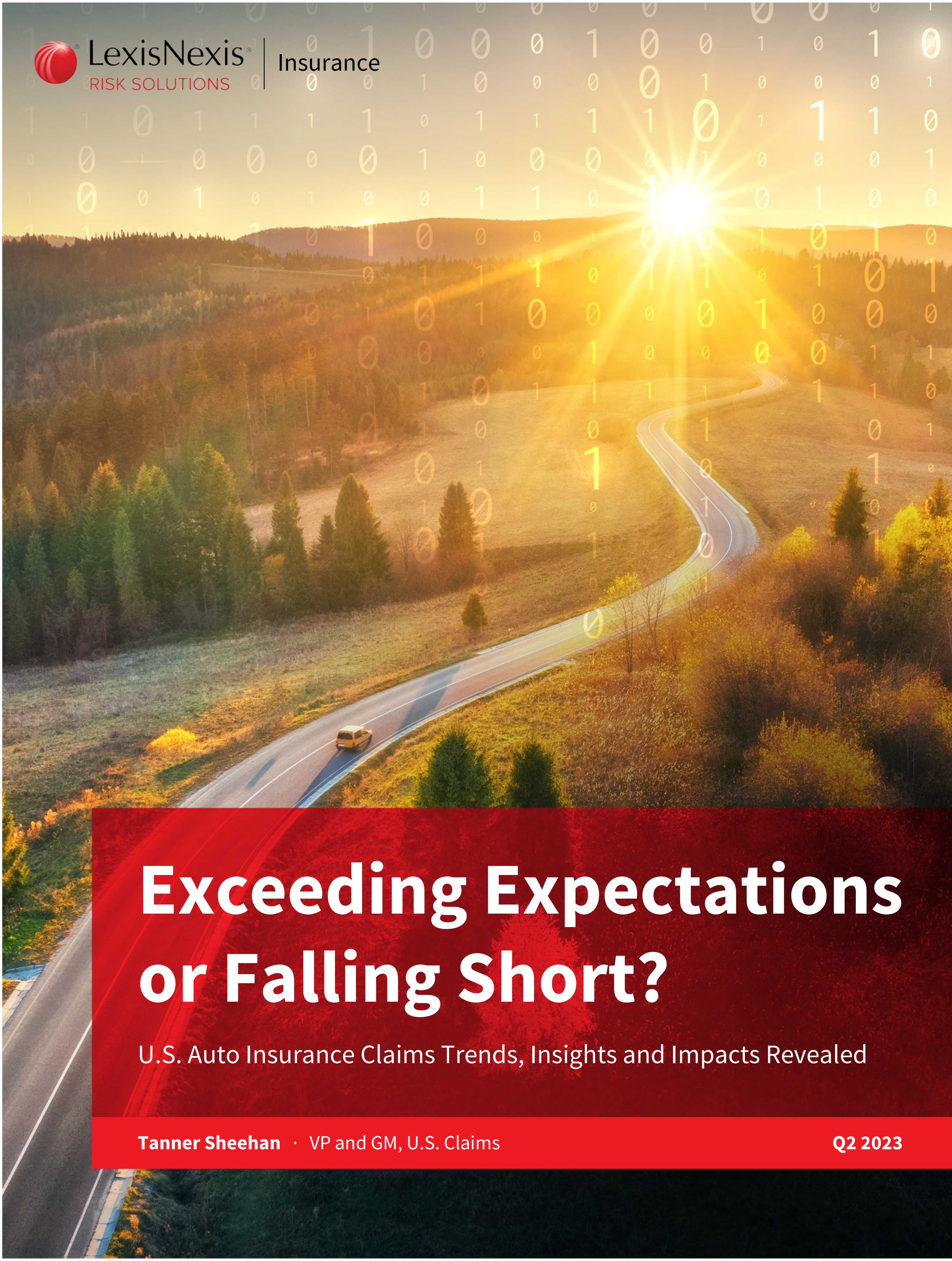

LexisNexis RISK SOLUTIONS | Insurance

Exceeding Expectations or Falling Short?

U.S. Auto Insurance Claims Trends, Insights and Impacts Revealed

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Q2 2023

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A ‘Pulse Check’ on the Customer Claims Experience

The claims customer experience continues to dominate industry headlines and occupy top claims initiatives across the market. Overall, claims professionals have made great strides in their digitalization and automation efforts. Considering that increases in customer satisfaction occurred when the supply chain was unpredictable, inflation soared and sourcing adjusters was especially challenging, we should celebrate these accomplishments.

