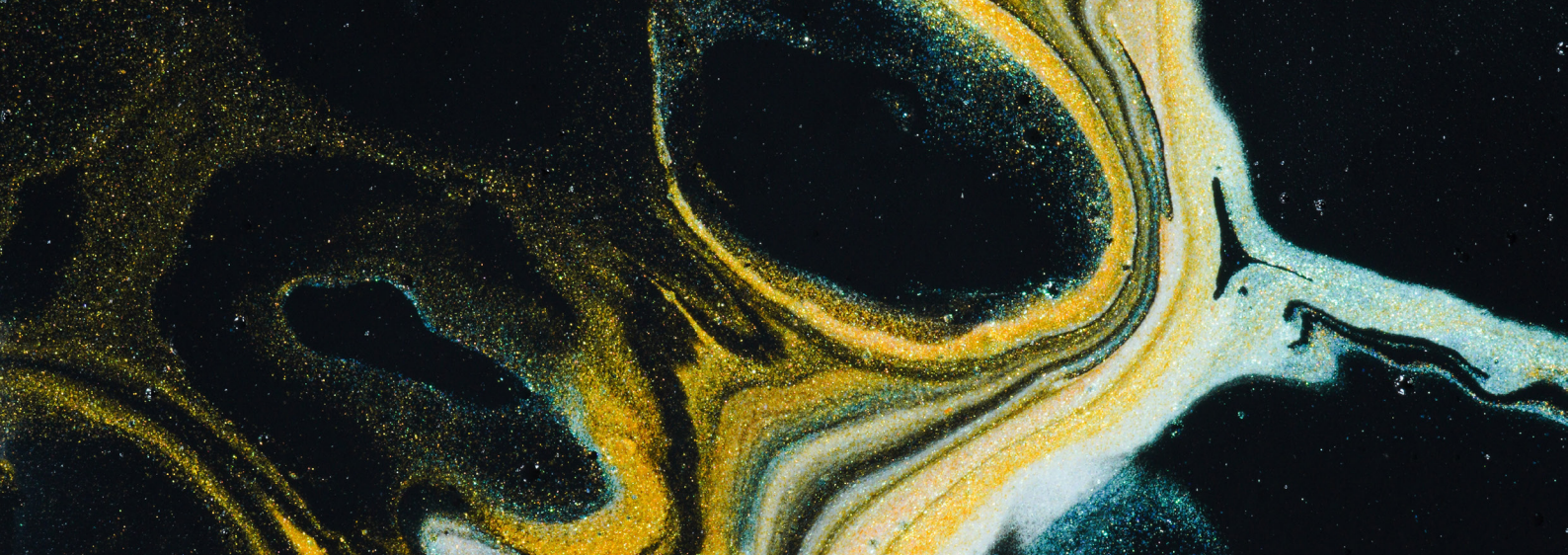




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AI and Claims Processing: **What Customers Really Think**



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Foreword

Our last report¹ looked at insurers' attitudes towards Artificial Intelligence (AI), which surfaced some interesting insights that refuted the widespread assumption that the insurance industry is generally slow to adopt new technologies. This time, we decided to go into the minds of consumers to see what matters most to them in claims – an area with arguably the greatest pace of change in insurance² – and their attitudes towards AI, which is expected to be worth nearly 80 billion dollars by 2032.³

The research highlighted the paradoxical relationship between customers' desire for the benefits AI can offer and their apprehension towards its adoption. While respondents expressed a desire for a high-quality experience with fast claims processing and accurate decisions, there was a significant gap in recognising AI's role in meeting these expectations. They want the efficiency, fairness, and transparency that AI can bring to claims processing, but they have yet to trust it. This highlights a need for insurers and technology providers to demystify the technology, build trust, provide transparency around its use and raise awareness among consumers on its advantages. In short, customers need to know and believe that AI enables more human-centric, fairer claims processing, not the opposite.

The key to aligning customer expectations with what AI can deliver lies in shifting perceptions. By showing how AI can enhance claims processes while maintaining fairness and accuracy, we can reshape the narrative around AI and insurance, which is essential for insurers to remain cost-effective and competitive.

Transparent communication and a clear articulation of the benefits of AI from both insurers and technology providers alike will build trust and help create an insurance landscape that is both forward-looking and prioritises customers – two values that define our industry.

