

THE VALUE OF
ON-SCENE FNOL

CONTROL CLAIMS
COST WHILE
IMPROVING
THE CUSTOMER
EXPERIENCE

WHY READ THIS PAPER?

Facing fluctuating margins, auto insurers are seeking ways to reduce claims cost and improve the customer experience. Receiving First Notice of Loss (FNOL) on-scene creates just this opportunity by allowing insurers to tow the vehicle directly from the accident scene to a direct repair program (DRP) shop. This efficiency benefits the consumer through an expedited repair process, while eliminating the expense of storage and secondary tows for the insurer. Yet on-scene FNOL is increasingly rare across the industry. This paper explores the reasons consumers do not provide FNOL on-scene, discusses the financial and experiential impact of a delayed FNOL as well as the merits of several techniques insurers could use to increase on-scene FNOL percentages, identifies a promising new automated approach, and concludes with the penetration ceiling for on-scene FNOL in both the short and long term.

UNDERSTANDING THE VALUE OF FNOL FROM THE ACCIDENT SCENE

It is important to understand that the entire collision claims experience represents an opportunity for both the policyholder and insurer, as both stand to benefit from a smooth, efficient process. Insurers have a unique opportunity to build customer loyalty by helping the insured deal with the aftermath of an accident. Demonstrating empathy for policyholders during this stressful time is critical to minimizing churn and maximizing customers' lifetime value to the insurer. Furthermore, an expeditious and efficient FNOL process can accelerate the claim's cycle time and allow insurers to lower loss severity. Delays in FNOL, and ultimately getting the vehicle back on the road, can be costly.

The FNOL interaction is likewise important for consumers, as it represents their first occasion to use their auto insurance coverage. While nobody wants to get in an accident, the average vehicle owner in the U.S. pays \$935.80 annually¹ for auto insurance coverage protection against just such an eventuality. It typically takes *three to five days* after an accident² for the insurers' claims department to be notified of the loss.

The numbers bear this out: roughly one in eleven drivers are involved in an accident every year; about half of those involved end up filing a claim, and of those who file a claim, just 13% provide FNOL from the scene of the accident. Even more surprising, on-scene FNOL for severe accidents (those requiring a tow or that have an airbag deployed) is only slightly above the overall average, at roughly 17%. One might expect drivers to be motivated to take advantage of their Collision or Comprehensive coverage in these instances.

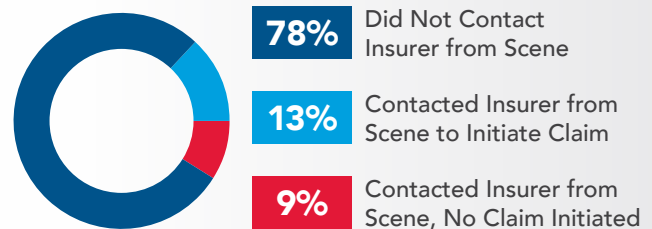
This phenomenon begs two key questions:

1. Why do consumers wait to provide FNOL and initiate the claims process?
2. What can be done to increase on-scene FNOL?

Understanding why consumers wait to provide FNOL and initiate the claims process will inform our understanding of what can be done.

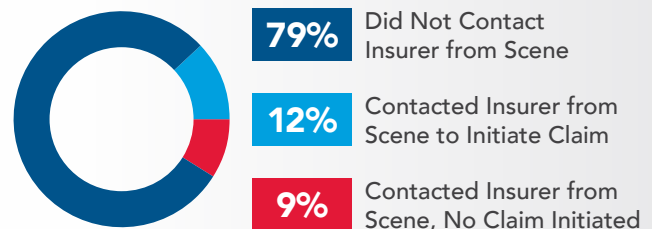
Figure 1 – FNOL Timing by Accident Severity

