



J.D. POWER

The Impact of Digital Claims on Customer Satisfaction

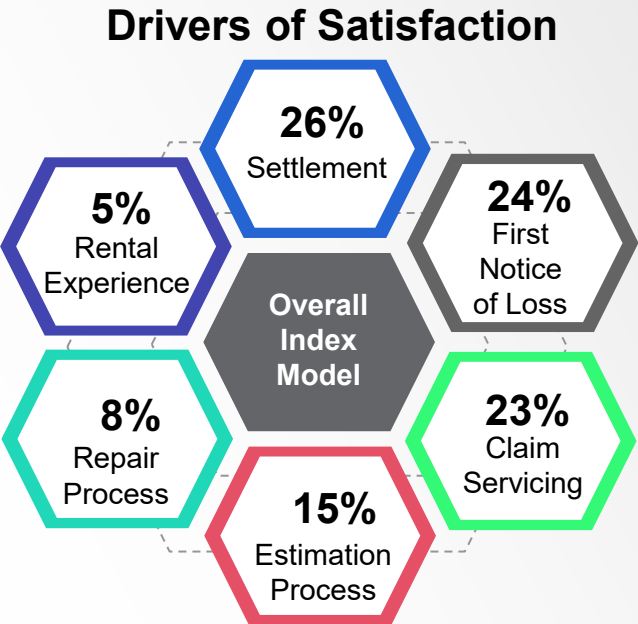
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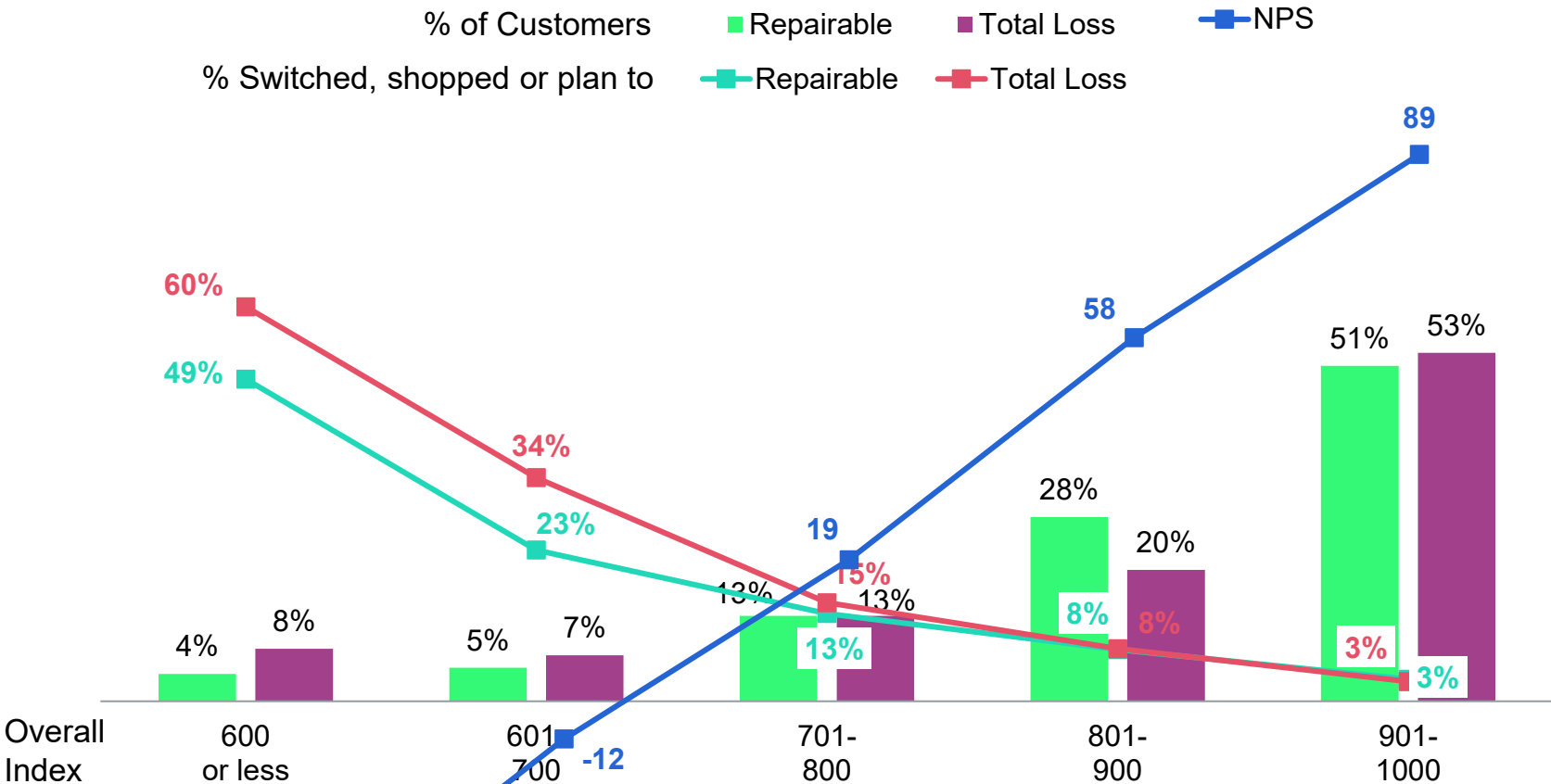
September 2023

Claim satisfaction is highly correlated with outcome metrics: Shopping, Switching, Recommending

- **What we do:** Independently gather feedback from 8,000+ recent Auto claim customers across the top 25 insurers
- Study includes claims from Q2 '21 – Q2 '22
- Ask comprehensive questions across the entire experience—focused on 6 key factors:



Impact of Satisfaction on Shopping, Switching and NPS



- The majority of customers who have a poor claim experience, satisfaction of 600 or less, state they either intend to switch or shop or have already done so.
- In contrast, highly satisfied customers (scores above 900) have an NPS of 89 and very few shop, switch or intend to.

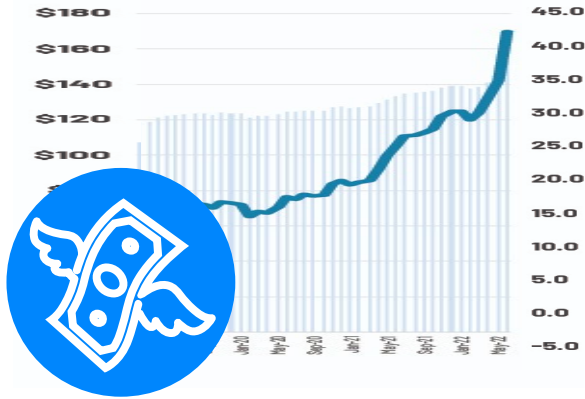
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State of the Industry



Key Industry Trends Impacting Auto Claims

The 2022 combined ratio for Personal Auto was approx. 112%—the worst result in 20+ years—and 11 points higher year-over-year¹



Increasing Costs

- Increasing vehicle technology/complexity; more luxury vehicles, trucks, and SUVs now
- Inflation, supply chain disruption, & labor shortages impacting labor and parts costs
- Sharp rise in used-vehicle prices (particularly Trucks and SUVs), lead to higher total loss costs—and more vehicles repaired
- State Farm announced \$13B underwriting loss for '22 (combined ratio ~128%)



Increasing Delays

- Shop backlog national average peaked at 5.8 weeks in Q1'23 vs. pre-pandemic average of 1.7³
- Days from reporting claim to vehicle fixed was 53 days in '22—repair time accounted for 16.7 days²
- Average rental days peaked at 18.7 days in Q1'23 (+5.4 days from Q1'21)⁴



Impact on Customer Experience

- Insurers also experience staffing shortages/delays; increased focus on technology for process (photos/AI) and communication
- The accelerated shift to technology has mixed results (photos + inspection + supplements vs. more texting)
- Longer claims = higher likelihood of issues; customers are critical of timing and communication
- Claim Satisfaction hit low point in Q4'21-Q1-'22, but has since rebounded

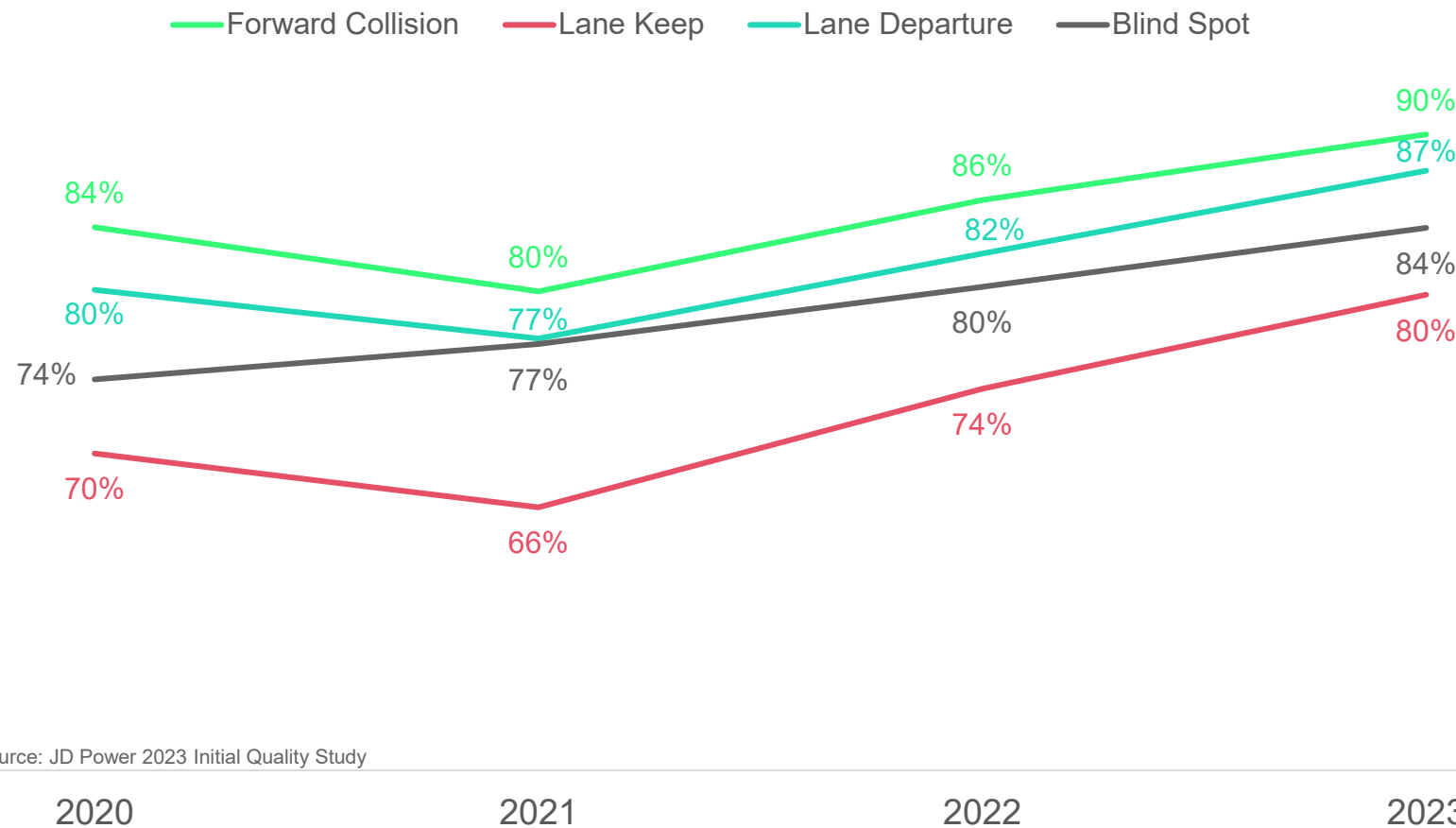
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Impact of Increasing Vehicle Technology



The penetration rates of ADAS features continues to climb with 80% of owners reporting having all 4 primary ADAS features