Roi Amir
CEO, Sprout.ai



¹ sprout.ai/research-reports/responding-to-the-expectations-of-todays-insurance-customers/
² pwc.co.uk/industries/insurance/insights/claims-workforce-of-the-future.html
³ globenewswire.com/en/news-release/2023/08/03/2718263/0/en/AI-in-Insurance-Market-Size-to-Hit-Around-USD-79-860-Million-by-2032.html



Overview

This report presents the findings of a study conducted online by YouGov for Sprout.ai in August 2023. YouGov surveyed 4,442 consumers from the UK and US, examining what matters most to consumers when considering an insurance claims experience, what influences public attitudes when choosing an insurer and perceptions on the role of Artificial Intelligence (AI) in insurance claims processing.

Customers desire equitable, efficient and transparent claims processing – all areas that AI can help to improve. However, despite acknowledging the importance of these, a substantial portion of respondents were unaware of AI's potential to assist in delivering them, with many lacking trust in AI or concerned about losing the human interaction with their insurers.

The need for more effective communication and education about the role of AI in improving claims processing is clear. But it also opens up key questions: Who should do this? And how do they educate effectively?

Ultimately, everyone who works in the insurance industry, from insurers to technology providers, are responsible for educating consumers about the benefits of AI, so they can build a closer and more personal relationship with their customers and ensure no one is left behind or 'digitally excluded'. Insurers serve multiple geographies and a spectrum of ages. AI should be there to make the claims experience better for the majority, not just those who understand or can easily access it.

AI is already widely used – and trusted – in everyday applications such as map applications and digital voice assistants. By highlighting its ability to streamline claims processing while maintaining fairness, insurers can reshape public attitudes and create a more positive outlook towards its integration. Insurers that successfully do this will be able to meet customer expectations more widely, consistently and to greater effect. This will lead to increased customer satisfaction, retention, and a greater level of trust in claims processing.

The age-old mantra 'customer is king' has never been more true or more important. In the long term, insurers will differentiate themselves not by their use of AI, but through their customer proposition and the ones that race ahead will be those that show their customers that they have listened to – and addressed – their concerns.



Actions for the Insurance Industry

Provide visibility

Consumers care about transparency – they want to know how decisions about their claims were made, even more so if AI is involved.

Bridge the trust gap

The research clearly shows that there remains a big trust gap between consumers and AI. While many insurers have unlocked AI's benefits in terms of speed and cost-effectiveness, many consumers are still wary. Help them build trust in its use.

It's time to prioritise education

Customers know what they want from insurers but they don't know that AI is the most efficient way to meet – and exceed – their expectations. Insurers need to meet customers where they are and provide clear, transparent and informative content on how decisions are made using AI to build trust and knowledge.

