WHITEPAPER

The Human Algorithm

Why empathy, AI and local presence will define the future of insurance

Crawford®

Contents

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Executive Summary

As organisations in the insurance sector welcome greater automation technologies, including artificial intelligence (AI), across their value chains, a paradox is emerging. The more routine work AI performs, the more valuable human expertise becomes.

"Claimants need people first, who are digitally enabled."

Jonathan Hubbard
President,
Crawford & Company Australia

Insurance, unlike any other product, is a promise only tested when customers experience loss. At that moment, claimants need more than speed and efficiency. They need judgement, empathy, fairness, clarity of communication and practical support.

As Crawford & Company Australia President, Jonathan Hubbard, says, they need "people first, who are digitally enabled".

AI can assist claims, but it cannot replace the reassurance offered by an experienced professional who understands the policy, the problem, the place and its people.

This is particularly important in Australia, a country defined by vast distances, regional and remote communities and increasing natural catastrophes. For insurance, it also means local presence is more than an operational capability. It is a strategic advantage.

The future of insurance does not involve a choice between AI and humans. It will be shaped by how well the industry brings together AI, professional judgement and local presence.

Each contributes its own value:

- AI improves speed, consistency and insight;
- professional judgement supports fairer decisions and stronger customer outcomes, and;
- local presence builds trust in insurance and strengthens community resilience when recovery matters most.

Supercharging AI's operational efficiencies with the irreplaceable strategic advantage of a local, human presence in the Australian claims landscape is the key to the sector's future.

AI and insurance: A legitimate, positive mix

AI is no longer an experimental technology in insurance. It is becoming part of the sector's operating model in vital areas such as catastrophe preparedness, claims triage and fraud detection.

The scale of AI innovation was made clear by an Australian Securities and Investments Commission (ASIC) review of 624 AI use cases across banking, credit, insurance and financial advice.

That study, also referenced in the recent *AI For Better Insurance* paper (August 2025) by CSIRO and Insurance Council of Australia, showed 57% of use cases had already been implemented or were under development within the previous two years.

It also said 61% of ASIC licensees planned further expansion of AI capabilities.

AI: From experiment to core capability

Where is the insurance sector specifically utilising AI? McKinsey's *The Future of AI* in the Insurance Industry report (July 2025) said rather than being a niche technology initiative, AI is becoming a core capability across insurance.

> "Insurers are using AI in all core areas, including sales productivity and hyper personalisation; automation and improved accuracy of underwriting; augmented claims management; customer service operations with voice agents; and transformation of back-office functions such as finance, actuarial, and IT."
>
> McKinsey's *The Future of AI* in the Insurance Industry report (July 2025)

“Transactional claims can be automated. Complex or emotionally significant claims need people."

Jonathan Hubbard
President,
Crawford & Company Australia

"Governance frameworks should involve risk, audit and compliance teams while ensuring human ownership of decisions – emphasising augmentation rather than automation when using AI.”

- CSIRO/ICA paper

Where AI is showing up

PRICING
AI agent prices specific cases and suggests policy structures

UNDERWRITING
where employees see AI assistants as core to their jobs

SALES AND DISTRIBUTION
AI agents assist customer research, marketing personalisation, call assessment, etc.

OPERATIONS
AI creates efficiencies in daily tasks

How do claims professionals use AI?

With claims, the AI opportunity becomes highly visible.

The CSIRO/ICA paper highlights five areas of claims processing that represent priority use cases for Australian insurers, including:

- faster claims processing;
- enhanced liability verification;
- more accurate repair allocation;
- clearer customer communications, and;
- freeing claims handlers to focus on higher-priority and more complex work.

Importantly, these uses all involve working hand-in-hand with human assessors.

AI is a tool, not a replacement for judgement.

As will be discussed in this paper, in insurance – where we often meet people on the worst day of their life – that distinction is everything.

Nothing else like it: Insurance is a promise

The claim experience is the moment of truth. Unlike a car, a phone or an app, insurance is largely invisible and intangible until something goes wrong.

Losses loom much larger than gains.

Why does this matter? Because when a claimant interacts with their insurer, the claimant is typically not in a good place. They have just experienced a loss such as a house fire or a burglary, a flood or a car accident. Their health and wellbeing could be under threat.

They are, therefore, operating in a heightened emotional state. Claims cannot be treated as routine and communication around claims must recognise the human factor.

Insurance is unique among products in that the customer often does not know the value of the product to them, or its quality, until after they experience a significant loss.