JDP IQS: Driving Assistance % Have Feature: Industry



Impact on Claim costs

- Cost of repair is **15-19%** higher for vehicles with AEB and Level 2 ADAS¹
- % of claims with Mechanical Labor (highest labor rate) has nearly **doubled** in last 5 years to **47%**
- Nearly **28% of Appraisals** for new vehicles have Fees for Calibrations (reflash/Camera/ Distance sensor/ADAS)—Avg. Fee **\$388**

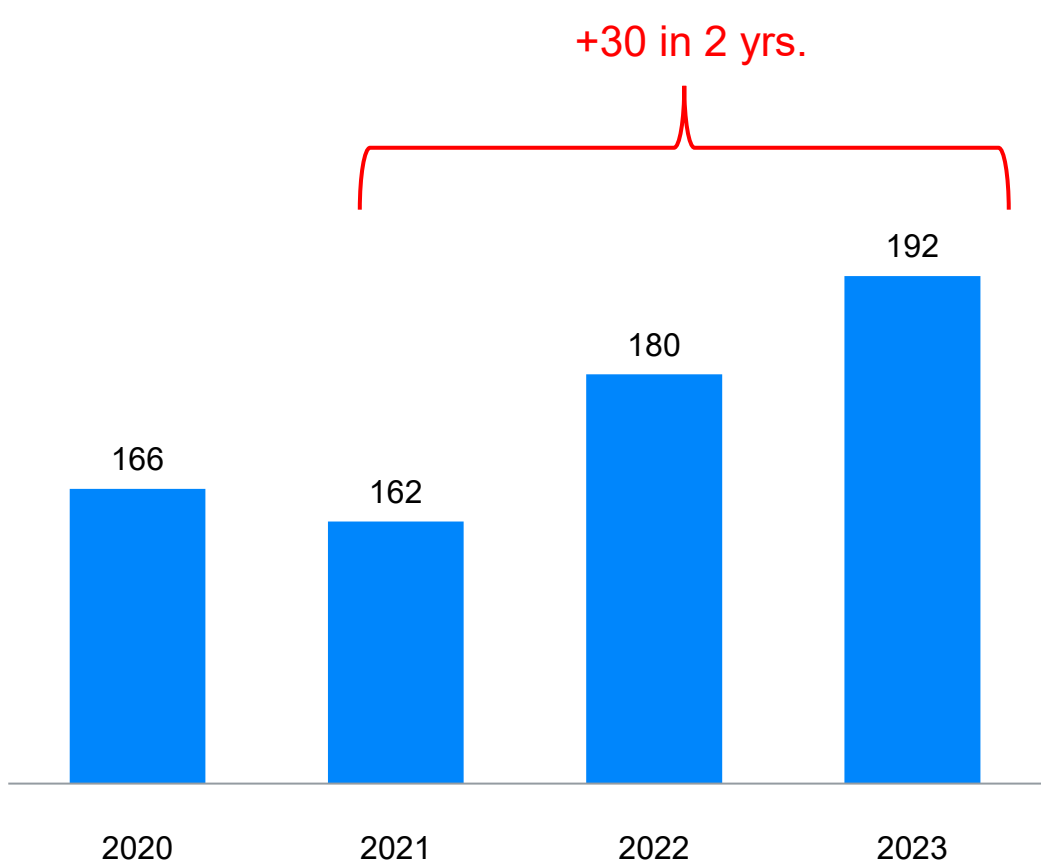
Source: JD Power 2023 Initial Quality Study

Source: CCC;

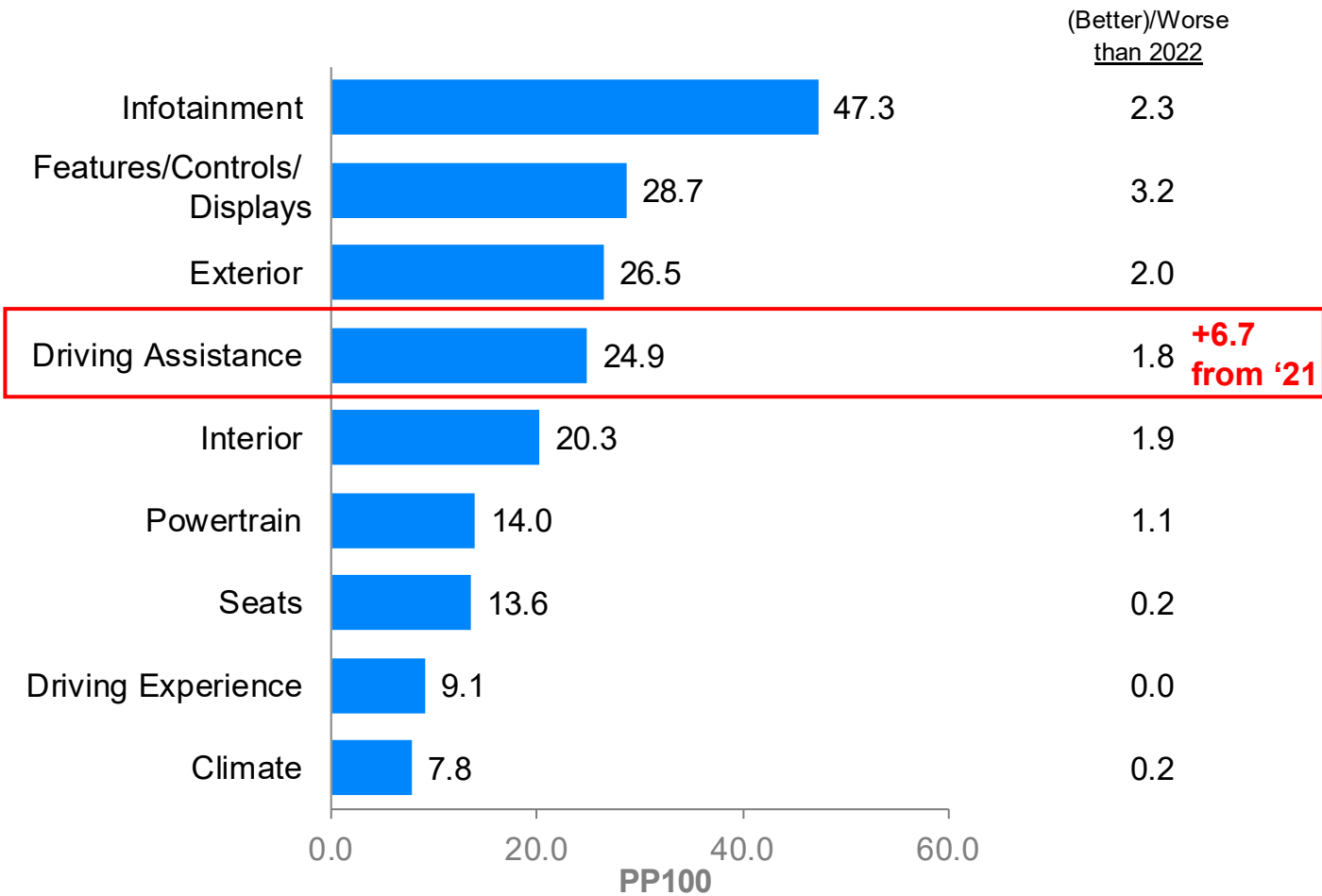
¹ Comparison based on '21 MY vs. '15 MY without same tech;

JDP IQS: PP100 experiences 2nd largest increase in study history after last year's 18 PP100 increase

Total Problems (PP100) Trend: Industry



Total PP100 by Category: Industry



OVERVIEW

Impact on Claims Customer Experience



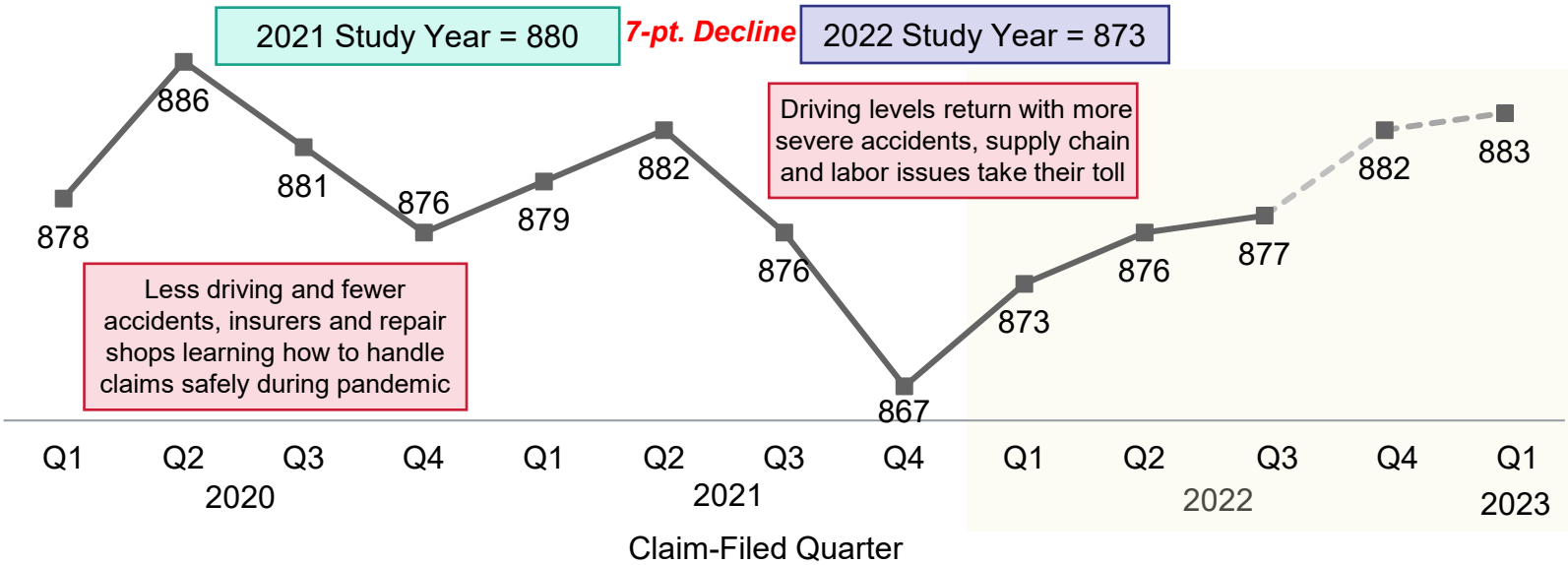
Overall Satisfaction Trend

Lingering pandemic-related supply chain issues drive Auto Claim Satisfaction down in 2022

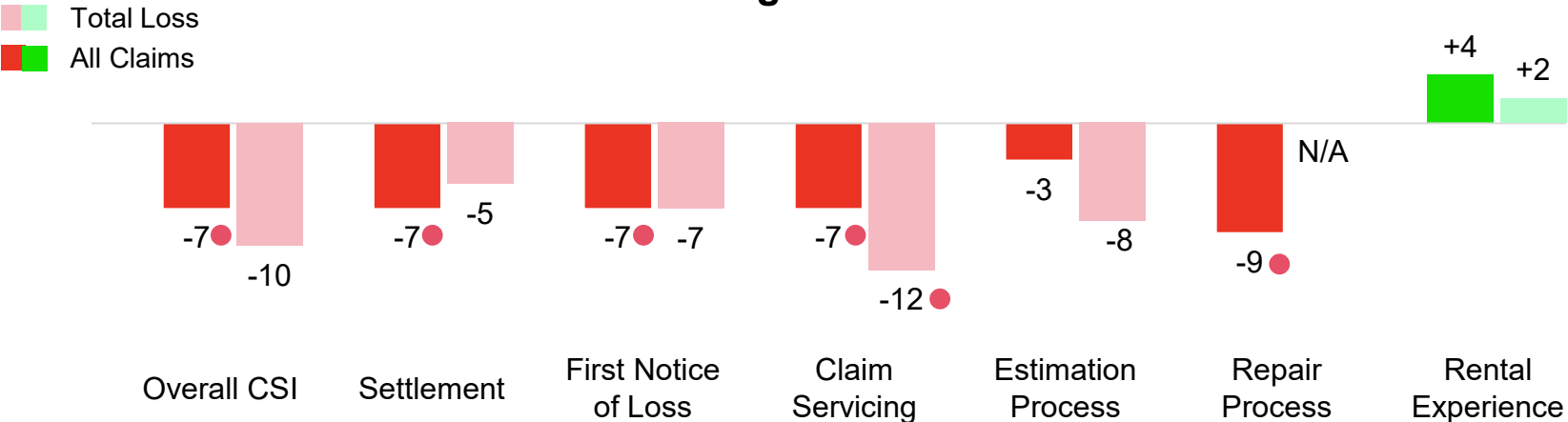
- Early fielding shows the worst is behind us and satisfaction is trending upward
- Customers report their claim took **7 days longer** in the '23 YTD study compared to the '22 results (and nearly 2 weeks longer than '21)
- Repair process declines the most for repairable vehicles
- Claim Servicing declines the most for Total Loss

Notes: ●/● Significant difference at the 90% confidence interval; Change is better/(worse).