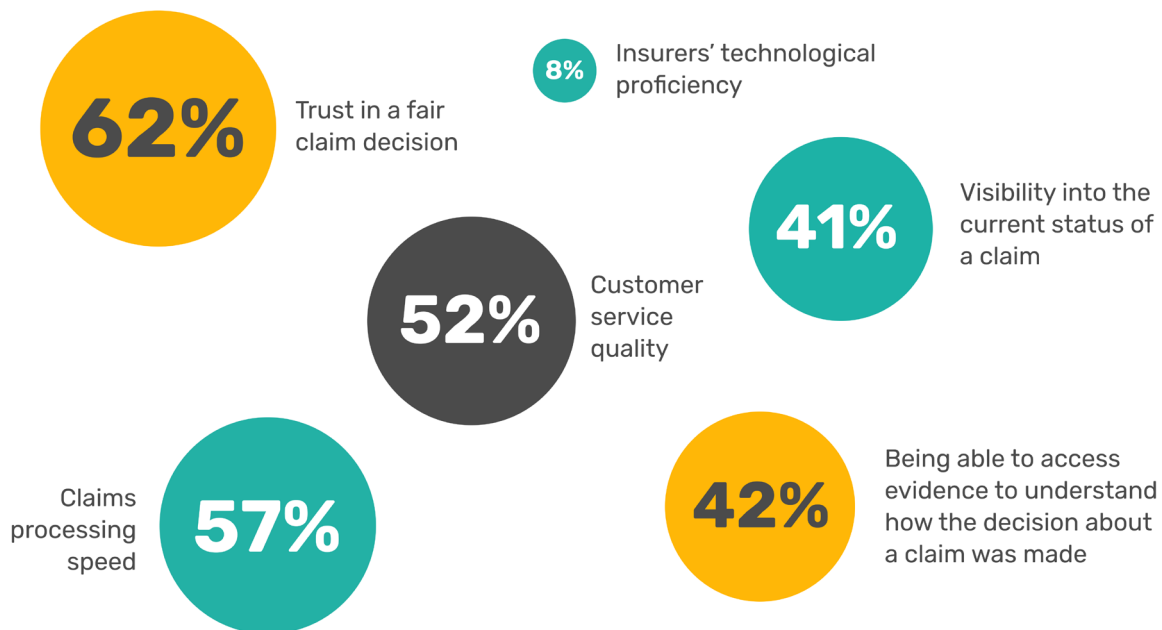
Take customers on the journey

The insurers that take their customers on the journey stand to reap significant reputational and financial benefits. We have seen how technology can exclude huge swathes of people if implemented incorrectly – insurers are in a prime position to do things differently.



What do customers truly care about?

Factors that matter most to consumers during the claims process



(Overall results across the US and UK)

Customer expectations are an ever-changing phenomenon but, in recent years, many have noted a more pronounced and faster shift. Insurers are under pressure to keep pace. A large part of this has been about delivering a fast and smooth claims process.

However, our research has shown that trusting that a decision was made fairly (62%), mattered more to participants than speed (57%).

There was a higher emphasis on trust and fairness in the UK with 70% of UK respondents prioritising it, compared to 56% of US

respondents. However, trust was the most important factor in both countries. Interestingly, trusting that a decision was made fairly was equally important or more so than other factors across all surveyed age groups.

Consumers also want transparency around how decisions are made. This highlights the importance of clear communication and human touch from insurance providers across the claims process, regardless of the demographic or geography they are targeting.

Fair decision making and trusting an insurer are only part of the story. A multitude of factors are at play when it comes to understanding what



consumers want from the claims process. The quality of customer service, visibility into the status of a claim, and access to how a decision was made about a claim, all ranked relatively highly amongst respondents (above 40% on average).

However, just 8% said insurers' technological proficiency was important, indicating a minor draw. The importance of the technological proficiency of an insurer was low across all age bands too even with younger respondents.

Factors that matter most to consumers during the claims process by age

	18-24	25-34	35-44	45-54	55+
How quickly my claim is handled	45%	54%	58%	60%	59%
Being able to access claim evidence	41%	46%	44%	42%	40%
Trusting my claim decision was fair	51%	54%	62%	67%	68%
Visibility into current claims status	37%	42%	45%	43%	40%
The quality of customer service	42%	50%	51%	55%	54%
How tech-savvy my insurer is	11%	12%	10%	5%	5%

Factors that matter most to consumers during the claims process by location

	UK	US
Trusting my decision was made fairly	70%	56%
How quickly my claim is handled	63%	51%
The quality of customer service	56%	48%
Visibility into current claims status	45%	38%
Being able to access claim evidence	44%	41%
How tech-savvy my insurer is	6%	10%



People want efficient, equitable, and transparent claims handling.

Insurers need to look holistically at the customer experience.