While we shouldn’t take away from those gains, consumers still report dissatisfaction with **claims handling** and with **the ease of their experience**.

▼ **7** points

880 2021

873 2022

This is reflected in the most recent J.D. Power Auto Claims Satisfaction Study*, which reveals that customer satisfaction in auto claims dropped by **seven points** since the previous year’s study.

As in all industries, customers expect an experience that delivers a combination of…

- Speed
- Accuracy
- Professionalism

When expectations don’t align with experiences, a percentage of customers will consider taking their business elsewhere.

This can happen for many reasons. At LexisNexis Risk Solutions, we wanted to “look behind the curtains” to better understand the correlation between claims satisfaction and a policyholder’s decision to leave his or her carrier.

** J.D. Power 2022 U.S. Auto Claims Satisfaction Study (SM) released on Oct. 27, 2022*

How Policy Retention is Affected by Claims

In our effort to pinpoint top drivers that lead to carrier switching, we wanted first to examine our own data sets for consumer switching trends. This includes data on U.S. consumer auto insurance shopping and new policy volumes.

We reviewed:

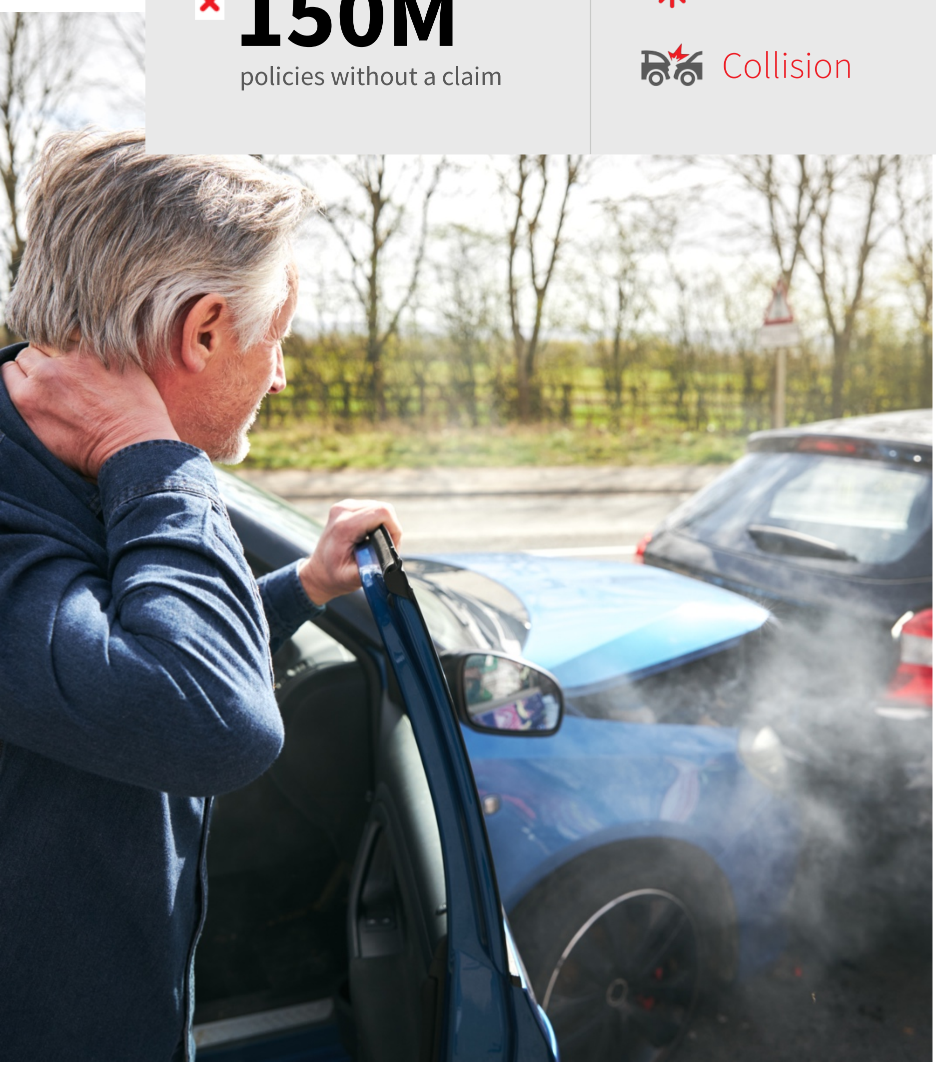
✓ **16.5M**
policies with a claim

✗ **150M**
policies without a claim

In each policy we examined, the consumer carried the following coverage:

- Bodily injury
- Property damage
- Collision

In our analysis, we defined "switching" as customers who left their carrier within **180 days** of initially filing a claim.

