



The Changing World of Claims Handling

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CPCU I Day
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The Changing World of Claims Handling

- Topics
 - Economic and business issues and trends
 - Insurance industry issues and trends
 - Responding to change
 - Balancing service and cost
 - Segmentation of property and casualty claims
 - Strategic loss management
 - Technology
 - Impact on adjusters
 - The next generation of claim adjusters

Economic & Business Trends

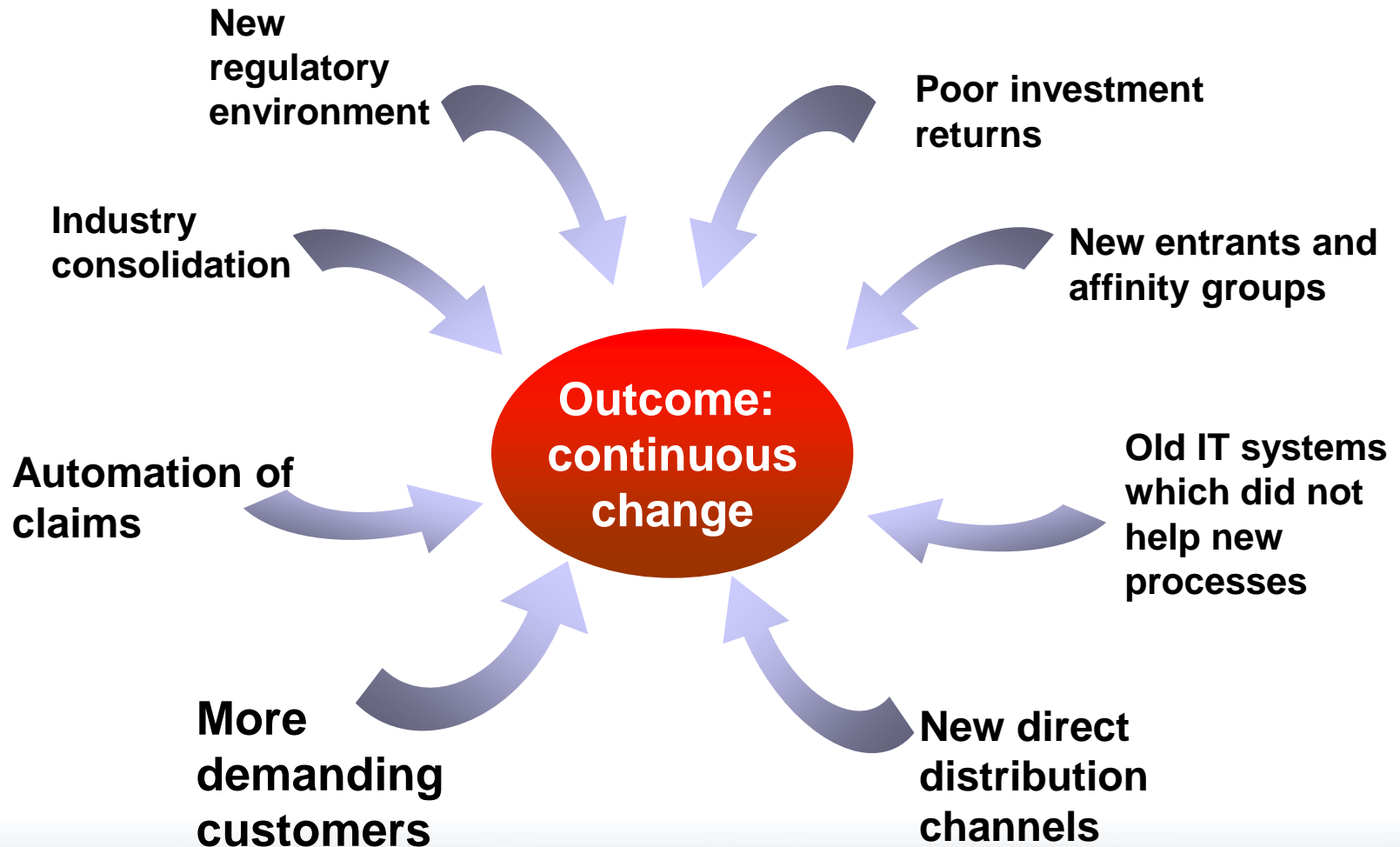
- Global economies are realigning
 - New markets will emerge in Asia, South America
- Customer landscape is changing
 - 1 billion new consumers will double consumer spending in emerging markets
- Corporations will continue to consolidate and expand
 - Roles and behavior of business will come under scrutiny
- Technology connectivity is only just beginning
 - Portable communication, Internet are creating organizations and markets without boundaries
- Demand for experience and talent is increasing
 - Training and retaining employees is critical

Economic & Business Trends

- In short, the business world is becoming:
 - Even more global
 - Even more technological
 - Even more competitive



Insurance Industry Issues and Trends



Insurance Industry Issues and Trends

- Explosion in mobile technology
 - 7 billion people on earth, 5.3 billion mobile devices
 - 1.3 billion smartphones with 230% growth
 - Tablets will soar from 15.1 million to 115 million in 2014
 - With 76 percent of U.S. population owning devices, mobile strategy must be front and center



The Future Is Here

U.S. insurer offers Facebook updates on claims process

By ILSTV Staff on Jul 19, 2011 in Auto & Trucking, International Insurance, Software & Technology

Progressive's 24/7 Claims Service

See what's happening with your claim at any time, day or night.