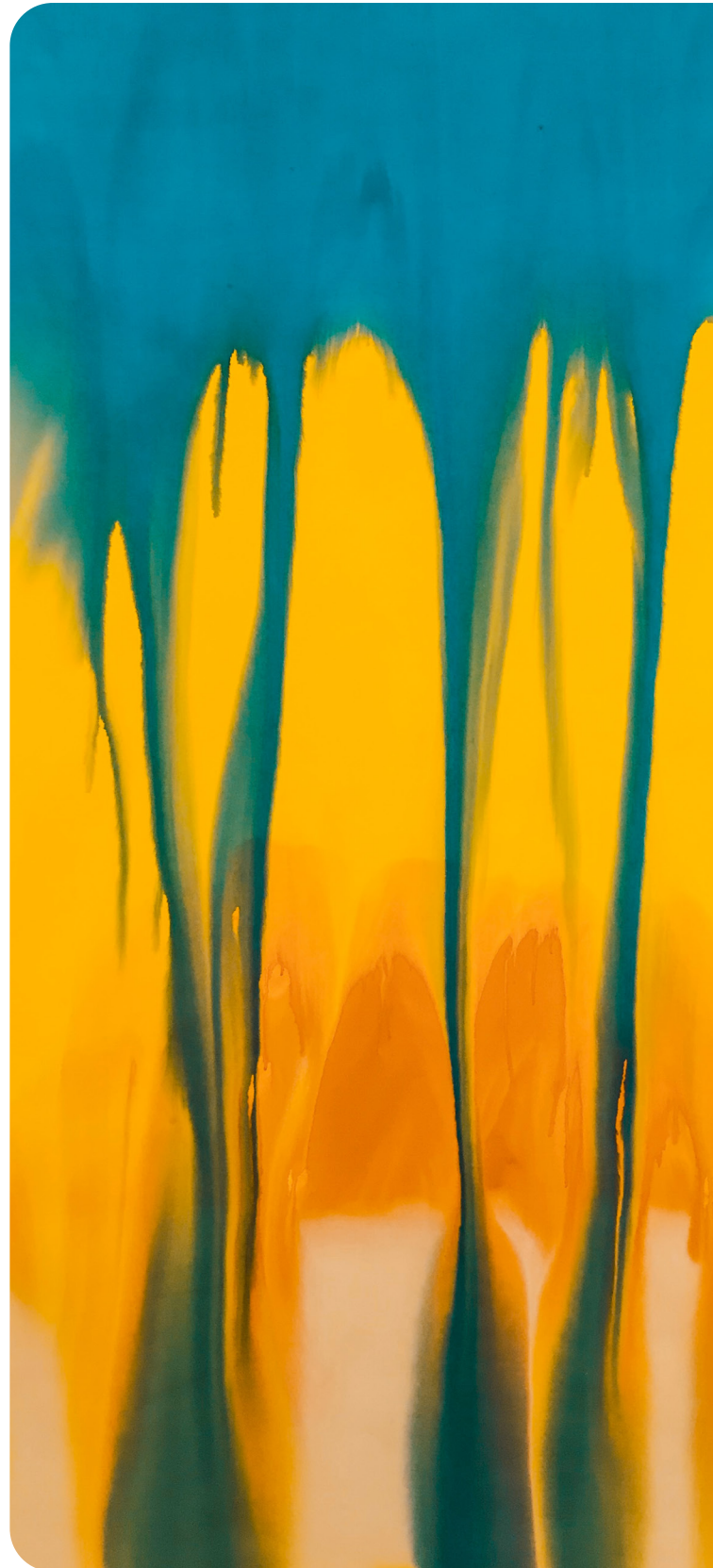
A multitude of factors are at play when making a claim. The greater emphasis on trust and fairness among UK respondents compared to their US counterparts highlights the need for insurers to tailor their approaches based on cultural nuances.

It might also reflect the differences in the two insurance markets. While both countries share the fundamental purpose of insurance - offering a protective layer against unexpected events - the differing cultural, regulatory, and societal contexts give rise to distinct attitudes regarding the role and essence of insurance.

In the US, health insurance often acts as a safeguard against enormous financial setbacks, reflecting a prevailing emphasis on individual responsibility and proactive risk management.

On the other hand, the UK's perspective on insurance is influenced by its historical commitment to social welfare and community support. This is particularly noticeable in areas like car insurance, where regulations and practices frequently prioritise collective responsibility.

Taking these nuances into account and building with these insights in mind is going to be even more important to drive not just customer satisfaction, but loyalty too.



How do consumers choose their insurers, and are efficiency gains enough to make them switch?

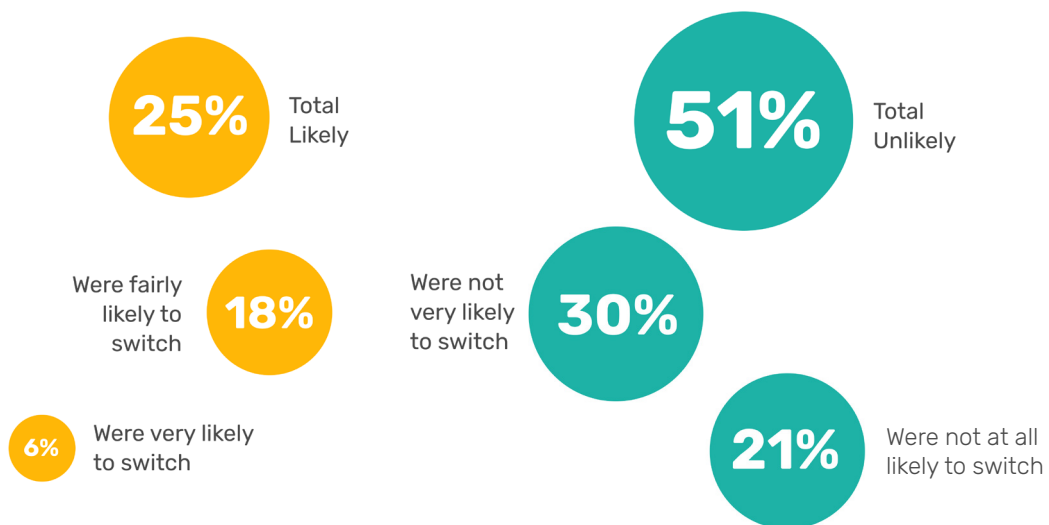
Our own research last year found that one in five (21%)⁴ insurance customers expect claims to be resolved within hours, even though many claim processing speeds are far slower than this. Speed and efficiency of service have been focal points for insurers recently⁵, particularly with the rise of digital insurers, which are now well-established in the marketplace.