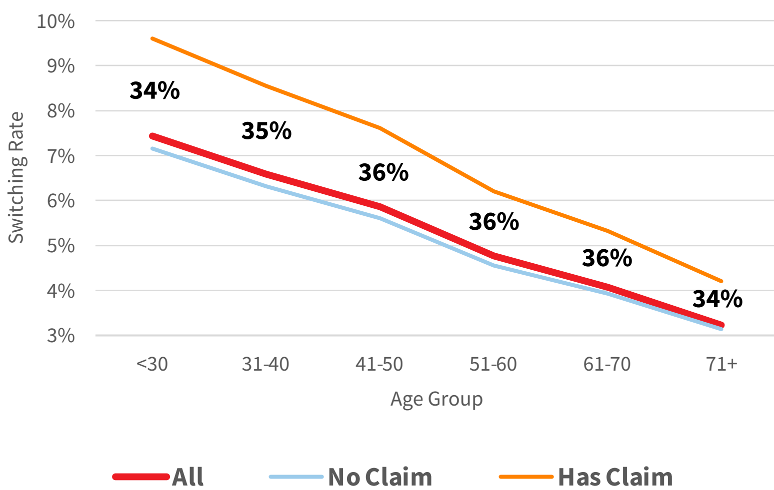


Our Findings:

35%

Consumers who have experienced an auto claim are **35 percent** more likely to switch insurance carriers than similar customers who have not experienced a claim.

Carrier Switching by Age



The **35 percent** average spans across all populations, so we viewed our data through the lens of "age group" to determine if there were additional insights to uncover.

In general, it's true that policyholder age is highly correlated to switching rates and that younger policyholders switch at higher rates than their older counterparts.

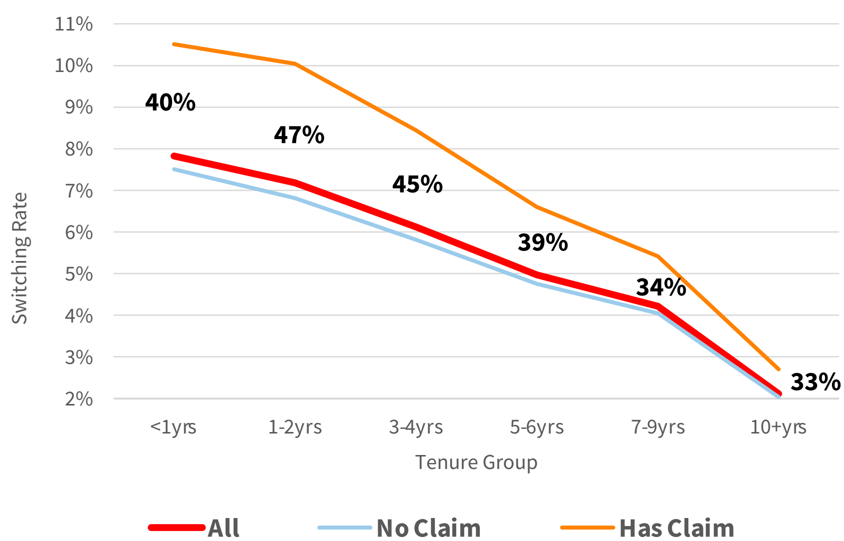
What is surprising is the trend we saw when policyholders experienced a claim. When that occurred, their increase in switching was nearly uniform across age groups. No matter the age, policyholders who experienced a claim switched at a rate **35 percent** greater than their cohorts who had not experienced one.

Carrier Switching by Policy Tenure

Policy tenure exhibits behaviors similar to age (indeed, they are related), but it isn't as uniform.

Across the market, longer tenures are less likely to switch than shorter ones, but when these tenures experience a claim, the increase in switching behaviors is very similar.

At best, more tenured customers switch at a rate that is **33 percent** higher than less tenured ones.



In the most extreme examples, policies with a claim and one to two years of tenure switch **47 percent more often** than their cohort counterparts without one.

LexisNexis® Risk Solutions Market Research

To help insurance carriers attain a better grasp of not just satisfaction and dissatisfaction, but the drivers behind those sentiments, we embarked on an independent study of the customer claims experience. We sought to understand not only the fact that customers changed insurance carriers following a claim, but why they did so.

