

INSURANCE INDUSTRY INSIGHT

Leveraging on-demand models for
disaster response



A special report brought to you by



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INTRODUCTION

When losses occur during natural disasters, carriers in the \$4.5 trillion insurance market understand that – in addition to their safety – at the top of their policyholders' minds is how they are going to recover, and how fast.¹ It is at these times that carriers must respond quickly and efficiently to make their policyholders whole again while keeping costs as low as possible.

Operating in a cost-sensitive and hyper-responsive market that impacts all service industries, even the most sophisticated and progressive carriers often find themselves struggling to effectively deal with the scalability, complexity, and unpredictability of managing a local, regional, or national adjuster workforce. This typically drives up service costs which hinders service performance and ultimately hurts policyholder satisfaction, particularly in times of crisis.²

One way carriers can respond quickly and safely – and keep policyholders happy – when natural disasters strike is relying upon an on-demand model to supply a scalable and affordable workforce. This white paper provides an overview of the strain that natural disasters place on carriers and discusses how the on-demand model can relieve pressure by revolutionizing how the insurance industry responds in times of crisis.

NATURAL DISASTERS ARE GETTING STRONGER AND MORE FREQUENT

The frequency of weather-related catastrophes such as hurricanes and floods has increased six-fold since the 1950s.

According to ClimateWise, a coalition of the world's largest insurance carriers, the frequency of weather-related catastrophes such as hurricanes and floods has increased six-fold since the 1950s.³

Striking in late August 2017, Hurricane Harvey dumped more than 9 trillion gallons of water on southeast Texas. To get a grasp of such a significant number, 9 trillion gallons is enough water to fill the entire Great Salt Lake in Salt Lake City – twice. If this amount of water were spread equally over the lower 48 states, it would create about 0.17 inches of water – approximately the height of three pennies stacked on top of each other – occupying every square inch of the contiguous United States. That's one rainstorm large enough to cover the entire country.⁴

On the heels of Harvey, Hurricane Irma devastated the Caribbean before making landfall in Florida as a Category 4 storm. After dealing

with the strongest Atlantic hurricane since Wilma in 2005, nearly 3 million Floridians were left without power for extended periods of time. And, more than 6.5 million people were ordered to leave their homes in the largest evacuation in Florida's history.⁵

According to Florida's Office of Insurance Regulation, just days after Hurricane Irma made landfall in Florida, more than 335,000 claims amounting to \$1.9 million had been submitted. The storm is expected to cost close to \$100 billion. About 88 percent of the initial claims were made on residential properties by homeowners. Roughly 10,000 business owners also reported damages from the storm. If the number of claims follows predictions, the loss from the 2017 season will more than double the \$143 billion in damages caused by Katrina and three other storms in 2005.⁶

Not including Hurricanes Harvey and Irma, 20 storms causing a billion dollars or more in damage have taken place since 2010. Seven have hit since 2016.⁷ Including Hurricane Matthew in 2016 and northern and central California’s record-breaking flooding in February, 2016 and 2017 have kept carriers busy assessing damage and processing claims.

And it’s not just hurricanes that are keeping carriers busy. During the first half of 2017, 49 weather-related disasters have hit a wide range of locations across the United States, including ferocious tornadoes and damaging hailstorms. That’s tied with 2009 as the second-highest January to June number on record. Only 2012, with 59 events, had more.⁸

COSTLIEST US HURRICANES⁹

Insured losses in 2016 dollars

Katrina (2005)	\$49.7 Billion
Andrew (1992)	\$24.5 Billion
Harvey (2017) ¹⁰	\$20.0 Billion
Sandy (2012)	\$19.9 Billion
Ike (2008)	\$14.0 Billion
Wilma (2005)	\$12.5 Billion

THE INSURANCE INDUSTRY IS FEELING THE STRAIN

Since Hurricane Andrew, the industry has shifted from a reactive to a proactive approach. This process is assisted by the development of much more sophisticated technology, fully-formulated catastrophe response plans, and the realization of the necessity for immediate response.¹¹ Still, as natural disasters increase in frequency and strength, the insurance industry is feeling the strain.

It takes far too long to assess claims and initiate payouts following catastrophes in the current insurance environment. "Waiting six weeks, twelve weeks, or more for financial reparations is terribly stressful for policyholders," says Ryan Kottenstette, CEO at Cape Analytics. "Carriers are striving to do better, and emerging tech companies can help them."¹²

Indeed, the internet, mobile apps, on-demand models, automated estimations, drones, and storm tracking technologies are but a few examples of how technology is improving the speed at which insurance companies settle claims.