Then, it becomes urgent, personal and consequential.

The product until that point is trust, and trust is tested most intensely when a customer is experiencing a loss and has to make a claim.

Losses are felt more than gains

Behavioural economics helps explain why the claim moment carries such weight. In their 1979 work on prospect theory, Nobel Prize winner Daniel Kahneman and Amos Tversky showed people experience losses more intensely than equivalent gains.

Among other things, prospect theory describes the fact that loss and gain are perceived asymmetrically. A loss is felt about twice as powerfully as a gain, meaning the pain of losing $100,000 can feel as powerful as the pleasure of gaining $200,000.

That is before consideration of the added emotional anguish, stress and uncertainty that comes with an event that causes the loss of your home, damages your business or somehow threatens your lifestyle or livelihood.

Trust matters for every stakeholder

At the point of loss, trust, communication and confidence take on a disproportionate level of importance. This is happening in a market where trust is already under pressure.

Trust is already fragile.

The paper also notes that many Australians think insurance companies are prioritising profits. This undermines the perceived value and fairness of insurance products.

These issues, it says, create a “significant trust challenge for organisations implementing AI-driven tools”.

AI can improve efficiency, speed and consistency, but without trust, none of these factors matter.

Trust, tested most seriously during a claim, is the single most essential currency of insurance.

Trust under pressure

- growing scepticism about the insurance industry
- a general decline in confidence in Australian institutions;
- consumer concerns about AI
- rising pressure on affordability and accessibility.

Source: CSIRO/ICA paper

The claim as a human moment

At the point of claim, the insurer's brand is openly tested, personally and publicly.

Insurance is not just about protecting Australians from financial impacts but is also "a trusted partner in fostering resilience and recovery" *(AI For Better Insurance).*

That framing matters. Claims are not transactional events; they are the beginning of a recovery process when a claimant is displaced, distressed or unable to trade.

Case study: Claims in the real world

Consider a story told by Dion Lawson, Claims Manager for Gallagher Insurance in Geelong.

> *We had a poultry client that lost their grading floor [where all eggs are inspected] as a result of a fire. Within moments of the notification, we were able to get in contact with the insurer and have them appoint a loss adjuster from Crawford & Company. The loss adjuster was on site within 24 hours. We had a fire causation expert, builder and claims preparer on site within 24 hours, too. Everybody who needed to be in the room was in the room 24 hours after the fire had occurred, stepping through how we help the business continue to operate. We ended up identifying a temporary facility on the property of one of our other clients. That enabled the business to continue trading as repairs were carried out. We were able to fit this all in, within the insurance policy, because we had everybody sitting in the same room.*

AI can support administration, Lawson says. It can assist claim lodgement, file set-up, even organise assessor appointments. But "insurance claims are never black and white," Lawson says. "There is always a bit of grey in every single one."

Particularly in complex claims, the "human element" is essential because experienced insurance professionals don't just know the intent of the policy and how it should respond, he says.

ASIC said insurers are required to

- communicate transparently, clearly and in a timely way with consumers regarding their claims
- effectively project-manage third parties, including assessors and tradespeople
- identify complaints and expressions of dissatisfaction at the earliest opportunity
- recognise consumers experiencing vulnerability and tailor their claims handling service accordingly, and
- sufficiently resource claims handling and dispute resolution functions, and train staff adequately.

Rather than simply processing claims, insurance experts use judgement, network knowledge, experience from past cases, policy interpretation, negotiation and collaboration. Humans work together to develop solutions and foster resilience and recovery.

Claims handling is about conduct

Claims handling has become as much about conduct as it is about process.

ASIC has reminded general insurers that they are responsible for acting “efficiently, honestly, and fairly”, and resolving claims in a timely way, particularly after severe weather events [ASIC letter, 6 March 2024].

ASIC has been critical of complaints handling by insurers, noting many matters could have been resolved through internal dispute resolution prior to escalation. That is as much about conduct as it is about communication.

Lawson’s example of the poultry client shows what good conduct can look like in practice as well as the power of the human factor on claims processes.

Loss adjusters operate at the intersection of technical expertise, policy knowledge, contractual judgement and emotional intelligence.

How AI creates time for human interaction

Ross Wales, a Senior External Loss Adjuster with Crawford & Company Australia, based in Newcastle, NSW, says AI can assist his work enormously, particularly in technical research, exploring case studies, legislation and policy response.