1,400 customers with a claim

In August of 2022, we surveyed **1,400** first party customers who:

Had filed a claim within the past 12 months	Had bodily injury, collision and property damage coverage	Drove a mix of older and newer cars

Our Findings

We asked a series of questions about the different aspects of the claims handling experience. These ranged from questions on the process overall to more targeted questions on digital filing options. We designed our inquiries so we could gain insights into the areas customers perceive carriers are getting “right” and ”wrong.”

When we looked at the overall claims experience, we found the total number of customers who were either Very Satisfied or Somewhat Satisfied reached **94 percent.**

These numbers may sound encouraging to carriers, especially against the backdrop of a more challenging claims environment. Even with 94 percent of claims customers reporting that they were either Very Satisfied or Somewhat Satisfied with their claims experience, 33 percent still considered switching carriers.

And as we looked more closely at the 94 percent, we learned that Somewhat Satisfied customers don't behave like Very Satisfied customers.

We identified two groups of claims customers in relation to switching. Throughout our research, we will refer to the first group as Loyalists, or the **67 percent** who never considered switching.

The other group we call Flight Risks, the **33 percent** of claims customers who either switched or considered switching as a result of their claims experience.

In other words, **our research shows that one-third of an insurance carrier's business is at risk following an auto claim.**

Differences in the Claims Experience

Over three quarters of the Loyalists surveyed reported that they were Very Satisfied with their claims experience. In contrast, slightly less than half of Flight Risks marked the Very Satisfied box.

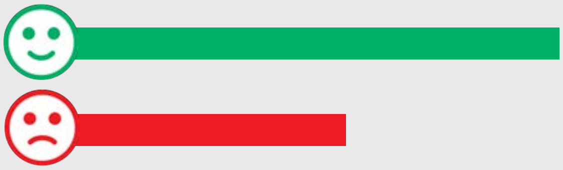
Customer Service Dimensions

As part of our research, consumers evaluated how satisfied they were with various customer service dimensions exhibited during the claims process, choosing from the list below.

- Professional
- Helpful / provided good advice
- Responsive
- Caring / compassionate
- Knowledgeable
- Accurate
- Accessible / available
- Quick

Both groups ranked ‘professional’ as the area of highest satisfaction; however, Loyalists were Very Satisfied with 'professionalism' 57 percent more often than Flight Risks were.

PROFESSIONAL

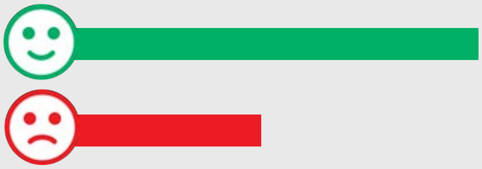


57%

Loyalists were Very Satisfied with the professionalism of their claims experience **57 percent** more often than Flight Risks.

In addition to the disparity exhibited between Loyalists and Flight Risks on professionalism, the second and third largest groups where Loyalists and Flight Risks felt differently were ‘accuracy’ and ‘accessibility.’

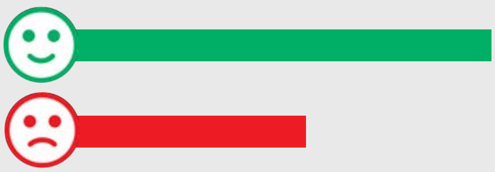
ACCURATE



74%

Loyalists were Very Satisfied with an adjuster's accuracy **74 percent** more often.

ACCESSIBLE / AVAILABLE



65%

Loyalists were very satisfied with their adjuster's availability **65 percent** more often than Flight Risks.

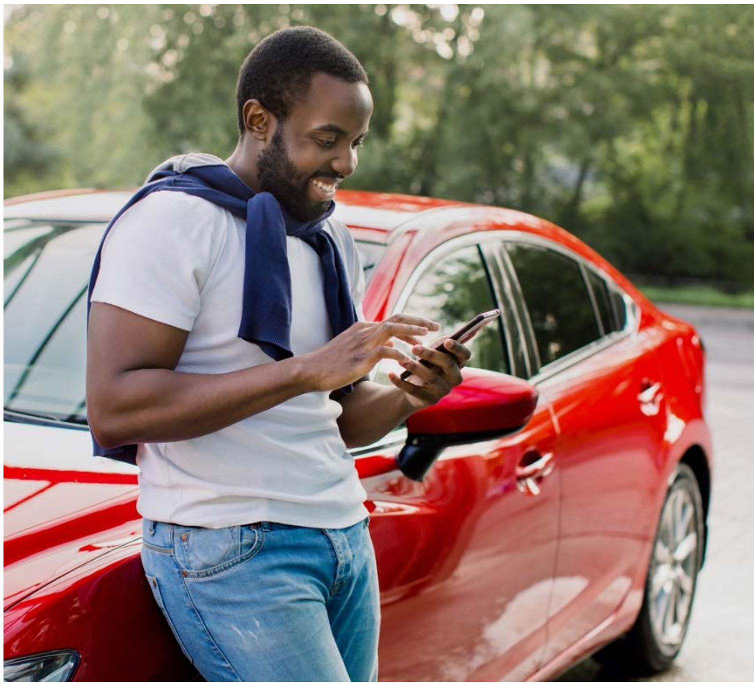
‘Quick’ was the customer service dimension of lowest satisfaction among both Loyalists and Flight Risks.