Overall Claim Experience Satisfaction Trend by Claim-Filed Quarter
(Based on a 1,000-point scale)

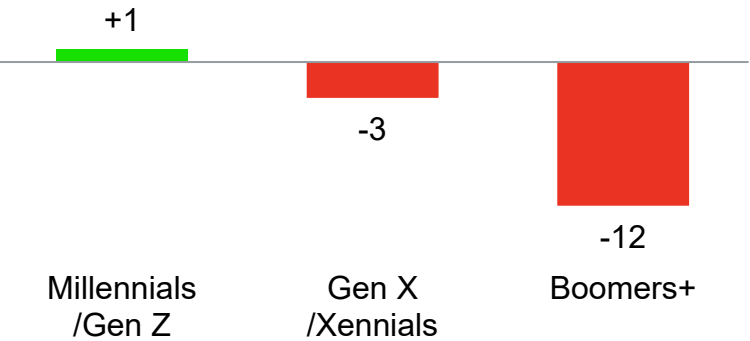


Year-over-Year Change in Factor Performance

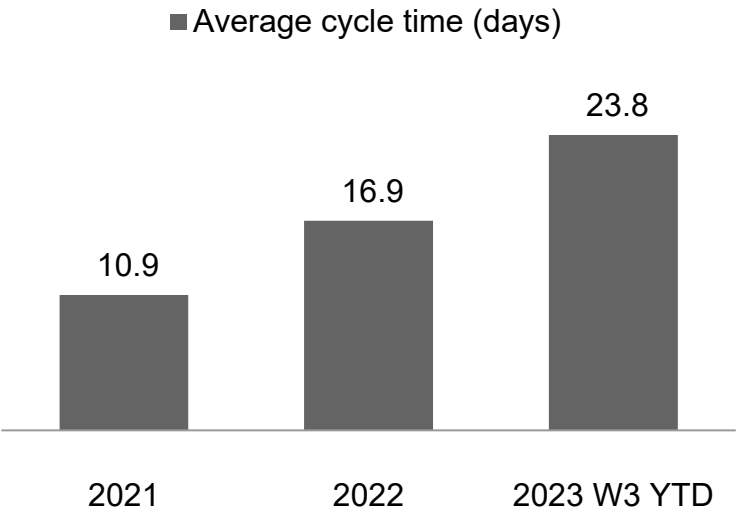


Satisfaction among Boomers declines the most—this group reported longest cycle times and has higher preference for dealing with people more than digital

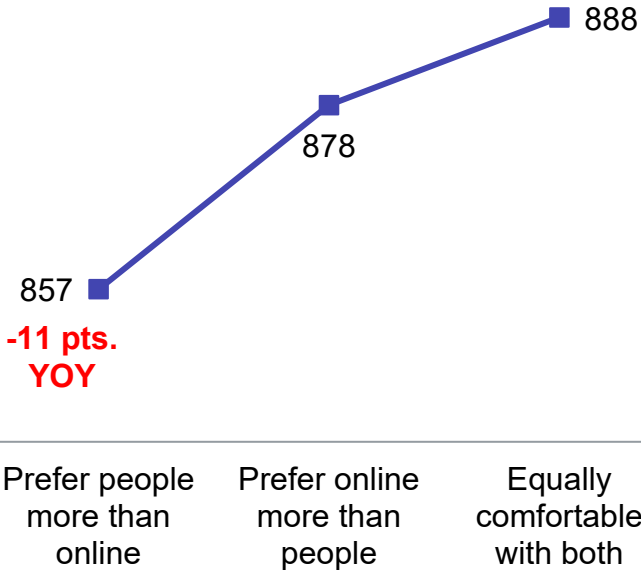
YOY Change in Satisfaction by Generation – Industry Average



Cycle Time Trend – Industry Average

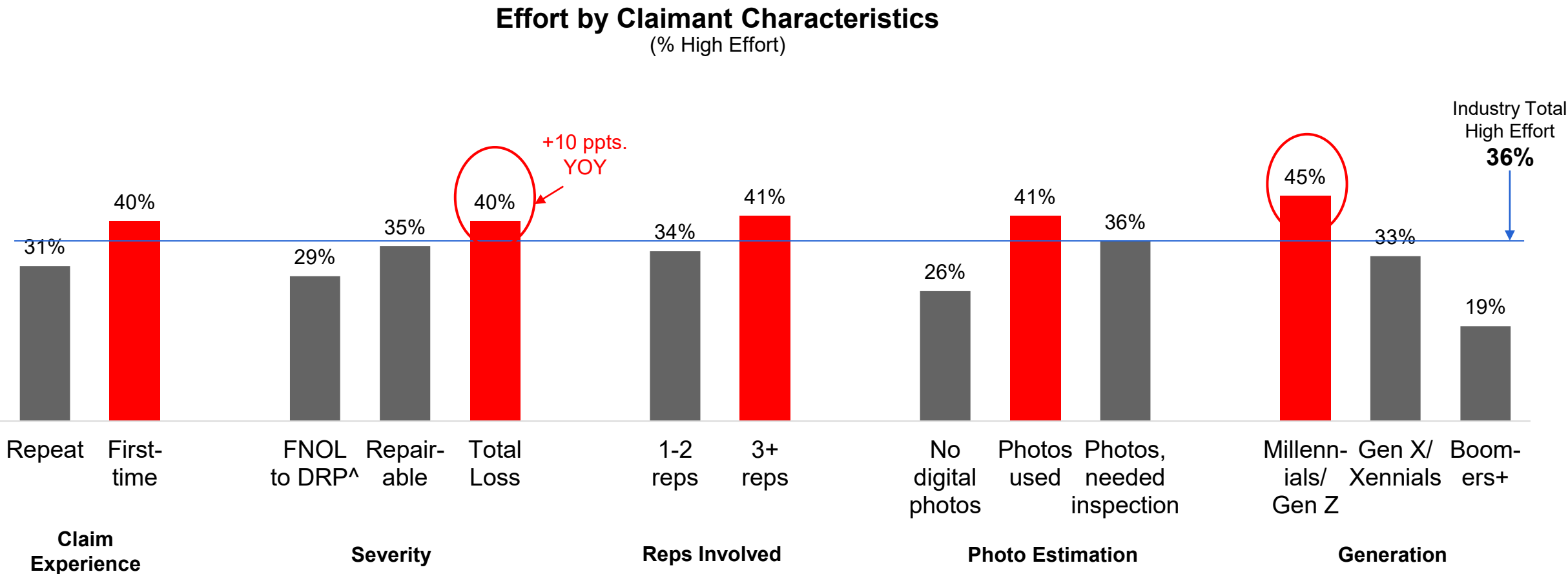


Satisfaction by Interaction Preference[†]



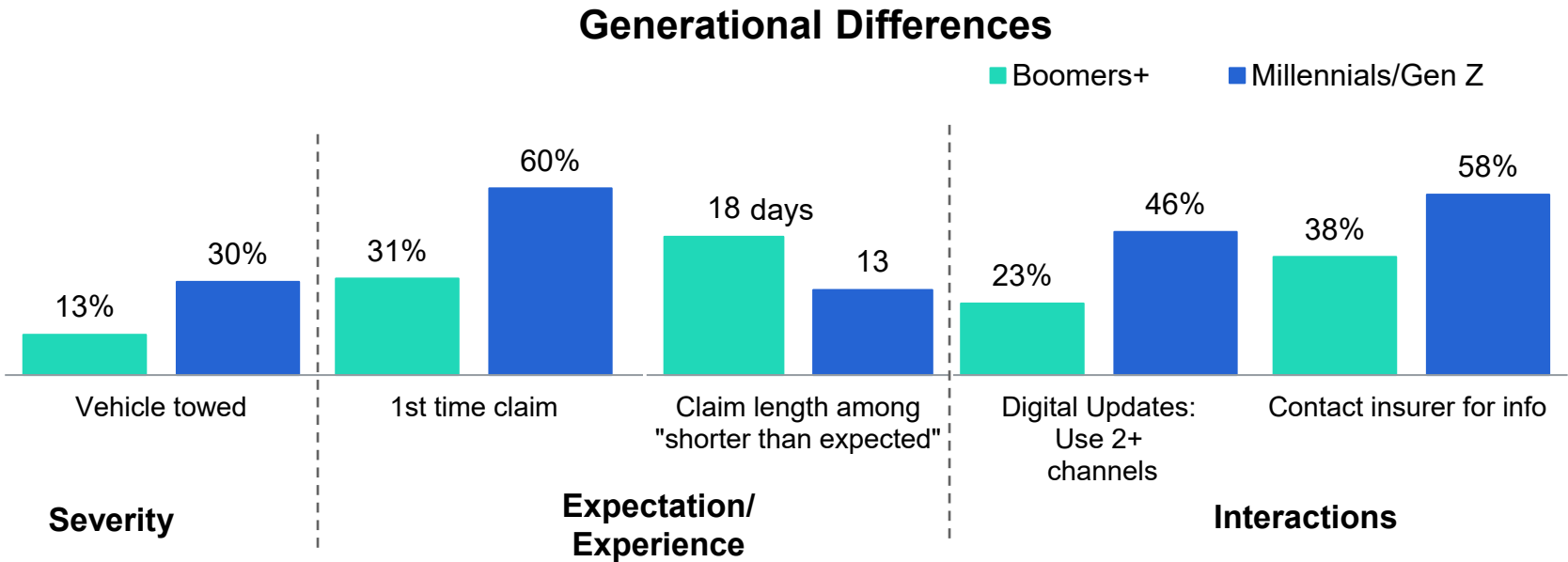
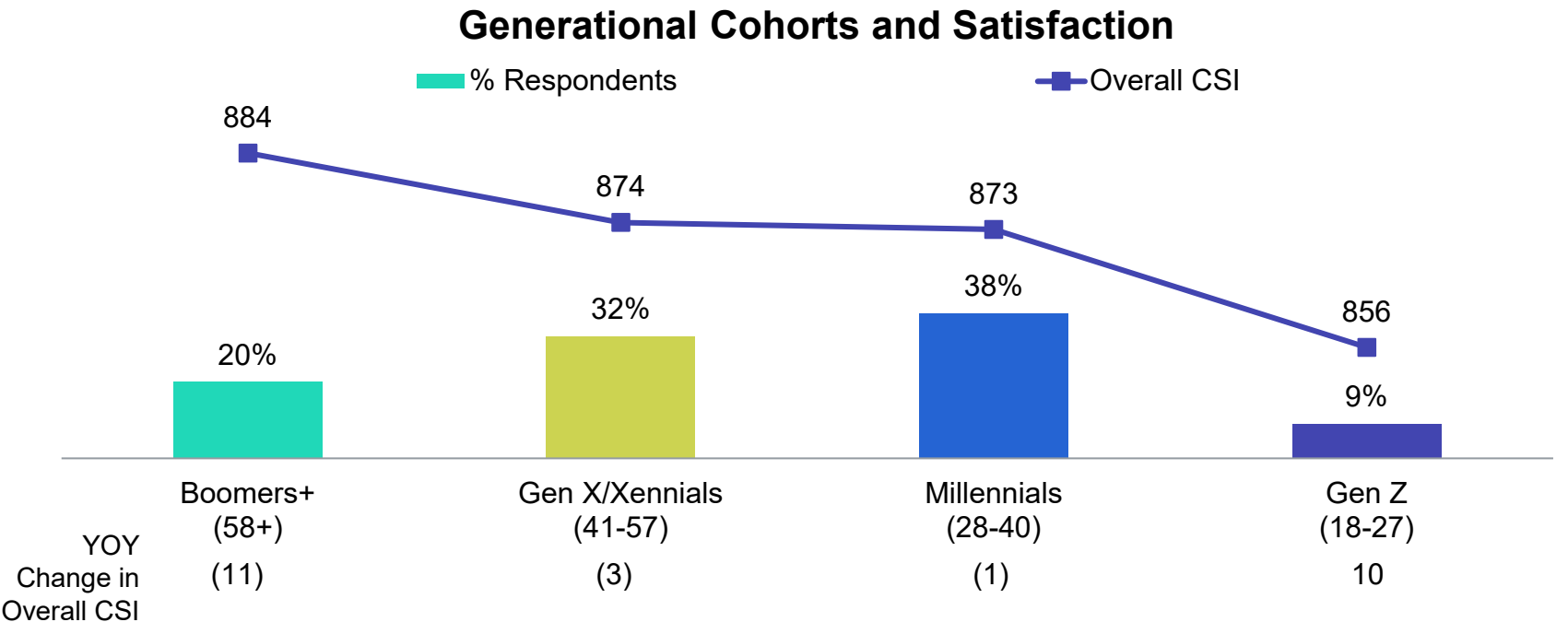
Effort in Resolving Claim