But is the draw of potential efficiency gains enough to make respondents switch to a different insurer?

This was something we asked consumers about. Their responses were illuminating.

In a scenario where an alternative insurance provider offered a faster claims process by using AI compared to a non-AI insurer, 51% said they were not likely or very unlikely to switch, 25% expressed a fair likelihood or were very likely to switch. Younger demographics were more receptive, with 40% of 18-to-24-year-olds and 37% of 25-to-34-year-olds saying they were likely or very likely to switch. Only 15% of those over 55 said the same.

Are consumers likely to switch, if they knew they could receive a faster, AI-assisted claims experience at another insurance provider compared to a non-AI-assisted insurer?



⁴ sprout.ai/research-reports/responding-to-the-expectations-of-todays-insurance-customers/
⁵ insurtechdigital.com/articles/speeding-up-claims-lemonade-halls-2-second-insurance-payout



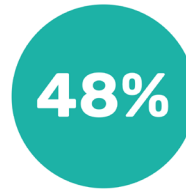
Fair outcomes were more important than speed for 48% of respondents, while 40% placed a premium on the customer service offered by their existing insurer, valuing it more than speed of operations. Some 28% of participants said switching insurers was too much of a hassle.

These results suggest that speed isn't enough of a differentiating factor for individuals to consider moving insurers.

This isn't to say speed should be forgotten either.

With AI, insurers can gain efficiencies without sacrificing other elements of the customer experience - or, in fact, make the overall claims experience better.

Reasons driving reluctance to switch:



Value trusting their insurer's fairness over speed



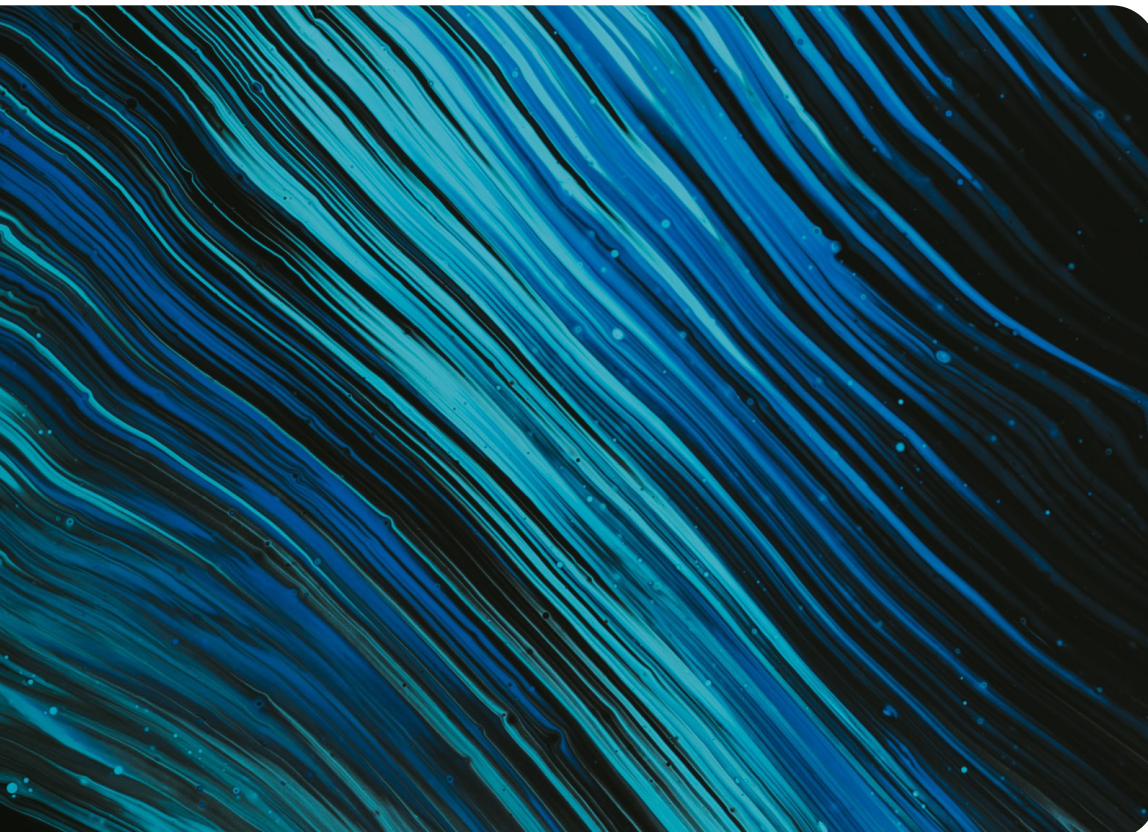
Value their current insurer's service quality over speed