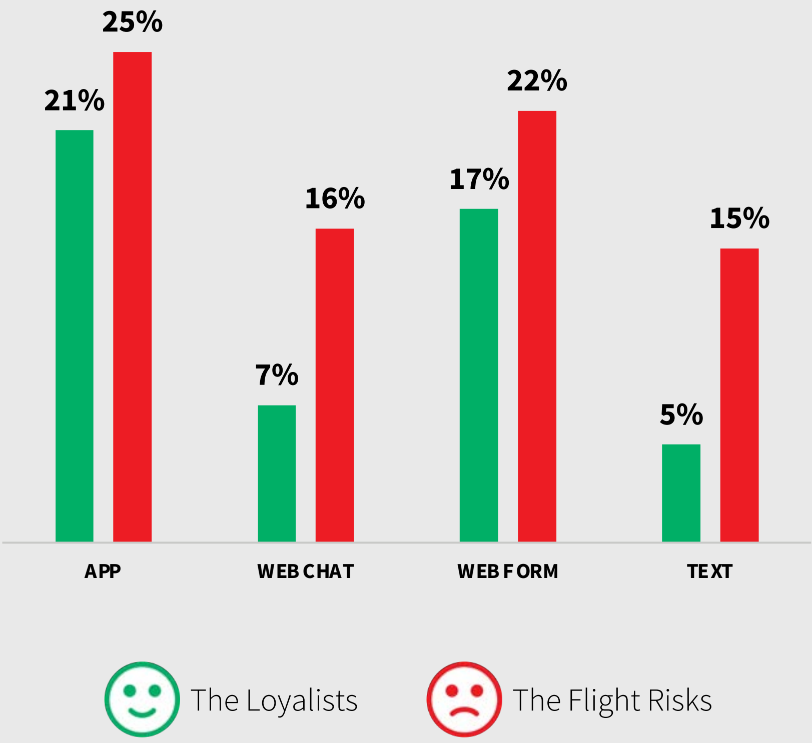
Tech Talk

We also drilled down into self-service and the way consumers interacted with digital claims filing options. As we noted above, Loyalists and Flight Risks report a different claims experience, and technology is a big area of discrepancy.

When it came to interacting with carriers to settle their claim, Loyalists and Flight Risks engaged with adjusters on roughly the same tasks. However, Loyalists were more likely to use an equal mix of self-service *and* carrier interaction throughout their claim. Flight Risks were 74 percent more likely to lean more heavily on self-service than Loyalists were.

When we look at self-service interactions, here's how the two groups behaved.