ALL ACCIDENTS



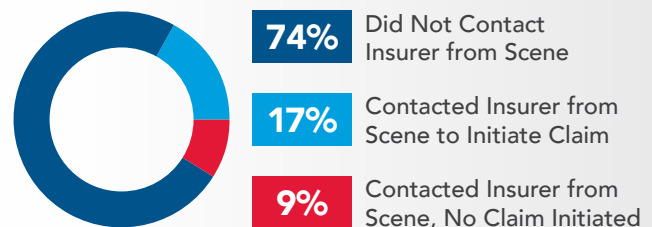
MINOR ACCIDENTS

(No tow required, airbags not deployed)



SEVERE ACCIDENTS

(Tow required and/or airbags deployed)



Source: 2018 Agero Consumer Survey

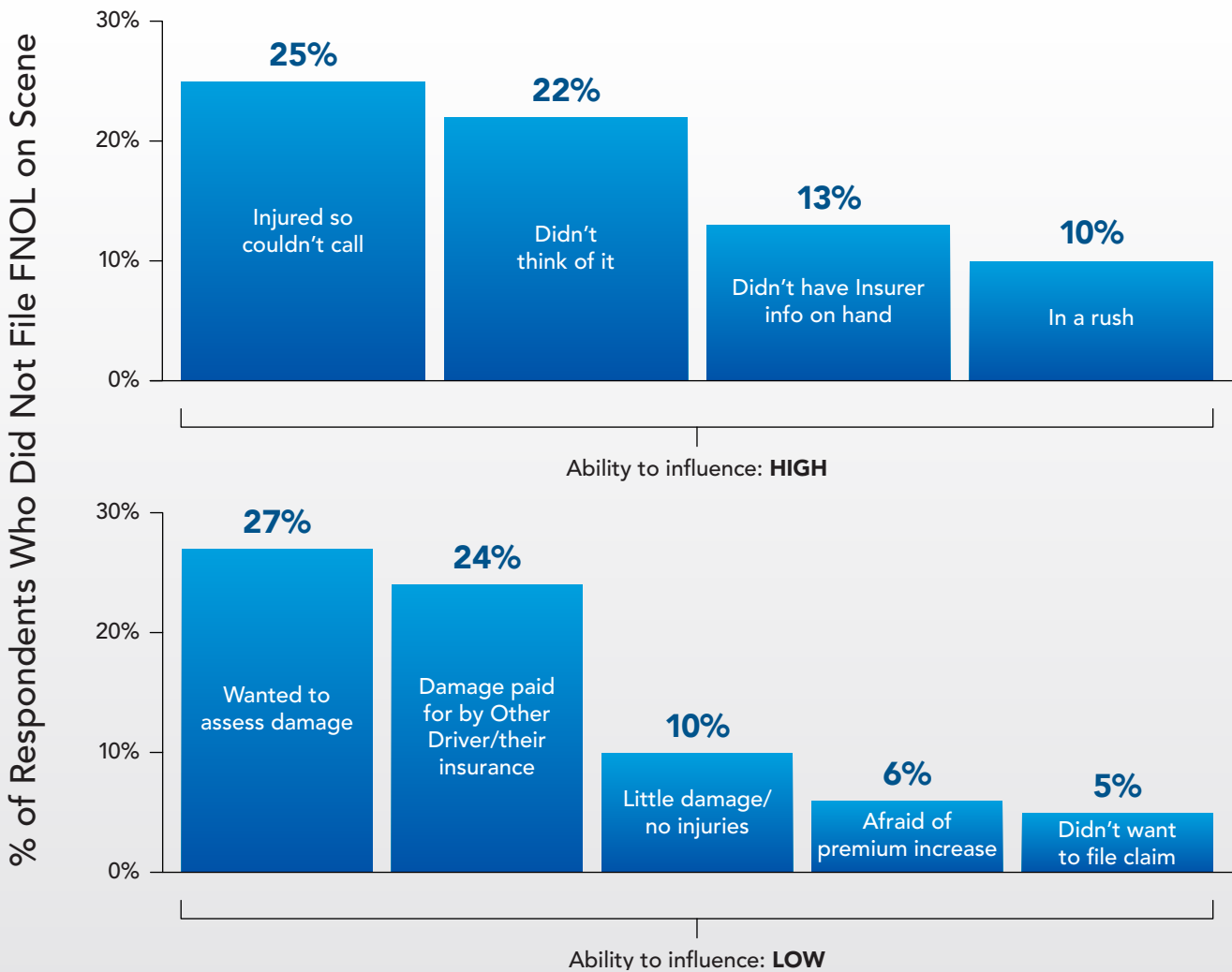
WHY DON'T CONSUMERS PROVIDE FNOL ON-SCENE?

