

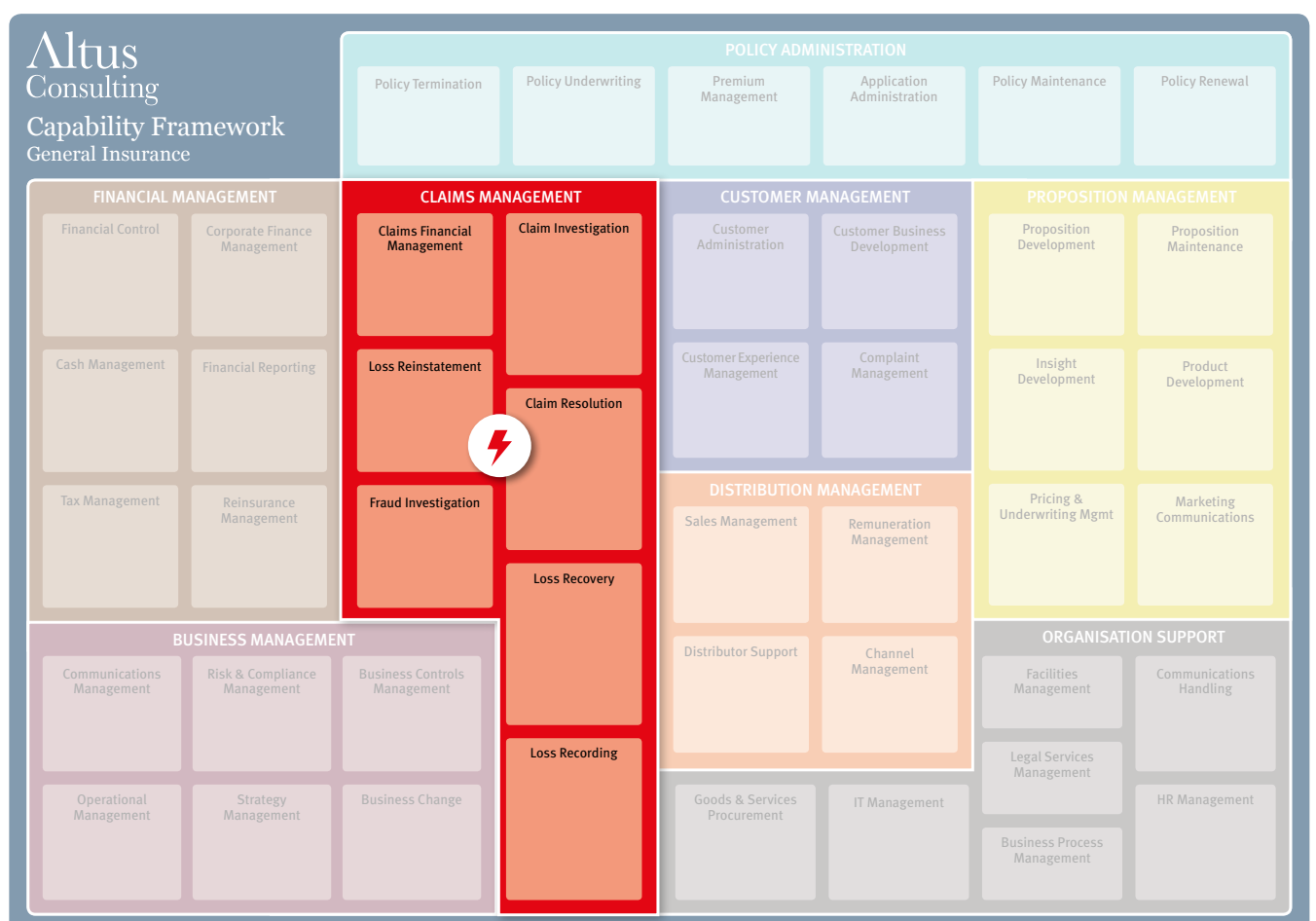
# If Amazon did home claims...



## It's a big If.

In June this year, we shared our thoughts on how Amazon's anticipated foray into insurance could impact the industry. There are differing views out there as to which aspects of the insurance value chain Amazon would target, but a theme of the company has been its ability to adapt and exploit opportunities to improve operational efficiency, and Claims Management falls squarely into this category.

There are capabilities across Amazon's existing consumer offerings, as well as its cloud computing solutions under Amazon Web Services (AWS), that could provide some of the key building blocks for developing an insurance claims function. In particular, its Home Services offering brings the potential for risk assessment, claim prevention, loss analysis and property repairs into the company's existing ecosystem.



