Mobile Claims Management: Smartphone Apps in Motor Insurance

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As of April 2010, several Swiss motor insurers offer mobile apps that enable customers to submit a loss report. This article discusses the emergence of mobile apps in the insurance industry and the impact of mobile technology on claims management in motor insurance. We also present a demonstrator that goes beyond existing solutions by integrating a mobile app with a commercial claims management enterprise system. The technical aspects are complemented by results from expert interviews on mobile claims management, which cover technology and market trends, distribution channels for mobile apps, mobile strategy, business processes in mobile claims management, and the marketing potential of mobile apps.

The Potential of Mobile Technology in Claims Management

Motor insurance is the class of business with the largest premium volume within property and casualty insurance. However, in most developed countries growth opportunities are limited due to market saturation and the low growth rates of the underlying markets. At the same time, new competitors from related industries (e.g., car manufacturers and automobile clubs) entered the market and put pressure on motor insurers. Against this background, insurers are searching for ways to gain market shares and to improve their financial performance. The competitive pressure leaves little room for price differentiation and makes large-scale premium increases difficult to achieve.

A first approach to improve insurers' market position is competitive differentiation by means of value-added customer services. A second approach is to improve the combined ratio by decreasing loss adjustment expenses and incurred losses. However, there are several reasons why cost savings are difficult to achieve. They include late, incomplete, and inaccurate loss reports after car accidents, time-consuming claim investigations, and the insufficient integration of business partners such as repair shops in the claims management process.[1] Early and more detailed information about an insurance claim could enable the insurer to pro-actively manage the process and shorten the average claim life cycle from the first notice of loss to the closure of the claim. Based on timely information and active process management, insurers can benefit from an increased process transparency while loss adjustment expenses can be decreased. In addition, an early notification of the insurer allows for the integration of business partners to settle the claim and enables insurance companies to decrease incurred losses.[2, 3, 4]

While insurance companies strive to decrease costs by streamlining their claims management processes, customers lack adequate assistance when it comes to an insurance claim – the «moment of truth» in claims management. In such unpleasant and emotionally stressful situations, customers require both immediate assistance and support with the submission of the loss report. As consumer research of AXA UK amongst 2000 motorists showed, only 34 percent of the respondents claimed to know exactly what to do in case of an accident and just 57 percent would remember to take photos of the accident scene.[5] From a customer perspective, mobile phones are ubiquitously available and technology affinity is steadily increasing. While the direct contact to a human counterpart is a native need after a car accident, the mobile phone has emerged as the most dominant mediation device in safety-critical situations. Qualitative interview data as well as quantitative studies show that

peoples' perception of mobile phones is to never be alone in emergencies.[6]

Against this background, the application of mobile technologies in claims management can address the outlined needs of insurance customers as well as the challenges of insurance carriers. Accordingly, mobile technology can support customers in the aftermath of car accidents to quickly submit a structured loss report and to benefit from faster access to assistance services. From an insurer's point of view, a mobile solution that supports customers during the claims management process can address the outlined cost savings potential and can be offered as a value-added customer service. In addition, the mobile phone can be considered as a new communication channel that increases the interaction frequency between insurance carriers and their customers.[7]

Emergence of Mobile Claims Apps

The outlined advent of smartphones offers a new opportunity for insurers to turn a customer's unpleasant and emotionally stressful claim situation into a positive service experience. Starting in April 2009, the first motor insurers began to address the outlined opportunities and launched smartphone apps that support customers after car accidents. We refer to them as «mobile claims apps», while the underlying processes are denoted as «mobile claims management». Between April 2009 and November 2010, 57 insurance companies launched apps that enable customers to submit a loss report from their smartphones and to benefit from value-added assistance services such as requesting a tow truck. To give an overview of the competitive landscape and to understand which insurance companies shape this trend, a market survey of mobile claims apps was conducted.[8] The survey analyzed smartphone apps offered in the three largest online stores: Apple App Store (300 000 available apps as of November 18, 2010), Google Android Market (87 000 apps), and BlackBerry App World (14 486 apps).[9] The evolvement of the competitive landscape of mobile claims apps between April 2009 and November 2010 is visualized Figure 1.