To gain insight into all aspects of the vehicle owner experience, including the accident and FNOL process, Agero gathered anonymous feedback from approximately 20,000 consumers via our Annual Consumer Survey.

The top reasons FNOL is not provided at the scene of a severe accident (vehicle is non-drivable and requires a tow and/or airbag has deployed) are either that the driver was injured or wanted to further evaluate the damage before

providing FNOL. If FNOL was provided on-scene in these situations, the insurer would be able to initiate the claims process earlier, quickly notify the appropriate emergency services of the accident (helping first responders and potentially reducing the severity of the victim's injuries), capture the non-drivable vehicle and reduce the overall claim cycle time.

Figure 2 - Reasons for not providing on-scene FNOL for severe accidents (requiring tow and/or airbag deployed)



Source: 2018 Agero Consumer Survey

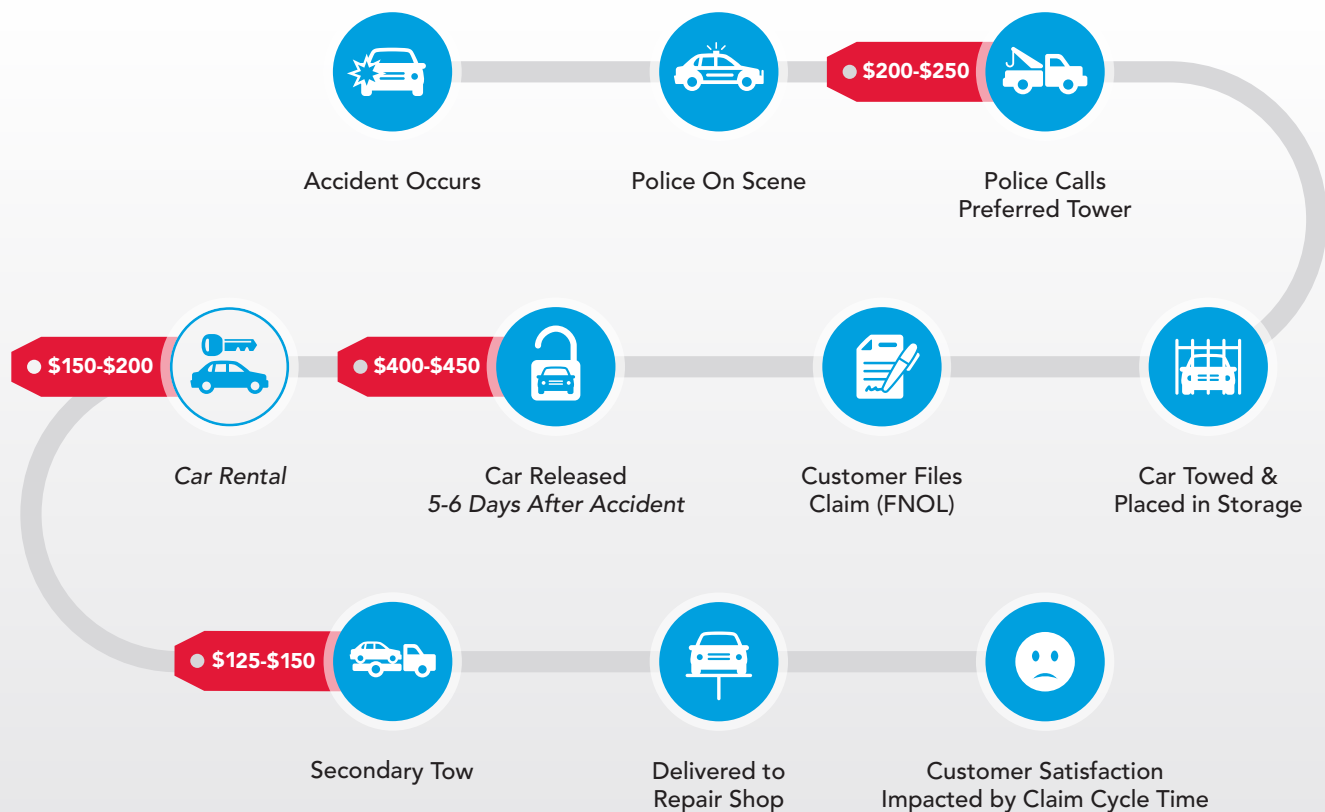
For insurers, receiving FNOL at the scene of the accident is particularly important for accidents in which the vehicle is non-drivable and requires a tow. If FNOL does not take place at the accident scene, the vehicle will be captured by a tower that is typically arranged by the police. This situation can result in unnecessary loss cost for insurers due to the five or six days of accumulated storage, fees, rental days and secondary tow that can add up to as much as \$1,050 per accident.