For example, Wales recently utilised AI to quickly develop an understanding of the legal treatment of retaining walls, applying that research to expedite a claim after a landslide event.

For Wales, the conclusion is clear. AI does not replace the adjuster. Instead, it frees them up to do the more important work.

"It's not just for this customer, but for the next one," Wales says. "Taking that two hours that I would have needed for research, then being able to go and touch another ten claims that day as a result of that, is a godsend. It's amazing."

The value, he says, is not simply that AI saves time. It is what that time makes possible.

"The nature of our role is like you're spinning plates in the air and if you don't keep spinning them, they fall off," he explains. "But being able to touch base with each of your customers more regularly, because you're not bogged down in a complex matter, is huge."

"From the customer's perspective, they like hearing from us. They like knowing that we're still working for them. They like to know we're doing the little things that keep the claim moving along. So, that's where I'm seeing the benefit of AI – it gives me more time to communicate with people."

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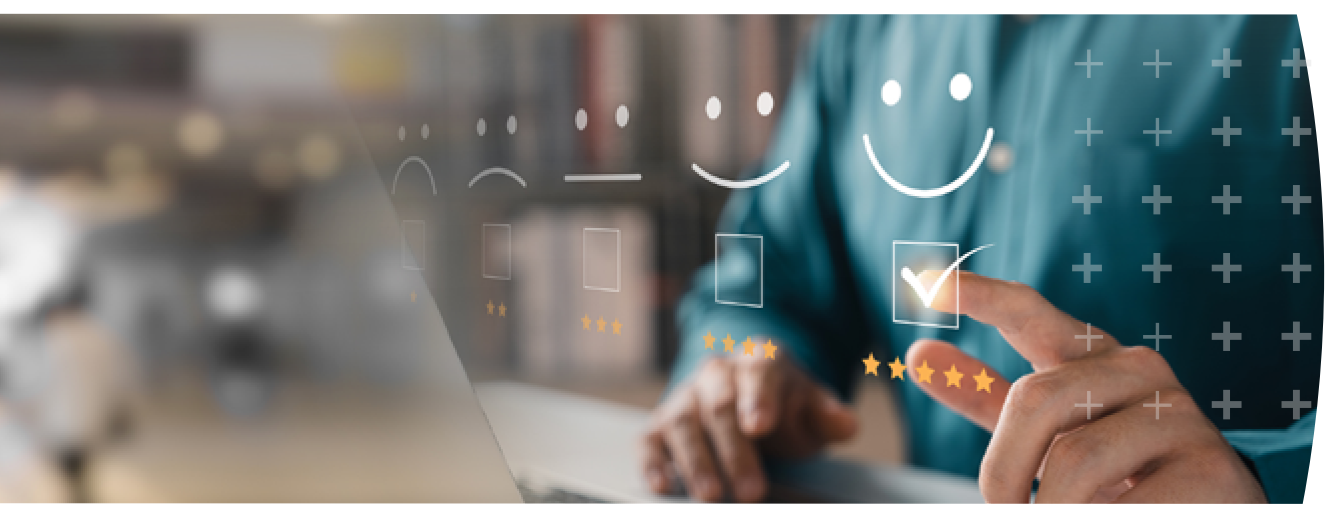
Ross Wales
Senior External Loss Adjuster
Crawford & Company Australia



Claims research from Accenture

30%

of dissatisfied claimants switched insurers

47%

of dissatisfied claimants were considering switching insurers

Claims experience shapes trust for every stakeholder

Speed is not the only factor affecting satisfaction levels in claims, but it's the big one.

Proactive and omnichannel communication and clear claims tracking matter. But speed of settlement remains the strongest driver of satisfaction.

In complex claims, however, the fastest path is rarely the automated one. Instead, it's the one designed by experienced insurance professionals who know the right people to talk to, the experts who need to be at the table, the signs that escalation is required and, in Lawson's case, the location of extra poultry space.

It is the experienced insurance professional who knows how to communicate with the customer, how often and what they need to know, even if it's news they don't want to hear.

In one landslide-related claim, Wales had to explain to a couple displaced from their home that their policy would only respond to around 50% of the cost of repairs, because of pre-existing structural defects.

"We maintained a very positive relationship throughout that process, and they were very understanding about it all," he says. "A big part of that was about clear and honest communication from the start and not sitting on bad news and dumping it all on them at the end."

Wales's strongest feedback from customers is that they value dealing with "a human who actually cares and takes time to understand what matters to them".