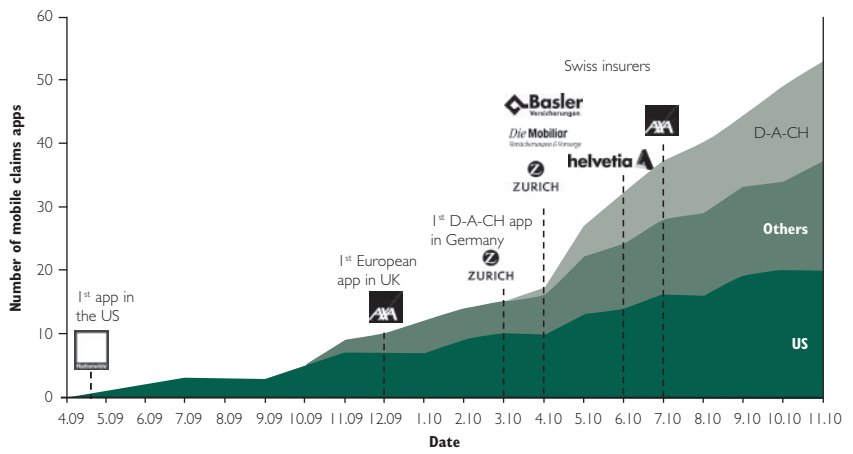

Figure 1: Competitive landscape of mobile claims apps

The outlined trend started with the US insurer Nationwide launching the first mobile claims app in April 2009. Until November 2010 nine out of the ten largest US motor insurance companies (based on direct premiums written in 2008) offered a corresponding app. During the last couple of months the trend reached Europe and in April 2010 three out of the five largest motor insurance companies in Switzerland launched a mobile claims app almost simultaneously. While most companies still offer their app in just one country, some apps were successively released in several countries. As an example, Zurich offers apps in Switzerland (Zurich HelpPoint and Zurich Connect), Germany (Zurich Unfallhelfer), the United Kingdom (Zurich Connect), Turkey (Zurich Sigorta), and the US (iClaim offered by the Farmers Insurance Group, which belongs to Zurich Financial Services). AXA offers different apps in the United Kingdom, Germany, France, Luxembourg, and Switzerland. From a corporate strategy perspective, it is interesting to note that the apps differ in terms of their functional range, while some of them do not even follow a common look and feel.

All of the investigated apps are available for the iPhone, while only a few apps are also available for phones based on the Google Android operating system or for Blackberry devices. A first-mover in terms of platform diversity is the US insurer GEICO, who offers a mobile claims app for the iPhone, Google Android devices, and Apple's iPad. Further insurers that support platforms beyond iPhone OS are American Family Insurance (supports BlackBerry devices), Atos Worldline (Google Android), Progressive

1. Call insurance company
2. Find nearby insurance agent
3. Call emergency numbers
4. Step-by-step loss report
5. Photo of the accident
6. Automatic localization
7. Other party support
8. Witness support
9. Digital loss report
10. Check claim status
11. Manage account / vehicle info
12. Find approved repair shop
13. Find taxi / rental car
14. Find tow truck
15. Pay the insurance bill

Figure 2: Most frequent functions of mobile claims apps

(Google Android), Allstate (BlackBerry), UNIQA (BlackBerry), Generali (Google Android), and HUK-COBURG (Google Android). The most frequent functions are listed below and are considered the defining functions of a mobile claims app, while all additional functions are mainly used by insurers to differentiate a specific app and to reflect the brand image.

The most frequent functions (Figure 2) are the direct call of an insurance agent, the step-by-step loss report, the automatic localization, and the possibility to attach photos of the accident scene. Besides the listed core functions, insurers focus on two areas when designing mobile claims apps: the alignment with their brand image and the integration of functions that ensure that the app is used frequently. Since a car accident statistically happens only every five to seven years, the integration of frequently used functions makes it more appealing for customers to download the app and to use it even when not in an emergency situation. Examples include a parking spot finder (Sternhelfer app offered by Mercedes-Benz Financial Services), a gas station finder (GloveBox by GEICO and Auto Accident Help by Travelers), a weather alert (Baloise by Basler), and a cab service (GloveBox by GEICO). This way, insurers create incentives for customers to install an app and use it also when not involved in an accident. As a consequence, customers experience the insurer's brand more frequently and in a useful context. In addition, insurers integrate content into their apps that is well-known from their marketing activities and associated with the brand by customers. The Basler app focuses on the company's Safety World, Zurich brings the HelpPoint to the iPhone, Mobiliar integrates its Claim Sketches, and Progressive and GEICO use characters known from their TV and radio commercials. However, there are also mobile claims apps that do not contain differentiating elements. In fact, they are totally identical apart from the branding (logos, corporate colors, etc.). As an example, Mondial Assistance developed a white-label mobile claims app, which is used and re-branded by seven different companies.