Simply log in to access your claim.

 Save ID

Do you keep track of a Progressive policy or online 24/7.

You file a claim in just a few

minutes online, you can see estimates and more.



Already have a car in an E-star shop? Log in to track your repairs at RepairView.com.

PODCASTS FOR BUSINESS & IT PROFESSIONALS

Gartner Voice

15 October 2008

Insurance Online Customer Self-Service



Hosted by **Dale Kutnick**,
SVP, Executive Programs

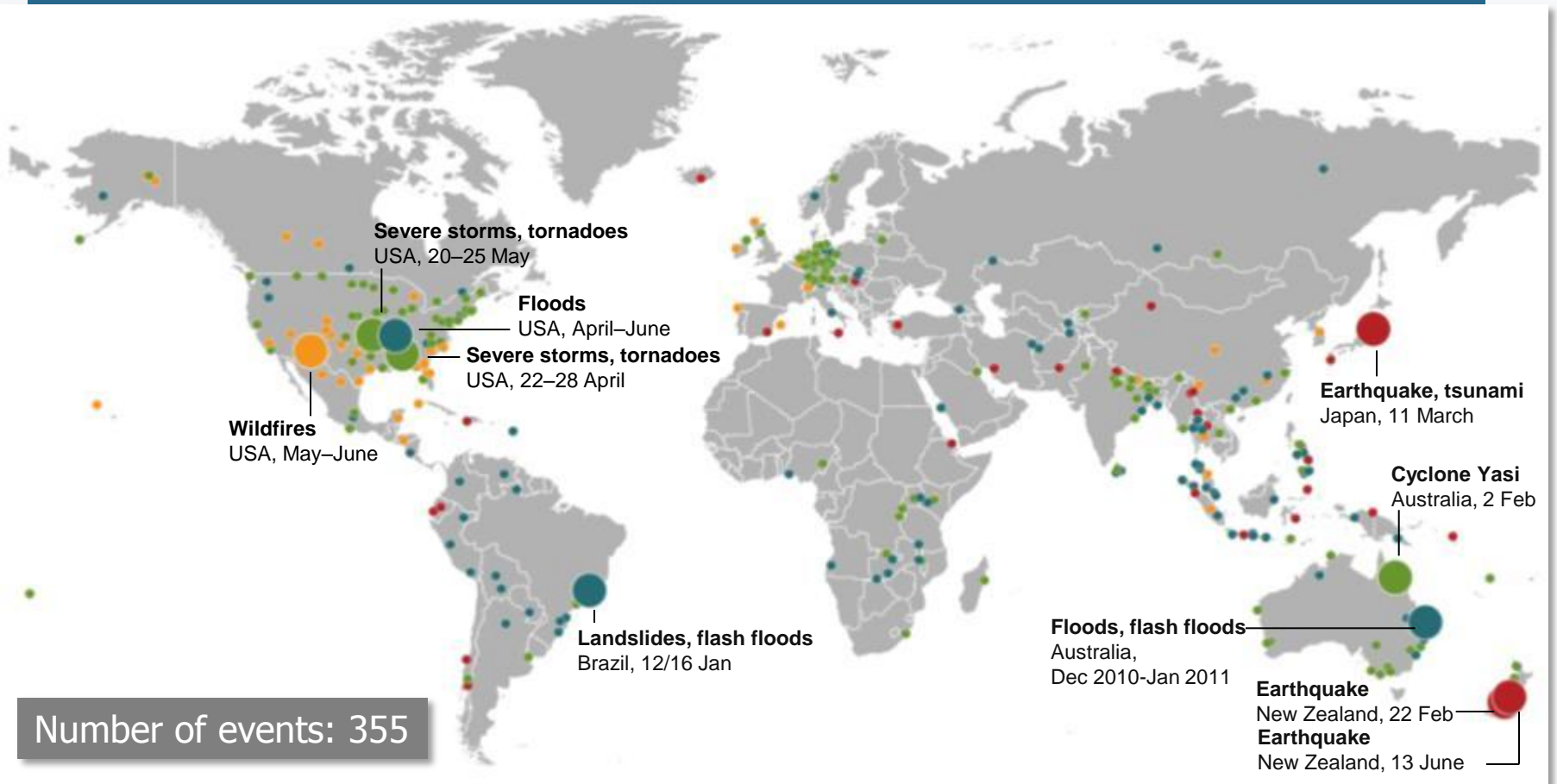
Insurers have been investing in online customer self-service for years. As customers demand convenience and insurers look to drive down servicing costs and improve customer experiences, self-service sites will become an even bigger priority among life and property and casualty insurers. Listen and learn more.