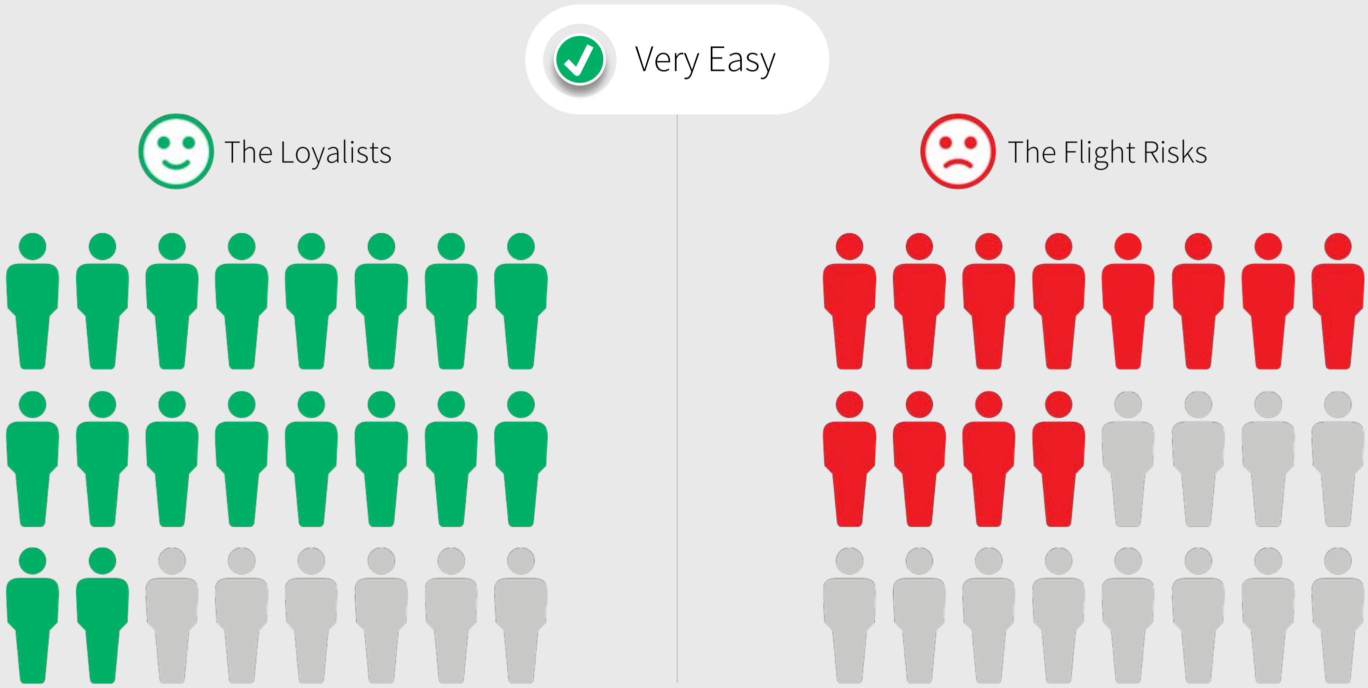




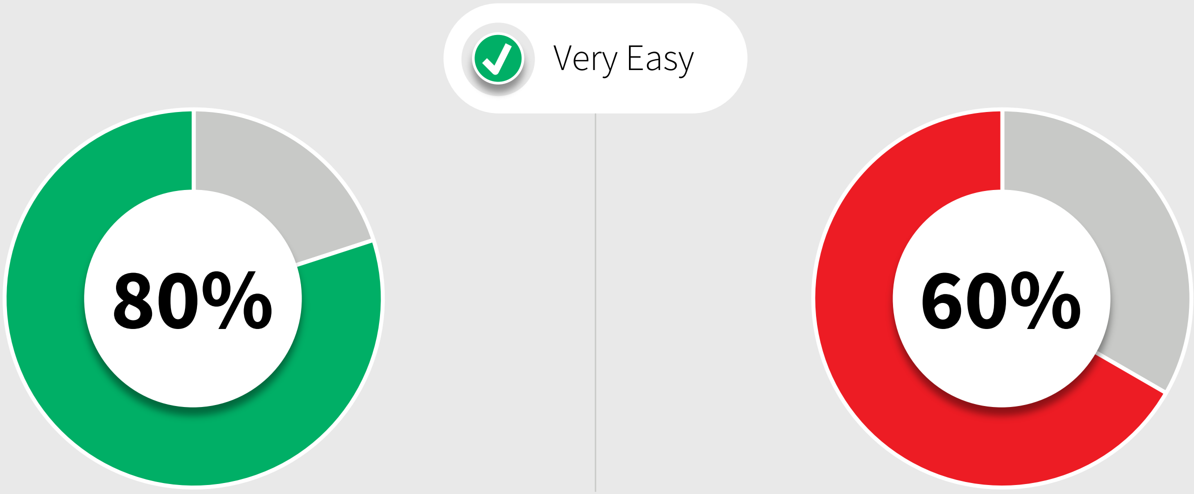
When asking about digital claims filing options, we allowed respondents to select more than one answer for how they reported their claim at FNOL. In our analysis, we saw that Flight Risks reported using *more than one* method of self-service to report their claim.

We know that Flight Risks relied more on self-service, and it's also interesting to note that they tried everything – no channel was off limits! They used every self-service category more than their Loyalist counterparts, which begs the question **'why'?**

Flight Risks rated 'ease of reporting FNOL' as more difficult than their Loyalist counterparts. Only **half** of Flight Risks felt submitting a claim was Very Easy compared with **three-fourths** of Loyalists reporting the same.