The effort involved in claim resolution has increased—highest levels reported from youngest customers, submitting photos, dealing with 3+ reps and total loss



The oldest claimants have the highest level of satisfaction at the Industry level

- While the other end of the spectrum has Gen Z as the least satisfied
- Millennial/Gen Z are 2X more likely to use multiple digital channels, but also have higher rates of contacting their insurer for info.—a combination that leads to more effort
- Younger customers are also more sensitive to repeating information and report notably higher rates of doing so



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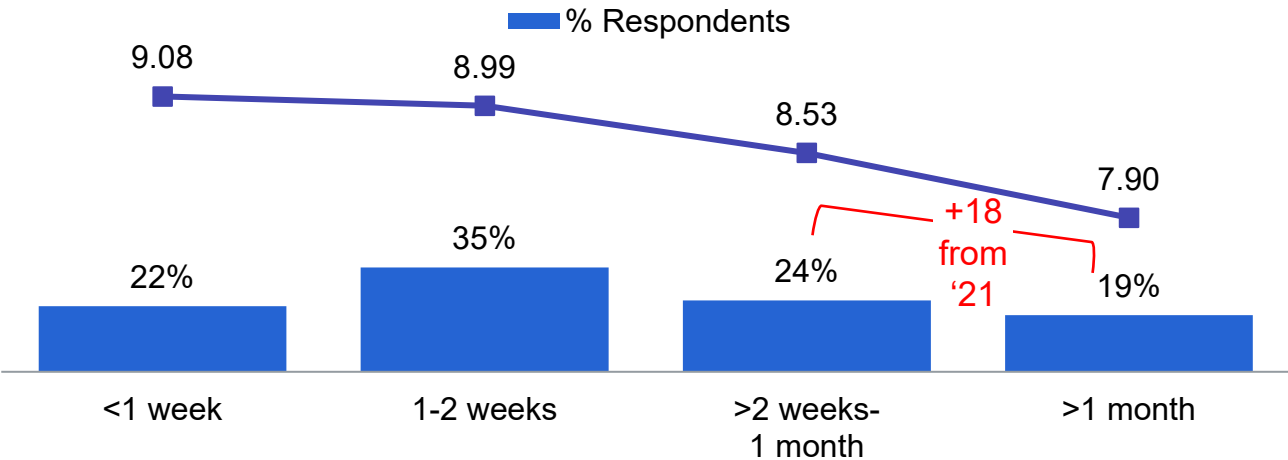
Managing Expectations



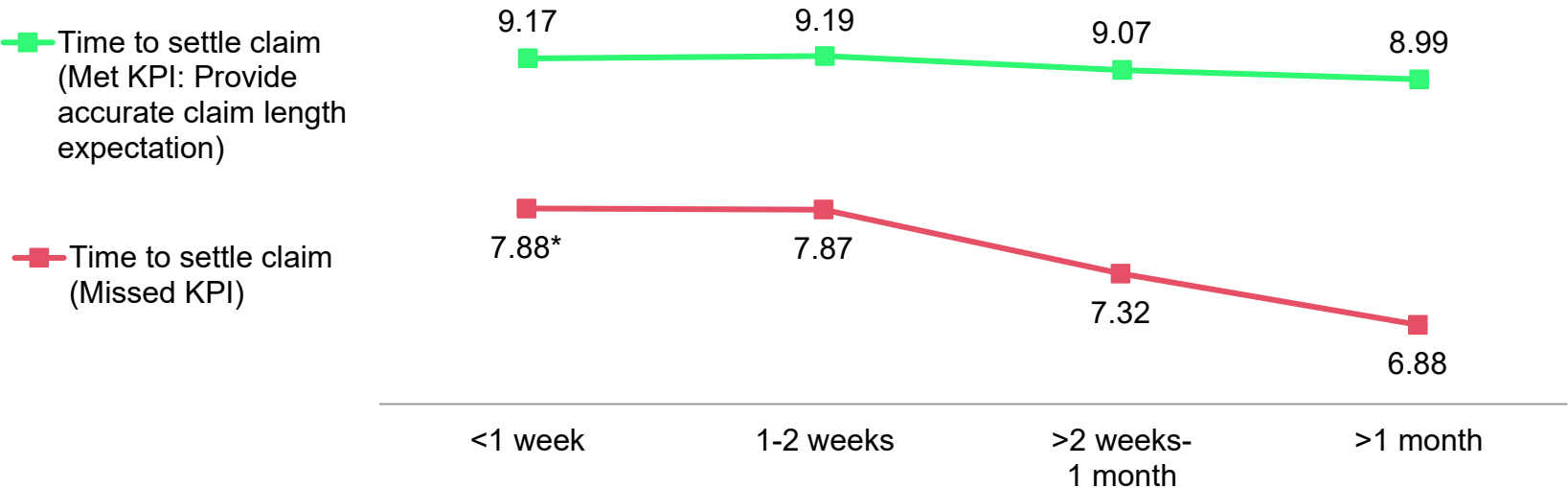
Managing claim length expectations can mitigate the impact of longer claims

- Notable increase in claims lasting beyond 2 weeks
- Satisfaction with *Time to settle claim* drops as claim length increases
- Insurers who manage customers' expectations limit the negative impact of long claims

Satisfaction with *Time to Settle Claim* by Claim Length
(*Time to settle claim* based on a 10-point scale)



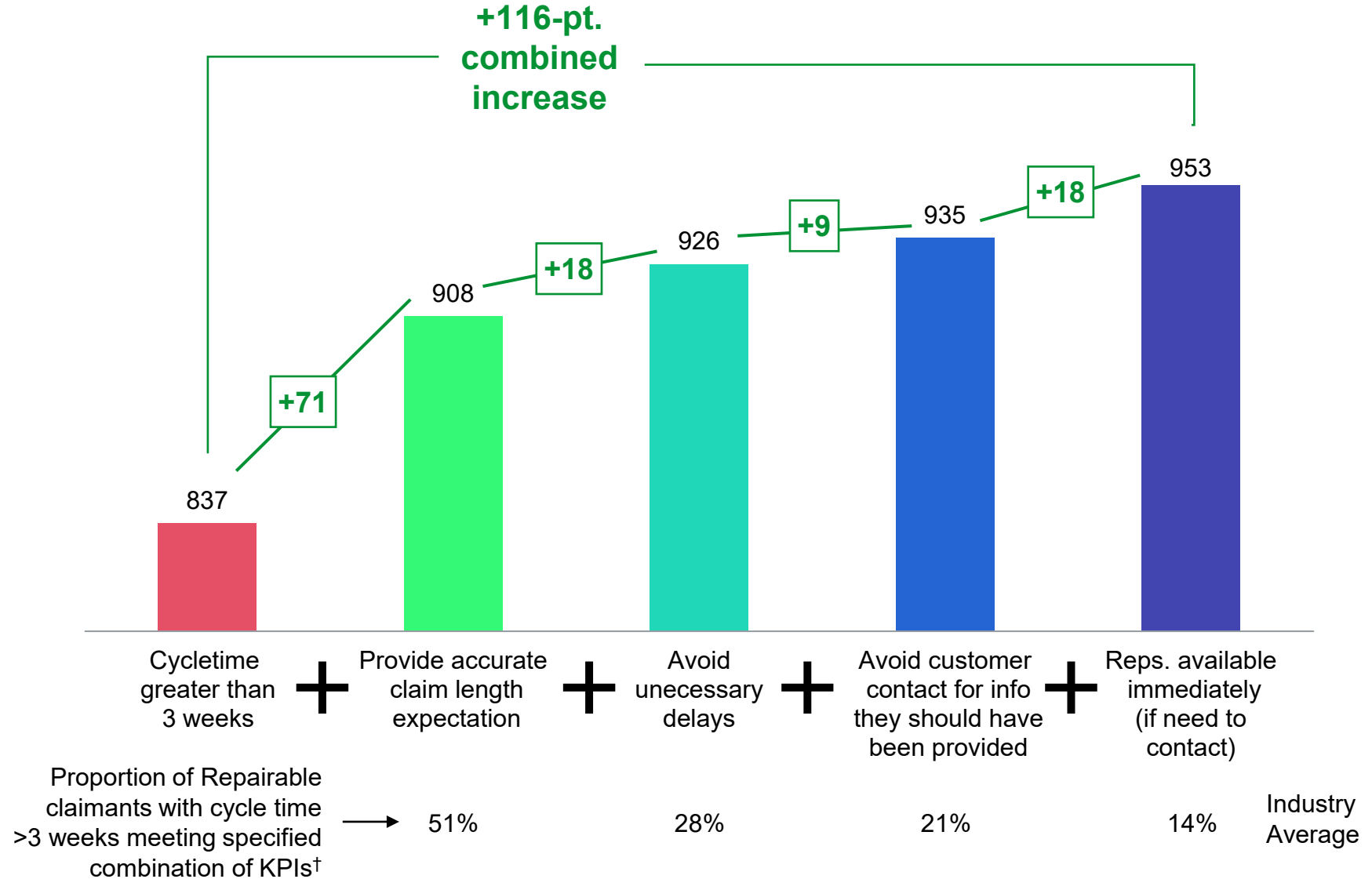
Impact of Managing Claim Length Expectations on *Time to Settle Claim* Satisfaction



Communication is key in handling long-tailed claims

- Satisfaction is significantly lower when a Repairable claim takes longer than three weeks
- Managing timing expectations and providing sufficient updates to avoid customers calling for info are key to delivering a great claim experience for longer-tailed claims

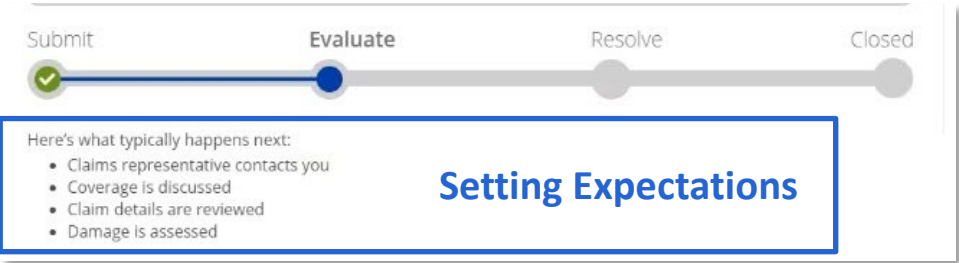
Combined Impact on Overall Satisfaction When Multiple KPIs Are Met – Industry Average



