COVID-19 SPEEDS UP INSURANCE INDUSTRY’S DIGITAL TRANSFORMATION

Written by: Maju Abraham, Senior Vice President and Chief Information Officer, IAA.

Consumer behavior has undergone a dramatic transformation over the last twenty years. At one time, it would have been inconceivable that someone would purchase a car without taking a test drive or even sitting in the driver’s seat. Today, however, a growing number of consumers have no qualms about buying a vehicle without ever experiencing it in person. In Q3 of this year, Carvana reported online car sales growing 39% year-over-year as the consumer appetite for online car buying continues to grow. Additionally, Google’s 2020 “Global Auto Pulse” survey found that “18% of auto shoppers would buy a vehicle sooner if there was an online purchase option.”

The shift to online car buying was likely bolstered by several states, including the automotive hub of Michigan, determining car dealerships to be non-essential in the opening weeks of the pandemic. It should therefore be no surprise then that as COVID-19 has forced people to do nearly all their shopping in the digital marketplace, consumers would also turn to digital insurance solutions.
The pandemic has not given rise to the virtual auto-insurance claim, it has merely hastened a shift in consumer behavior that was already happening. The J.D. Power 2019 U.S. Auto Insurance Study provides evidence of this rapid change in auto insurance customer behavior. The study found that roughly one fifth of auto insurance customers had never spoken with an agent over the phone or in person. In a similar 2020 study, J.D. Power found that for the first time an auto insurer’s digital presence fueled customer satisfaction more than interactions with agents. IAA has seen a marked increase in the use of our Inspection Services® offering during COVID-19, undoubtedly because it is a digital, touchless claims solution.

Leading insurance providers began rolling out virtual claim processes in 2013. As smartphone camera technology has improved, the process has become more user-friendly. By 2017, one of the country’s largest providers began shuttering its drive-in inspection stations in favor of virtual claim processing for vehicles that are damaged but still drivable. GEICO introduced a new virtual assistant in its mobile app the same year to stay competitive as the industry began its digital transformation. Since then, digital claims processing has benefited insurers and their customers. Large insurers save the expense of operating brick and mortar locations. Consumers get more convenient and immediate access to their insurers. In 2018, J.D. Power found that only 11% of claims were filed digitally. Fast forward to just before the COVID-19 crisis, and roughly 50% of one top insurance provider’s auto claims were filed digitally. Just over two weeks later, the same provider projected 90% of its auto claims were submitted through digital channels.

When surveying auto insurance customers, J.D. Power has found that a person’s trust in their insurer correlates closely with the customer’s overall satisfaction. Digital claims create transparency that a human agent just cannot. With up-to-the-minute information about their claim status, the claimant can see exactly how the process is unfolding. This unprecedented transparency helps build trust, which is part of the reason J.D. Power found record-high customer satisfaction with auto insurers in their 2020 study. Satisfied customers will help guarantee returning business for insurers. If technology continues to improve customer satisfaction, insurers will continue to invest in it, and customers will continue to be conditioned to prefer less human interaction when making transactions. The cycle is self-perpetuating.
Lenders financing automotive purchases will also benefit as digital claims processing continues to grow in popularity. On average, it takes over two months for lenders and insurers to process total loss claims. With digital claims, lenders can be notified of a total loss and settle the loan much more quickly. This has the dual benefit of improving the customer’s experience with the lender while also allowing the lender to pursue new business opportunities instead of resolving months-old claims. IAA Loan Payoff™ is a great example of expediting the process via digital methods. Because the lien payoff process is done via a secure electronic portal, there is no human-to-human interaction needed. The shift towards digitization provides significant benefits for lenders, carriers, and customers alike.

These trends are not likely to change soon now that social distancing practices and CDC guidelines have made human interaction more problematic for consumers. This is especially true if the number of COVID-19 cases continue to rise. All auto insurers will be forced to adapt or lose customers. Shifting customer preferences often force businesses to adopt new strategies and capabilities. The only difference this time has been the steep learning curve. As previously mentioned, in just two weeks’ time, one insurer’s digital claims nearly doubled. This all happened while nine out of every ten of that insurer’s employees relocated to remote worksites. Even after the current crisis is over, consumers may not want to go back to the way things were before. This is true not just for auto-insurance, but for all kinds of transactions. The “new normal” for consumers may have less to do with staying healthy, and more to do with efficient, convenient transactions that minimize human interaction and are entirely digitized.

References

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https://www.autofinanceandnews.net/archives/total-loss-efficiency-3-ways-lenders-can-achieve-faster-resolutions/
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