Technical Integration between Mobile Apps and Claims Management Enterprise Systems

All mobile apps analyzed during the market survey assist insurance customers in the aftermath of a car accident. This includes support with the loss report as well as value-added assistance services such as the navigation to the closest repair shop. However, solutions currently available on the market lack a technical integration between mobile apps and claims management enterprise systems. This media break prevents insurers from leveraging the full potential of mobile apps in terms of process efficiency, data accuracy, and business partner integration.[10] To put our theoretical findings to practice, we developed a dedicated integration architecture that connects mobile apps with a claims management enterprise system. As shown in the resulting application scenario in Figure 3, a smartphone is used to submit a loss report to the claims management enterprise system via an integration architecture.

In urgent cases, the customer can directly place an emergency call and submit the current position as well as personal data. In addition, the loss report can be enriched with information such as pictures of the accident scene. After the claim was submitted to the claims management enterprise system, the insurance company offers additional location-based services to the customer. For example, the customer can request a tow truck or receive directions to the closest authorized repair shop. The app also provides helpful information like a customer's eligibility for a rental car as well as the arrival time of a requested tow truck. From the insurer perspective, claim personnel can review the transmitted information (e.g., pictures of the accident scene or crash sensor data) in the claims management enterprise system. The claim file also contains information about the business partners that are associated with the claim and offer the various third party services.

The solution concept was development for three different platforms (Figure 4). Mobile apps were implemented for HTC's G1, the HTC Magic, the Nexus One (all based on the Google Android

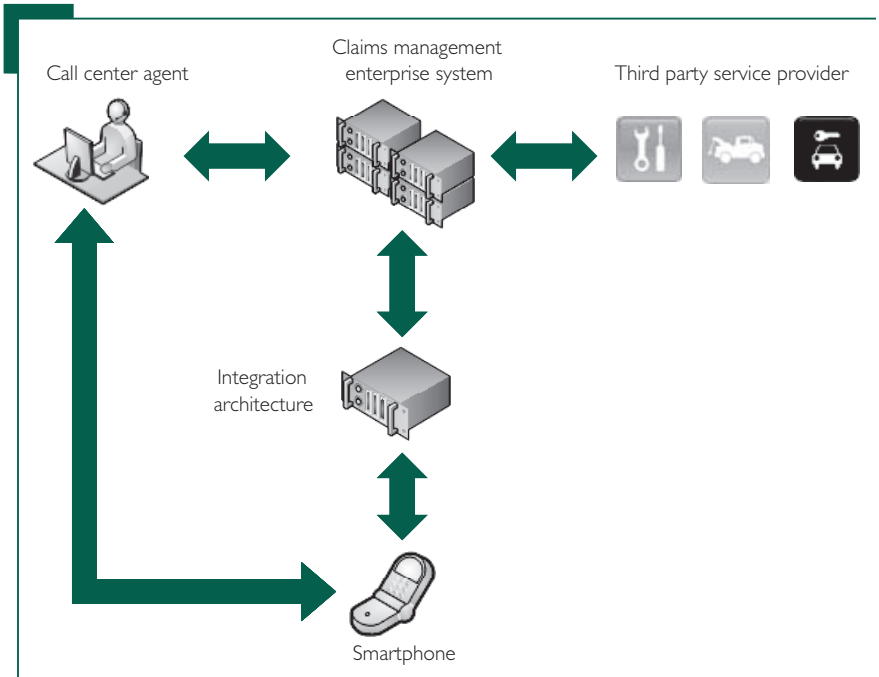

Figure 3: Application scenario

Google Android iPhone OS Blackberry OS

Figure 4: Smartphone demonstrators

operating system), the Blackberry Storm 9500, and the iPhone. For our prototypical implementation, we connected the smartphones with the «SAP Claims Management» solution as indicated in Figure 5.

The Expert View on Mobile Claims Management

To assess the expert view on mobile claims management and to evaluate the demonstrator presented in the previous chapter, the I-Lab conducted 13 interviews with experts from ten leading insurance and assistance companies from Austria, Germany, Switzerland, and the US. Five interview partners worked with Swiss motor insurers, while two persons worked with Swiss assistance service providers. In addition, three interview partners represented German motor insurers, two persons worked with a US motor insurer, and one interview partner represented an Austrian motor insurer. Amongst the interviewees were representatives of the four largest Swiss motor insurers. The interview partners were decision-makers from claims management, marketing, and corporate strategy. The interviews covered the key topics of technology and market trends in mobile claims management, the distribution of mobile claims apps, mobile strategy in claims management, the business process perspective on mobile claims management, and the marketing potential of mobile claims management. Expert interviews were audio-recorded and a qualitative content analysis was conducted to extract key results.[11, 12]

Technology and Market Trends in Mobile Claims Management

Almost all of the interviewed experts stated that they carefully observe the trends in mobile technology and see an opportunity for their company. Several key technology and market trends in mobile claims management were identified by the 13 interviewed experts.