View switching as too much hassle



View their insurer's payout reliability as more important than a faster claims experience



Is the industry doing enough to educate and communicate about AI?

Efficiency, transparency and visibility were all factors respondents highlighted as important when considering the claims process. Yet despite AI's potential to assist insurers in delivering these outcomes more effectively many are sceptical about its use.

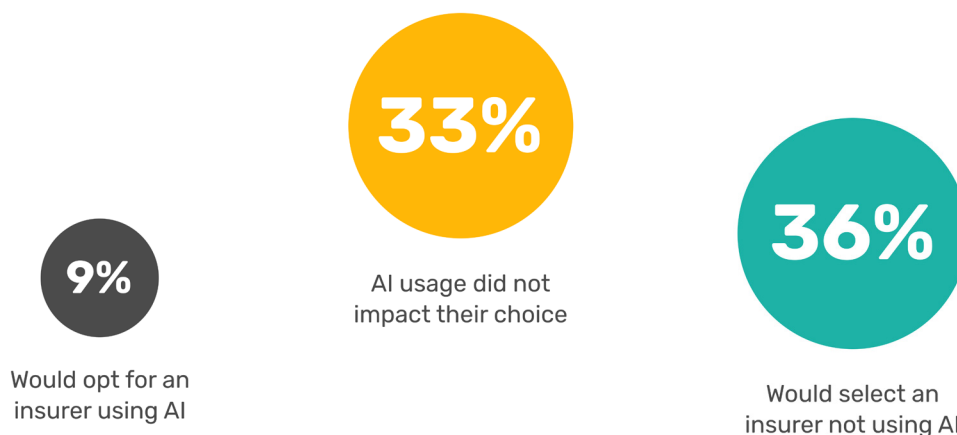
Participants' self-assessed understanding of AI followed a bell-shaped curve, with most saying they had a little understanding of the technology. However, there was a gender gap in self-assessed understanding and comfort with AI. Women were half as likely to claim excellent understanding (6%) compared to men (10%), and women were more likely to claim no understanding (11%) compared to men (5%).

This could be indicative of differing levels of exposure, education, or confidence in engaging with AI-related topics between genders. Addressing this gap through

targeted educational initiatives and inclusive communication strategies could help bridge this disparity in AI understanding and familiarity.

Overall, just 9% expressed a preference for an insurer that employs AI. This breaks down to 5% in the UK and 13% in the US. Younger demographics show more openness, with 17% of 18-24-year-olds and 19% of 25-34-year-olds indicating a preference for AI-using insurers. Only 2% of those aged over 55 express such a preference.

How does an insurer's use of AI affect customer choice?



AI usage would have no bearing on the decision-making process for 33% of respondents. This was more prevalent in the UK (40%) compared to the US (27%). Marrying closely to the factors cared about by respondents where an insurer's technological proficiency had little bearing. Interestingly, over a third (36%) indicated a leaning towards insurers that do not use AI. This was very similar across geographies and age brackets.