Flight Risks didn't report as many favorable experiences submitting documents overall, either. Almost **80 percent** of Loyalists found the document submission process Very Easy, compared to almost **60 percent** of the Flight Risk group.



The Flight Risk Experience

4x

Overall, Flight Risks were **4x** more likely to report **slow response times** after submitting their claims at FNOL.

4x

When compared to the Loyalists, they were **4x** more likely to report **glitches** in a carrier's website or app.

5x

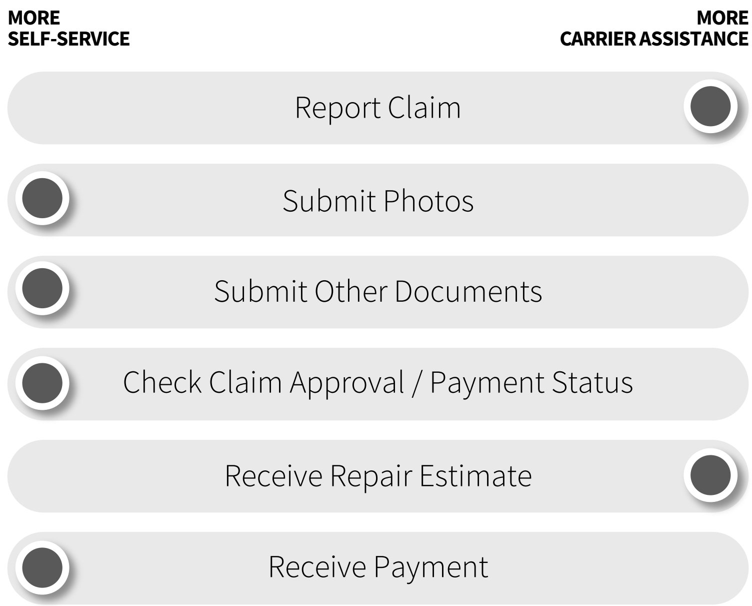
They were **5x** more likely to report that digital processes required **too many steps.**

5x

They were also **5x** more likely to cite **confusing instructions** on a carrier's website.

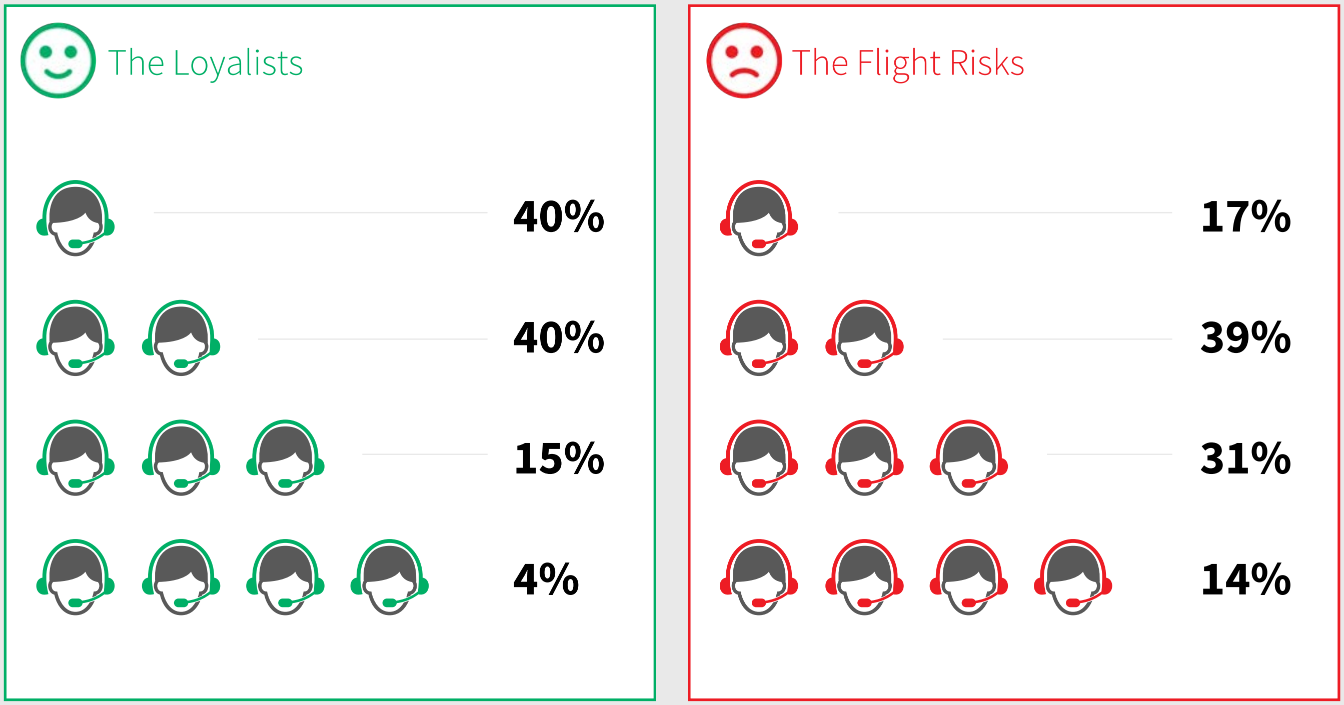
When we look at the options consumers leverage to interact with their carriers digitally, we again see the difference in how Loyalists and Flight Risks leverage electronic channels.

