COVID-19

Transforming change for Motor Personal Injury Claims?

Out of the blue?

The speed of the pandemic and the subsequent locking down of the economy took the insurance sector by surprise.

The knock-on effect of a reduction in claims incidents driven by reducing transport volumes, unsurprisingly, had not been modelled and the opportunities to capitalise on claims already in the system had not been assessed.

Insurer business continuity plans existed, but they had never been tested to the extent that they were about to be.

However, shifting to remote working, optimising the digitalisation of claims systems, maintaining distribution channels with policyholders, brokers, and other intermediaries whilst also dealing with a channel overload of customer enquiries - which was achieved in just a matter of weeks of the lockdown - was remarkable.

With these adjustments at least for now being the new normal, it is time for horizon scanning to predict the long term impact of lockdown on claims frequency, severity, changing claimant market behaviours and most importantly the structure of claims delivery.

A critical question is will Covid-19 be the catalyst for a step change in the delivery of motor volume personal injury claims?

Double trouble?

As lockdown restrictions are gradually eased, personal and commercial traffic volumes are increasing; but predictions on whether volume will return to pre lockdown levels and if so when, are variable.

With white collar employees' home working, a phased return to office working and the government encouraging use of alternative transport modes, will there be a transformation in future transport use post pandemic?

With lockdown models becoming semi-permanent, changes to working practices will influence transport use driven by increased home working for office based sectors, staggered office working hours and greater use of public transport facilitated by promised central government investment in public transport infrastructure.

Claims notifications have been on a downward trend for more than twelve months and the immediate effect of the pandemic has accelerated this pattern.

Forecast modelling suggests at best only 80% of pre-pandemic transport frequency returning by the end of 2020. This does not consider a possible second wave or a first wave flare up returning in the next few months and another stay at home lockdown.

Less claims incidents as a result of a reduction in motor transport use may drive lower insurance premiums and improve insurer balance sheets, but the claimant market will also react and increasing severity for simple volume claims will be an unwanted symptom post virus as claimant market revenue recovery models are ramped up.

The pandemic has disrupted and pushed back the whiplash reforms. If the new implementation date of April 2021 is not achieved this time, then the possibility that the reforms will be shelved cannot be discounted. On balance however, despite the pandemic, the prediction is that the reforms will be implemented despite the delays.

Even before the pandemic, data insight and claims handling observations were already showing how the claimant market was gearing up to mitigate the financial impact of the whiplash reforms on volume claims. Changing injury profiles combined with prognosis creep have been emerging in the system as a precursor to the whiplash reforms in readiness to manipulate tariff levels and to circumvent the proposed whiplash definition.

The effect of the pandemic will be to accelerate these existing behaviours, driving volume claims severity. Emerging and current claims impact perils will be escalated as the claimant market doubles down to retrieve lost revenue.

Insurers can expect to see increased claims from vulnerable road users with potential for more serious injuries as well as greater financial exaggeration for lost earnings, care and assistance and other domestic activities. The industrialisation of multi-site injury layering, which is already in place, will increase compensation awards. Expect more aggressive rehabilitation expenses layering with increased treatment for psychological and physical injuries, prognosis creep from remote medical examinations, a rebirthing of old stock for previously unsettled heads of claim and abuses of injury protocols rules to costs build.

The effect of the pandemic will be to accentuate inevitable sector readjustments such as insurer integration, consolidation of claimant and, for that matter, defendant legal providers and the emergence of leaner but stronger claims management companies. Assuming they do not wither away, the implementation of the whiplash reforms with the knock on effect of Covid-19 will accelerate the restructuring of claims delivery by insurers.

Shake up?

Before the pandemic hit, insurers were already starting to think what claims volumes would look like post whiplash reforms.

The pandemic has also raised the requirement for less of an office based footprint. As well as the efficiency savings, this architectural change may be the catalyst to review the capacity for internal claims delivery.

Claims outsourcing is not new but it has often been distress driven and the pandemic is likely to cause some to review outsourcing solutions. So long as the right customer satisfaction experience can be maintained then the cost and risk of regulatory burdens such as GDPR and IT cyber security can be shifted to the supplier. Claims data and valuation platforms can be enriched at supplier cost in order to drive indemnity spend savings and control KPIs.

Could outsourcing end to end claims solutions including legal delivery be a defined strategy for some in respect of post pandemic claims delivery?

Whether outsourced or not, the strategy for claims delivery should have at its very core claims processing by robotics and machine learning. The processing of simple volume claims on digitalised artificial intelligence platforms will increase in pace and continue to revolutionise claims delivery. Insurers should now be looking to their suppliers for enhanced innovation through "real thinking" computer systems delivering the art of the possible in claims handling. An intelligent system that can value and provide key negotiation points in claims portals should be at the centre of future planning for claims volumes. Real time management information to track claims indemnity spend, market trends, and to construct know your opponent strategies can be efficiently modelled on the back of an automated intelligent claims delivery platform.

The need for handler interactions in processing claims will not and should not disappear entirely. As the claimant market adapts to the double effect of the pandemic and the whiplash reforms, some simple volume claims will shift to more complex claims profiles. Claims delivery in this space will require a shifting of claims handler skillsets in order to process multi-site injury valuation and negotiation, whiplash tariff gaming and bridging, valuing and negotiating exaggerated financial losses as well as managing aggressive rehabilitation costs layering.

A reduction in claims notifications as a result of the lockdown has allowed insurers to improve claims work states and whilst there is some capacity in the system, the opportunity to revisit the strategy for claims delivery should be grasped.

Insurers with the vision to transform volume claims delivery will profit from the impact of Covid-19 and the whiplash reforms. Transformational change in claims delivery is inevitable and the time to kick start a strategy review is now.

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