Insurance Industry Issues and Trends

- Claims 2011
 - Increases in frequency and severity
 - The Year of the Tornado
 - Changes in worldwide distribution of claims
 - Increases in loss and loss adjustment expenses



The insurance industry has dealt with an unprecedented number of global catastrophes in 2011.



○ **Natural catastrophes**

○ **Selection of significant loss events (see table)**

○ **Geophysical events**
(earthquake, tsunami, volcanic activity)

● **Meteorological events**
(storm)

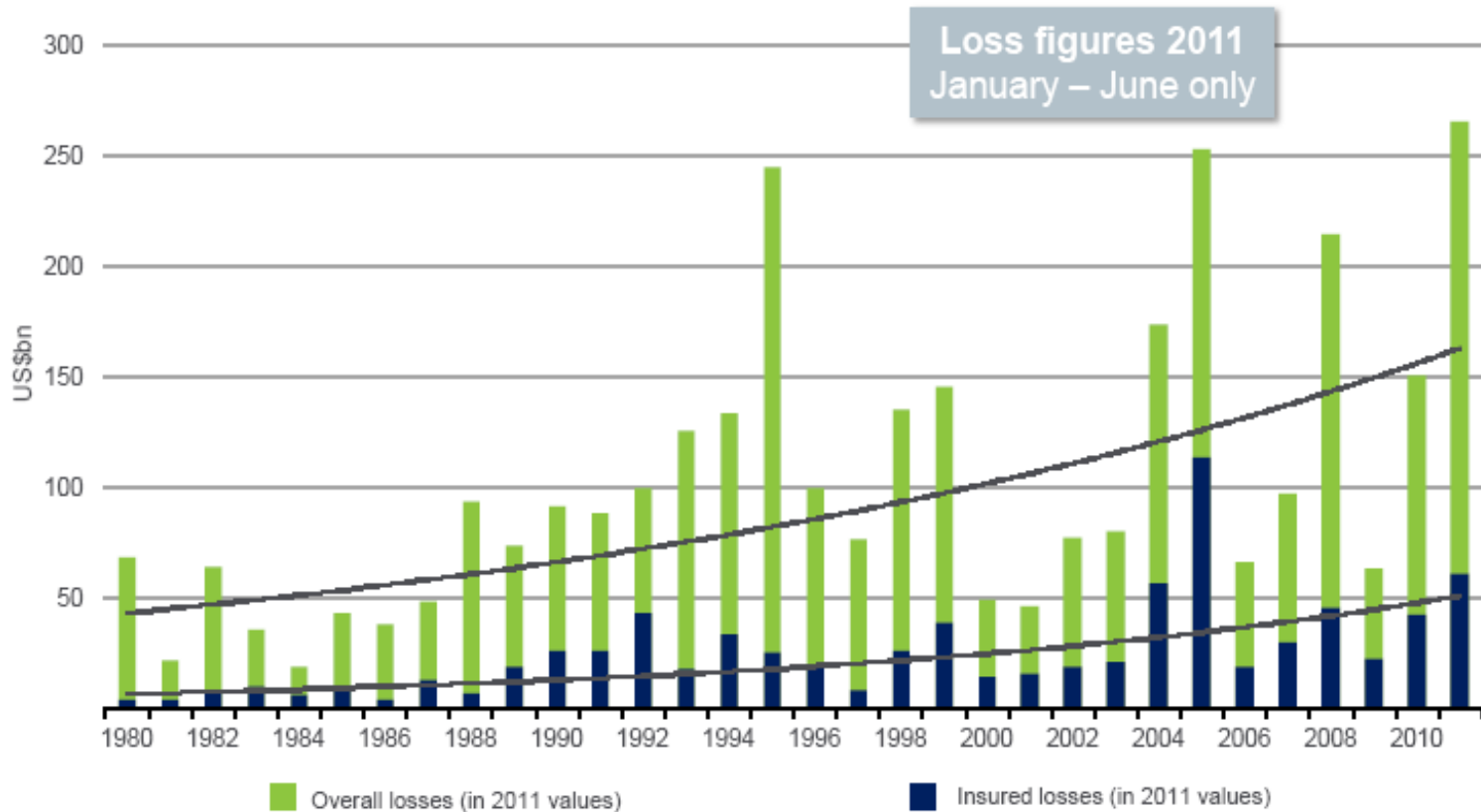
● **Hydrological events**
(flood, mass movement)

● **Climatological events**
(extreme temperature, drought, wildfire)

