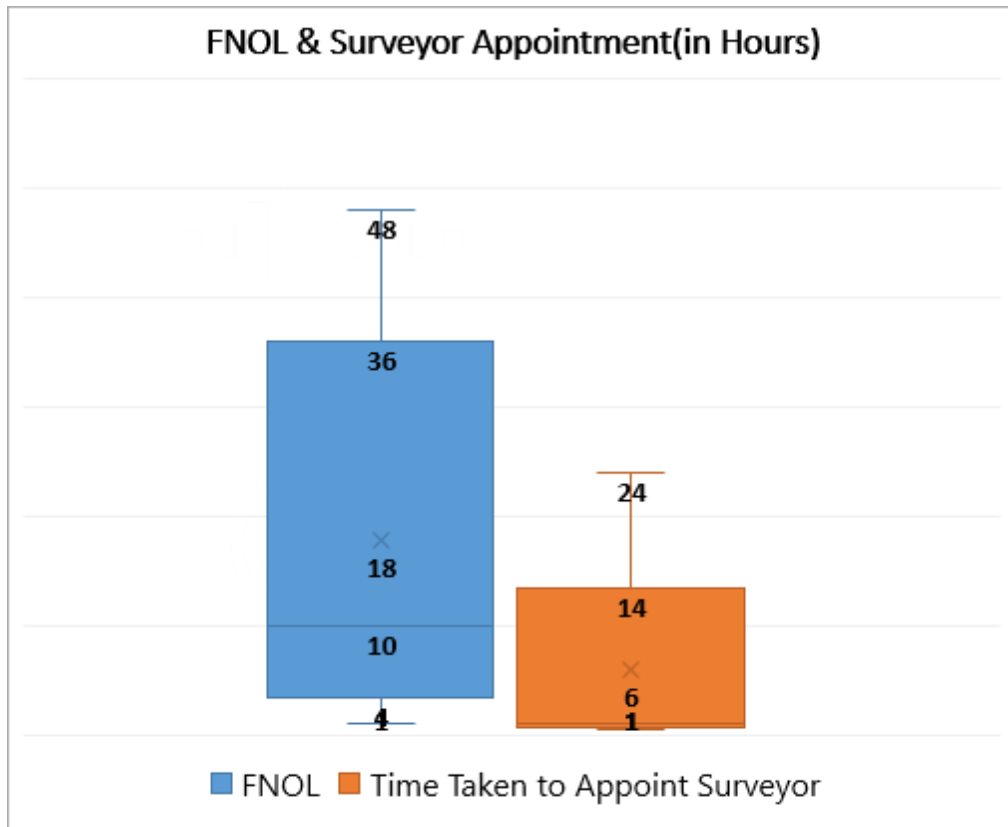
Claims Cycle Time – An Industry Overview



- It takes an Average **11 days** to settle a claim for Personal Auto Insurance in India , out of which it takes 4 days for the surveyor Inspection and close to 6 days days to do the claims processing and settlement
- Industry average to settle a claim after claim registration is **6.6 days**. The **best** in the industry is more than **3 times faster**(i.e. **2 days**) than most of their industry peers while settling claims. Mobile and /or IOT enabled Claims registration, Automation in the Surveyor appointment or a real time upload of Surveyor findings while the surveyor is doing the inspection has led these companies to be ahead of most of their industry peers.
- The worst performer in this segment takes more than **twice the time** , i.e. 15 days to settle a claims after the claim intimation is done. These are the ones which are struggling to either put their strategy or their executions correct.

FNOL (First Notice of Loss) & Surveyor Appointment

FNOL is a report submitted to the insurance company to initiate a claims process. Based on this report, a claim is registered for a loss. If the coverage is present in the policy, the insurer appoints a surveyor to inspect the loss.



Industry Average

- It takes average **18 Hours** to raise the FNOL and Intimate about a claim and another **6Hrs** to appoint a Surveyor. In other words it takes **1 day** from the time of occurrence of the event till a surveyor is appointed.