The main struggles for insurance professionals and insurance companies when dealing with large-scale natural disasters like the one-two punch of Hurricanes Harvey and Irma are extended response times, lack of adequate resources, and lack of proactivity from policyholders.

A stale claim is
an **expensive**
claim...

EXTENDED RESPONSE TIMES

"A stale claim is an expensive claim," says John Rollins, an executive with Cabrillo Coastal General Insurance Agency LLC in Gainesville, Florida. "The key... is getting to the policyholder and getting some money in their hands so they can begin the recovery process."

Certainly, one of the biggest pain points is time. Anything that slows down payouts diminishes their value at the front end of a crisis.

"There is a huge number of claims and a limited number of adjusters to handle them," says Suzanne McCormack, Director of Business Operations at Robert L. McCormack Public Adjusters. "As time goes on, the policyholders become more and more restless because their homes or businesses have been impacted, and they want to get back to their normal lives. People are understandably very emotional having been through the trauma of the disaster, then waiting and waiting to get back to normal."

In addition to the emotional toll that wait times place on policyholders, delays open the door for insurance fraud. "In the past five years here in Utah, catastrophic winds have provided the opportunity for rogue roofing contractors to knock on doors with minor roof damage, claiming that they can help provide a free roof replacement," says Brent Thurman of Keystone Insurance. "In some cases, the contractor has even removed additional shingles before the claims representative arrives in an effort to have the entire roof replaced rather than a smaller repair. This can be difficult to track during a normal claim load, let alone a time when claims adjusters are overbooked by the sheer volume of claims submitted during a catastrophe."

LACK OF ADEQUATE RESOURCES

There are only so many insurance adjusters around the country and pulling hundreds away from their regular duties creates a shortage.

Carriers have traditionally understood the value of in-person asset inspections. However, maintaining an infrastructure capable of quickly completing these inspections in any location has become cost prohibitive for most companies. As expected, during and after Hurricane Irma, many of Florida's adjusters were still on the front lines in Texas, working on claims made after Hurricane Harvey hit.

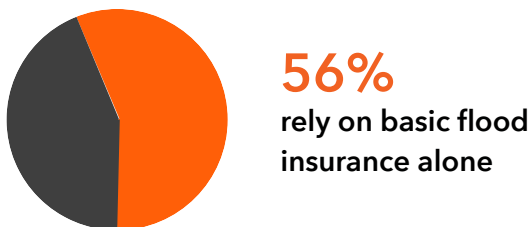
As we have discussed, catastrophes strain the resources of carriers. "I would have to say it's difficult to find enough inspectors willing to work 12 to 14-hour days seven days a week," says John Espenschied of Insurance Brokers Group. "Most large insurance carriers are facing thousands of claims daily that need to be inspected. However, there are only so many insurance adjusters around the country and pulling hundreds away from their regular duties creates a shortage."

Then there is the underlying problem of managing logistics during a crisis. "From a logistics perspective, the biggest issue for the

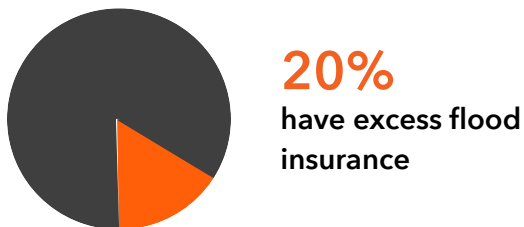
insurance industry will be the ability or inability to ramp-up quickly and effectively to appropriately service the volume of claims that have and will continue to be submitted after disasters like Hurricanes Harvey and Irma," says Dawn Sandomeno, National Director of Brand Management, Procor Solutions + Consulting. "Whether it is the insurance companies having enough trained staff to triage claim intake or insurance adjusters managing a portfolio of claim appointments to visit loss sites – many of which are inaccessible – the capabilities of the industry will continue to be tested."

In fact, as insurers scrambled to get more of the nation's 57,000 independent adjusters to Florida, it created a bidding war and the promise of a record payday for anyone available. It was reported that some Florida home insurers increased fees paid to adjusters by about 30 percent. In some cases, adjusters could earn \$30,000 for evaluating a single complex property claim.¹³ Of course, these unprecedented increases in fees have the effect of increasing the cost of each claim.

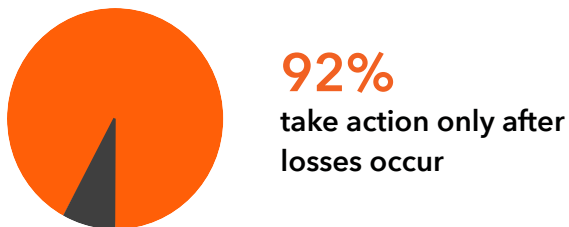
LACK OF PROACTIVITY FROM POLICYHOLDERS



56%
rely on basic flood
insurance alone



20%
have excess flood
insurance



92%
take action only after
losses occur

Beyond making sure that they have the right coverage, many policyholders don't take the necessary steps to mitigate their risk of damage. This lack of proactive mitigation increases loss and the time it takes to process claims.