Worldwide Natural Disasters 1980 – 2011

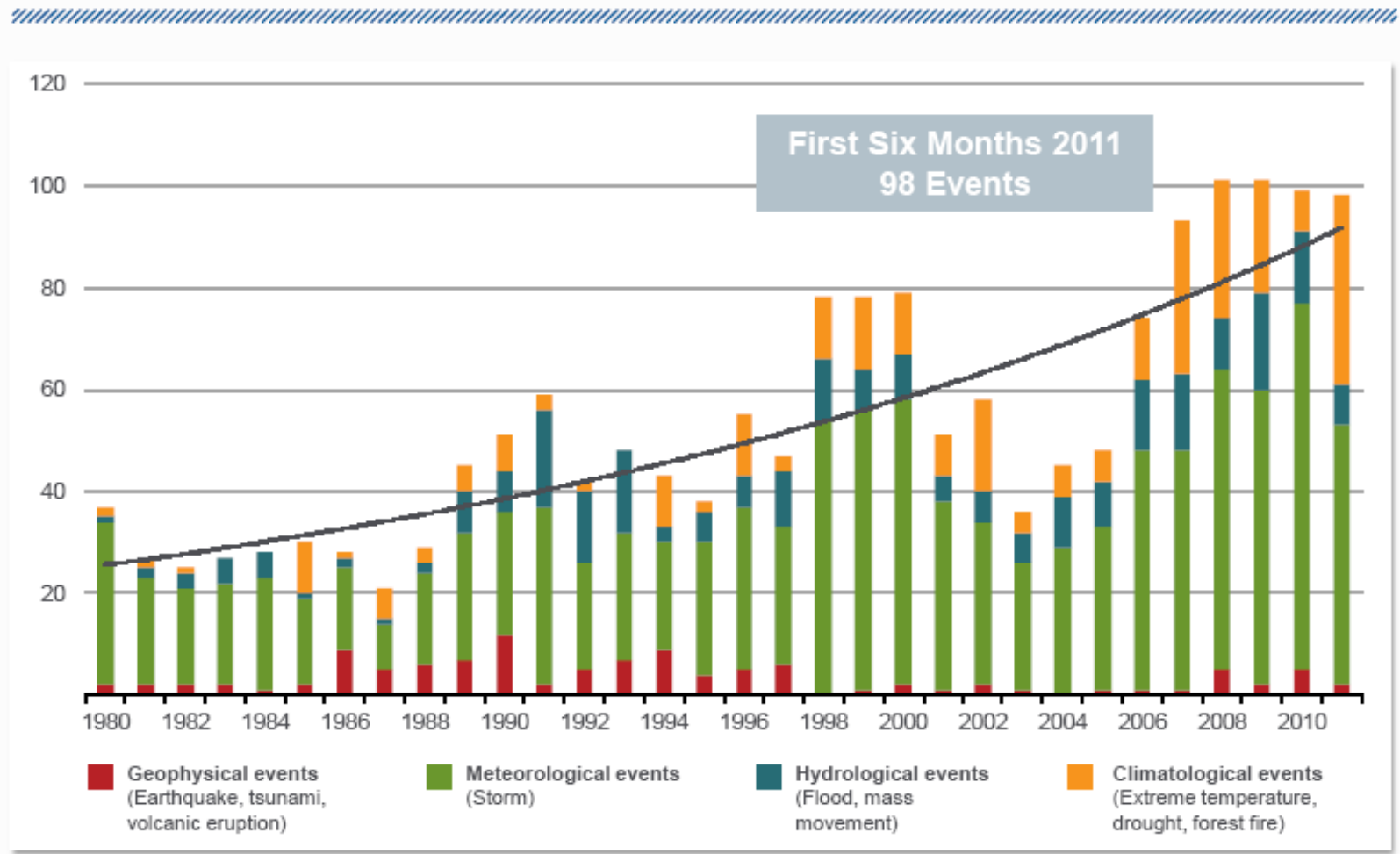
Overall and Insured Losses

Losses in 2011: Overall = US\$ 265bn ; Insured = US\$ 60bn



Natural Disasters in the United States, 1980 – 2011

Number of Events (January – June Only)



Source: MR NatCatSERVICE

© 2011 Munich Re

United States claims frequency and severity increased sharply during the first six months of 2011 – with particular acceleration in Q2:

- ▶ **Very active thunderstorm (tornado-hail) season with insured losses exceeding \$16 billion, far above the 2001 to 2010 January - June average thunderstorm loss of \$6.4 billion. It was also the deadliest thunderstorm season in over 50 years**
- ▶ **Extensive severe flooding events in Midwest and Great Plains**
- ▶ **Large, damaging wildfires in Texas, Arizona and New Mexico**
- ▶ **Major blizzard and ice storm in Midwest; severe freezing conditions in Southwest**

