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Optimizing AI to drive the reinvention and resilience of automotive claims

Solera reveals how insurers, OEMs and bodyshops are investing in automation to accelerate digital change

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Introduction

Automotive insurance and repair organizations have been responding to increasing consumer demand for the use of digital services over the last few years. 2020 brought these efforts into sharp focus and those who were ready to adopt raced to scale up their efforts at pace, to remain operational during a host of local and global lockdowns.

Artificial Intelligence (AI) is moving beyond a buzzword and is becoming the anchor of innovation across the insurance claims ecosystem.

In Solera's latest global research, we asked 500 car insurance companies, enterprise bodyshops and OEM dealer networks to identify their highest priorities and concerns for digital transformation. To understand how AI can deliver the highest return within the vehicle repair and claims process.

Prioritizing safety & distanced interactions

Prior to 2020, the use of modern technologies in the claims and repair process, particularly those eliminating in-person contact were considered preferable, but not mandatory. However, the pandemic accelerated deployment of digital tools through a need to serve customers from a distance. This was the case for 47% of car insurers and 55% of enterprise bodyshops and OEM dealers who cited the need for touchless service as their main driver of digital transformation.

Following the pandemic as a driver of digital transformation, the highest ranked catalysts for car insurers were growth strategies (36%), employee safety and remote working (34%), and customer demand for digital experiences (33%).

Bodyshops and OEMs also identified employee safety, remote working and demand from customers to engage via online channels as primary motivations (37%), while 36% also cited a desire to modernize the workflow. These findings emphasize the wider effects of the world's new state of normal and how focus has shifted to protecting our people and business recovery as a result. It also shows the mounting pressure many service providers are experiencing from consumers to engage in a digital first experience.

Barriers to AI adoption

AI has the potential to unlock speed, precision and efficiency at scale. However, the process of upgrading legacy systems is complex for automotive claims and repair organizations, especially for those with a global footprint.

The cost to implement AI was the top barrier to entry among car insurers (52%) and enterprise repair shops/OEMs (41%) over the last year. However, a deeper analysis of the data showed that larger insurer groups often faced more 'red tape', due to ingrained systems and processes with many selecting time to market, upskilling existing workforce and scalability as their three biggest challenges.

The automotive repair market has also seen heavy consolidation over the last few years, as companies pivot business models to build resilience and stay ahead of the innovation curve¹. This underlines our findings that enterprise bodyshops and OEM dealers are more concerned with challenges related to systems and business stability. As they identified the constraints of legacy IT systems, unknown return on investment, and time to market as the three key challenges to adopting AI.

“Wide-scale adoption of any revolutionary technology presents inevitable challenges for small and large businesses.”

This data simply reinforces why it is now critical that companies invest with a proven and leading technology provider that can support the integration of cutting edge solutions at every point of need.

To address and overcome these challenges, service providers adopting new technology should consider AI implementation at all touch points of the existing claims workflow. From First Notification of Loss (FNOL) all the way through repair. This is something not all solutions have the capability to deliver and companies considering a software provider should carefully evaluate limitations and competences. With a proven infrastructure that integrates deep and continuous learning across the full repair claims cycle, companies can empower people with faster, smarter decision making and deliver the value of automation at multiple crucial points, on a global level.

(1) <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/re-imagining-the-auto-industrys-future-its-now-or-never>

Maximizing AI across the customer journey

The outlook on AI adoption across the ecosystem looks positive despite some barriers to implementation. Early adopters of AI technology already using Solera platforms are seeing smarter, faster and more accurate decisions across the claims workflow. Automation is one use of AI, however, our survey findings showed that service providers are looking to AI to deliver more than simply automating manual processes.

According to our research, insurance providers expect to see the highest return from AI programs through metrics such as increased customer satisfaction and retention. As competition from newer, more agile providers in an increasingly crowded industry means that more established organizations need to accelerate customer satisfaction strategies in order to stay ahead.