the cycle-time of getting vehicles back to the policyholder improves customer satisfaction and increases their likelihood of staying with their insurer.

In short, finding ways to secure FNOL from the accident scene with higher frequency has the potential to significantly improve insurers' loss cost and the customer experience.

Receiving FNOL on scene is the key enabler for insurers to avoid many of these costs, saving as much as \$500-\$800 per claim. Moreover, on-scene FNOL expedites the repair process by immediately sending the vehicle straight to a Direct Repair Shop (DRP). Increasing usage of a DRP can result in additional \$50-\$200 in savings³, and reducing

Figure 3 – Accumulated loss cost impact resulting when a vehicle is captured by a municipal tower



Source: Agero Research and Data

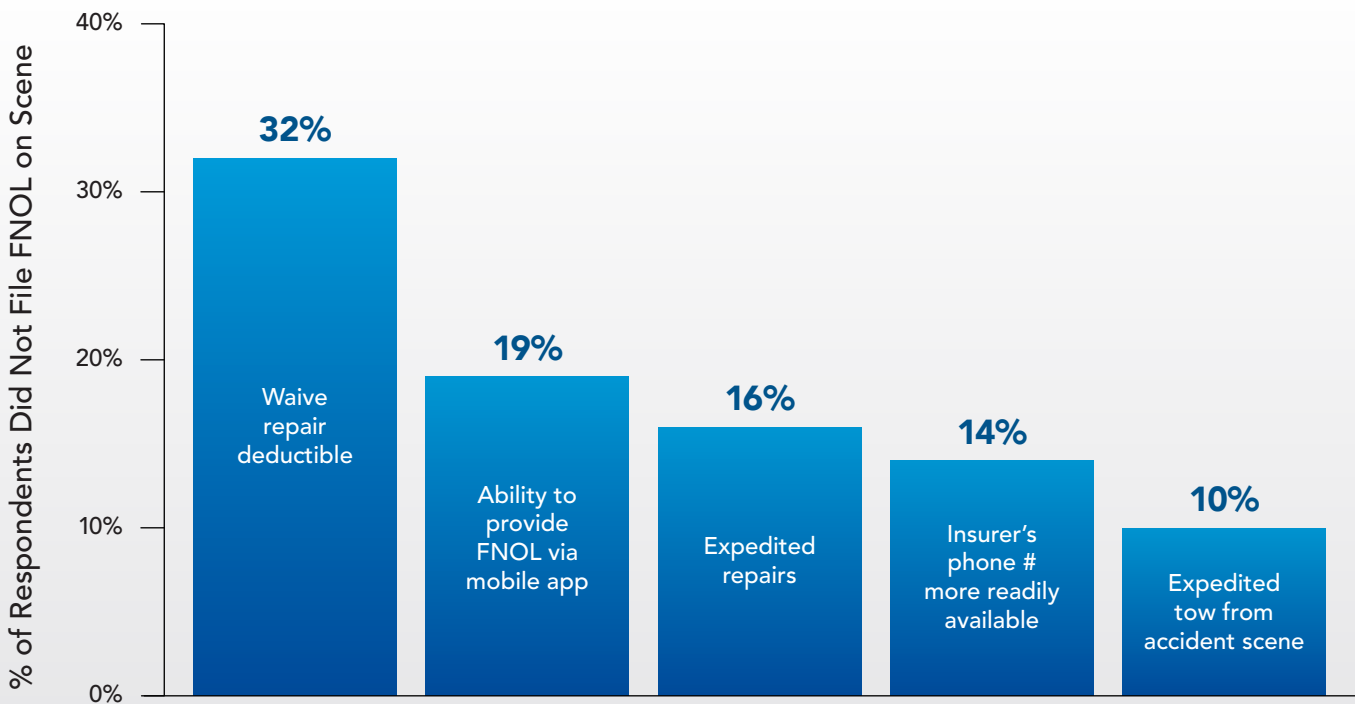
METHODS OF INCREASING ON-SCENE FNOL

Let's explore two approaches to increasing on-scene FNOL: 1. providing consumers with an incentive to change their behavior, and 2. removing consumers from the FNOL process altogether.

Incentives can take a variety of forms. About a third of respondents from Agero's 2018 Consumer Survey indicate that the most impactful way to entice them to provide FNOL on-scene is by waiving their repair deductible. The attractiveness of this incentive is understandable,

particularly for drivers who delayed FNOL until they could evaluate the damage in more depth, as well as those who thought the damages / injuries were too minimal to warrant initiating the claims process. While this type of economic incentive is attractive to consumers, it is expensive for insurers. There are softer incentives that could increase on-scene FNOL without having such a negative impact on insurers' cost structure.

Figure 4 – Most impactful ways to motivate drivers to provide FNOL at the accident scene