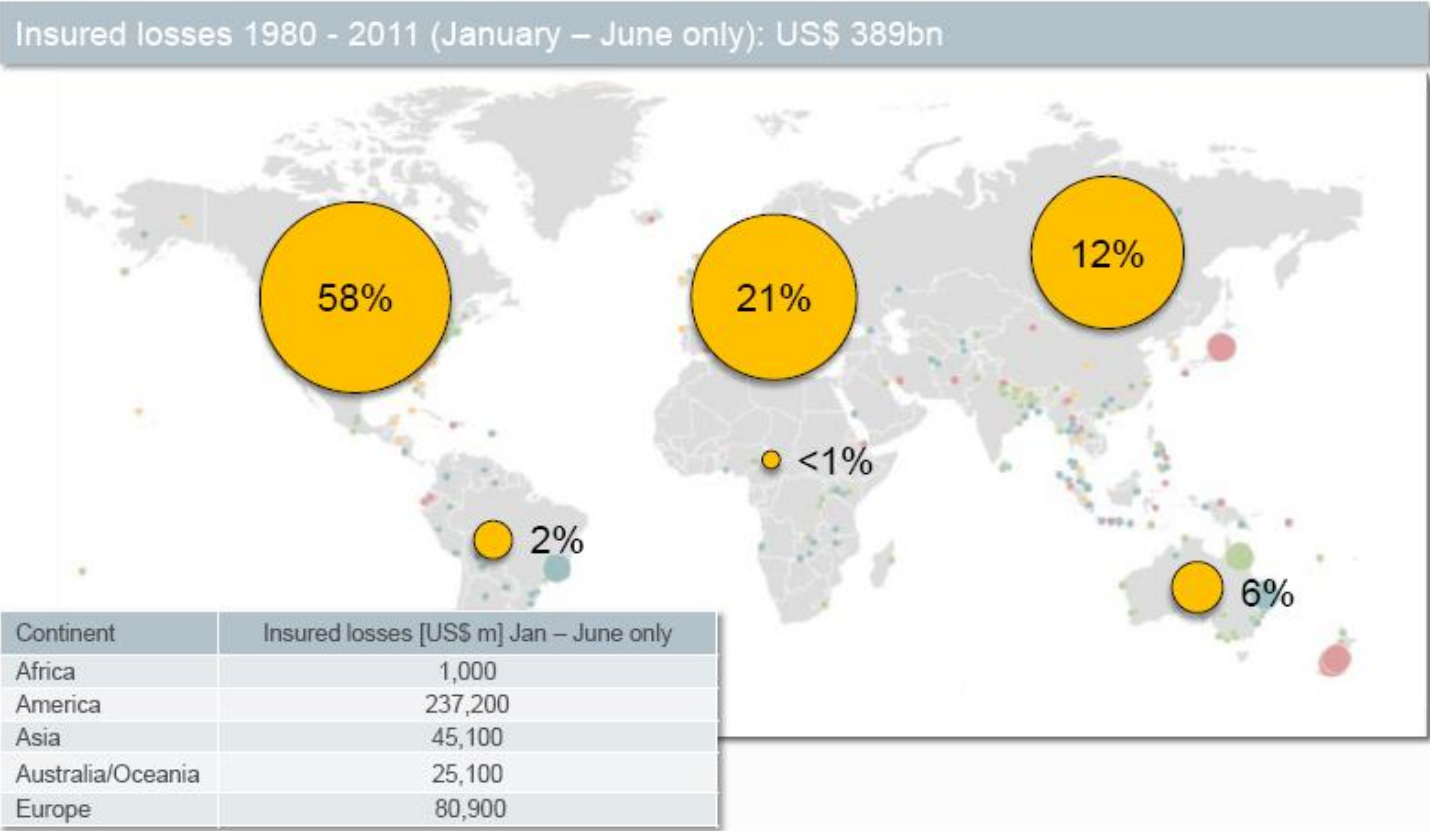
The contrast with previous years underscores the sharp reduction in catastrophe losses in the US for 2009 and 2010 – as well as the significance of catastrophe losses through the first half of 2011:

Insured Losses (\$ billions)

YEAR	2008	2009	2010	2011 YTD
United States	22.6	11.6	11.8	17.3
Global	52.5	27.2	37.8	55.2
Total	75.1	38.8	49.6	72.5