With limited resources, insurance providers may need to prioritize and strategically identify the most impactful points in the automotive claims workflow to implement AI, for the highest return. Over a fifth of car insurers cited the fraud prevention stage as a key target, which grew to 35% for those who were investing significant amounts in AI programs (35%).

But overwhelmingly most insurers were still looking to implement AI across the full claims workflow, to see the biggest return. This emphasizes what Solera has known for some time; that the true value of AI can only be achieved through end-to-end solutions capable of safeguarding consumers and enhancing their claims experience from FNOL to final settlement. Providing a fully automated, touch-less journey.

Larger car insurers were also focused on adopting AI in ways that would scale back financial concerns. For example, a fifth (20%) of insurers would expect improvements in reduced technology debt (20%) while 15% cited reduced indemnity costs as a desired outcome for future AI investment. Comparing these goals to the cost barriers for adopting AI is an interesting dynamic for insurers, who must now work hard to validate technology investments designed to ultimately help reduce costs in other areas of the business.

For bodyshops and OEM dealer networks, there is now a clear priority to maximize the value of their workforce while maintaining growth over the next year. These organizations expect to see the highest returns on AI projects through increased employee efficiency and improved profitability. This is expected in an ecosystem hit hard by the economic effects of COVID-19 that is now working towards recovery by optimizing digital transformation.

However, for bodyshops and OEM dealer networks deciding when and how to implement AI to meet their business needs, varied according to geographic location. Nearly one quarter of Asia Pacific respondents saw the most value at the repair authorization and invoicing stage (22%), while remote estimating was the central focus for North America and Europe.

Successfully automating these processes will rely heavily on the data that feeds the algorithms powering the systems in place. Finding the right blend of data and technology is now the key to optimizing investments to unlock speed, intelligence and efficiency at scale. Solutions like Solera's Qapter® combine images of vehicle damage with proven claims data and Repair Science™ to determine the most intelligent repair operation and cost. This accuracy and precision allows bodyshops to make informed accurate repair decisions, speeding up repair authorization.

As consumers seek a fast and automated claims and repairs journey, it is this level of data, unmatched speed and workflow transparency across the full repair claims workflow that will ultimately save time, speed up the claims process and increase customer satisfaction.

Conclusion

Looking at a future where consumers will favor providers who put digital channels first, this research highlights how automated processes have the power to increase customer satisfaction and customer retention.

What we're seeing is the clear vision from service providers for AI and its role as a critical component in shaping the future of automotive claims. This audience already understands how AI can build resilience and improve customer journeys and they are looking to invest accordingly.

Optimizing how and where organizations choose to deploy cutting-edge technology will be the key to realizing its full value for both businesses and the future needs of tech-savvy claimants.

However providers choose to approach this transformation, delivering a fully automated claims journey will require best in class collaboration between car insurers, repair businesses and the right technology partners to navigate constantly advancing models and build the right AI journey. Only then can our industry see the highest return on digitization through faster, more accurate repair claims.



This installment of Solera's research series was conducted by Coleman Parkes in November-December 2020 with 225 C-Suite and directors in car insurance companies, and 300 senior-level decision makers at enterprise body shops and OEM dealer networks, across North America, Europe and Asia Pacific. The research investigates the drive towards digital transformation, attitudes towards AI technology and the potential impact of implementing AI technology in the automotive claims workflow and motor repair cycle.

About Solera

Solera is a leading global provider of integrated vehicle lifecycle and fleet management software-as-a-service, data, and services. Through four lines of business — vehicle claims, vehicle repairs, vehicle solutions and fleet solutions — Solera is home to many leading brands in the vehicle lifecycle ecosystem, including Identifix, Audatex, DealerSocket, Omnitracs, eDriving/Mentor, Explore, CAP HPI, Autodata, and others.

Solera empowers its customers to succeed in the digital age by providing them with a “one-stop shop” solution that streamlines operations, offers data-driven analytics, and enhances customer engagement, which Solera believes helps customers drive sales, promote customer retention, and improve profit margins.

Solera serves over 300,000 global customers and partners in 100+ countries. For more information, visit [solera.com](https://www.solera.com).

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