Source: 2018 Agero Consumer Survey

One theme that stands out from our research is that consumers want convenience. This is evident across all facets of the consumer economy. People have joined the on-demand economy as Lyft drivers in order to have more flexible work schedules; diners are paying an extra 14% to have food delivered through services like UberEats. The ever-increasing demand among consumers for convenience also exists in the auto insurance industry, particularly during stressful situations like the aftermath of a car crash.



“ NEARLY 20% OF CONSUMERS INDICATE THAT THE MOST EFFECTIVE WAY TO GET THEM TO PROVIDE ON-SCENE FNOL WOULD BE HAVING ACCESS TO A USER-FRIENDLY MOBILE APP WITH IN-APP FNOL CAPABILITIES. ”

For example, nearly 20% of consumers indicate that the most effective way to get them to provide on-scene FNOL would be having access to a user-friendly mobile app with in-app FNOL capabilities. This indicates that insurers with in-app functionality already in place should invest in marketing this feature and its benefits to increase user awareness, download and engagement rates.

Another subset of consumers simply want process resolution and are willing to provide on-scene FNOL in exchange for expedited repairs (approximately 15% of consumers).

The lowest hanging fruit we found was that about 15% of survey respondents indicated that just having their insurer’s phone number more readily available would be an effective way to increase the likelihood of providing on-scene FNOL.

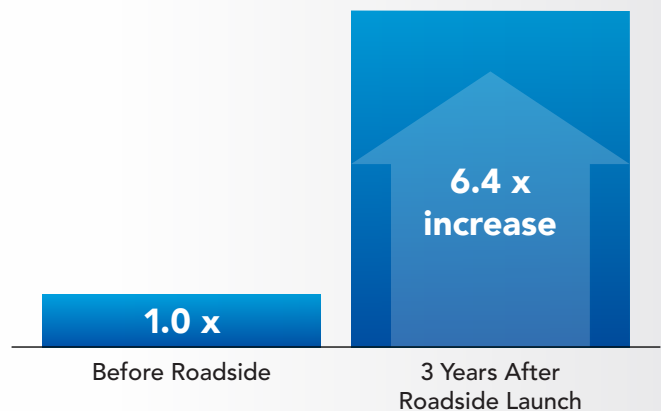
While the aforementioned approaches make on-scene FNOL more attractive to consumers, those programs still depend on the consumer to initiate the interaction. At best, the data indicates that each approach is only likely to incent a minority of policyholders, resulting in only marginal improvements.

