



Transforming claims into a strategic asset

Claims transformation

A series of insightful and instructive articles that examine a set of interconnected themes and trends that are expected to drive the traditional claims function into a new future of customer-centric, digitally-enabled, value-driven service and efficiency.

KPMG International

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A set of interconnected themes and trends are disrupting the traditional approach to claims, and will be explored in detail below to help insurers consider what choices they need to make in response to transform their organization.

At the macro level there are four trends driving the traditional claims function into a new era of enhanced service, modern capabilities and efficiency. The momentum surrounding all four trends is significant and outlined below.

Clients expect more — Claims are the ‘moment of truth’ for clients who discover the true value of their insurers at the most vulnerable moment of the relationship. Claims also represent one of the few opportunities for insurers to deliver a positive client experience, build client loyalty, and collect valuable data to improve operations and client service.

Unlike the modern, personalized client experiences consumers are embracing in other industries, many of today’s insurers still have considerable ground to cover in delivering the innovative interactions that consumers and businesses have come to expect. Simply put, what was acceptable in the past is clearly no longer so. The future of claims is about delivering transformed services and digital capabilities that are friction-free, trackable, transparent and trusted. Claims teams should put clients at the center of all they do to help drive competitiveness, growth and profitability in today’s changing environment.

Purpose-led cultures become crucial — Beyond evolving client expectations worldwide, workforces are also placing new demands on businesses everywhere and insurers are no exception. Today’s talented young professionals are voicing expectations for organizations to contribute in new ways to the common good via strategies that include, for example, environmental, social and governance (ESG) initiatives.

Being perceived as a purpose-led ‘employer of choice’ has become crucial to attracting — and retaining — critical new skills in the digital era. While insurers have traditionally built peace of mind and trust among communities and stakeholders, this alone is not enough today. Public trust is suffering across all many sectors and this perception will likely impair how well firms attract talent to the insurance industry. In this context, the claims function should address questions on the role they intend to play in society and how they plan to engage with the best and the brightest.

Going deeper on digital — Insurers looking to the future may also need to sharpen their focus on unlocking organization-wide digital capabilities that are truly ‘transformational’ for claims. Insurers adopting new technologies tend to remain focused on limited, short-term pain point rather than thinking strategically and holistically to generate enterprise-wide changes that can impact clients claims teams, supply chains and beyond.

Make no mistake — a new era of digitally-enabled service and transparency is no longer an option in today’s

connected and hyper-competitive marketplace. Digital capabilities should connect claims organizations and stakeholders throughout the process, breaking down traditional silos to help optimize operational efficiency, while providing client experiences that are personalized, seamless and responsive.

Unlocking new value in claims — It’s clear that today’s insurers should enhance the role of claims as a ‘strategic asset’ that can deliver greater value to the business. Claims organizations operate at a pivotal crossroads where client experience and business profitability meet.

Today we are seeing an increase in focus on enhancing the claims response beyond providing a check for losses, with some adoption of loss-prevention protocols that clients can embrace with their insurers. The mutual advantages are obvious, clients play a role to enhance their security and help minimize losses, while insurers play a proactive role that can pay off in profitability. There is a huge opportunity for claims to become a more ‘strategic asset’ in terms of how it informs new products and services and helps drive new experiences and cost savings.

The ‘connected forces’ shaping the future

Beyond these significant themes, we see seven ‘connected forces’ that reshaping claims. Here is a brief overview — for full and timely insights on each please explore our [Claims Transformation](#) series at home.kpmg/claimstransformation.

New claims solutions: Transforming the value proposition — As products evolve and improve, claims will likely need to adapt, with the potential for handlers to focus on complex claims and prevention opportunities. Insurers should expect to identify the impact of emerging developments in the industry, develop new capabilities and increase agility in order to effectively reshape services.

The future workforce: Meeting a bold new era of challenges — Claims workforces and cultures will likely need to evolve and attract critical new skills for the digital era. Expectations of employee engagement and empowerment is expected to continue to rise. A strategic new focus on the capabilities required to help shape the claims workforce of the future, including closer employee-employer relationships within a strong culture of continuous improvement will be required.

Operational management: Resetting the foundations within claims — Claims functions should improve their ways of working to help increase flexibility, advance automation and focus on prevention. This requires claims to embed a solid foundation to help promote a strong operational management structure in the short term, while enabling ongoing innovation and progress.

