AUTO INSURANCE:
Six Approaches to Navigating an Evolving Ecosystem

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Featuring insights from Grange Insurance, ERIE Insurance, Branch and Entegral, powered by Enterprise.

U.S. auto insurers continue to juggle multiple moving parts in 2025. Recent months saw a ray of sunshine as inflation, the primary driver of claims costs and severity, fell to the lowest levels in three years. For an industry which saw the costs of parts and repairs surge by 39.5% and 21.3%, respectively, in 2023 according to APCIA, the American Property & Casualty Insurance Association, this was some good news.

Good news too, according to credit ratings agency Fitch, is that the industry's aggressive approaches to maintaining profitability are paying off. Substantial rate increases, sustained pricing momentum, improved underwriting and tapering claims trends will, it says, herald break-even if not better results in the coming year. However, that will vary by insurer with likely Fed interest rate cuts bringing new twists and turns.

Less good news has been the industry's strained relationship with customers. Record premium hikes and lengthy repair processes have left car owners dissatisfied, distrustful and even without insurance. A recent survey from J.D. Power finds that "most insurers miss the mark" with over half (51%) reporting low levels of trust.

There are other lingering challenges, too, that may offset the benefits of easing inflation. Among them, talent shortages, rising fraud, continued risky driving, particularly among GenZ, and hikes in claim severity and frequency for complicated electric vehicles (EV).

In an evolving mobility landscape, global consultants McKinsey sees auto insurance markets "experiencing significant change" with new models "ripe for carriers (and, potentially, new market entrants) to capture" emerging. From this, its research finds, a $100-billion auto insurance market "characterized by distinct distribution, product, pricing and claims handling" could emerge.

Innovative carriers are already stepping up by harnessing automation and advancing technologies to drive new business models, products and services. They are streamlining digital processes and maximizing the human touch.

In the pages ahead, Erie Insurance, Branch, Grange Insurance, and Entegral, the integrated software platform owned by leading mobility solutions provider Enterprise Mobility, share their insights and company approaches in a rapidly evolving market.

Focus on communication, trust
and the moment of truth

Delivering competitive prices and great customer service are the two biggest drivers of customer loyalty in auto insurance. That's been tough to deliver in recent years, and customers have voted with their feet. In 2023, according to Lexis Nexis's survey, new policies increased by 6.2% and 41% of insured households shopped their auto insurance at least once. Though rate shopping and quoting, which reached all-time highs between April and June, may be tapering off, customer retention remains both a major pain point and measure of success that demands attention. LexisNexis data shows that auto insurance retention levels have fallen a "staggering three percentage points" since the first quarter of 2022.

Charlie Wendland, Vice President & Head of Claims at the Ohio-based Insurtech, Branch, says: "In a market where companies are taking significant rate actions that lead to customer shopping, **claims can play an increased role in customer retention."**

Simplicity is Branch's stated "superpower" and its differentiated offering is to bind home and auto insurance together in less than a minute. Wendland sees his task as replicating this frictionless customer experience (CX) on the front end in claims handling on the back end. The success of this depends on three ingredients:

- **Simplicity** of internal and external processes;
- **Integration,** especially leveraging data;
- **Proactivity,** in file tempo and customer communications.

In a tough environment Branch has also taken focused action. "The escalating cost of materials and labor has prompted a meticulous analysis of all of our processes and vendors," says Wendland. The group has also identified areas for optimization and efficiency gains such as "vendor management and investing in automation".

Setting expectations and communicating those has been a strong focus at Grange, a mid-sized home, auto and business insurer. "We've positioned our adjusters to have those conversations at the very front end of the claim," says Scott Hauptman, SVP-Chief Customer Interactions Officer at Grange Insurance. Crucially, this has meant "setting realistic expectations for the duration of the claim and keeping the claimant informed through proactive texts and emails". Only 5% of Grange's claims (the least complicated auto claims) are fully automated but 80% of customers are receiving text messages throughout the claims' lifecycle.

Industry wide, J.D. Power's recent digital experience study finds that a good chunk of auto insurance websites and apps are doing a good job delivering on foundational functional capabilities but there is room for improvement. "Far fewer are delivering the type of value-added services that set them apart from the pack," it says.

"We're facing a once in a generation market cycle," says Hauptman, "but anytime there's a really challenging environment, companies doing an outstanding job have a chance to differentiate."

Embrace openness, collaboration and continuous improvement

An accident claim is a complex business involving everything from the policyholder to the claimant, tow and glass companies, body shops, vehicle manufacturers, agents, carriers and more.

Ideally, all these stakeholders would be communicating, collaborating and sharing data to achieve the best claims outcome but the reality is quite different. "On average, consumers interact with five to ten people at different companies to process their claim," says Michael Rortvedt, AVP Global Products at Entegral.

Reducing friction in a complex claims process is a major pain point but a solvable one. Hauptman believes a successful claim depends on getting three things right: indemnity, experience and expense. Historically, organizations tended to be really good at one or the other but it's now possible to differentiate across all three. "Instead of building everything internally, today you can leverage the best partnerships and the best technology," he says.