LEVERAGE ROADSIDE PROGRAM

An alternative approach is for insurers is to market their roadside programs because it can affect consumer behavior at the accident scene. Our data shows that insurers that offer roadside assistance see more than a six times increase in FNOL from the accident scene. As policyholders become conditioned to contacting their carrier for roadside incidents, they become more likely to call when they have an accident. However, this level of familiarity takes time to build.

What’s required to truly impact both claims experience and cost is a more comprehensive approach, one that both improves convenience and eliminates the need for consumers to initiate FNOL in the first place.

Figure 5 - CLIENT CASE STUDY: Impact of Roadside Program on Accident Tow Volume



Source: Agero data

AUTOMATING FNOL

Automation clearly represents the key to ensuring routine FNOL from the accident scene and, fortunately, there are multiple approaches available. But which is most promising? Let’s explore.

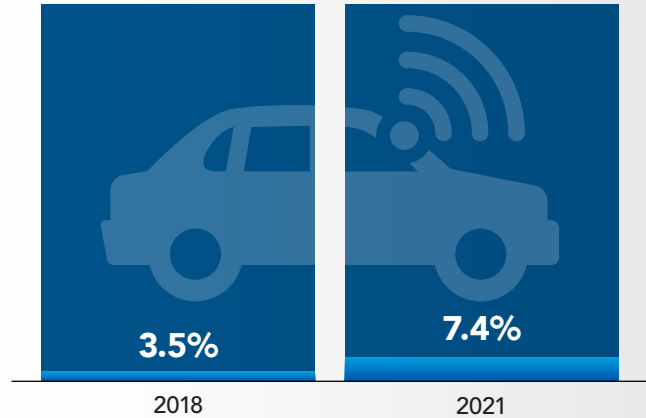
One approach is to use the embedded telematics and in-vehicle sensors offered by connected vehicles. However, the penetration of connected vehicles over the next several years is only expected to reach 7.4% of the entire U.S. fleet. Much like the incentive-based approaches above, this penetration is too small to have a significant impact on insurer costs and leaves approximately 90% of consumers with a sub-optimal experience for the foreseeable future.

A second approach would be to install an aftermarket On-Board Diagnostics II (OBDII) device in all vehicles. OBDII devices could leverage a combination of engine codes and the in-device gyroscope and accelerometer to detect an accident. However, these devices can cost \$10–\$20 per unit plus distribution cost and ongoing telecom costs, making comprehensive coverage of an entire fleet cost-prohibitive and thus limiting the FNOL impact.

A better approach is to leverage a device that over 90% of consumers already carry in their pocket. The smartphone contains many sensors that, combined with optimized algorithms available through an appropriate mobile telematics app, can be used to accurately detect accidents in which an airbag has been deployed or the vehicle has become non-drivable. This type of mobile telematics app approach would represent significantly greater opportunity for penetration than connected vehicles, while also being significantly easier and less costly to deploy compared to OBDII devices. Mobile apps are highly scalable and overall represent the most cost-efficient mechanism to deliver automated FNOLs.

Figure 6 – Anticipated penetration of Connected Vehicle in the US by 2021

U.S. Connected Vehicle Installed Base* as a Percent of Light Vehicles in Operation



*Connected Vehicle Installed Base is defined as the number of vehicles with embedded hardware and a paid connectivity subscription