Source: Swiss Re, Aon Benfield, Munich Re, ISO

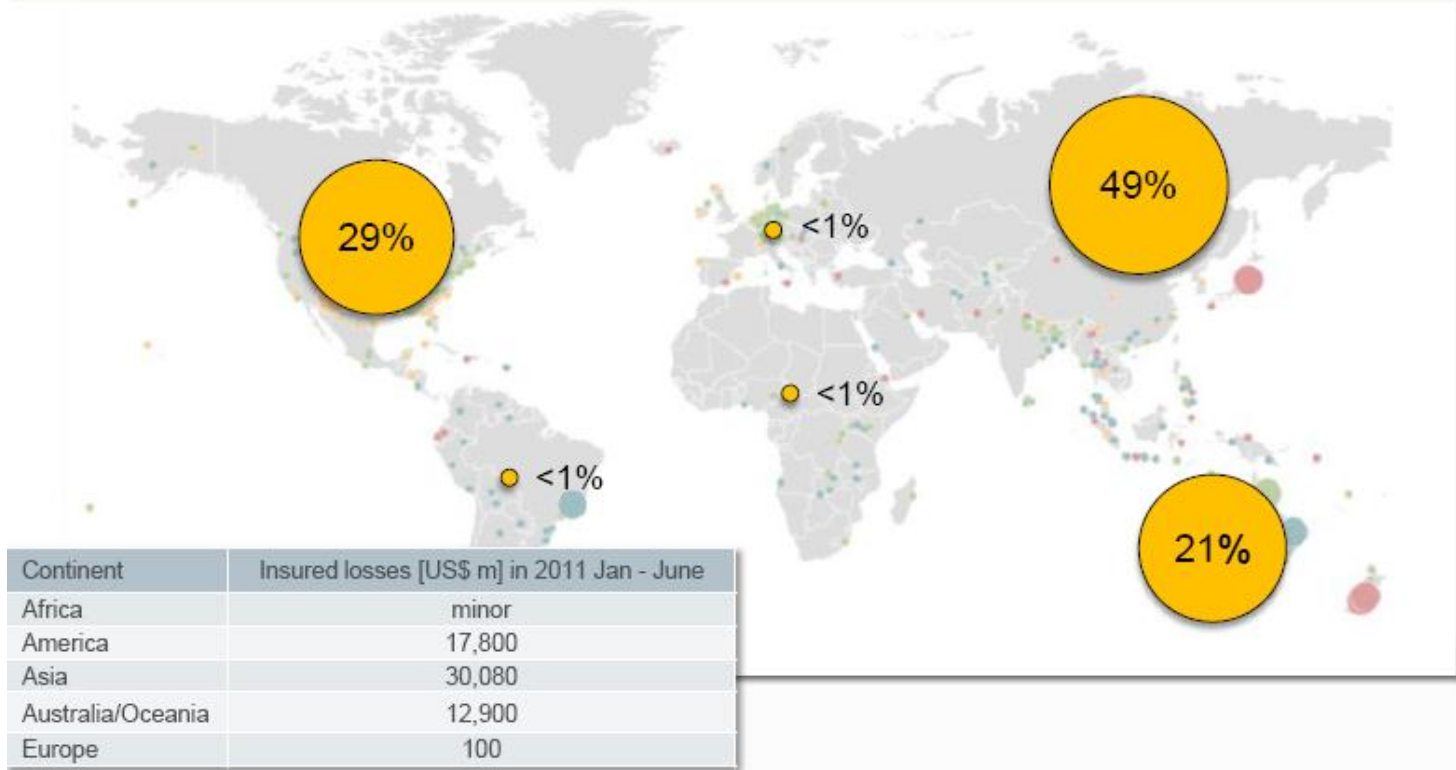
Percentage Distribution of Insured Losses Per Continent 1980–2011 (January – June only)



2011 Munich Re Global Natural Catastrophe Update

Percentage Distribution of Insured Losses Per Continent in 2011 (January – June only)

Insured losses 2011 (January – June only): US\$ 60bn



2011 Munich Re Global Natural Catastrophe Update

We Live in a Period of Extremes

Hurricane Katrina: August 2005



Photos courtesy of Wikipedia

We Live in a Period of Extremes

Hurricanes Ike and Gustav: Summer 2008



We Live in a Period of Extremes

Chilean earthquake: February 2010



Photo courtesy
of Wikimedia
Commons

We Live in a Period of Extremes

Japan earthquake/tsunami: March 2011



Photo courtesy of In Focus with Alan Taylor

While the first two quarters of 2011 have been significantly affected by increased catastrophic occurrences – loss and loss adjustment expenses (LLAE) excluding catastrophes has been increasing in the United States:

- ▶ **Catastrophes in the United States in Q1 2011 caused \$1.9 billion in direct losses - down \$0.7 billion from \$2.6 billion in Q1 2010**
- ▶ **Excluding LLAE generated by US catastrophes, non catastrophic LLAE rose \$4.7 billion in Q1 2011 - a 6.5% increase over the \$71.8 billion in Q1 2010**
- ▶ **For Q1 2011, despite the actual reduction in Cat LLAE in the USA, the overall US insurance industry LLAE exhibited a 5.4 % increase over Q1 2010**

Period	LLAE (\$ Billions)	% Change
First Quarter 2011	78.5	+5.4%
First Quarter 2010	74.5	- 5.4%