Interviewees expect that smartphone-based communication between insurers and their customers will increase along with changes in customers' communication behavior. For the interviewees, mobile technology offers the opportunity of an additional channel to get in touch with their customers. Experts believe that most insurers that launch mobile claims apps strive to differentiate from competitors, to increase the interaction frequency with customers, to increase customer retention, and to support their marketing activities. However, experts are convinced that existing channels will not disappear and instead a new multi-channel perspective is required.

The technology trends are considered as enablers for the industrialization of claims management business processes by the interviewed experts. They expect faster claim settlements and the avoidance of media breaks based on mobile technology, but note that the technical integration between smartphones and claims management enterprise systems is not there yet.

However, the trend that an increasing number of insurers offer mobile claims apps is assessed as a technology push rather than a market pull by most of the interviewed experts. After a few innovators started to offer mobile claims apps, many others followed and tried to move with the market. Experts expressed the opinion that in the first place most insurers mainly want to build a mobile presence even though their internal processes are not ready yet to automatically process a loss report submitted from a smartphone.

While the focus is currently rather on marketing and increased customer retention, experts see cost savings potential, given the integration with claims systems and a higher adoption rate amongst customers. Consequently, experts believe that investments make sense at this point

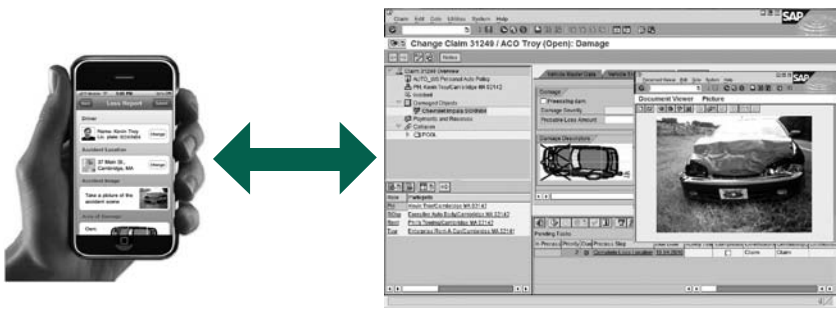

Figure 5: Technical integration with SAP Claims Management

in time in order to be prepared once there is a widespread market penetration of smartphones.

Seven out of the ten companies covered by the expert interviews already offer a mobile claims app, while experts working with the remaining insurers and assistance service providers said their respective companies plan to release a mobile claims app in the future. A key enhancement that is expected to leverage cost savings potential is the integration with claims management enterprise systems. In addition, one of the interview partners outlined that the further integration of claims management business processes with repair shop business processes can lead to additional value for both insurers and customers, who benefit from mobility and increased convenience.

Distribution Channels for Mobile Claims Apps

An area of significant challenges concerns the distribution of mobile claims apps. Up to now, insurers offer their apps via the respective app stores and refer to the offering in associated marketing campaigns or via their website. However, the most important challenge of mobile claims management is to help customers understand that an app is available to support them in case of an accident. Consequently, all communication and marketing activities need to reference the app and explain the added value to customers. A second key challenge is that customers that downloaded the app also remember it in case of a stressful accident situation. As insurance is a low-interest commodity product, it is important to integrate value-added services with the app in order to increase the frequency of app usage.

An opportunity to foster the distribution of mobile claims apps that is conceivable for most of the interviewed experts is to leverage the unique market access of their sales force. Insurance sales agents can benefit from their immediate customer contact and promote the company's mobile claims app. Four of the interviewees said their sales force already actively refers to their mobile app offering.

Mobile Strategy in Claims Management

According to the interviewed experts, the potential of mobile claims apps for competitive differentiation lies in the skillful bundling of value-added services. It is important to note that a true differentiation is based on services that are hard to replicate by competitors, because they leverage the ecosystem of assistance service partners an insurer develops around the app. That is, the differentiation happens at a business process-level and the service that is visible for customers is a proxy to leverage the differentiation potential. However, streamlined backend business processes alone will not differentiate the app from competitors, if the front-end, i.e. the mobile app, is not appealing to customers. The combination of clarity at the front-end layer and speed at the backend layer needs to lead to fast and straightforward assistance for customers and can become a true differentiator.