Source: Statista Digital Market Outlook, Capgemini, CCC, III, NHTSA, IHS Markit



Example of On-Board Diagnostics II (OBDII) device

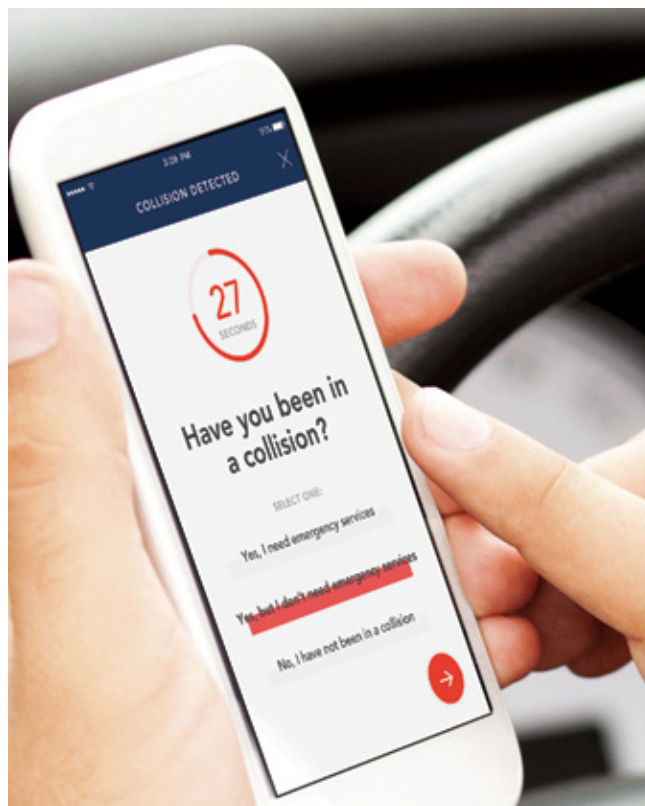
BENEFITS OF AUTOMATED FNOL THROUGH MOBILE

We've already established that automating the FNOL process creates an opportunity for the insurer to improve both the customer experience and the loss cost. Let's look at how a mobile approach fits into that paradigm.

From a customer experience standpoint, automated mobile FNOL allows insurers to begin customer care sooner. Consumers enrolled in a mobile crash detection and response program will have increased peace of mind, knowing that if they or their loved ones are injured in a crash, faster ambulance notification can mitigate the risk of severe injury. Policyholders who don't need medical attention will be given an opportunity to begin the claims process sooner, expediting the claims resolution timeline. Mobile telematics data can automatically provide insurers with much of the information needed to determine cause and assign liability, thus reducing the time and effort consumers must commit to claims paperwork.

Insurers in turn have an opportunity to improve their bottom line by automating FNOL. As mentioned previously, mobile crash detection is a powerful tool for more accurate liability determination. Crash reconstruction data not only sheds light on the collision itself, but the events leading up to the crash – including whether the driver was talking, texting, or using an app on their phone, overall vehicle speed, if the brakes were engaged before the collision, etc. This data, coupled with the existing claims investigation process, empowers insurers to limit ambiguity in determining liability. An objective determination of fault backed by extensive data reduces the chances of claims disputes and arbitration.

In instances where the insurer is liable for the damage, automated on-scene FNOL through mobile telematics immediately begins cost-control at the accident scene. It enables the insurer to capture more vehicles at the scene, saving up to \$800 per event compared to tows provided by service providers sourced by police or directly by consumers. It also reduces cycle time by keeping the vehicle "in-network" at DRP facilities.



“INSURERS IN TURN HAVE AN OPPORTUNITY TO IMPROVE THEIR BOTTOM LINE BY AUTOMATING FNOL.”

CONCLUSION – INCREASING ON-SCENE FNOL

Opportunities to improve the consumer experience and insurers’ bottom line through on-scene FNOL clearly exist, whether through incentives or technology implementation. But what is the ceiling? If, at present, roughly 13% of consumers provide FNOL from the scene of the accident to initiate the claims process, how much additional runway exists in the short and long term?

The incentive approaches outlined above are unlikely to move the needle significantly, as they continue to rely on the consumer to initiate action. Waiving repair deductibles is costly for insurers, and thus likely unfeasible. While many insurers have mobile apps, approximately 60% of consumers are unaware of this fact, and among those who know their insurer has an app, only about 40% have downloaded it. Even if consumers have downloaded the app or have the insurer’s phone number readily available, reaching out to the insurer is not always the top priority amidst the chaos following a crash. Thus, at best, any incentive-based approach is likely to only have a marginal impact.