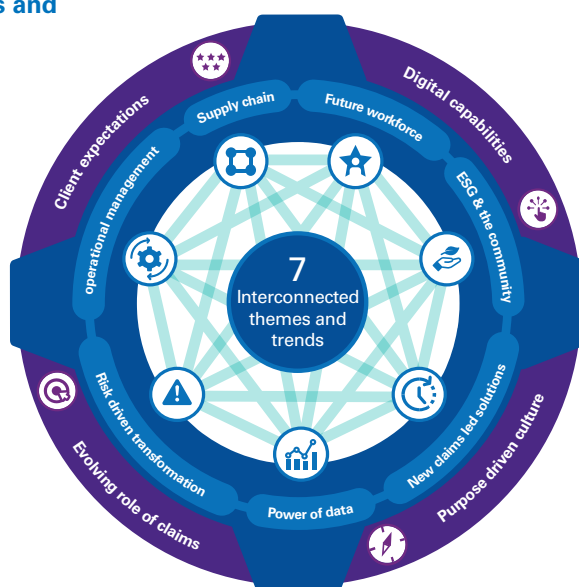
Agile claims supply chains: Building an ecosystem of strategic partners— Supply-chain management is currently a manual and opaque process involving costly ‘back-and-forth’ interaction between claims handlers, supply-chain partners and policyholders. The future demands a redesign of supply chains, using automatic instruction tools and virtual technology, while also helping to ensure that supplier and insurer values remain aligned. Deeper relationships and the use of micro supply chains may also be needed.

ESG in claims: Vision, strategies and decision-making for better outcomes— Public expectations continue to grow for businesses in every sector to play a greater role in promoting a sustainable future. Claims organizations facing increased scrutiny should aim to demonstrate a new focus on sustainability, taking into account regulatory requirements, evolving client requirements and social impacts.

Innovative risk approaches: New compliance and conduct solutions— We are seeing increased regulatory scrutiny and remediation activity related to claims conduct and with that, rising compliance costs. Existing cultures, values, capabilities and processes do not consistently meet regulator expectations. The future demands clear principles and decision-making criteria, and a sharp focus on ‘doing the right thing’ to help prevent costly and damaging remediation requirements.

Data and analytics: Unlocking the power of claims— The volume of available client and marketplace data continues to multiply exponentially in every sector, along with new analysis techniques and capabilities. Insurers, however, are behind in their ability to use data to help drive informed decision making. They will likely need to create a core data strategy, enabling machine learning and augmenting the use of wide data sets to help improve the client experience, optimize indemnity spend and reduce costs.

KPMG’s 7 Interconnected themes and trends affecting claims



Source: KPMG International, 2021.

The opportunity to seize the moment is now

Insurers assume that they have a competitive advantage in the marketplace, with limited evidence and analytics. Taking a ‘wait and see’ approach, rather than understanding the current risks and opportunities in the market, and acting upon them, may impact their future performance.

Consumers typically see insurance as a ‘grudge purchase’, a product they simply need to acquire. Going forward, insurers should aim to become more relevant, ideally becoming a valued ‘risk partner’ that can play a proactive role in supporting clients to enhance their security and help minimize disruptive losses.

Some industry leaders are, of course, already forging a bold new path into the future, moving strategically into models that include a new focus on prevention. They are moving beyond simple ‘add-on’ features for their existing risk and product approach and creating a competitive

advantage in their markets. These leaders have a sense of clarity and vision for the future and are willing to essentially ‘test and learn’ to help drive tangible progress.

Other insurers should follow their lead, abandoning a traditionally conservative, short-term, reactive mindset to become ‘strategic architects’, rethinking their business and operating models and how they add value. The future is about fully connected organizations that aim to create significant new value for their clients, employees and the entire business.

The future is upon the industry as today’s megatrends and connected forces continue to define what the claims function of the future should look like. Change is inevitable and firms that delay may do so at their own peril in today’s hypercompetitive and fast-changing markets.

Explore our [Claims Transformation](#) articles series further to learn how the seven forces are affecting the claims function.

If you’d like to discuss how KPMG professional can help your organization with its claims transformation journey, please contact us.

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