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A woman with glasses and a pink sweater is speaking on a video call, visible on a laptop screen. The background shows a modern living room with a white sofa and a wooden shelf. The laptop is being used by someone whose hands are visible at the bottom of the frame. A decorative wavy graphic in shades of orange and red is overlaid on the bottom left of the image.

**COVID-19 IMPACT ON
CLAIMS: A BLUEPRINT FOR
INSURERS TO STRIKE THE
RIGHT BALANCE**

Ashi Bagdadi, Corporate Vice President, Insurance



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COVID-19 has had a profound impact on the claims functions of insurance companies around the globe. On the one hand, the number of claims has increased significantly with many relating to new or unusual situations in these unprecedented times. On the other hand, insurance companies, like many other businesses, are struggling to manage employees who are working remotely, and tackling the shortage of personnel due to increased absence — illness, burn-out or stress of working from home without robust or no childcare support.

In May 2020, John Neal, chief executive officer of Lloyd's,¹ said: “The global insurance industry is paying out on a very wide range of policies to support businesses and people affected by COVID-19. The Lloyd's market alone is currently expected to pay claims amounting to some USD 4.3 Billion, making it one of the market's largest pay-outs ever. What makes COVID-19 unique is not just the devastating continuing human and social impact, but also the economic shock. Taking all those factors together will challenge the industry as never before, but we will keep focused on supporting our customers and continuing to pay claims over the weeks and months ahead.”

The Financial Conduct Authority's (FCA) test case on Business Interruption (BI) claims will have a substantial impact on U.K. insurers if the court finds against them. Not only will they have to pay out claims that they have not factored into their pricing, but they will have to do so quickly — probably within four to six weeks. This means that most insurers will use their highly experienced, in-house staff to manage complex claims covering quantum valuation and coverage. Inevitably, they will be compelled to re-look their operating models and explore partnerships with third-party claims service providers² to drive automation and digital interventions to optimize the triaging and management of lower value, simpler claims.

¹ <https://www.claimsmag.co.uk/2020/05/lloyds-counts-cost-of-covid-19-claims/16467>

² <https://www.wns.com/solutions/industries-we-serve/insurance/claims-management>

DEMANDS OF AN EVOLVING NORMAL

Lock-downs have meant that many people are driving less. They are therefore expecting reductions in their car insurance, and some insurers are already refunding a proportion of premiums accordingly. With lower car usage set to continue, there has been growing demand for 'pay as you go' insurance products such as those based on the use of telematics. Insurers should re-think how they will respond to this changing demand among consumers.

There has been a change in demand on the home insurance front too. Escape of water claims due to problems such as faulty heating and leaking pipes — normally one of the biggest perils — has reduced since people have been able to respond more quickly as they are at home. Conversely, the increased presence of customers in their homes has increased the claims for damage of household items, and regular wear and tear. Hence, insurers will have to start assessing ways to include some form of wear and tear claims into their policies which is mostly excluded in standard cover.

In order to respond more accurately and with greater flexibility to consumers' circumstances in their homes, insurance companies should leverage telematics like the motor insurance sector. This is likely to lead to increased usage of Internet of Things (IoT) to improve the accuracy of managing claims for household items. The bottom line? Home insurance is likely to get costlier, while motor insurance rates will see a dip.

PRESSURE ON ADMINISTRATION & SERVICING

With most employees having to adapt to working from home, and the adverse impact of COVID-19, claims departments have been struggling to handle customer enquiries. Even with limited staff now returning to offices, social distancing and enhanced hygiene procedures are hampering normal business processes and activities. The need for urgent digital solutions in customer service has increased exponentially.

According to a recent survey,³ nearly half (48 percent) of Property and Casualty (P&C) insurance professionals in the U.K. would prefer to wait between three months and a year before returning to their offices. With higher value or more complex claims, loss adjusters have found inspections in customers' homes and businesses more difficult to carry out.