Leaders

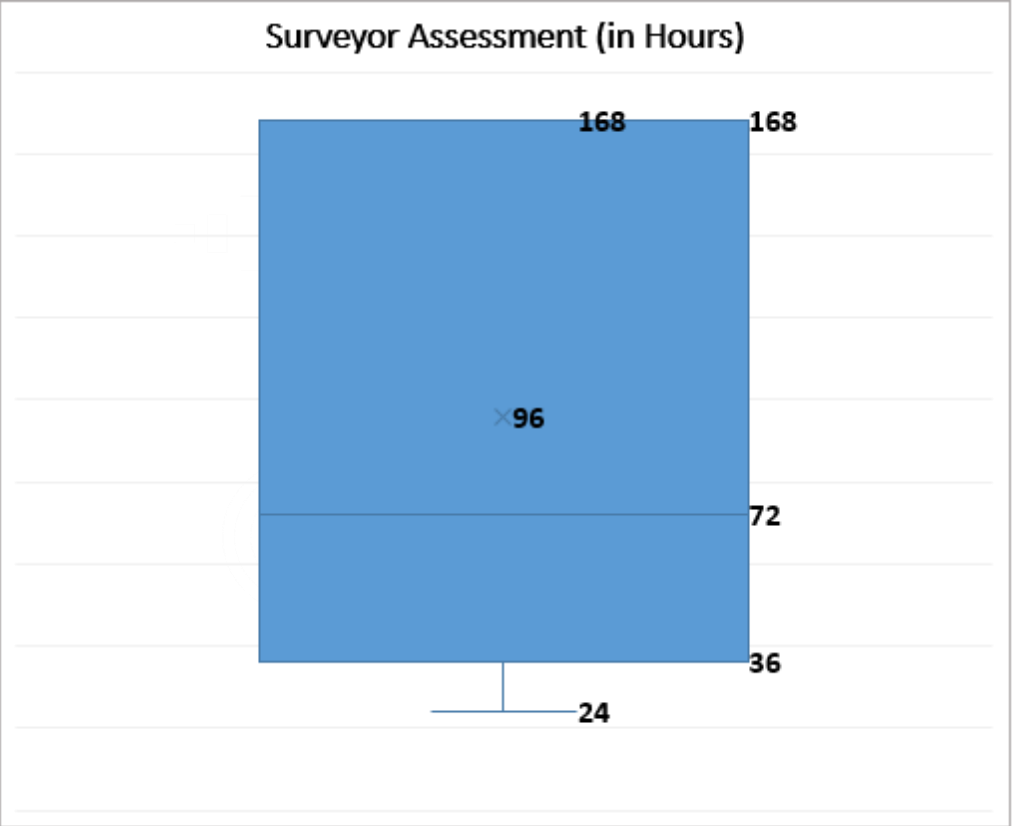
- For the best in the industry it takes just **1 Hour** to raise the FNOL and another 1 Hour to appoint a surveyor , **beating the industry average by 12 times**.
- In a traditional approach, a customer raises FNOL by intimating the Insurer , by phone calls to the agent/ broker who sold them the policy. With the digital landscape, this is changing to mobile app based self notification or sometimes automatic by leveraging mobile/IOT based sensors for crash detection.

Laggard

- For the worst in the segment it takes **48Hours** to raise the **FNOL** and **24** Hours to **appoint** a Surveyor. i.e. 3 days in total and **3 times behind** industry peers.
- These are the ones who are still very much traditional in the handling of FNOL & Surveyor appointment.

Surveyor Assessment

After the claim intimation is made, a surveyor is appointed to conduct a physical inspection of the loss, assessing the damage to the vehicle. Based on the terms and conditions outlined in the policy document, the surveyor submits a final report regarding the claims amount for which the insured is liable.



Industry Average

- At this stage, Surveyor's objective is to ensure the accuracy of the financial impact of the damage, which may differ from the customer's expectations.
- This is a crucial activity within the claims value chain and often consumes the highest proportion of the total Claims TAT.
- On an industry level within non-commercial Auto, it takes an average of **4 days** to conduct the inspection for a surveyor.

