

Seven Steps to Prepare for the Coronavirus Claim Tsunami

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Disasters breed disasters.

Major events that dramatically impact people and businesses have become routine. Localized disasters-Hurricane Katrina, the Loma Prieta earthquake, and the yearly spate of record-breaking wildfires stretch insurance carriers' financial reserves and their ability to cope with the resulting tidal waves of claims. Generalized disasters such as the 2008-2012 Great Recession generate claims spanning from the Pacific to the Atlantic.

COVID-19 may be 'novel,' in epidemiological terms, but its impact on insurance claims will only be novel in its international breadth and financial depth. What have insurers and their agents learned from past that they can use to ramp up for the Coronavirus claims tsunami?

The virus' immediate impacts on first-party claims—healthcare costs, life insurance payouts, and business interruptions, to name a few—will be dramatic. We can hope they will also be short-term, once conditions allow people and businesses to resume their routines and infections dwindle. But just as earthquakes are followed by aftershocks, COVID-19 will send waves of secondary claims: liability claims, including:

- suits against directors and officers of publicly-traded companies
- medical malpractice claims
- insurers charged with bad-faith denials of claims
- insurance agents and brokers accused of recommending inadequate policy limits
- investment advisors whose clients either panicked during the stock market drop or were forced to liquidate their holdings due to COVID-19 related exigencies
- real estate brokers sued in areas where sale prices fall or recent buyers lack the income to pay their mortgage loans due to business reversals
- lawyers who failed to file suits with the statutes of limitations

It's a familiar pattern. In the articles to follow we will examine the early prognostications of COVID-19 impacts on various lines of insurance, and seven ways insurers and the brokerage community can become prepared to deal with the waves of claims, the aftershocks, of the immediate losses, using some innovative and some tried-and-true approaches:

1. Staffing up: recruiting and training, or re-recruiting, claims professionals to catch the wave
2. Sending out: mobilizing independent adjuster organizations to supplement permanent staff
3. Applying Artificial Intelligence, intelligently
4. Collaborating with some surprising allies

5. Mining with canaries: early predictive strategies

6. Automating claim intake—there's an App for that

7. Pre-claim adjusting, no crystal ball required

Though some of these ideas sound technological and do involve technology, their main focus is on people: the people who need the help of insurance agents, brokers, and adjusters; and the people who make sense of claim data and humanize it, rather than dehumanizing the people inside the data.

The industry response to the Coronavirus tragedy must develop as rapidly as the tragedy has. There is still time . . . some.

External Links (URLs):

<https://www.propertycasualty360.com/2019/01/16/four-trends-shaping-insurance-in-2019/> <https://blogs.lexisnexis.com/insurance-insights/2018/01/top-ten-2017-claims-trends-impacting-2018/>
<https://www.leadersedge.com/industry/claims-adjustment>