AI can reduce friction, accelerate research, improve triage and create greater consistency. But in the claims moment, trust is built through judgement, empathy, explanation, responsiveness and presence.

The brand promise is not delivered by the policy document. It is delivered by the people who help the customer recover.

Geography as strategy: Why place matters in Australian claims

AI has no postcode, but catastrophes do.

In terms of the insurance sector's ability to identify fraud, triage claims and more, technology is doing an excellent job of assisting and improving performance.

"Disasters are a localised experience. Recovery requires place-based leadership and locally informed decision-making."

The Royal Commission into National Natural Disaster Arrangements

But Australia's unique geography, more than anywhere else in the world, means claims are ultimately resolved in places, not on platforms.

Solutions for affected homes, businesses, individuals and communities are found amidst those homes, businesses, individuals and communities. Recovery from bushfires, storms and floods are shaped and moulded in place, amongst neighbours, with the input of local contractors and under unique, local conditions.

An effective insurance response requires people who deeply understand the environment in which the recovery is taking place.

The Royal Commission into National Natural Disaster Arrangements, established following the 2019–20 Black Summer bushfires, recognised that disaster response and recovery required strong local capability.

The Commission's report emphasised the fact that disasters are a localised experience. It said recovery requires place-based leadership and locally informed decision-making.

That observation is more relevant than ever in a country experiencing increasingly frequent catastrophic events that could simultaneously involve heavy flooding in one region as another suffers the effects of drought and bushfire.

AI accelerates but doesn't attend

High-value applications of AI and automation around claims processing improve speed, repair allocation and basic communication and tracking. In doing so, they free up human experts to focus on more complex issues and often deeply personal matters.

Importantly, there is a clear case for human ownership of decisions and for an augmentation role for technology, as opposed to pure automation.

Erin Doherty, an External Loss Adjuster in the Mackay branch of Crawford & Company Australia, says it is only possible to conduct 10% of her claims role from a desk. The rest requires face-to-face management.

"If you've not physically walked through a person's house, you can't understand the damage," Doherty says.

Customers might be overstating the damage, but they might also be understating it. Both can lead to poor outcomes.

"I had one gentleman tell me on the phone, 'It's all good'," she says. "Then I went to his property, and I said to him, 'This is really not all good. You need temporary accommodation. You can't stay here.'"

"Knowing what the claimant is talking about because you've physically seen their property makes it a better experience for all stakeholders. And it makes the customer feel like their insurer cares more."

That real-world feedback from the field doesn't surprise Hubbard at all. "At Crawford, we're fundamentally a field force, which is a real advantage. We have 37 offices across Australia. It's impossible to substitute that or replicate it."

"When you meet somebody in their house or business, there is a human connection. There is empathy as well as professional judgement. If you build that connection, there is trust in the relationship, which helps the delivery of welcome news and less welcome news."

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“In insurance, that claim moment is perhaps when you most need a human who’s answering the call, who is listening to the exceptional circumstances, as opposed to a bot that says, ‘No, that’s not possible.’”

Toby Walsh
Laureate Fellow and Scientia Professor of Artificial Intelligence
Department of Computer Science and Engineering, UNSW

Risk emerges from less human contact

Toby Walsh, Laureate Fellow and Scientia Professor of Artificial Intelligence in the Department of Computer Science and Engineering at UNSW, says insurance and many other sectors need to consider the risks of reducing human contact as a result of AI adoption.

“I think businesses will increasingly focus on the more human-centric side of the transaction,” Professor Walsh says.

“In insurance, that claim moment is perhaps when you most need a human who’s answering the call, who is listening to the exceptional circumstances, as opposed to a bot that says, ‘No, that’s not possible.’”

We all value human connection, Professor Walsh says, and we pay extra for it. Consider the coffee most of us buy each day.

“Coffee machines are quicker and more consistent with their quality, but baristas give us a human transaction,” he says. “That will always be the way businesses distinguish themselves.”

If the human factor is a nice-to-have for our morning cappuccino, it’s a must-have when our business has been damaged, or our family has been displaced from their home.

Claims often turn on context, judgement and exception handling. Less human contact can mean fewer opportunities to identify vulnerability, clarify confusion, detect emerging dissatisfaction or explain difficult decisions before they escalate.

The confidence, trust and security offered by an understanding of options, a knowledge of local contractors, a deep familiarity with local council quirks and more, is vital for the delivery of the insurance promise.