Almost all of the interviewed experts consider mobile claims apps as a marketing instrument in the short run and do not see immediate cost savings. The most frequently mentioned reasons why immediate cost savings are unlikely to materialize include the so far low adoption rate of mobile claims apps, the limited smartphone market penetration, and the missing integration with claims management enterprise systems. However, if the outlined hindering factors can be addressed, experts see potential cost savings in the medium term, which concern loss adjustment expenses and incurred losses.

Business Process Perspective on Mobile Claims Management

The expert interviews included an analysis of the impact of mobile apps on claims management at a business process level. The following areas of improvement were identified: first notice of loss, status updates, and process efficiency and business partner integration.

With respect to the first notice of loss, experts identified the following pain points: the duration between accident and first notice of loss, the completeness and quality of case circumstances, media breaks and manual data entries when processing the first notice of loss, and the automated categorization and further processing of incoming claims.

The most frequently mentioned area of improvement was status updates. Mobile claims apps can be used to provide updates about the current status of an insurance claim and thus reduce call center volume and decrease the amount of follow-up calls. Experts mentioned the long duration of receiving loss reports and answering status inquiries via phone. According to the interviewed experts, a digital loss report and push-based status updates could address the aforementioned pain points.

Another area of cost savings concerns the overall process efficiency and the integration of appropriate network partners. The increased process efficiency is expected to decrease loss adjustment expenses and comprises a faster loss report, increased data completeness, and decreased need for manual data entries. The integration of appropriate network partners such as repair shops can lead to decreased incurred losses. However, this is a tough challenge given the multitude of network partners. Several experts said the overall processing time of claims is a pain point that could be addressed by mobile technology, while others believe that it can improve the integration of business partners. In this context, the timely knowledge about customers' whereabouts enables insurers to integrate close-by network partners such as repair shops.

Marketing Potential of Mobile Claims Management

Most of the experts assess mobile claims apps as a new channel to provide customers with status updates as well as additional product and service information. As several experts outlined, value-added service can increase customer retention while apps can help to increase the interaction frequency and positively impact customers' intention to use the app in the future. However, insurers should not completely digitize the highly emotional accident situation, because it is a unique chance for differentiation. Based on historical data, it is evident that a positive claim settlement creates additional sales leads and establishes cross- / up-selling potential. Consequently apps should not become the exclusive communication channel between insurers and their customers. One the interviewees pointed out the psychological aspect of a mobile claims offering. While only few customers actually download an app, many others might know about its existence through marketing activities. For those customers that rely on the fact that they could use the app if necessary, a positive effect on brand image is expected as well.

The role of mobile apps in the marketing mix of insurers is assessed differently by the interviewed experts. While some experts believe that mobile apps will play an increasing role in future marketing mixes, others do not think that marketing budget will be invested in app development in the future. One argument for the increasing relevance of mobile apps in marketing is the fact that the communication behavior of customers is changing, which requires insurers to adapt their marketing activities accordingly. In other words, insurers need to use the same communication channels as their customers. A second argument for the increasing importance of mobile apps in marketing is the comparatively low variable costs of providing customers with information about product and service offerings via mobile apps compared to print ads.

Perspectives on Mobile Claims Management

The use of mobile apps in the insurance industry is still in an early phase and existing solutions are mostly limited to stand-alone apps that assist customers with the loss report after a car accident. Consequently, mobile strategies, if existent, range from marketing-centric apps to first steps towards a more efficient processing of customers' digital loss reports and an integration of business partners. Results from expert interviews indicate that the integration between smartphones and insurance enterprise systems will be a key enabler for cost savings in the medium term. However, technology investments need to be aligned with process innovations and a positive customer experience. The resulting technology adoption along with the increasing smartphone share are prerequisites for a successful mobile strategy.

The paper at hand focused on the insurer perspective of mobile claims management, while previous work investigated the complementary customer view.[13, 14] Since customers' technology adoption is a key success factor when introducing mobile claims management, the previous panel-based studies need to be complemented by field studies. So far field studies of mobile claims management were not feasible, because few customers recently used a mobile claims app to report an insurance claim. However, based on the increasing market penetration of mobile claims apps, field studies will viable in the near future. The corresponding findings will be closer to reality compared to results from previous online questionnaires on mobile claims management, which could only approximate a field study design. Field studies will also show which assistance services are suitable to positively emotionalize the loss event. In addition, it will reveal if customers are ultimately able to report a car accident via a mobile claims app, given the exceptional circumstances. Ultimately insurers will need to focus on the suitability of their mobile claims apps for everyday usage. Given the low frequency of loss events, the bundling with helpful and frequently used assistance services is a key success factor for the market penetration of mobile claims apps.

Notes

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