



Motor insurers turn to online dispute resolution to reduce claims burden

The challenge for the industry is to develop systems that more easily capture claims data to enable it to resolve claims quickly and cost effectively



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For years now, the insurance industry has had an issue with claims resolution, in particular with high-volume, low-value claims such as personal injury (PI) claims resulting from road accidents. In the UK, these are processed through the Ministry of Justice (MoJ) claims portal.

With the introduction of an additional portal, the Official Injury Claim portal (OIC), matters will get even more complicated. Negotiating the settlement of a claim remains a largely unstructured process, with a lot of manual work, email, and Excel sheets involved. The negotiating parties do not interact on the same data source, resulting in a greater risk of data duplication or error, and a slowing of the negotiation process.

In the existing system, low-value personal injury claims that fail to settle drop out and a waiting period before court begins. Claims do eventually settle but the course that insurers and claimant lawyers must take to get there is laborious and expensive. To make matters worse, tracking management information in a manual system is difficult, which makes identifying team and individual issues and bottlenecks trickier.

Despite the clear need for an alternative, resistance to change remained until things reached a tipping point in early 2020. The cracks in the system had always been there, but the pandemic revealed them more sharply. Courts closed and the time to resolve a claim doubled. The backlog began to grow, further driving up costs and hampering the ability of insurers to accurately manage their reserves. On the other side of the coin, the clients were facing unprecedented delays in payouts for their claims, creating

poor customer experiences. This problem is endemic and extends far beyond low-value road traffic accident claims.

As a solution to this problem, online dispute resolution (ODR) has many well-known advantages. Instead of taking disputed claims to court, insurers and claimant law firms, having agreed to a protocol, can regain control of the resolution process by giving an independent arbitrator the role of judge. The arbitrator reviews the submitted supporting documents, makes a binding award, and the claim is resolved. Parties can agree on a preferred resolution timeline to ensure this process does not drag on unduly, and can reduce, control and better predict operational costs. In time, the backlog will of course disappear and the reserving issues, a major matter for many insurers, will diminish.

Back in control

Insurers and claimant law firms stand to gain by following this route, since it puts them back in the driving seat, removing court as an uncontrollable variable in their internal business processes.

Adopters can be strategic about how they use these cost savings. One major shared advantage is the opportunity to dramatically improve customer experiences on the claim journey, but there is also the opportunity to put part of the cost saving back in the customer's pocket by lowering premiums to win more business.

With the advent of Covid-19, many forward-thinking insurers and claimant law firms recognised the advantages of ODR and began to seek out solutions, which before had been perceived as either too risky or too difficult to implement. Key determiners in the procurement process have been how well the system replicates the court offering, how easy the technology is to use, and the overall experience for claims handlers and claimant representatives.

Perhaps equally important, however, is the ecosystem potential of the offering. A significant advantage for any platform is who else is using it. If the insurer and claimant are using different technologies to resolve motor claims, and disagree about who should arbitrate them, the advantages

are inevitably diminished, especially when it comes to data interaction and negotiation, since they must either create connectors, or rely on yet another manual process to align their workflows.

Scrutiny for bias

Any negotiation platform or arbitration service positioning itself in the centre of the market will be under scrutiny for potential causes for bias, and it is therefore important that both are impartial. This may sound like an incidental consideration, but it goes to the heart of the matter. If parties do not trust the provider, the system simply will not work. As in football, teams and fans must trust in the rules and the judgement of the referee, or chaos ensues.

As the pressure to innovate in the wake of Covid-19 mounted, we have seen a marked and positive shift in attitude from the adversarial to the collaborative. In the pilots we are running at Nuvalaw, something we have observed time and again is that what starts off as an "alternative dispute resolution/ODR pilot" quickly morphs into something much more sig-

nificant: a new, more efficient, and more enjoyable way to do business. And the results are also reflected online in the many positive customer reviews we have seen insurers and claimant law firms receiving.

What remains to be seen is how third-party providers can go beyond ODR as a service, which addresses a symptom, to claim resolution as a service, which is more holistic, and goes to the root cause of the problem. This is something we think about a good deal in our product design process at Nuvalaw. Notwithstanding its many advantages over the present method, ODR should not be viewed as the end of the story, but the beginning.

The industry must evolve ecosystems in which all claims data can be easily captured, processed, and managed, enabling claims teams to resolve claims proactively, quickly and affordably, while helping senior executives to retain a comprehensive, insight-rich view of all claims under their control. ■

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