## Loss Recording



For an Amazon insurance claim, notification of loss could be made through a range of channels, including:



Clicking on a button on the Amazon website



The Amazon smartphone app, utilising biometric customer authentication (fingerprint)



Voice notification (Alexa). Features could include voice analysis for customer authentication, intelligent question sets and AI to triage claims



Chatbot communication (using AWS Lex and AWS Comprehend) – applying the capability to carry out free-text sentiment analysis, through AWS Comprehend, would help to ensure an intuitive and straightforward process for customers



Auto claim notification via a smart home device (AWS IoT 1-Click)

The key drivers for developing multi-channel notification options are customer ease and, where automation is used, a reduction in operational pressure for the insurer. Containing the costs of a full-scale call-centre operation would be vital if claims were to be managed in-house, and automating the loss notification process where possible would be key to this. An efficiently operated contact centre could be developed using the cloud-based AWS

Connect solution as the technological basis. AWS Pinpoint could be used to support a customer-centric communication approach with welcome messages, claim status updates and links to a customer portal sent via SMS, email and mobile push channels.

The application of AI processes via Alexa and chatbot technology would ensure that the data captured by policyholders, in the

event of a claim, is accurately reflected in the categorisation and assignment of claims. Early and accurate determination of the cause and nature of loss, approximate value of claim, third party claim details, and loss type by value or complexity would mean that claims could be directed for handling by an AI solution, or referred in line with business rules to an appropriately skilled claims handler.

## Claim Investigation, Financial Management and Fraud Detection



Given its position as the fifth largest retailer in the UK in terms of market share (with only the big four supermarkets ahead), and the expectation that it will have accounted for 33.5% of all UK spend online for 2017, we can assume that Amazon insurance customers will have purchased a significant proportion of their possessions from the retailer. A claims function could therefore cross-reference losses against past purchases, supporting a more efficient loss validation process.

Through its set of AWS Machine Learning services, there is scope for the development of a claims assessment engine that can handle a range of data from different sources and parties, from completed customer forms to loss adjuster and construction engineer reports, and photographic and video evidence. Access to effectively endless storage with Amazon S3, alongside solutions designed to analyse and learn from data in this environment, could give the company an effective fraud detection and management system. Some of the current wave of insurtech companies operating in the claims space are developing highly innovative solutions, utilising APIs like those provided by existing AWS services.

Amazon also has the underlying technology for photo and video analysis as part of the AWS Rekognition product. Its machine learning capability means that it is well placed to develop software for predicting the costs of repair, although it would be sensible to look beyond its own data to ensure that predictions are in line with the market, given the fragmented and region-specific nature of pricing for trades in the UK.

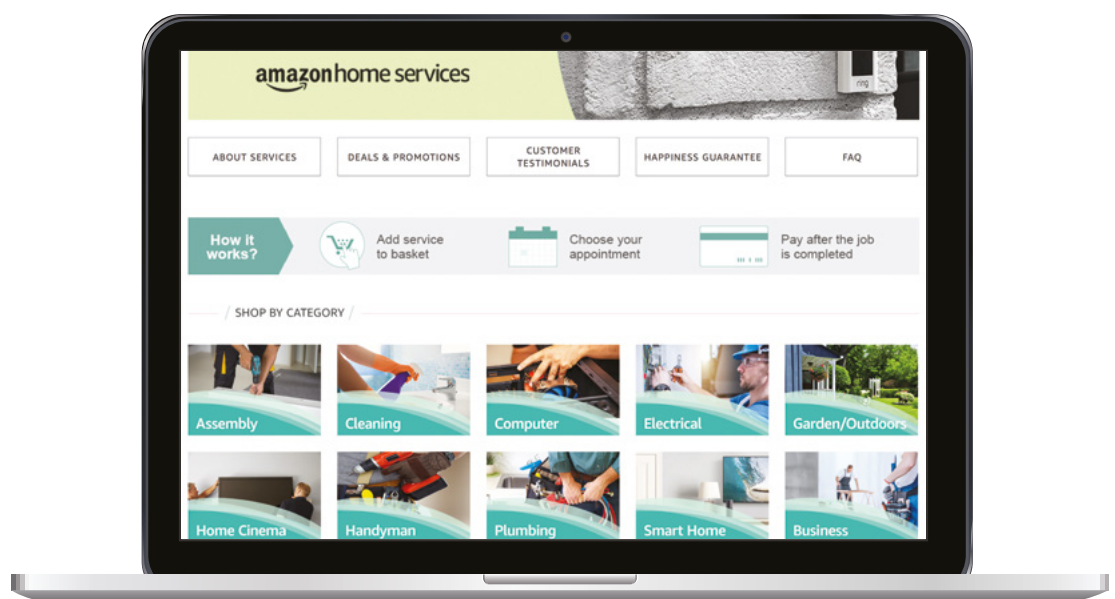
The combination of access to the policyholder's purchase history, data gathered through IoT devices, and automated photo and video analysis of property damage could form a powerful tool for claim assessment.

## Loss Reinstatement



Amazon is clearly in a strong position to fulfil claims for contents, given its role as a retailer and marketplace for suppliers of almost any item, but how would it deal with claims for buildings repair? The answer to this may lie in its Home Services offering, which has been running in the US since 2015, and has just launched in the UK market. Home Services provides a platform for a network of local trades and repair services, including plumbing, electrical and DIY-type tasks.