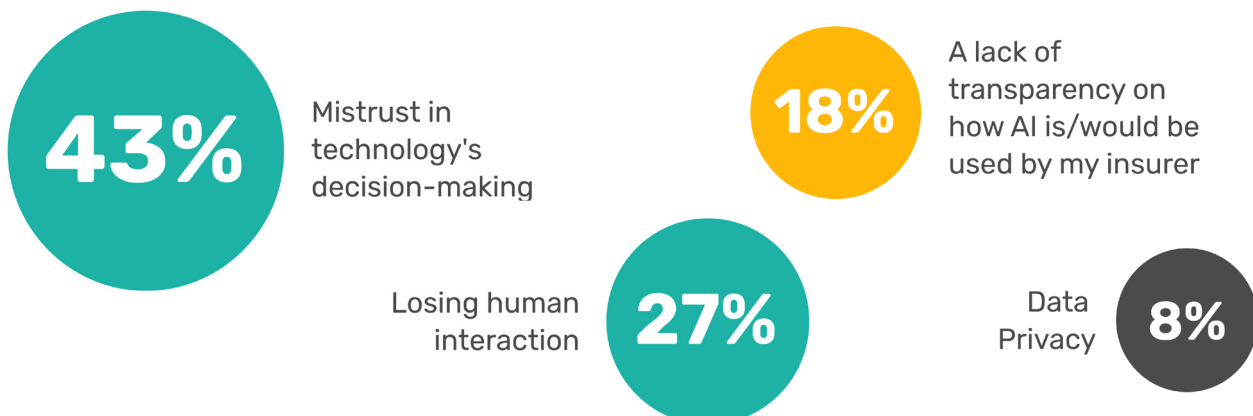
Choose an Insurer that does not use AI over one that does by age and location

	US	UK
18 - 24	30%	34%
25 - 34	32%	36%
35 - 44	33%	37%
45 - 54	38%	35%
55 +	40%	38%

A number of factors deter respondents from selecting an insurer that used AI.

The leading reason, cited by 43% of respondents, was a lack of trust in technology-driven decision-making.

Motivations for choosing non-AI insurers:



This sentiment was more prominent among respondents aged over 55, although it remained relevant for 18 to 24-year-olds as well (30% - UK, 46% - US). This suggests a level of scepticism about the reliability and fairness of AI-driven processes which insurers and technology providers need to cut through.

Meanwhile, 27% of participants said they valued human interaction, particularly those aged over 55 (32%).

This resonated more in the UK (31%) than in the US (23%).

About 18% of the respondents said they were concerned about transparency in the insurance processes. This points towards a need for better communication and education about how AI is used in the insurance industry.

The 8% who expressed worries about data privacy indicate a recognition of the data-driven nature of AI systems. However, their concerns might reflect a lack of understanding about the measures in place to protect sensitive customer information and adhere to data protection regulations.



Addressing concerns, building trust and showing the potential of AI

Respondents across multiple demographics valued being able to speak to claims handlers. They displayed a clear preference for human oversight in tasks involving decision-making and communication and this could explain the aversion to AI as consumers currently understand it.

The media often focuses on the technological aspects of AI and automation, leading to the perception that human interactions will be replaced entirely by chatbots and AI systems. Negative experiences with automated customer service systems in the past, could be contributing to the assumption that all interactions with insurers using AI will be impersonal and frustrating.

This shows the importance of emphasising that claims handlers will still be available to customers.

When insurers use Sprout.ai, for example, claims handlers have more time to speak with customers because claims processing tasks like data entry are automated.

Insurers gain efficiency without sacrificing empathy.

Insurers and technology providers would benefit from close collaboration to explore ways to simplify AI for the customer and explain how decisions are reached. There is a lack of awareness



of the mechanisms and safeguards that can be implemented in AI systems to ensure unbiased and transparent decision-making and making this apparent to the customer could unlock huge benefits.

As the insurance industry moves toward the widespread integration of AI, a number of steps could be taken to build confidence among customers and stakeholders.

AI can benefit customers directly by expediting claims processing, leading to quicker payouts and fewer disruptions during challenging times.

