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Vehicle Claims

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# "100 percent of body shops and OEMs to invest in AI": AI fueling the future of automotive claims?

Solera unveils the critical factors driving Artificial Intelligence (AI) adoption amongst global Insurers, OEMs, and body shops today

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# Introduction

Automated digital-first channels are the new benchmark for a consumer's optimized claims journey. To meet the demand for digital convenience and solve critical operational challenges, providers are investing in Artificial Intelligence (AI) at speed and scale. AI has now moved beyond its status as an initial trend and has quickly become the driver of innovation across insurance claims architecture. In fact, McKinsey & Company[1] predicts that by 2030, more than half of the current claims activities will be replaced by AI-enabled automation.

The annual installment of the Solera Innovation Index is the definitive guide to digital transformation across the global automotive claims ecosystem. Solera, in partnership with Coleman Parkes, surveyed consumers (1,500), OEM dealers/repairers (225) and insurers (225) to get the industry's view on AI technology, its impact on the claims and repair journey, and the desire to increase adoption today.

As we move toward a digital-first claims structure, it's clear those implementing cutting-edge technologies like AI will gain critical customer retention and business efficiency. Finserv Experts[2] states, "Companies can prepare and stay competitive by starting to assess the impact of machine learning on their business."

Those who fail to keep up with digitization will fall behind the curve of their customers and the market as a whole. McKinsey & Company[3] further points out that AI can deliver on insurance industry demands through machine learning. "With the new wave of deep learning techniques … AI has the potential to live up to its promise of mimicking the perception, reasoning, learning, and problem solving of the human mind. In this evolution, insurance will shift from its current state of 'detect and repair' to 'predict and prevent', transforming every aspect of the industry in the process," according to the report.

In its latest global research, Solera set out to investigate these market developments by surveying over 500 senior decision-makers from global car insurance companies, enterprise body shops, and OEM dealer networks. The survey aims to understand how AI can deliver the highest return within the vehicle repair and claims process while contributing to the ideal modern consumer claims journey.

(1) https://www.mckinsey.com/industries/financial-services/our-insights/insurance-2030-the-impact-of-ai-on-the-future-of-insurance

(2) https://www.businessnewsdaily.com/10203-artificial-intelligence-insurance-industry.html

(3) https://www.mckinsey.com/industries/financial-services/our-insights/insurance-2030-the-impact-of-ai-on-the-future-of-insurance

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# Delivering on digital objectives

The last couple of years saw the acceleration of digital transformation to optimize claims processes and solve challenges augmented by the global pandemic.

Before COVID-19, the use of innovative technologies in the claims and repair ecosystem — particularly those eliminating in-person contact — was being considered and tested by some innovative groups but not broadly utilized.

However, over the last couple years, the rapid implementation of technologies, such as AI, has delivered tremendously on sector objectives as body shops and OEMs saw the highest return on digital transformation within the last 12 months through improved profitability (52 percent), improved staff productivity (50 percent), and increased employee efficiency (49 percent).

The results from Solera's latest research prove that global car insurers are also recognizing the impact of next-generation technologies within their organization and are driving digitization in critical areas resulting in faster decision-making (55 percent), increased employee efficiency (49 percent), and improved business resilience to wider economic challenges (58 percent).

These findings emphasize the broader effects the pandemic had on the industry and how the focus has shifted to an enhanced customer journey and business resilience as a result. It also shows the increasing pressure service providers experience from consumers who now prefer to engage with a digital-first organization.

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# Overcoming critical adoption barriers

The widescale implementation of any innovative technology poses unavoidable obstacles for organizations of any size. AI has the potential to unlock speed, accuracy, and productivity at a large scale. However, the process of updating current procedures and systems is multifaceted for automotive claims and repair organizations — specifically for those with a global footprint.

The cost to implement AI remains the top barrier among car insurers (73 percent) and enterprise body shops/OEMs (75 percent) over the last year. Cost challenges and inflation saw a 21 percent increase from 2021 among car insurers and a 34 percent increase among body shops and OEMs.

Further investigation of the data revealed that larger insurer groups often faced more 'red tape' due to ingrained systems and processes with many selecting time to market (53 percent), and upskilling the existing workforce (65 percent) as their two biggest challenges after the cost implication.

As with global insurance providers, many enterprise body shops and OEM dealers are tackling inevitable obstacles when fully integrating AI into their business operations. As cost concerns increase, body shops and OEMs are now facing new internal challenges when implementing AI compared to last year. Scalability challenges (64 percent) and internal stakeholder adoption - e.g. middle management/back office not bought in - (51 percent) overtake the constraints of current IT systems, the lack of business justification, and the undetermined return on investment as the top barriers to AI adoption for body shops and OEMs.