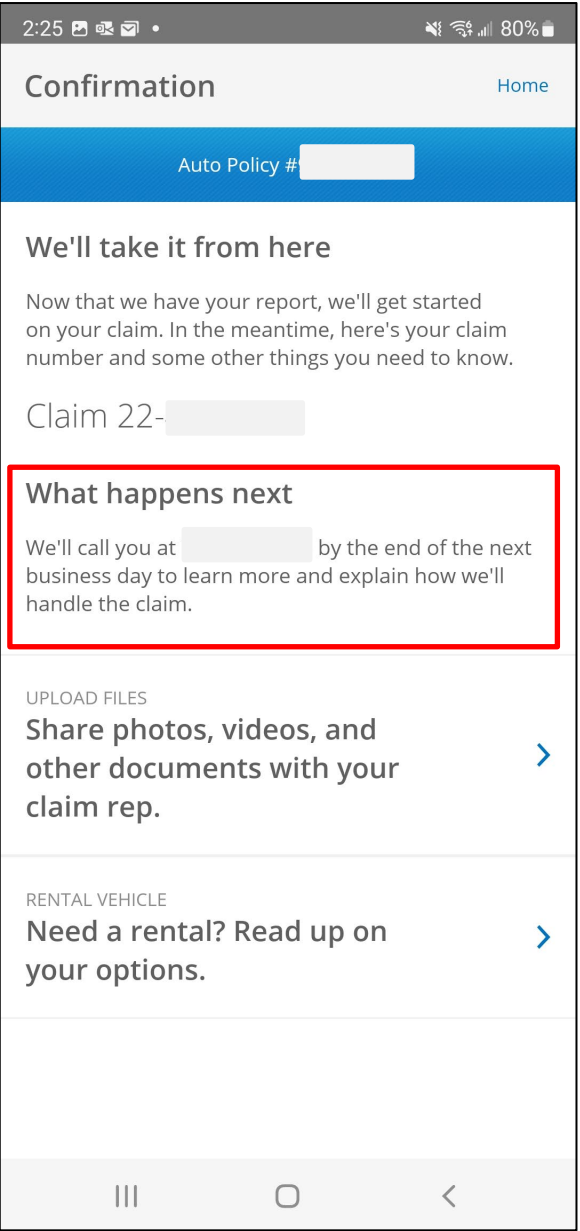
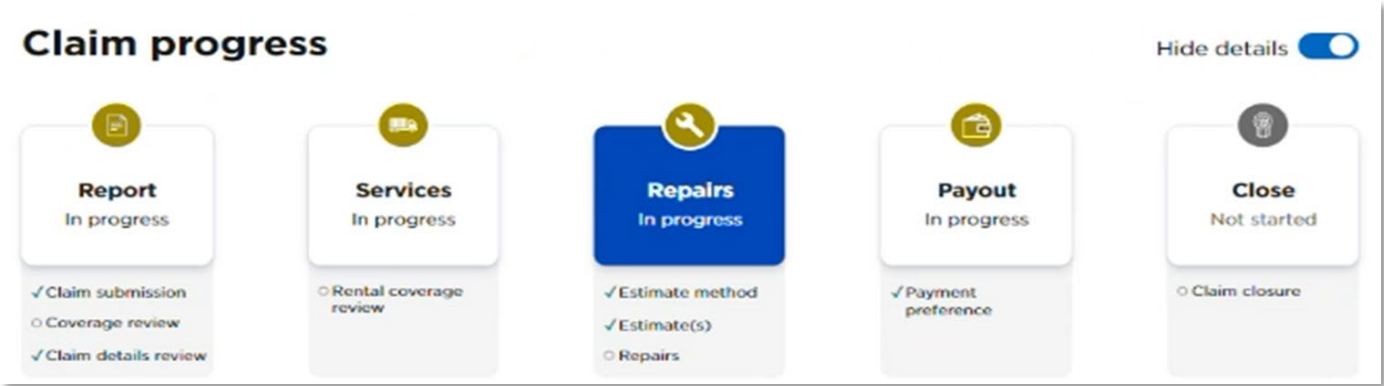
Notes: †Other KPIs may have been met, but this analysis focuses only on the KPIs/metrics that are most impacted by long cycle times.

Setting Expectations Early at First Notice of Loss

Setting expectations for next steps, claim process and services, FAQs, “accident checklist”, etc. all help ensure customers feel their claims are being handled correctly



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Impact of Digital on Claims Satisfaction

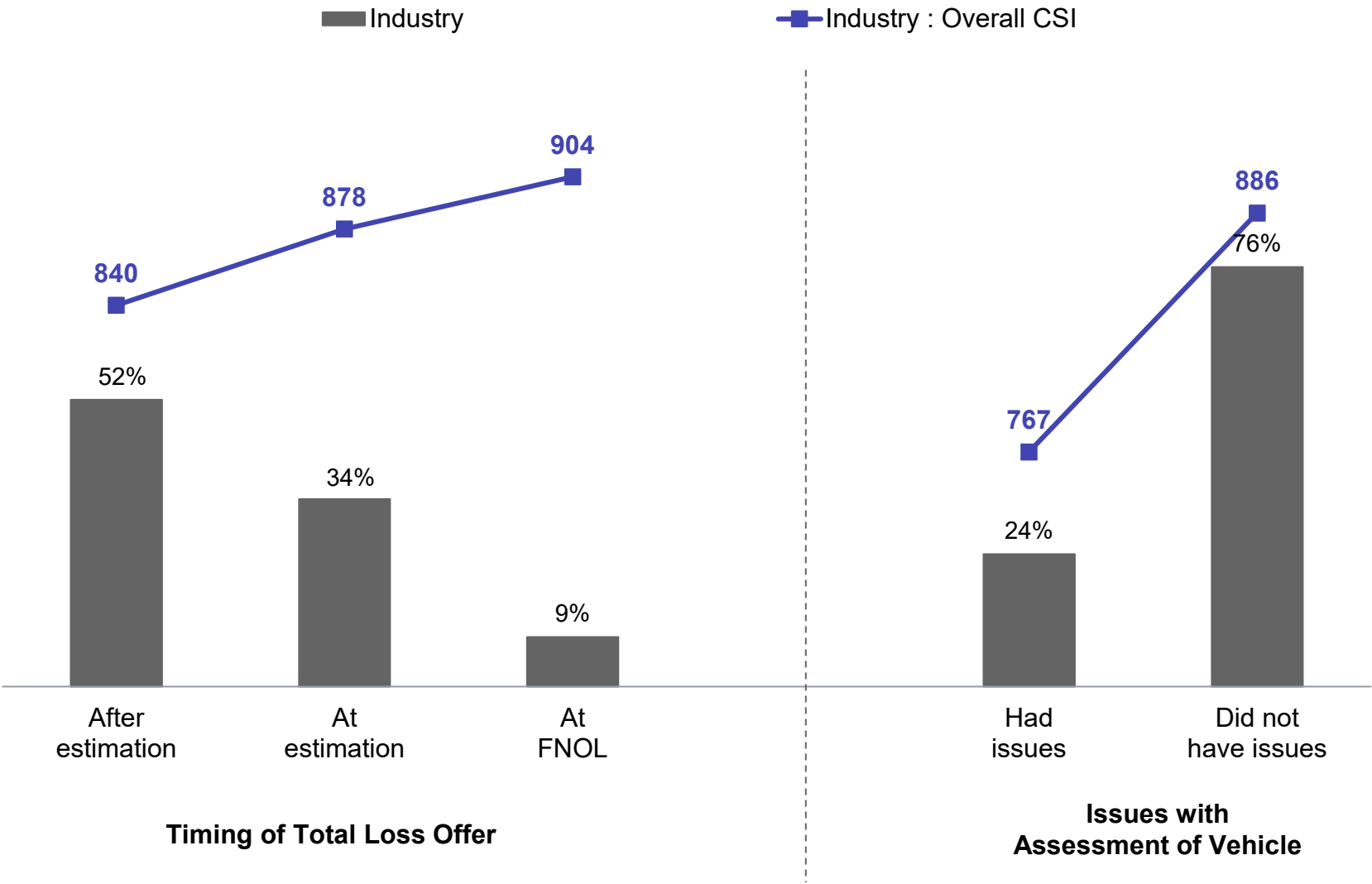


Total Loss Settlement

CSI declines most when total loss offers occur late in process, assessments have issues, or settlement is less than expected

- When there are issues with the insurer's assessment, satisfaction is significantly lower; common issues are:
- Vehicle condition: mentioned by 40% and OSAT is **742** (-22 YOY)
- Comparable vehicles used for value: 34% and OSAT is **719** (-14 YOY)

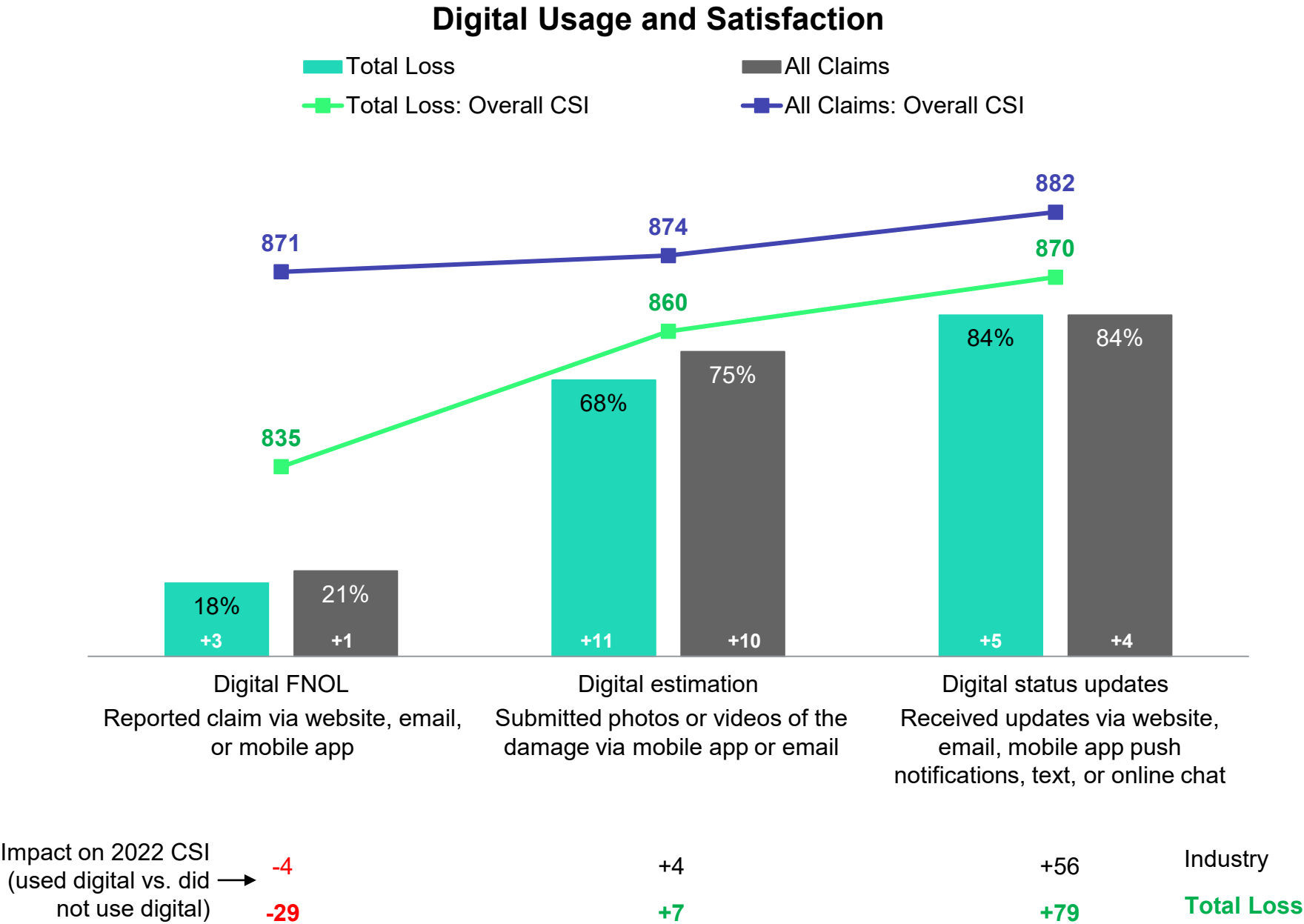
Impact of Timing and Assessment Issues on Satisfaction – Total Loss



Notes: *Small sample (n=30-99).