Responding to Change: Balancing Service and Cost

Customer Service

Serving customers, with high service expectations, across a wide range of products

Balancing customer service & empathy yet protecting the insurer's interests

Cost of Claims Containment

Understanding the drivers in claims, & applying them to front line decision making

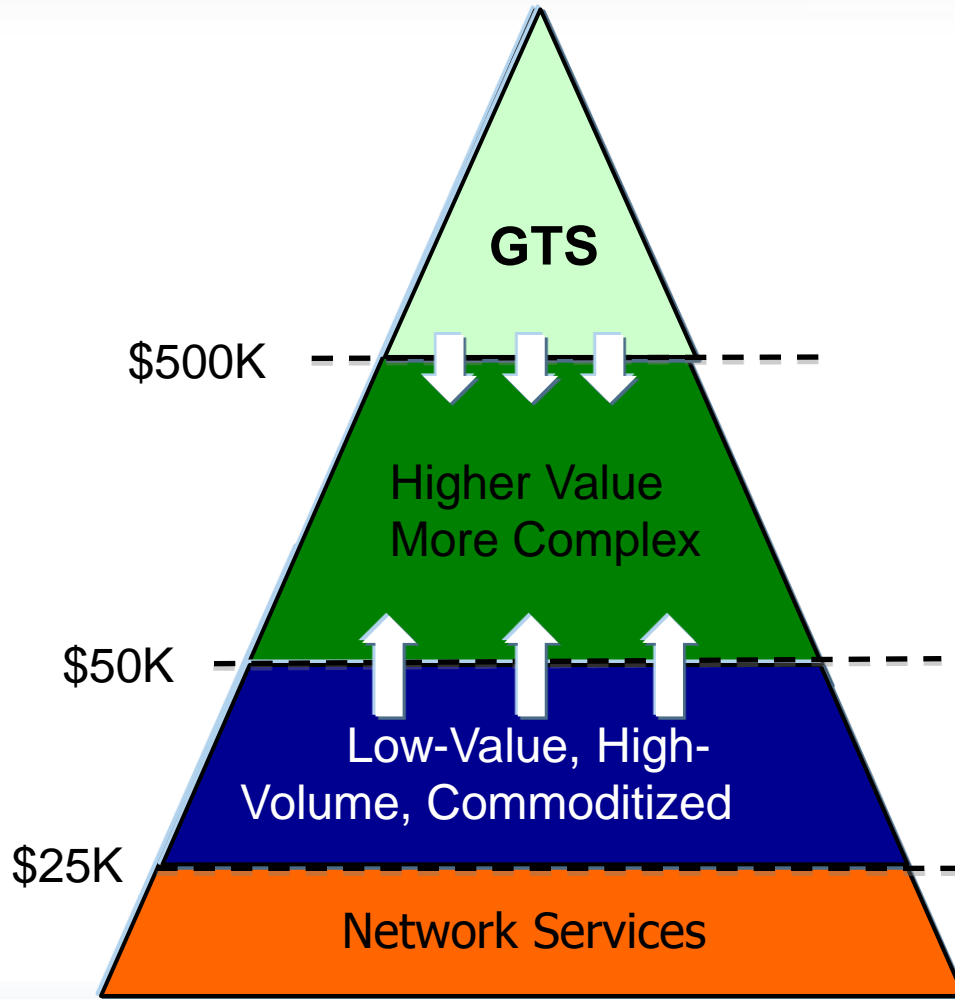
Expense Control

Achieving 21st century levels of productivity, while maintaining customer service and containing claims cost