Insurers that market roadside assistance can see more than a six times increase in FNOL from the accident scene because their policyholder base has become conditioned to contacting the carrier for any roadside incident including an accident. This approach requires the insurer to build awareness for their roadside program with policyholders and can take time to fully materialize.

As we’ve established, automation of on-scene FNOL promises to be significantly more impactful. Of the various automation approaches discussed, only mobile crash detection offers the opportunity for both the high penetration and low cost needed to meaningfully impact claims cost and experience.

Because mobile crash detection removes the FNOL burden from the consumer, the main barriers inhibiting on-scene FNOL penetration would be consumer enrollment in a policy which includes mobile crash detection, and downloading of the app. The outlook

in this respect is promising – according to Agero research, 75% of consumers are likely to purchase a mobile crash detection and response service if available through an app and would be willing to pay for the peace of mind.

In the long run, automation of on-scene FNOL is a near certainty, as most or all cars will eventually be built with onboard connectivity embedded with crash detection capabilities. But studies show that day is far in our future, and until the entire vehicle fleet is connected, mobile telematics solutions provide a low cost, scalable opportunity to use on-scene FNOL to improve the claims experience and cost for both insurers and their customer base.

“INSURERS THAT MARKET ROADSIDE ASSISTANCE CAN SEE MORE THAN A SIX TIMES INCREASE IN FNOL FROM THE ACCIDENT SCENE BECAUSE THEIR POLICYHOLDER BASE HAS BECOME CONDITIONED TO CONTACT THE CARRIER FOR ANY ROADSIDE INCIDENT INCLUDING AN ACCIDENT.”

ABOUT THE AUTHORS

Alejandro Alvarado, Director Strategy

Alejandro utilizes nearly a decade of strategic advisory experience to bring market intelligence to the forefront of the organization’s decision-making process, playing a pivotal role in evolving the organization as it delivers transformative value to the automotive and auto insurance markets. Alejandro holds an MBA from Babson College and received his B.A. from Wesleyan University.

Luis Quiroga, VP of Product Strategy and Marketing

Luis is a leader in Agero’s product and marketing organization who is responsible for shaping Agero’s value proposition and go-to-market strategy. He is a staunch believer in Agero’s focus to save lives and is working closely with clients to bring to market crash response services. Luis holds an MBA from the Kellogg School of Management (Northwestern) and a B.S. in Mechanical Engineering from Carnegie Mellon University.

ABOUT AGERO

Agero’s mission is to safeguard consumers on the road through a unique combination of platform intelligence and human powered solutions, strengthening our clients’ relationships with their drivers. We are a leading provider of driving solutions, including roadside assistance, accident management, consumer affairs and telematics. The company protects 115 million drivers in partnership with leading automobile manufacturers, insurance carriers and other diversified clients. Managing one of the largest national networks of service providers, Agero responds to more than 12 million requests annually for assistance. Agero, a member company of The Cross Country Group, is headquartered in Medford, MA, with operations throughout North America. To learn more, visit www.agero.com and follow on Twitter [@AgeroNews](https://twitter.com/AgeroNews).

References

- ¹ <https://www.iii.org/fact-statistic/facts-statistics-auto-insurance>
- ² <https://www.calamp.com/wp-content/uploads/resources/automatingfnolandclaimsforpropertyandcasualtyinsurers.pdf>
- ³ <https://www.propertycasualty360.com/2012/10/10/thinking-beyond-drp-to-deliver-better-service/?page=2&slretu rn=20181028142907>



CORPORATE HEADQUARTERS

One Cabot Road | Medford, MA 02155
P: 781.393.9300 | www.agero.com

Clarksville, TN | San Francisco, CA |
Sault Ste. Marie, CANADA | Sebring, FL |
Tri-Cities, TN | Phoenix, AZ | Tucson, AZ