Flooding from Hurricanes Harvey and Irma once again shows us that unprecedented floods can often occur in areas that haven't flooded before. A recent survey conducted by the nonprofit Private Risk Management Association (PRMA) shows that most homeowners wait until a flooding disaster happens before taking additional precautions. And, they rely on basic flood insurance coverage as their primary, or only, source of protection.

According to the PRMA survey, 56 percent of homeowners living in flood hazard areas do not take steps to reduce damage to their homes or belongings beyond purchasing basic flood insurance coverage. Moreover, less than 20 percent of homeowners have excess flood insurance protection. Predictably, 92 percent of homeowners are more open to risk mitigation measures only after suffering losses.¹⁴

THE POWER OF THE ON-DEMAND MODEL

We live in an era of immediate gratification where Uber provides rides on demand and Amazon delivers almost any product we desire on the same day we order it. Consequently, policyholders' expectations for the types of services they want to receive continue to grow more demanding.

Fortunately, the on-demand model has reached the insurance industry.

To respond quickly and safely, carriers can leverage innovative approaches that align business processes from information-gathering to claims adjustment. By further aligning these essential business processes in a real-time, location-based context, carriers will be in a better position to understand and calculate risk while responding during catastrophes in hours, not days.¹⁵

Using workers contracted through an on-demand provider, carriers can get more done more quickly. They have access to a distributed

workforce of vetted and trained information gatherers who are ready to be dispatched to the scene of a catastrophe at a moment's notice.

As on-demand options become more accessible, the insurance industry is beginning to realize that some of its traditional processes are less efficient than they need to be. The idea of sending a highly-paid, licensed adjuster to handle every claim scenario, regardless of its complexity, is being questioned.

"During a catastrophe scenario, many claims require only a simple validation of damage," says Robin Smith, CEO of WeGoLook®, a provider of on-demand workforce solutions for the insurance industry and other industries around the world. "But traditional claims handling processes are over-engineered for such a situation. Why send a highly-paid licensed adjuster when an on-demand workforce can validate the damage immediately for a third (or less) of the cost? Why tie up valuable adjuster resources on simple claims when there aren't even enough adjusters to handle the more complex situations that do require their level of expertise?"

By leveraging
the **on-demand**
model, carriers
can better
respond to
catastrophes.

ASSESSING PROPERTY DAMAGE

Here's one example of how the on-demand model can work. A catastrophe occurs resulting in a loss which causes the policyholder to file a property claim. The carrier then contacts an on-demand field service provider to help gather information about the loss. Once contacted, the provider, using mobile apps and other technologies, immediately assigns the job to the best-fit worker closest to the scene. The worker then provides on-the-ground intelligence by visiting the site and capturing images, photos, and other information needed. This data can then be sent back to the carrier directly or to an adjuster to continue processing the claim.

By leveraging the on-demand model, carriers can better respond to catastrophes. They can reduce strain on adjuster networks and rapidly scale their services without increasing overhead.¹⁶ And, because on-demand workers are, in fact, "on demand" and embedded in locations around the world, carriers can have boots on the ground at the scene of a catastrophe in a matter of hours, not days. This means that claims get processed faster and policyholders are more quickly made whole.



ASSESSING VEHICLE DAMAGE

Natural disasters such as Hurricane Harvey have huge impacts on the auto insurance market. That's because most comprehensive auto policies cover flooding. And, at the direction of Houston's Mayor Sylvester Turner before Hurricane Harvey, many people "hunkered down" in their homes to avoid a replay of the traffic jams and crashes that killed about 100 people fleeing Hurricane Rita in 2005. Consequently, few people moved their cars out of harm's way before the flooding started.¹⁷

With an on-demand workforce, insurers can quickly access impacted areas and take photos that document damage to policyholders' vehicles. Once an on-demand worker has gathered an accurate representation of a vehicle's condition, information from that inspection can be sent to a desk adjuster to facilitate claims processing.



THE ON-DEMAND MODEL AND THE DESK ADJUSTER

By connecting with an on-demand workforce, a desk adjuster can accelerate productivity from eight property claims a day to eight per hour.

As we have seen, leveraging the on-demand model can, in many instances, create an even greater role for the desk adjuster. In-house desk adjusters serve an invaluable function in the insurance industry. They estimate and settle losses remotely, allowing field adjusters to focus on larger and more complex claims, especially during catastrophes.