Whether to build in-house, buy or partner is a decision many carriers are facing. At Branch, Wendland believes: "In most instances, we have found it more accretive to buy. Our commitment to industry partnerships is deeply rooted in a comprehensive digital agenda".

The vast and growing pool of Insurtechs may provide choice but the crystal ball is a hazy one. "It's really hard to predict where things are going to be in 12 months, let alone 48 months," says Hauptman, who warns that "what we're doing today isn't going to get us to where we need to be in the future".

At the highest level, Hauptman's view is that insurers must take a holistic, strategic approach to vendor governance and partnerships. Rather than attempting to predict the future, they should be investing in infrastructure that supports the ability to transition and continuously evolve. To this end, Grange has established a Center of Excellence and is a strong advocate for open systems. "With so many moving parts within the insurance claims journey, developing a strong API strategy is essential to tie everything together," he says.

Rortvedt contends that a closed ecosystem is inherently predisposed to greater friction. "To resolve a claim, numerous stakeholders need access to data in order to collaborate effectively. When data is confined within disparate systems, it's challenging to attain that collaboration," he says.

Three benefits of open systems

- **Efficiency.** Improved communication and collaboration from FNOL through to final repair, using real-time data and strategic partnerships to enhance CX. Outcomes at Grange have included automated processes, improved collaboration and the introduction of innovative features like claims payment notifications and self-service options. "These capabilities help to ensure that we are providing a differential experience to our customers and agency partners," Hauptman says.

- **Flexibility.** In claims, there are many processes embedded within different tools, systems and integrations. While there may be common ground across claims organizations, Rortvedt states that platforms should be flexible. In other words, carriers should be able to pick and choose components and configure them using their own data points, and according to their own business processes.

- **Cost effectiveness:** In the current climate, there are limited resources and tight budgets, so the ability to test and measure the success of new software integrations at speed is vital. In short, to try before buying. Stakeholders also want to see data that proves the ROI in order to justify the IT expense before they commit resources to integrating it.

Go beyond the ubiquitous

Measuring the success of each element of the claims journey can be challenging. Common key performance indicators (KPIs) include customer satisfaction, along with cycle time and claims accuracy metrics. "Our customer KPI scores serve as a barometer for the quality of our service, and that guides initiatives to enhance our overall customer experience," Wendland says. Branch also looks at cost-per-claim metrics that provide essential insights to guide expense management efforts and ensure optimal resource allocation.

However, Wendland warns that relying solely on traditional KPIs may prevent deeper process analysis and he wants to go further with more real-time feedback. "The flaw of measuring customer experience through net promoter scores (NPS) alone is that you don't understand how the customer felt about their experience until the very end," he says. Understanding customer sentiment at certain milestones to encourage real-time feedback and to understand areas for optimization, has been one strategy.

Grange uses a strategic partner to assess customer satisfaction. A two-dimensional process involves internal tracking against historical results, as well benchmarking data against other carriers but this approach is not unique. Hauptman says it depends on execution, being proactive, strategic and developing a nimble culture. "Within claims we all generally want to get to the same place. So, it's about how well are you outperforming your peers," he says.

Get decisions right the first time
with the power of data

Getting the right vehicle to the right body shop is becoming particularly important given the technical complexity of software driven vehicles (SDVs) and the components required for autonomous driving and advanced driver assistant systems (ADAS). According to McKinsey this added dimension can "escalate the costs associated with physical-damage claims". A simple $300 windshield replacement can now reach $1,000 or more, it says, "due to the integration of sensors and the requirement to recalibrate this equipment during replacement".

"If a vehicle is sent to the wrong shop initially, it can result in increased claim costs, wasted cycle time, and have negative impacts on the customer experience," Entegral's Rortvedt says.

To rectify this requires verified real-time data, which depends on open communication and data sharing. By utilizing and leveraging the power of data in an open ecosystem, partners and carriers can work collaboratively to achieve the best claim outcomes and remove friction from the process.

All these factors and more cause significant impact across the wider auto ecosystem, including on claims administrators, body shops, carriers and claimants – with customer experience impacts across the board.

Revolutionizing the collision and repair processes cannot arrive too soon for Jacqueline Tirpak, Vice President, Corporate Claims Officer at ERIE Insurance. "Distracted driving and speeding are more common than ever, causing not only more losses, but more severe ones," she says. A more streamlined process could also help to stave off the talent crisis. "Increased labor rates from a declining talent pool in the automotive and construction trades is being passed on," says Tirpak who worries that is "this is something we are unlikely to see change as quickly as inflation may."

software tracking technology claims automate digital options capabilities specialized system effective integration and potential

Stay on track with sophisticated telematics

By 2026, forecasts are that embedded auto OEM telematics in cars will reach around 375 million units worldwide. Today, telematics are used to gather information on vehicles, drivers and their behavior, performance, location, fuel consumption, passengers and more.