Compared to Loyalists, Flight Risks want more carrier assistance with reporting a claim and receiving a repair estimate. Yet for photo and document submission, checking the claim approval status and receiving the payment, they're more likely to opt for self-service channels.



A big takeaway is that omni-channel service is key to delivering an experience on your customers' terms. Customers may not always want digital interactions where you'd think, and the same goes for human interactions. Being good at electronic and adjuster-facilitated channels is a must, and letting customers flex between them is equally important.

Another area where the claims experience favors the Loyalists is the number of carrier representatives spoken to, which can impact the speed of the process.



40 percent of Loyalists report speaking to one person to settle their claim, where only **17 percent** of Flight Risks had this experience.

Almost half of the Flight Risks reported speaking to three or more people to settle their claim — a far cry from the less than 20 percent of Loyalists reporting this same experience.

What's Behind the Switch?

We asked customers which factors had "a lot of impact" on their decision to switch carriers, and respondents were given the ability to mark multiple answers.

#1

Increased Rates

The top answer with **43 percent** of respondents selecting it, was *increased rates.*

#2

Time to Settle the Claim

The second most popular answer was that *the carrier took too long to settle my claim,* with **30 percent** of claims customers selecting that answer.

#3

Proper Handling

Irritation that the *claim wasn't handled properly from the onset* took the third most popular spot, with **24 percent** of consumers citing this as a major contributing factor.

How Data Can Help Fuel the Optimal Customer Experience

To keep your customers, their claims experience needs to be fast, accurate and easy. We've known this for years.

It's striking the right balance. You have to be digital, but not too digital. Human, but not too human. You need to design an intuitive, digital process for all age groups, yet provide a rip cord when customers want to progress down the human-guided path.

Here are three ways data can help carriers address common challenges customers experience during the claims process.

Enable Automated Claims Processes

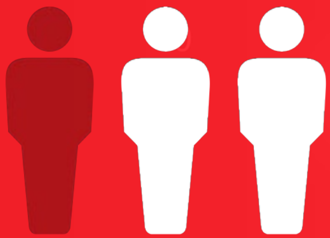
Put critical claims data at your adjusters' fingertips instead of asking them to source it. With their finite time and resources, they can spend more time helping customers navigate a trying process.

Strategically Infuse Data in the Workflow

Strategically infuse data in the workflow to complement your adjusters' abilities and expedite claims by eliminating unnecessary questions, conversations or uploads.

Accelerate the Claim

Flight Risks were 4x more likely to report a slow response time at FNOL. Solutions that prefill contact data or deliver key vehicle ownership data directly into the workflow can collapse the process and speed customers down the path of happy and closed claims.



Poor customer experiences are causing a THIRD of your customers to consider a better alternative.

However, by equipping your people, processes and technologies with the right data and insights, you can create an optimal claims process—one that's as seamless as the experiences we expect in our customer-first world.

About the Author

Tanner Sheehan is VP and general manager, U.S. claims at LexisNexis Risk Solutions.

Tanner leads strategy, innovation and go-to-market activities for claims solutions across all lines. His past responsibilities at LexisNexis Risk Solutions have included data solutions delivered at the point of quote, as well as leading development of the vehicle-specific data products.

Tanner has nearly 20 years in the insurance industry with LexisNexis Risk Solutions, Marsh & McLennan, AIG and Infinity. He has product management and product development experience in personal auto in both the independent agent and direct-to-consumer channels and has also led pricing and actuarial teams. He earned a bachelor's degree in risk management and insurance and a master's in business administration from the University of Georgia. He also holds a Chartered Property Casualty Underwriter (CPCU) designation.

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