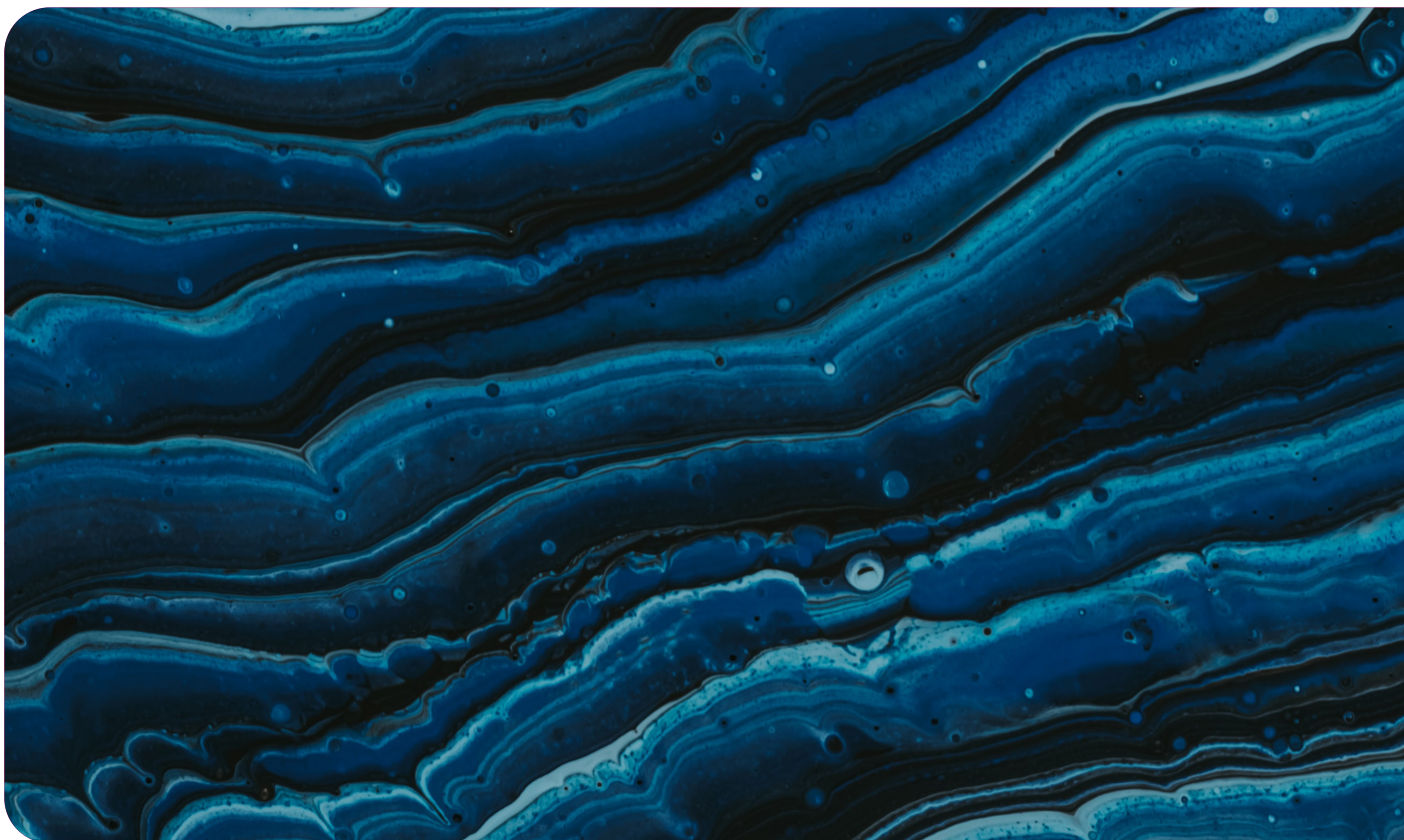
It can analyse vast datasets to identify patterns and anomalies that may be challenging for human claims handlers to discern. AI's ability to process and cross-reference diverse information sources results in more reliable assessments, minimising errors and potential

discrepancies. This accuracy translates to fairer and more consistent claim outcomes, enhancing customer satisfaction and reinforcing trust in the insurance process. In other words, exactly what consumers are asking for.

As AI becomes more integrated into daily experiences and insurers refine their communication strategies, awareness of AI's potential benefits is likely to increase. However, it's a learning process.

As insurers continue to gain new knowledge about implementing AI within their organisations, they should think about how they can bring that same approach to customers too.

When everyone understands AI, everyone stands to benefit.



About Sprout.ai

Sprout.ai is an award-winning technology solution for the insurance industry that has partnered with some of the world's major insurance companies and TPAs.

With the vision to make every claim better, Sprout.ai uses ground-breaking AI products to enable insurers to make every claim easy, fast and accurate. It extracts and enhances relevant claims data, cross-checks this with policies and provides a philosophy-driven adjudication to conclude a claim in near real-time. Claims handlers have more time to spend with customers and provide that all-important human touch and empathy.

Methodology

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 4442 adults, of which 2,060 are from the UK and 2,382 are from the US. Fieldwork was undertaken between 8th - 12th August 2023. The survey was carried out online.

Percentages have been rounded to the nearest integer.