Three kinds of proximity

Geographic proximity

Being physically present in communities affected by catastrophe

Understanding local conditions, contractors and recovery challenges

Relationship proximity

Building trust through regular communication, empathy and honest expectation-setting

Decision proximity

Bringing insurers, adjusters, assessors, investigators and customers together quickly to solve problems, rather than simply processing claims

Geography can be a strategic capability

Australia's geography has always shaped the nation's insurance sector.

The nation's population, heavily concentrated along the coast but also combined with vast areas containing regional and remote communities, introduces operational demands unlike those in any other developed insurance market.

Technology helps lessen some of this distance. It can reduce friction, improve consistency, access and move information faster. But it cannot bring local knowledge, experienced judgement or the comfort and confidence that comes with human contact.

The voices across this paper consistently point to the same conclusion. The strongest future model for insurance will be one where AI empowers people, rather than displaces them.

It is one where AI handles more of the repeatable work, so insurance professionals can spend more time listening, explaining, coordinating, negotiating and helping communities, families and individuals recover.

In that context, a distributed physical presence is not an operational cost. It is instead a strategic capability.

Parallel industries: What insurance can learn

When financial services remove local presence, the operational efficiency may be immediate, but the trust loss can be long-lasting.

That lesson played out clearly in Australian banking. Major banks closed a significant number of regional branches, particularly post-pandemic. As a result, they faced significant political and community backlash.

The 2024 Senate Rural and Regional Affairs and Transport References Committee inquiry into bank closures in regional Australia concluded that face-to-face services provide significant value for regional communities.

It found that removing local presence undermines trust, resilience and community confidence. While that inquiry focused on banking, it also recognised that Australians value trusted local relationships when dealing with complex or high-consequence financial matters.

Hubbard says Crawford & Company has consciously chosen not to follow the banking path.

"We made a concerted effort to maintain our branch footprint," he says. "It's a competitive advantage that we don't take for granted and wouldn't give up easily."

A matter of trust

Insurance and banking both ultimately depend on trust, but insurance tests that trust differently.

A claim often arrives at the point of distress and disruption. When someone has lost their home or their business, a local presence and human contact sends a powerful message that their swift recovery matters.

It's no surprise, Professor Walsh says, that trust in banks has plummeted.

"I think banks are a cautionary tale," he says. "We all used to know our bank manager and our bank manager knew us. Who knows their bank manager, now? I don't even know where my branch is."

"I think we will get to the point where you may choose a bank or a financial institution simply because a human answers the phone."

Doherty says the difference in service level between phone and face-to-face is enormous. Earlier in her career she worked in a Telstra call centre before shifting across to Telstra stores. She says she was surprised by how different the service experience was.

"On the phone, you learn to use your voice and not your facial expressions or other visual cues and mannerisms," Doherty says. "To be able to visually show someone empathy, to be able to visually walk through something with them, is massively different."

"Could insurance be done from a desk? Yes. Could it be done well from a desk? No."

The power of three

The future of claims

AI

research

administration

triage

document handling

information retrieval

Insurance professionals

judgement

expectation management

communication

negotiation

coordination

creative problem solving

Local presence

understanding the damage

understanding the community

activating local networks

accelerating recovery

The future of claims will not be defined by a choice between AI and people.

It will be shaped by how well the industry brings together three capabilities:

AI

Human judgment

Local presence

AI can move information faster. It can support research, administration, triage, document handling and information retrieval. It can reduce friction and give experienced claims professionals more capacity to focus on the work that matters most.

Human judgement turns that efficiency into better outcomes. It manages expectations, explains difficult decisions, identifies vulnerability, coordinates experts, negotiates solutions and finds practical ways forward when a claim does not fit neatly into a process.

Local presence grounds that judgement in reality. It helps insurance professionals understand the damage, the customer, the community, the contractors, the constraints and the recovery options available in that place.

Together, those capabilities create a stronger claims model: faster where speed matters, more human where trust matters and more effective where recovery depends on local knowledge.

As Doherty says, “A desk-based claims process can assess damage. A person on site can assess both the damage and what the customer needs next.”

That is the future of insurance: people first, digitally enabled and present where recovery happens.

To explore how Crawford can help strengthen claims performance through AI-enabled expertise, human judgement and local presence, contact the Crawford Australia team.

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About Crawford & Company®

For over 80 years, Crawford has led the industry through a relentless focus on people and the innovative tools that empower them.

10K employees | **50K** field resources | **70** countries | **$18B** claims managed annually

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