CHALLENGES IN BI CLAIMS

With more than 18 million infections and over half a million deaths globally as on August 5, 2020,⁴ claims handling departments for all lines of business are understandably busy. Those dealing with corporate and / or small and mid-size businesses are seeing a significant increase, especially with claims for BI and event

³ <https://www.insurancejournal.com/news/national/2020/07/01/573913.htm>

⁴ <https://www.nytimes.com/interactive/2020/world/coronavirus-maps.html>

cancellations. The American Property Casualty Insurance Association predicts business continuity losses for small firms could be around USD 383 Billion⁵ a month. The big question is what effect these losses will have on the insurance industry. Every week we see additional loss reserves being announced by insurers in relation to COVID-19. This is just the tip of the iceberg.

However, in these unusual circumstances, what the customer assumes is covered under a BI policy might not necessarily match the insurer's view of coverage. This is likely to lead to an increase in lawsuits.

The U.S. market will be particularly hard hit with costs of around USD 90 Billion in medical claims.⁶ This is because more consumers have complex and expensive medical insurance. In a hypothetical severe scenario, about 4 million people might end up in hospitals, whereas in a moderate scenario this number might be about 1 million. Under a more moderate scenario, COVID-19 medical costs would top USD 30 Billion, which is in line with a strong flu season.

Around 170 million Americans are covered under Medicare, Medicaid, employer and individual health insurance plans. At present, the U.S. tops the world with the highest number of infections, with cases continuing to soar in states like New York, Florida and Texas. It is estimated that roughly 50 million insured Americans will eventually be infected with the coronavirus. More generally, across the U.S., several states have explored legislation compelling insurers to reimburse policyholders for claims which are explicitly excluded.

Claims for trade insurance may spike as well as contracts are cancelled, transport is disrupted, and businesses suspend operations or even declare bankruptcy. Various government measures will possibly prompt an influx of claims related to delays in construction, infrastructure and capital projects. Some employers are likely to face claims for failing to protect their workforce.

Factors such as increased financial pressure on individuals and companies alongside a growing number of claims to be verified could possibly increase the chances of fraud. Unfamiliar requests and claims by customers mean that the anomalies that would normally cause the system to automatically flag a possible fraud will not be relevant.

The industry faces the risk of claims farming companies launching specialist COVID-19-focused interventions. As the incident rates for motor claims reduce, claims farming companies are eyeing new opportunities presented by COVID-19. Some law firms⁷ are already offering COVID-19 compensation services on a 'no cure, no fee basis' that will act against insurers who are slow or uncooperative with claims handling.

Insurers are also seeing a reduction in their travel insurance exposure as many hotels and airlines are refunding customers or being flexible on moving dates. Given the financial uncertainty of the travel and leisure industry, how long will this last? The answer is for as long as the industry remains solvent.⁸

⁵ <https://www.bloomberg.com/news/articles/2020-03-30/insurers-worry-virus-linked-costs-may-reach-383-billion-a-month>

⁶ <https://www.cnbc.com/2020/03/13/sp-estimates-the-new-coronavirus-could-cost-us-insurers-90-billion-in-medical-expenses.html>

⁷ <https://www.kennedyslaw.com/thought-leadership/reports/coronavirus-impact-on-uk-and-ireland-injury-claims/>

⁸ <https://www.wnsdecisionpoint.com/our-insights/reports/detail/94/covid-19-the-highs--lows-for-the-insurance-industry>