Modern fleets are using telematics platforms to gather real-time data analytics that enhances their business. Telematics are also being used to incentivize car owners with the promise of lower premiums for safer driving, which is evidently needed. Industry reports published over the last two years suggest there was a 23% surge in distracted driving that caused an additional 420,000 crashes, 1,000 fatalities, and $10 billion in damages to the US economy in 2022.

By the end of this decade, assuming adoption of ADAS features and greater acceptance of semi-autonomous driving, more change is coming. McKinsey sees a future of “sophisticated telematics for pricing, distribution embedded at the point of vehicle sales, and coverages for as-yet-unseen generations of AVs and EVs”.

Wendland views telematics investments as “a significant stride in innovation” - from refining risk assessments to enabling personalized pricing and rewarding safer driver behaviors. “We’re already doing some of this. It won’t be too long before the data becomes available directly from the OEM and not the phone or a plug in,” he says.

When telematics data is combined with video data, especially when triggered during a collision, he believes that will be the game changer that takes the industry from investigation to confirmation about what happened. “It’s very hard to argue with telematics data when combined with video,” he says.

As the industry transitions from closed proprietary systems to open platforms that enable third-party innovation, McKinsey believes the auto insurance industry remains “ripe for a fundamental overhaul”.

However, while there is huge potential for emerging technologies it warns: “OEMs face potential regulatory and consumer pushback”. Safety features “that enhance, rather than detract from, the driving experience”, will be the challenge automakers and technology providers must rise to.

For carriers, advancements in technology may mean wfewer claims but it will also require a pivot from coverage based primarily on individual driver risk to technology risks as connected vehicles become mainstream. They may also need to think less about insurance for drivers, and more about what automakers and software companies might need.

Accelerate AI innovation
with human touch

Artificial intelligence (AI) and all the sub-fields falling under that umbrella – from traditional and generative AI, to machine learning, deep learning and computer vision – remain top of mind. However, the findings of a new research paper by the National Bureau of Economic Research and expanded on in a report from MIT, indicates more talk than action. Indeed, little has changed since 2017 when just 6% of mostly larger U.S. companies were using AI.

The research, which looked at how AI is adopted for goods and services, finds a common focus on "process innovation". Adoption is also more likely when companies have the advanced technology resources to drive process innovation along.

Of all the emerging technologies, Branch's Wendland sees "vast possibilities for GenAI". When integrated into various processes, he believes benefits could extend to predictive analytics for fraud detection, data driven decision-making and streamlined claims resolutions.

Earlier this year, Branch began testing GenAI with good results in a non-customer facing capacity. According to Wendland this increased the capacity of Branch's adjusters by almost 22%. Unlike complex enterprise software implementations that depend on a completely different set of workflows, AI is more like a point solution.

Kristina McElheran, one of the authors of the report, argues that it's more useful at an incremental level. For example, it's good for transforming a given task, or replicating an individual human task. But, she warns, if you innovate one part of a system, the pace must continue with rest of the system or there is a risk things become "unglued".

"We believe that by deeply understanding our customers' problems, we can leverage emerging technology to create solutions that are truly impactful, deliver real value, and make the claims process as seamless and efficient as possible," says Rortvedt.

However, the human element remains important. Grange's Hauptman says: "Any AI and machine learning should be designed to surround the adjuster to create efficiencies and centralize resources, allowing the adjuster to focus on problem-solving for our customers."

ERIE's Tirpak agrees, and sees the advances in technology and exciting emerging use cases is "allowing us to spend more time on higher value, more meaningful work" which she expects will "drive higher engagement". But to achieve this requires seamless integration of supporting technology and adjuster touchpoints, as well as unbiased data with appropriate security and privacy controls.

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Conclusion

The multistakeholder auto insurance industry is continuing to transform in an environment of shifting customer expectations, technological advancements and external market pressures.

Over the past few years, auto insurers have navigated some bumpy tracks, often dodging one pothole only to encounter another bigger one.

Inflation, for example, which hiked repair costs and increased claim severity, particularly for electric vehicles (EVs), put profitability under pressure. In response, insurers responded with aggressive rate hikes and rigorous underwriting, bringing bottom-line relief but at the expense of customer relationships. Car insurance may be a must-have product but price and service matter and as insurers failed to deliver, trust plummeted and policyholders shopped around.

Luckily, however, the growing expectation for smooth digital experiences is being aided by continued automation, advancements in telematics and AI.

All are helping to streamline processes, improve claims accuracy, and enable more personalized customer experiences. There is a clear recognition too, however, that in critical moments human touchpoints are irreplaceable.

Looking to the future, strategic priorities include a continued focus to drive to more effective communication, integrated data shared seamlessly across touchpoints and proactive claims management. Coverage may be shifting from driver to software developer but, ultimately, the claim will always be the customer's moment of truth.

Meanwhile, emerging technologies and new market entrants will continue to reshape the sector, offering new products and services, and opportunities for growth. There will be more bumps in the road, fresh twists and turns. The insurers with the longest and clearest view will be those that remain agile, open to partnerships, and focused on continuous improvement as the market continues to evolve.