By connecting with an on-demand workforce as described above, a desk adjuster can accelerate productivity from eight property claims a day to eight per hour. Adjusting catastrophe claims from the office offers benefits not only to policyholders but also to carriers. For policyholders, the desk adjusting process allows them to have more control over their timelines, while carriers benefit from the reduced time and expense required to adjust claims in the field.¹⁸

This arrangement creates a “best of both worlds” scenario. Some may not like the idea of handling claims 100 percent from the office. But when on-demand field agents work hand-in-hand with in-office desk adjusters, carriers can handle claims quickly, efficiently, and at a lower cost than hiring and deploying more field adjusters in times of crisis.



Without drones, insurers can inspect about three homes a day in flood zones like Houston. With drones, that number jumps to 10 or more.

THE REVOLUTIONARY IMPACT OF DRONES

Carriers leveraging the on-demand model can also gain immediate access to innovative technologies such as drones – small unmanned aerial vehicles – allowing desk adjusters to get better views of damaged property while staying safe on the ground.¹⁹ This technology provides access to assets in isolated and dangerous areas after natural disasters occur to effectively collect aerial data and assess loss through cutting-edge imagery and analytics.

Hurricane Harvey marks the second major hurricane since the Federal Aviation Administration (FAA) loosened restrictions on drones. The new regulations allow greater use for filming, image capture, asset inspection, and other commercial activities. Since then, thousands of people have obtained FAA certificates enabling them to fly drones commercially. Additionally, more than 770,000 people have registered drones with the FAA, allowing them to fly their drones in US airspace.²⁰

Using drones benefits insurers and policyholders by saving time while maintaining safety for on-demand inspectors. Without drones, insurers can inspect about three homes a day in flood zones like Houston. With drones, that number jumps to 10 or more.²¹

Drones are exceedingly practical and cost-effective. “For instance, using drones, carriers can gather images and information on apartment complexes and other structures for near-instant assessment of damage or total loss,” explains Devin Loehrs, Community Manager at WeGoLook.

ACCELERATING THE CLAIMS CYCLE THROUGH SELF-SERVICE

Another valuable component of the on-demand model is the self-service mobile app. These apps can turn a carrier's policyholders into inspectors. The ubiquity and ease of use of mobile phones make them excellent tools, providing policyholders with the ability to capture and submit their own photos to validate their auto and property damage.

Mobile apps used in this way reduce the need for brick and mortar offices and employees. They also make physical barriers and distance less problematic when serving policyholders during catastrophes. This results in lower operational cost, improved scalability, faster service, and, ultimately, more affordable and accessible products for policyholders.²²

Shaped by their experiences in other industries, policyholders – especially millennials – now expect the companies they engage with to offer innovative solutions like self-service apps that

focus on improving user experiences.

Unfortunately, because building apps and the infrastructure to support them can be expensive and time-consuming, this type of technology is out of reach for all but the largest carriers. And, those that do implement self-service mobile apps often suffer from low adoption rates.

Companies that lag behind this curve of innovation will slowly bleed away policyholders. The lost customers will be the ones who have become accustomed to the speed and efficiency of smartphone apps and other tools offered by competitors and insurtech newcomers. To combat this trend, carriers may consider engaging with established companies who can provide innovative, on-demand technologies such as self-service to their customers on their behalf.

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KNOW IT. OR RISK IT.

If you don't know what's true in the field, you put your business at risk. That's why you need on-demand insight at any time and in any location, with quality, accuracy, and speed. You also need that insight at a low cost while making policyholders happy in a repeatable and scalable way.

You need WeGoLook®.

Able to turn the impossible into the expected, WeGoLook combines technology with an on-demand workforce, self-service mobile apps, and drones to gather and validate information anytime and anywhere. In fact, WeGoLook deployed an on-demand workforce including many drone pilots during Hurricanes Harvey and Irma to help local businesses and carriers know the reality on the ground.

We've spent nearly a decade building the world's first and largest on-demand workforce for the enterprise – over 30,000 strong – located across the US and Canada and expanding across the globe. We call them Lookers.

Because our Lookers live in the areas they serve, they know how to move around in areas impacted by catastrophes. Not only can WeGoLook provide ample bandwidth to serve any carrier's needs, we can also respond faster – and at a lower cost.

Moreover, Crawford & Company, the world's largest publicly listed independent provider of claims management solutions, acquired 85 percent of WeGoLook in January of 2017. The partnership has revolutionized the loss adjusting process within the insurance industry, allowing real-time, onsite data capture and ensuring a fast flow of information between carrier and policyholder.²³

It's time to see for yourself and join the revolution. Visit wegolook.com to learn more about how we can help you know what's true in the field.