Digital usage has increased but the impact is mixed—Digital FNOL underperforms while status updates provide lift

- Digital FNOL excels in “Ease” and “Time” to report, but performs lower than Call Center/Agents in 2 key areas:
 - Explaining the claim process
 - Showing concern
- Digital status updates provide the biggest lift to satisfaction—a gap that has increased this year as relying on non-digital methods provides notably lower scores

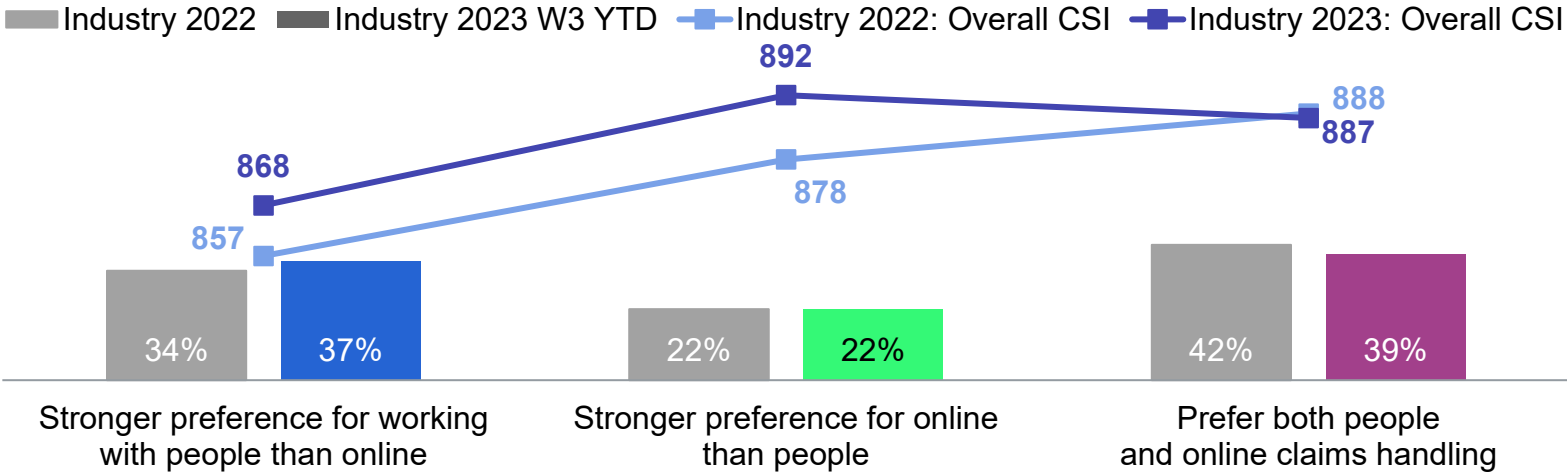


Claim Interaction Preferences

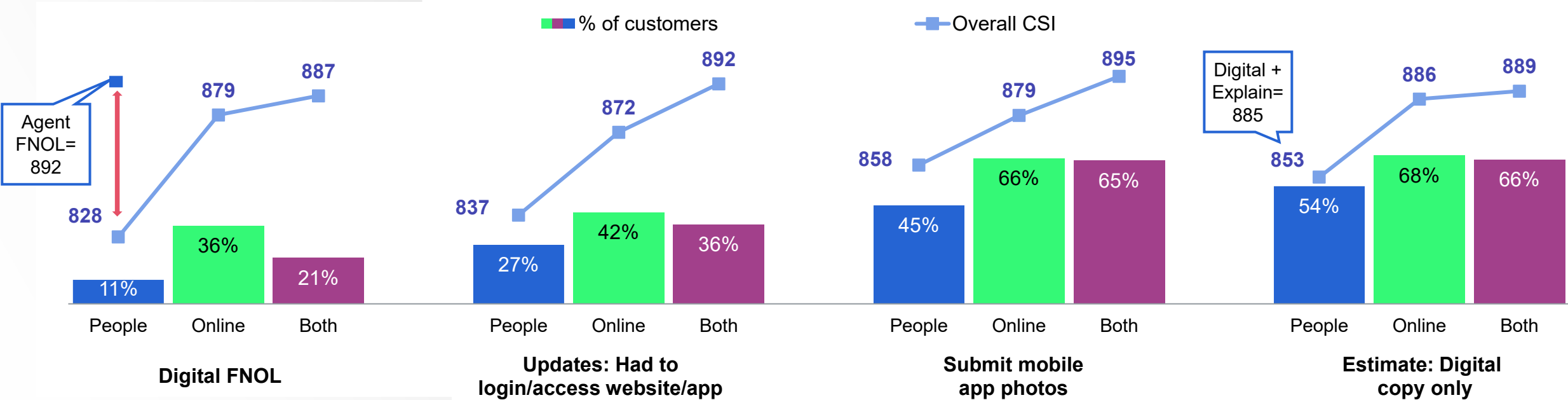
Meeting customers' claim handling preferences is critical to satisfaction

- Claimants who more strongly prefer people have the lowest satisfaction, particularly when using digital channels

Claims Process Preferences



Claims Process by Preference—Impact on Satisfaction



Estimates can be intimidating—often very long and cryptic

Side Blind Zone Alert

Smart Key System

Steering Wheel Mounted Audio Control Trip Computer

Theft Deterrent Sys.

Tilt Steering Wheel

Tire Pressure Monitoring System

Traction Control/Electronic

2019 Volkswagen Tiguan SE

Parts Profile

DETROIT METRO ALL PARTS

Parts Profile Version

5.0

| Line # | Description | LABOR | | | PART | | | | |
|-------------|------------------------------------|------------------|----------|-------------|-----------------------|-------------------|-----|-------------|-----|
| | | Operation | Type | Total Units | Type | Number | Qty | Total Price | Tax |
| Liftgate | | | | | | | | | |
| 1 | 200120 Liftgate Shell | Remove / Replace | Body | 6.4 | New | 5NA 827 025 M | 1 | \$871.22 | Yes |
| 2 | AUTO Liftgate Outside | Refinish Only | Refinish | 2.3 C | | | | | |
| 3 | AUTO Add For Liftgate Inside | Refinish Only | Refinish | 1.1 C | | | | | |
| 4 | 200275 Liftgate Spoiler | Remove / Install | Body | 0.4r | Existing | | | | |
| 5 | 200276 Liftgate Adhesive Emblem | Remove / Install | Body | 0.1r | Existing | | | | |
| 6 | 200277 Liftgate License Bracket | Remove / Install | Body | INCr | Existing | | | | |
| 7 | 200278 Liftgate Adhesive Nameplate | Remove / Replace | Body | 0.1 | New | 5NA 853 687 ZZZ | 1 | \$76.02 | Yes |
| 8 | 900501 TIGUAN | | | | | | | | |
| 9 | 200280 Liftgate Adhesive Nameplate | Remove / Replace | Body | 0.1 | New | 5NN 853 687 A ZZZ | 1 | \$47.79 | Yes |
| 10 | 900501 SE | | | | | | | | |
| 11 | 200282 Liftgate Adhesive Nameplate | Remove / Install | Body | 0.1r | Existing | | | | |
| 12 | 900501 4MOTION | | | | | | | | |
| 13 | 200008 Liftgate Trim Panel | Remove / Install | Body | INCr | Existing | | | | |
| 14 | 200266 Liftgate Glass | Remove / Install | Glass | INCr | Existing | | | | |
| Rear Bumper | | | | | | | | | |
| 19 | AUTO Rear Bumper Cover Assy | Overhaul | Body | 3.4# | Existing | | | | |
| 20 | 200393 Rear Bumper Cover | Remove / Replace | Body | INCr | Aftermarket New | VW1114102 | 1 | \$445.00 | Yes |
| 21 | AUTO Rear Bumper Cover | Refinish Only | Refinish | 2.3 C | | | | | |
| 22 | 200399 R Rear Otr Bumper Reflector | Remove / Install | Body | INCr | Existing | | | | |
| 23 | 200401 L Rear Otr Bumper Reflector | Remove / Install | Body | INCr | Existing | | | | |
| 19 | AUTO Rear Bumper Cover Assy | Overhaul | Body | 3.4# | Existing | | | | |
| 20 | 200393 Rear Bumper Cover | Remove / Replace | Body | INCr | Aftermarket New | VW1114102 | 1 | \$445.00 | Yes |
| 24 | 200402 R Rear Inr Bumper Reflector | Remove / Install | Body | INCr | Existing | | | | |
| 25 | 200403 L Rear Inr Bumper Reflector | Remove / Replace | Body | INCr | Aftermarket Certified | VW1184110C | 1 | \$39.00 | Yes |
| 51 | 26 202488 Rear Lwr Bumper Spoiler | Remove / Replace | Body | INCr | New | 5NN 807 521 G 9B9 | 1 | \$353.33* | Yes |

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Version Mitchell Estimating 22.4 OEM OCT 22_V

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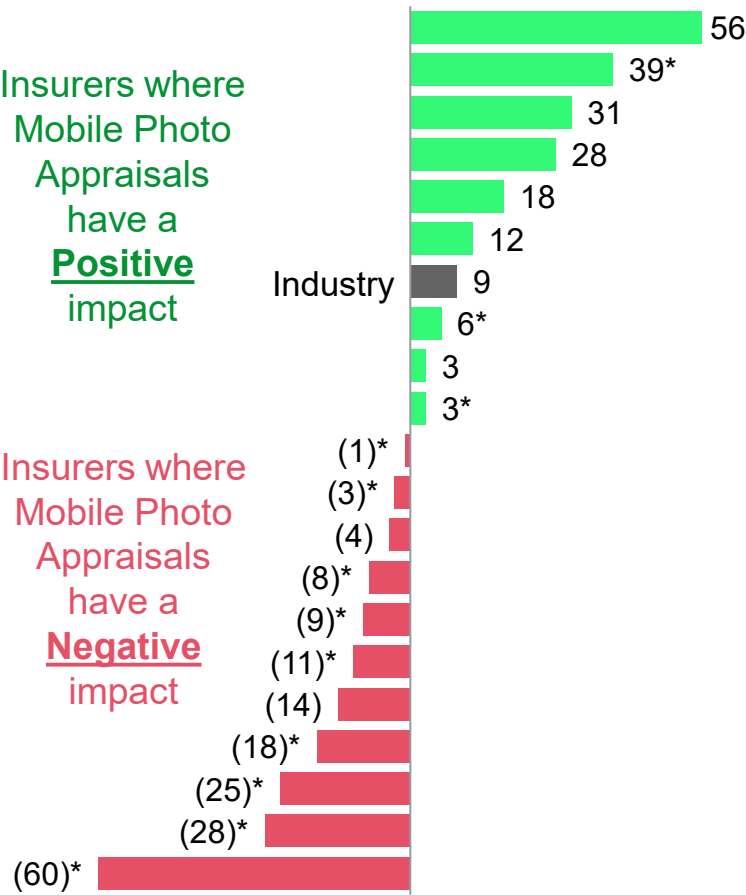
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Page 8 of 8