Leader

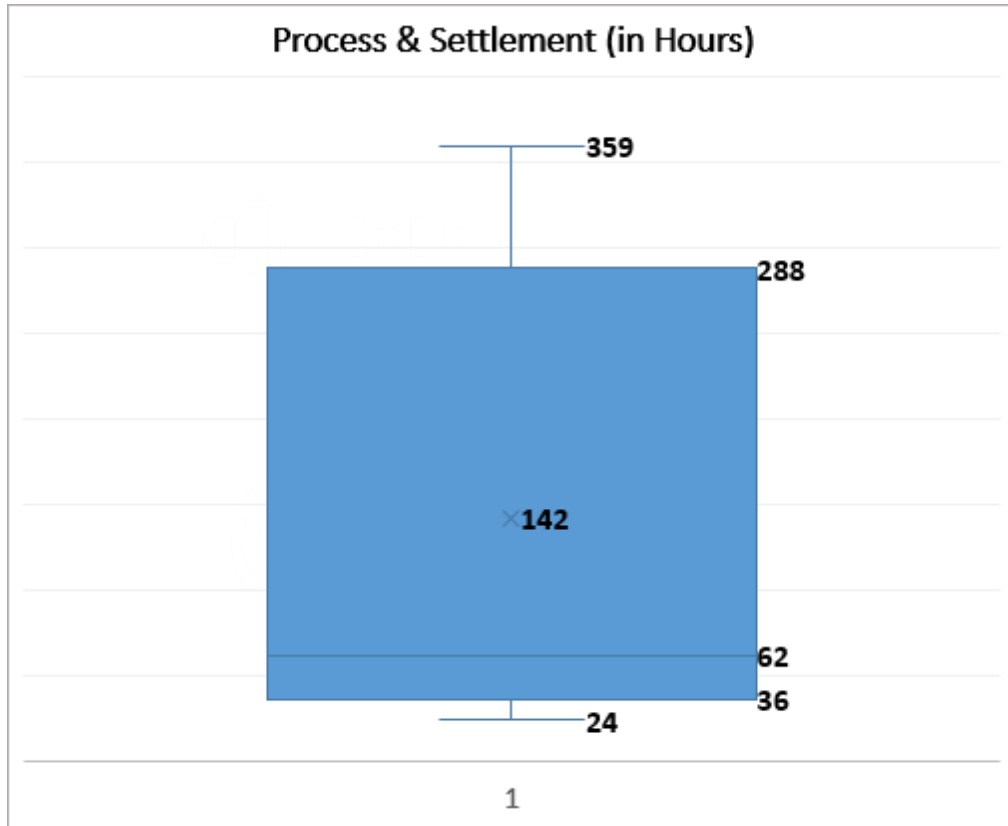
- For the leaders in the segment it takes just **1 day** to complete the Assessment, which is **4 times faster** than the average.

Laggard

For the worst performer in the segment it takes **7 days** for the Assessment to be completed, indicating a strong leverage of technology and improved process efficiency for the leading ones.

Process & Settlement

Claims processing and settlement occur after the surveyor reports their findings from the inspection. This is the final stage before the claim amount is disbursed to the insured.



Industry Average

- During this stage, the insurer reviews the inspection findings and indemnifies the assessed claim amount to the claimant.
- On an average, Auto Insurance claims processing and Settlement takes approximately **142 hours** or close to **7 days**.

Leaders

For the best performer, it takes only 2 days, which is **3.5 times ahead** of most Auto insurers. These are the companies that have leveraged digital technologies to significantly enhance performance.

Laggards

For the worst performers, it takes **15 days** to process and settle claims. These insurers are likely to be extremely uncompetitive in the future.

Recommendation

Claims Transformation	General Tools/Techniques	FNOL & Claim Registration	Surveyor Appointment	Surveyor Assessment	Process & Settlement
1.	Value Chain level Outcome Metrics (Claims Cycle Time) (Key to a value chain Transformation is about seeing the whole.)				
2.	BPM Tools	Redesign through Business Process Re-Engineering Is there any Bottleneck within the Value Chain which are slowing the flow of Information and Resourcing?			
3.	KPI Dashboards	Activity Level Objectives that Contributes to the Outcome Metrics			
		i. Faster FNOL Reporting ii. Lesser Reworks with accurate filing	i. Speed ii. Accuracy of appointment	i. Ease ii. Speed iii. Accuracy of Assessment & Submission	I. Ease II. Speed of Verifying & Processing
4.	Digitalization of Activities				
	Some key Technologies to look out for	<ul style="list-style-type: none"> IOT, Mobile & Cloud technologies for real time update & Auto FNOL AI/Analytics based prefill &/or Auto Fill 	<ul style="list-style-type: none"> Automation for a rule based Surveyor Appointment 	<ul style="list-style-type: none"> Machine Vision, IOT based loss assessment Cloud & Mobile for real time report submission 	<ul style="list-style-type: none"> AI & RPA for documentation

Thank You