Within a high volume, high complexity environment

A difficult balancing act – and a demanding career

Responding to Change: Property and Casualty Segmentation



Technical services with highly experienced large and complex loss adjusters

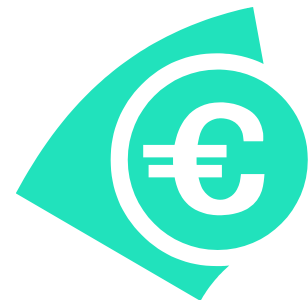
Enhanced field operations

New technology-enabled service offerings

Vehicle managed repair, contractor networks

Responding to Change: Strategic Loss Management

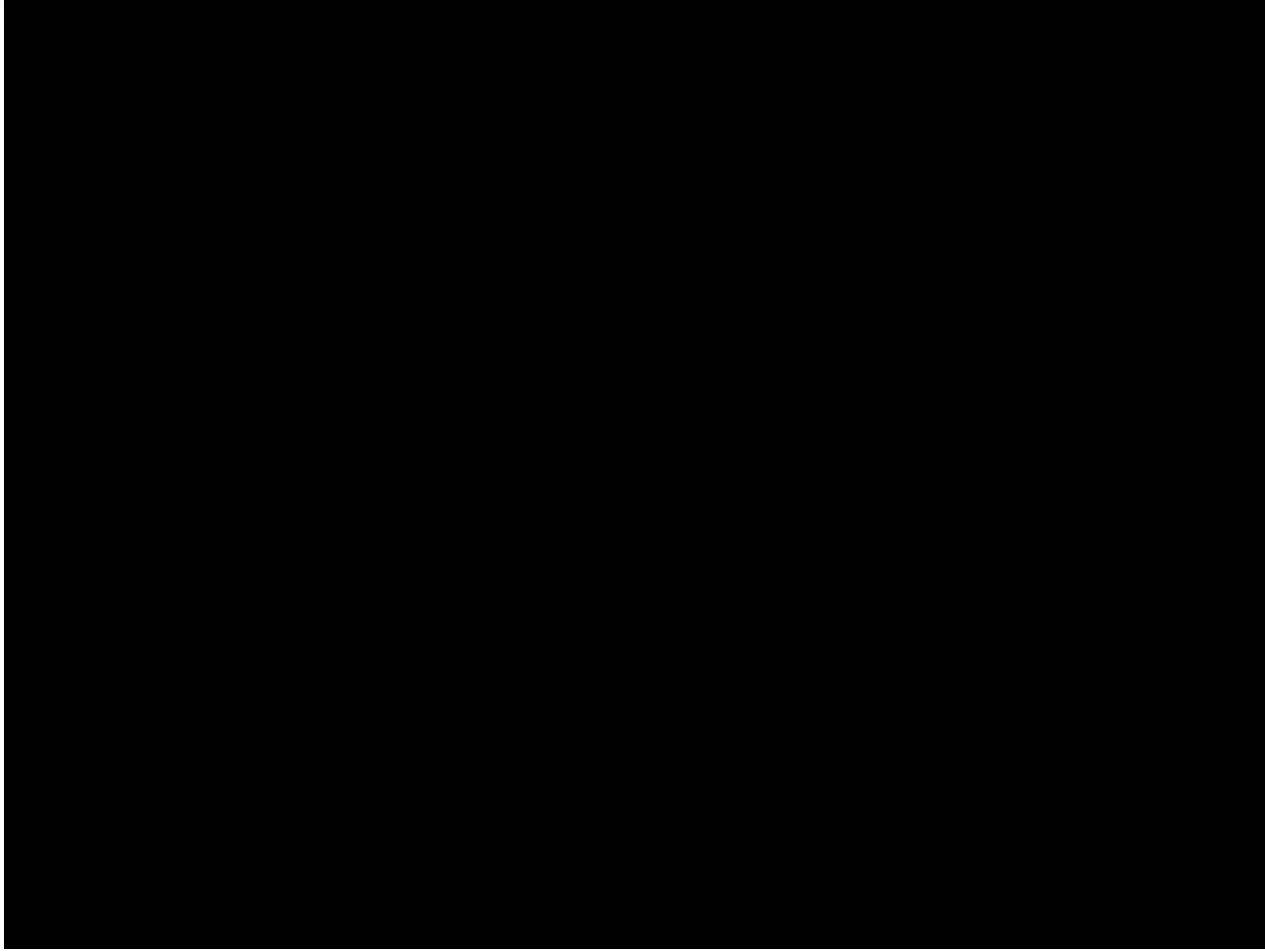
- Managing mega losses is critical for our clients
 - Such losses require a different approach
 - SLM at Crawford
 - Applies to losses over \$5 million – with client approval
 - Involves GTS, oversight by appropriate executives
 - Protocols include:
 - Team approach with peer reviewer
 - Project planning
 - Reserve/estimate of gross loss templates
 - Cashflow and reserve/estimate tracker
 - Communication protocol
 - Market management



Responding to Change: Technology

- New field technology to optimize scheduling, capture information and streamline claim operations
 - Handheld mobile applications
 - Tablet computers
- Fast-track, technology-enabled claims processing
- New dashboard technology to provide up-to-the-minute information on claims status and KPIs
 - Visible to claims handlers and customers
 - Allows fast identification and resolution of issues
 - Contributes to benchmarking and stewardship reporting

Crawford Command Center – Atlanta, GA



Impact on Adjusters

- As claims handling has changed, so have claims handlers. Key skills include:
 - Comfort in team-based, collaborative environments
 - Communication
 - Time management
 - Technology competence



The Next Generation of Adjusters

- Baby Boomer retirements may be delayed, but sooner rather than later, significant expertise will be exiting the workforce
- Continued need to attract and retain qualified, experienced claims adjusters, which calls for strong HR strategies
- International backgrounds and experience will be desirable
- Adjusters have every chance to advance in the profession
 - Continue your education
 - Learn a relevant language
 - Choose an industry specialty
 - Be open to international assignments
 - Start mentoring others
 - Stay involved in industry organizations
 - Actively promote careers in the insurance industry

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Questions?