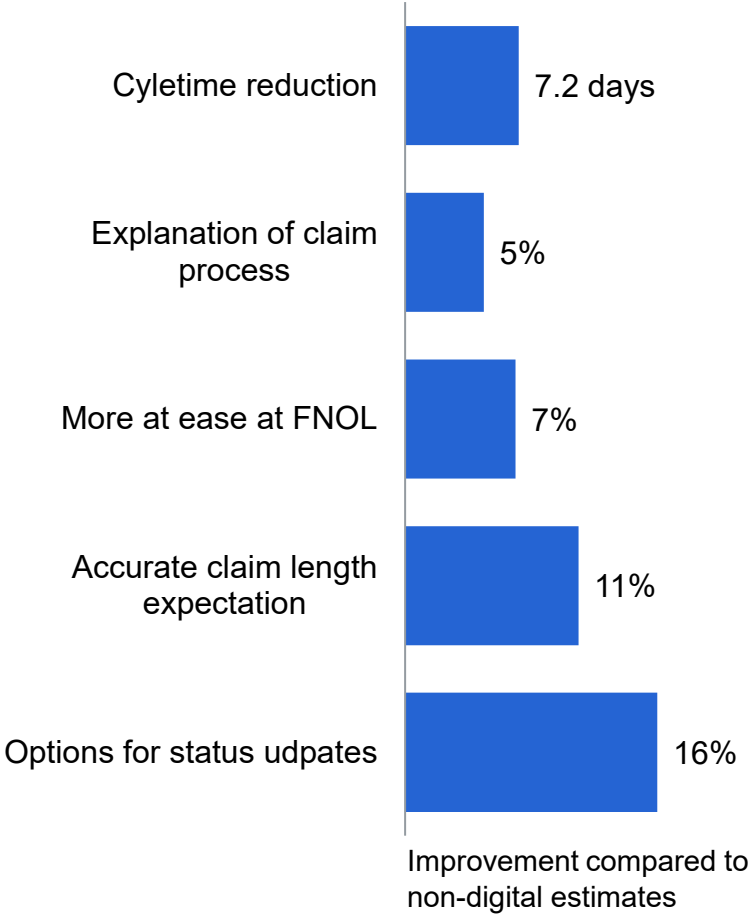
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The impact of digital estimation is mixed—quicker claims and better understanding of process/length vs. more effort, more contact, and frustration if photos are not used

Difference in Satisfaction when Using Mobile Photo vs. Non-Digital Estimation



Areas where Mobile Est. improves experience



Areas where Mobile Est. hurts experience

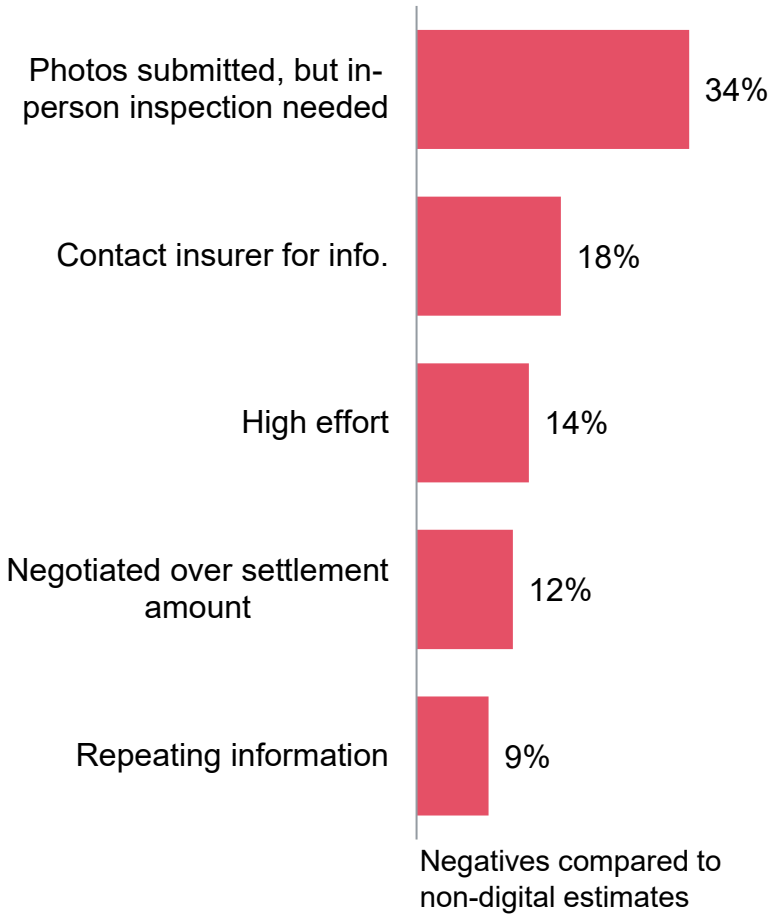
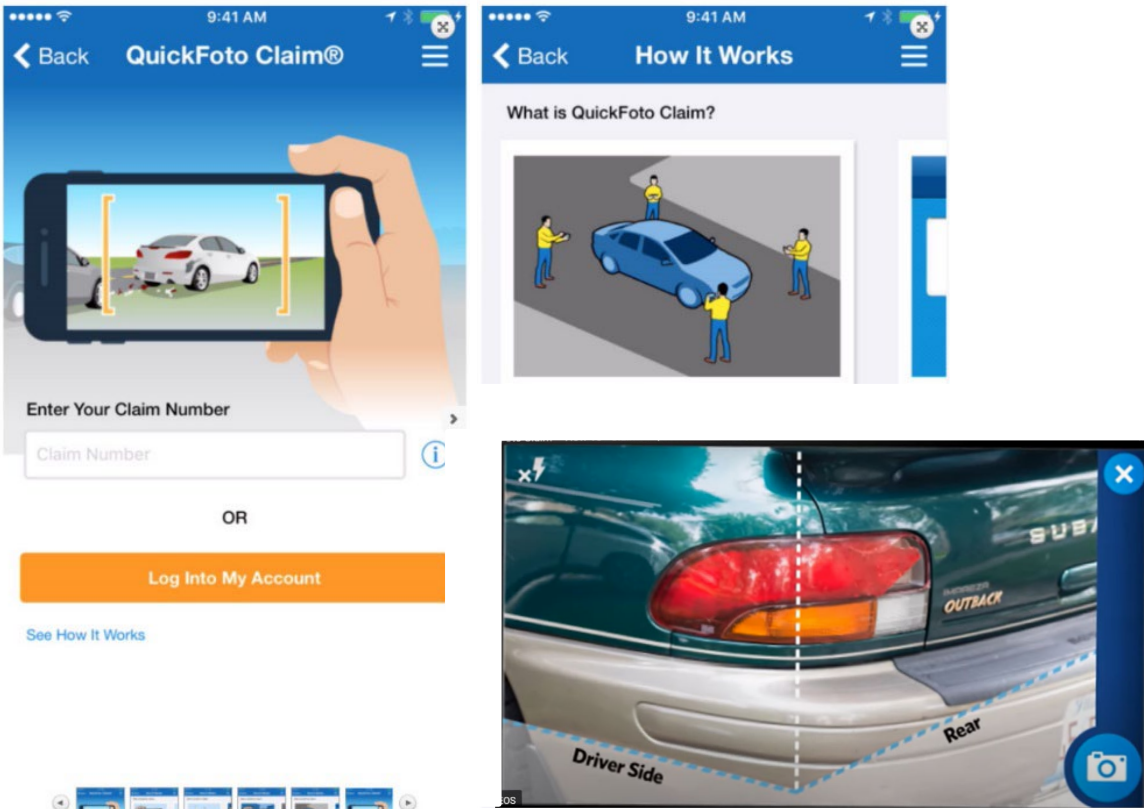
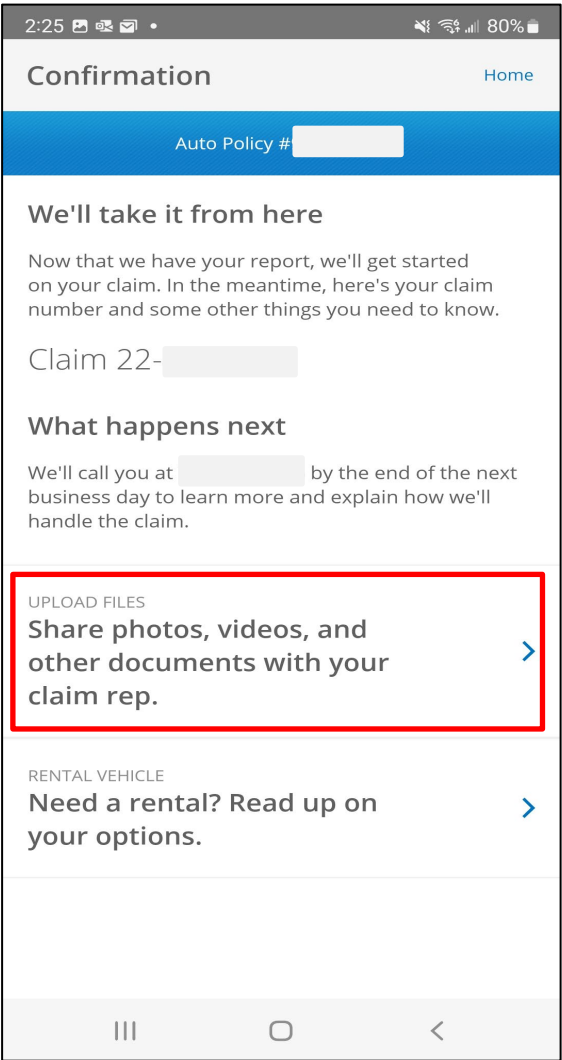


Photo Submission Process

The photo submission process can still present issues—such as submitting photos multiple times or submitting at FNOL and not being used