Replacement and building repair costs could therefore be kept in line with, or below the market average, given the leverage gained through the company's dominance of the retail market. The costs of procurement could, to an extent, be absorbed into the existing model, as there are already stringent checks that are carried out before a trader can join the platform. It may need to consider developing a dedicated 'insurer' panel within the Home Services network to ensure that the needs of policyholders are met following a loss event.



## Claim Prevention – Amazon as a risk management partner



A loss event could be a trigger for preventative measures to be installed through Amazon's Smart Home products and services. These include smart locks, smart security systems and video doorbells, and could be extended to include leak detectors and smart alarms (both of which are currently sold through Marketplace, but not fitted as part of Home Services).

Its managed cloud platform for connected devices, AWS IoT Core, alongside its AWS Kinesis software, could form the basis for capturing, monitoring and analysing live data, and providing clear advice to customers on potential issues at an early stage. This would provide the opportunity for Amazon to develop its Smart Home service as a more comprehensive platform for understanding its customers, and for advice to be tailored to individual customers to support the management of risks in their home.



## What could the claims process look like?



Loss event



House has been broken into, with possessions and cash taken



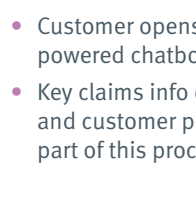
Water leak from bathroom has led to damaged ceiling



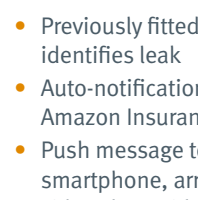
TV screen has been damaged after falling off its wall fitting



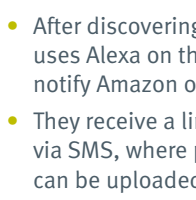
Notification



- Customer opens live chat with Lex-powered chatbot
- Key claims info captured by chatbot, and customer portal log-in set up as part of this process



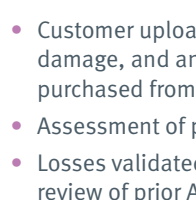
- Previously fitted leak detector identifies leak
- Auto-notification to customer and Amazon Insurance
- Push message to customer's smartphone, arranging time for live video chat, with link to chat included



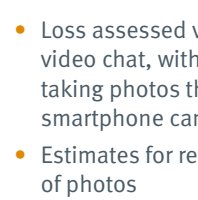
- After discovering the damage, customer uses Alexa on their Echo device to notify Amazon of the claim
- They receive a link to a customer portal via SMS, where photos of the damage can be uploaded



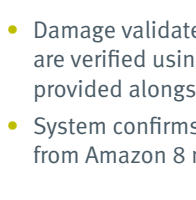
Investigation



- Customer uploads photos of the damage, and any receipts for items not purchased from Amazon
- Assessment of photos and police report
- Losses validated through receipts and review of prior Amazon purchases



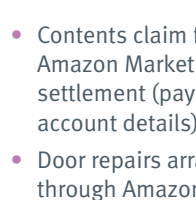
- Loss assessed visually through video chat, with claims handler taking photos through control over smartphone camera
- Estimates for repair via AI analysis of photos



- Damage validated via photos, which are verified using the geo-location data provided alongside the images
- System confirms that TV was purchased from Amazon 8 months earlier



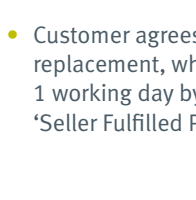
Claim decision/settlement



- Contents claim fulfilled through Amazon Marketplace and cash settlement (payment via existing account details)
- Door repairs arranged and carried out through Amazon Home Services



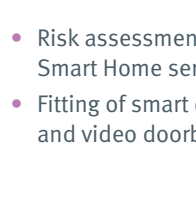
- Repairs arranged through Amazon Home Services, with customer able to agree on suitable time via self-serve portal



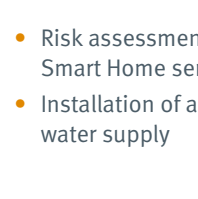
- Customer agrees to a direct replacement, which is provided within 1 working day by one of Amazon's 'Seller Fulfilled Prime' suppliers



Prevention



- Risk assessment through Amazon Smart Home services
- Fitting of smart camera, smart locks, and video doorbell



- Risk assessment through Amazon Smart Home services
- Installation of auto shut-off device for water supply



- TV is fitted securely to the wall by trader supplied through Amazon Home Services

## Final Thoughts

In our view, some of the foundations for a modern claims model are there in terms of existing capabilities and technical infrastructure. However, just because it can, does not mean that it will, or indeed should, step into the world of Claims Management. Before going down this route, there would be a need for an extensive cost analysis to determine whether in-house represents a better option than just acting as a distributor, or as a carrier with outsourced claims handling.

Amazon has a reputation as a leader in customer service; it is well placed to distribute new products to existing customers, and has the capability to manage a complex supply chain as part of an efficient operating model – these attributes could allow the company to gain a foothold in the UK home insurance market. To succeed in the long term, however, Amazon will ultimately need to find ways to differentiate itself beyond brand and price. Utilising elements of its existing technology and retail offerings would enable Amazon to make Claims Management part of its customer ecosystem, and provide a level of personalisation that sets it apart from the wider industry.

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