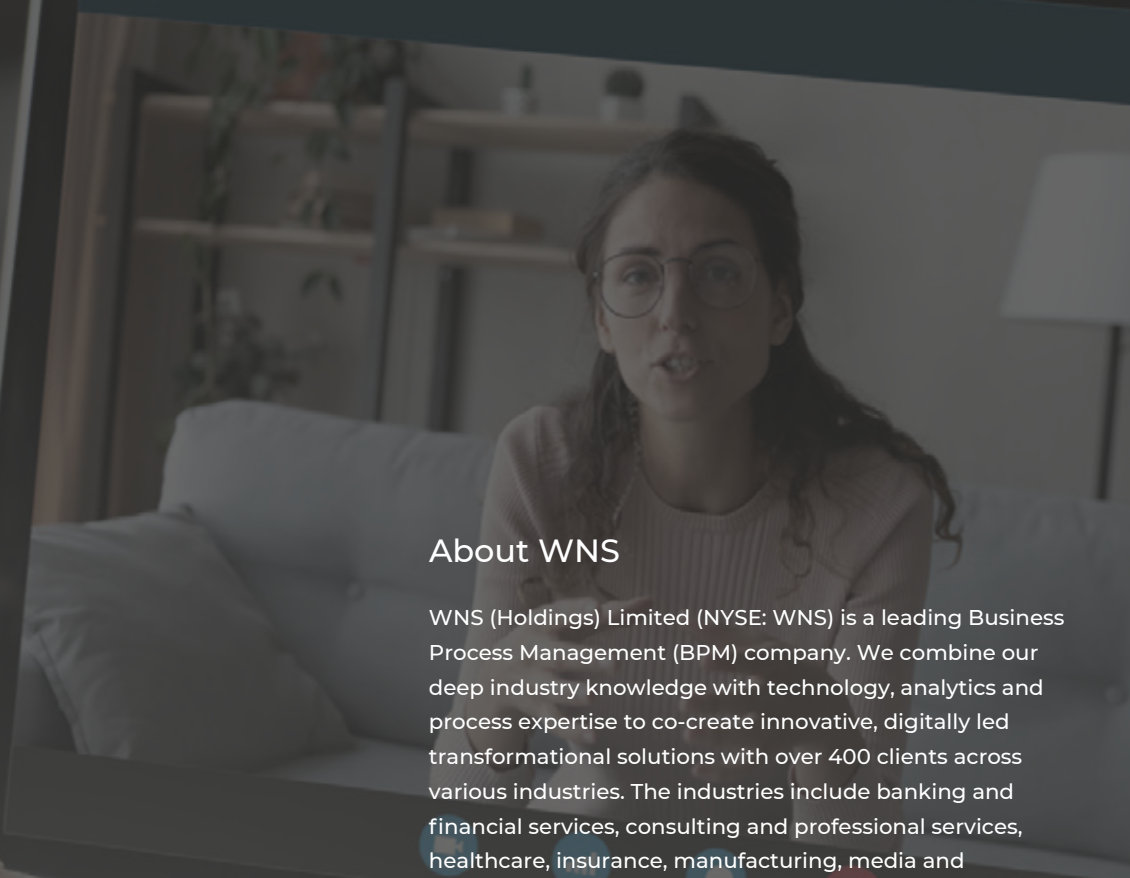
INCREASED INVESTMENT IN CLAIMS

A continued desire by claims staff, like many other employees in all sectors, to continue to work from home, even as lock-downs are lifted, means that insurance companies will have to ensure that their remote working capabilities are fit for purpose. This involves everything from superfast broadband and tightened cyber security to staff well-being and team building.

Team leaders should focus on employee morale, and both physical and mental health during these difficult times to counter the effects of stress induced by heavy workloads, long hours and new types of claims.

As COVID-19 puts extra pressure on insurance companies to perform, claims departments will continue to be at the front-line, handling these increased demands and doing so in the most visible way. Insurance companies that invest in their claims departments and provide handlers with the support they need will delight their customers and gain competitive advantage.





About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading Business Process Management (BPM) company. We combine our deep industry knowledge with technology, analytics and process expertise to co-create innovative, digitally led transformational solutions with over 400 clients across various industries. The industries include banking and financial services, consulting and professional services, healthcare, insurance, manufacturing, media and entertainment, retail and consumer packaged goods, telecommunications and diversified businesses, shipping and logistics, travel and leisure, and utilities and energy. We deliver an entire spectrum of BPM solutions including industry-specific offerings, customer interaction services, finance and accounting, human resources, procurement, and research and analytics to re-imagine the digital future of businesses. We have delivery centers worldwide including in China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Spain, Sri Lanka, Turkey, the United Kingdom and the United States.

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