It is clear that body shops and OEM leaders recognize the business value of AI and have taken action to upgrade legacy systems. The next step is to scale and achieve wider buy-in from stakeholders. The findings above emphasize why companies must invest in digitization technology that supports the integration of cutting-edge solutions at every point of demand.

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# The future is automated

Despite the challenges involved in implementing AI, global car insurance providers are seeing the true value of accelerating its adoption. Of those surveyed, 79 percent have already invested in AI InsurTech software in the past year and of those who haven't already done so, 100 percent are planning to invest in the software in the following year.

Our research showed that 64 percent of insurance providers are very confident (8 out of a possible 10, with 10 being "extremely confident") that their AI objectives will be met within the next year. North American respondents were the most confident, followed by Asian Pacific and European respondents.

Following the trend, 100 percent of body shops and OEMs surveyed have either invested or are willing to invest in AI InsurTech software within the next 6-12 months. However, confidence to meet AI objectives within the coming year is lower among body shops and OEMs than their insurer counterparts. Less than half (43 percent) of respondents are highly confident and over a third (37 percent) were confident in their ability to deliver in AI projects within the next year.

Comparing these results to the cost obstacles in adopting AI is an interesting dynamic for insurers and OEMs, who now need to work hard to justify innovative technology investments designed to ultimately help reduce costs in other areas of the business.

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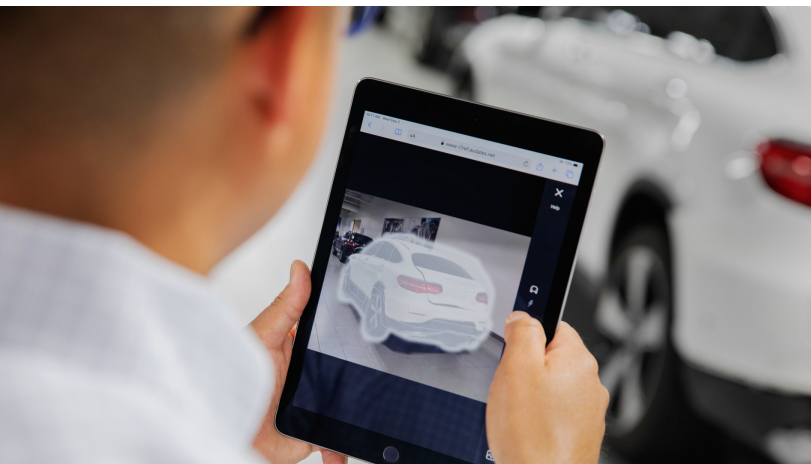
# A sustainable AI movement

Although various obstacles remain, the value of AI implementation still outweighs the challenges as body shops and OEMs value automation as the primary function to accelerate critical efficiency, as well as environmental and safety gains.

Their biggest drivers of AI adoption for body shops and OEM dealers in the year ahead are:

- Automating customer interactions (52 percent)
- Improved environmental sustainability (50 percent)
- Employee safety (49 percent)
- Predictive service and maintenance (48 percent)
- Self-service First Notification of Loss (FNOL) with image capture (41 percent)

Insurance provider objectives also tie neatly into consumer expectations for more sustainable services. They are aligned with consumer demand for more sustainability-driven AI adoption as well as the need for more digital convenience. The highest-ranked drivers of AI implementation for the following year are a more sustainable solution (48 percent), fraud prevention (48 percent), customer experience (46 percent), cash settlement (43 percent), and virtual/hybrid claims processes (41 percent).

Now, repairers and insurers have to face the challenge of sustainability head-on and find opportunities to introduce new technologies, such as AI, in ways that not only enhance workflows but build toward a more environmentally-friendly ecosystem as a whole.

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# Conclusion

The general optimism among industry decision-makers to achieve AI objectives is an immense vote of confidence, but more needs to be done to address wider stakeholder concerns and increase understanding of the benefits to consumers and employees alike.

There are inevitable obstacles in the journey toward full automation and a digital-first process. Therefore, companies should leverage first-class technology partnerships to streamline this transition and maximize the return on AI investments. Only then can they realize the full potential of AI technology in the claims and repair workflow. Optimizing how and where organizations implement cutting-edge technology will be the key to meeting the demand for a seamless customer journey.

Whichever route providers choose to address this digital-first transformation, developing a fully automated claims ecosystem will require collaboration between car insurance providers, repair businesses, and the correct technology partner to navigate the continually evolving process. Only then can our industry see the highest return on digitization through faster, more accurate repair claims resulting in a high level of customer satisfaction.



**Find out more about Solera's future claims technology – Qapter® at www.Qapter.com**

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# About Solera

Solera is the global leader in vehicle lifecycle 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, LoJack, Spireon, 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 **www.solera.com**

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