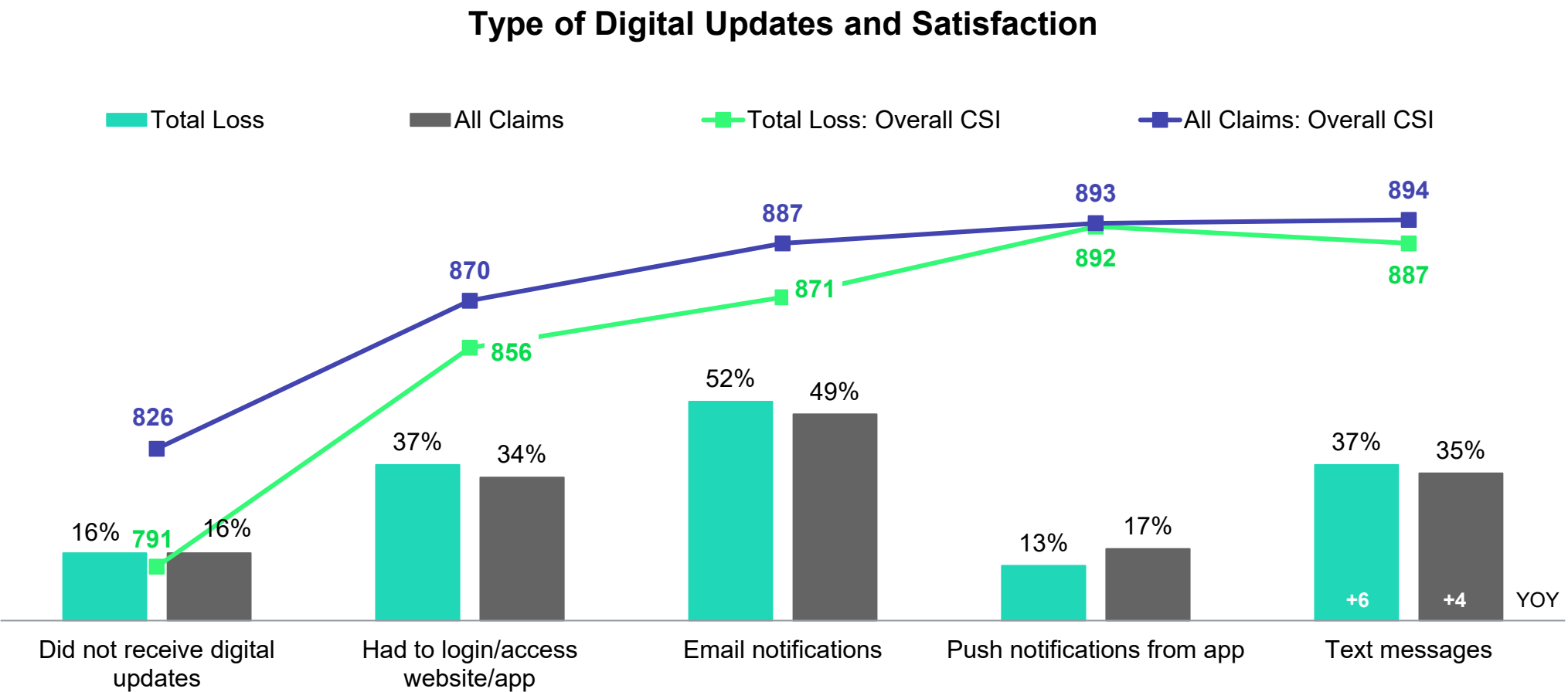


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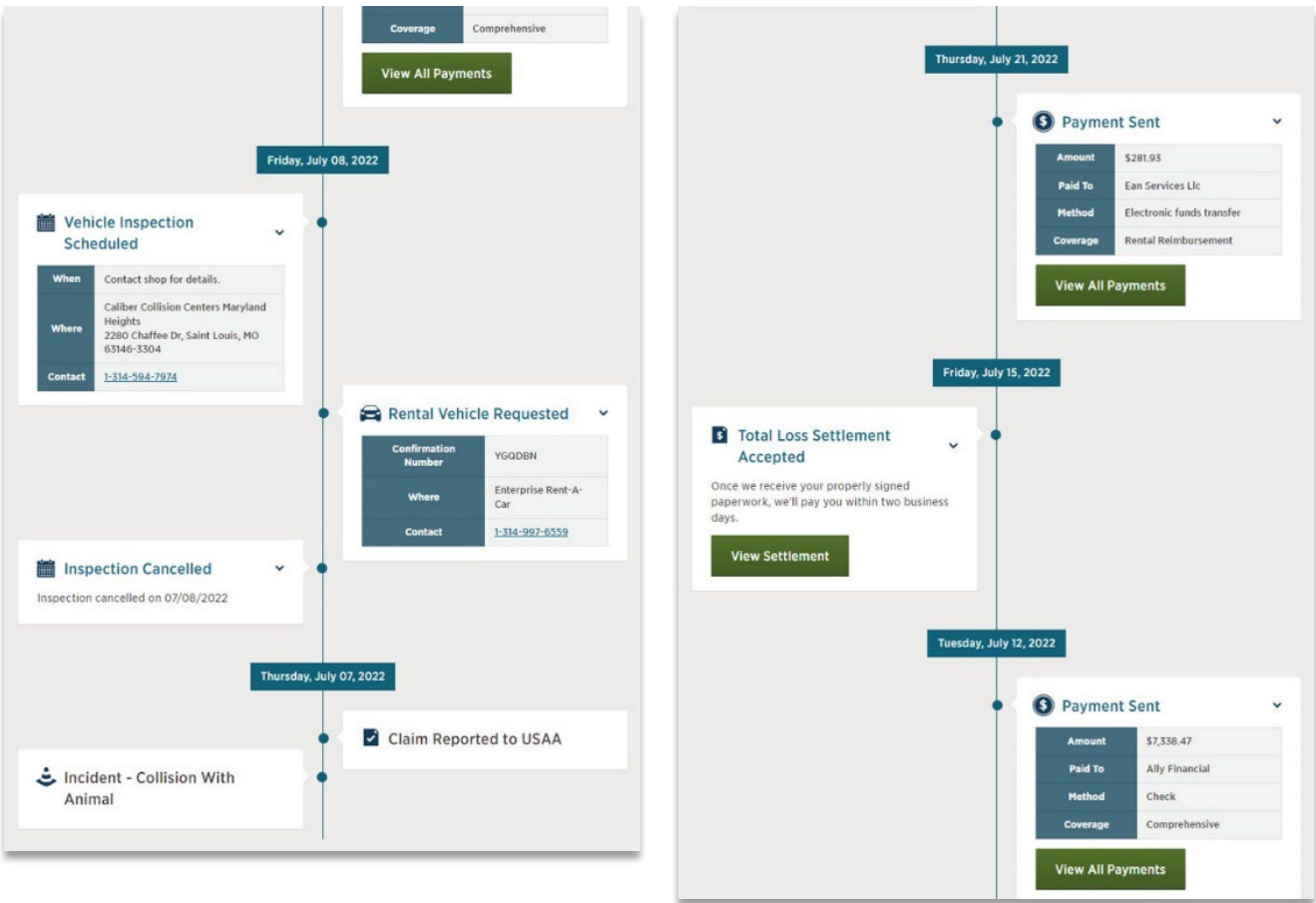
Note: Images from past iteration; may not reflect the updated experience.

Digital status updates significantly boost satisfaction at the Industry level; the highest level of satisfaction for the Industry is among those receiving text message status updates

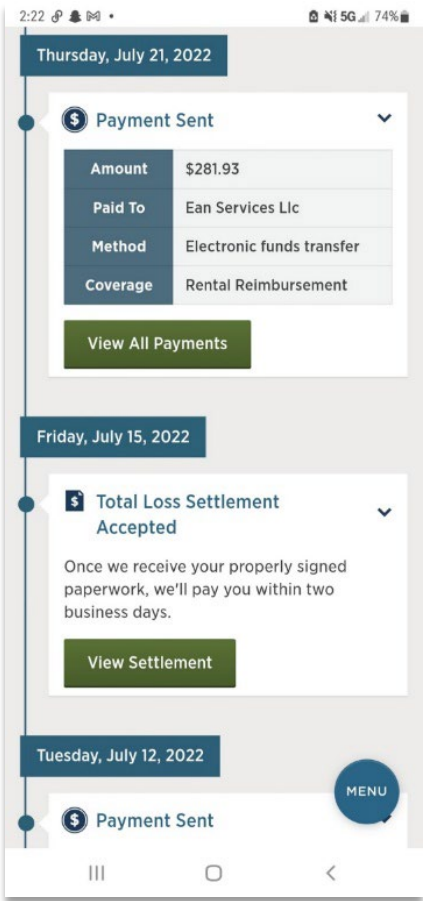


Here is a good example of a graphical timeline that includes links to relevant documents and contact information that translates seamlessly to mobile experiences

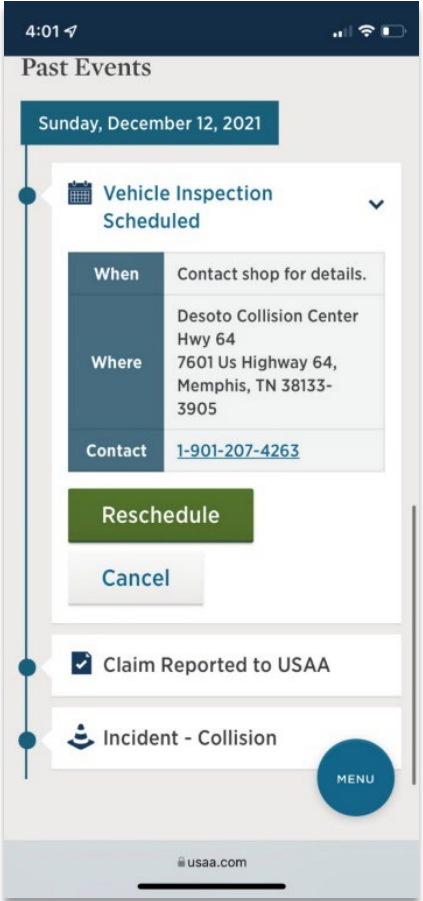
Desktop



Mobile App



Mobile Web

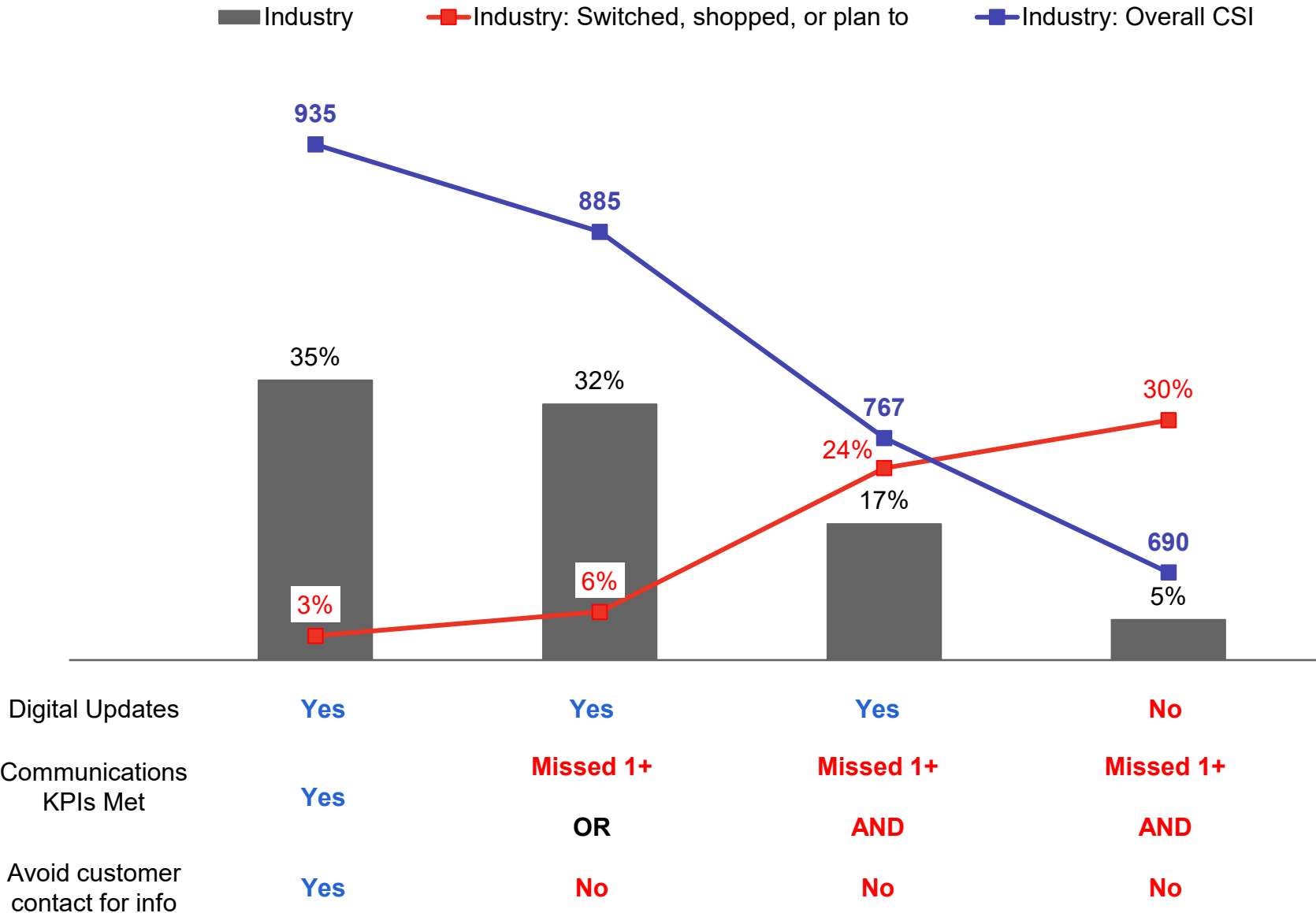


Digital updates and communication are critical to retention and satisfaction

- When digital status updates meet communication needs and avoid customers contacting insurer for info., satisfaction is very high
- As these metrics are missed, satisfaction drops significantly while intent to shop/switch notably increases

Notes: *Communication KPIs include Provide adequate communication, Keep customer informed, Provide accurate claim length expectation; ‡Contact insurer to get information that claimant felt should have been provided to them.
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Impact of Digital Updates and Communication on Retention



Key Take-aways

- External factors are creating a much more challenging claim servicing environment...delays continue, and rate increases will exacerbate issues
- Showing concern, reducing effort, managing expectations and status updating are key (texting receives high scores)
- Claims is not one-size fits all—customer preferences are critical for digital strategy so have options available
 - Digital FNOL has had limited growth
 - Figuring out the right touchpoints for conversations is critical—hybrid approach of human + digital provides highest scores
- Digital is an important element of service and some tools improve the experience, but there are still opportunities for fine-tuning
- Examine your own customer experiences and address opportunities

POWER

THANK YOU

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