



IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA OKLAHOMA COUNTY

BILLY & LACY HURSH,

Plaintiffs,

v.

**STATE FARM FIRE AND
CASUALTY COMPANY; MARK D.
WELTY; and MARK D. WELTY
INSURANCE AGENCY, INC.,**

Defendants.

SEP 30 2026

**RICK WARREN
COURT CLERK**

88

Case No. CJ-2025-2626
Honorable Amy Palumbo

**CORRECTED NOTICE OF SUPPLEMENTAL AUTHORITY ON STATE FARM'S
EXECUTIVES' KNOWLEDGE OF BAD FAITH TACTICS AND OUTCOME-BASED
CLAIM HANDLING**

COME NOW the Plaintiffs, Billy and Lacy Hursh, and hereby provide Corrected¹ Notice to the Court of Supplemental Authority on State Farm's Executives' Knowledge of Bad Faith Tactics and Outcome-Based Claim Handling. This supplement is to bring clarity to and correct the records at multiple hearings before this Court, including but not limited to the September 1, 2026 hearing on State Farm's Motion for a Protective Order and to Quash Plaintiffs' Deposition Notice of State Farm's Chief Executive Officer Jon Farney, wherein State Farm has argued to this Court that State Farm's CEO has no knowledge of State Farm's bad faith tactics and outcome-based claim handling targeted at reducing indemnity payouts on wind/hail property damage and/or roof replacement claims before those claims ever occurred pursuant to the Wind/Hail Focus Initiative. To clear the record as to State Farm's false arguments and in considering the Court's September 28, 2026 Court Minute that de-designated 11 documents, Plaintiffs hereby file **Exhibit 17**

¹ The exhibit stickers were deleted when originally submitted for filing. The only correction herein are the exhibit stickers.

(remarked and re-attached hereto as **Exhibit 1**) attached to Plaintiffs' Motion to Strike State Farm's Blanket Confidentiality Assertion and De-Designate Documents Produced for Good Cause (filed Aug. 4, 2026) and **Exhibit 16** (re-marked and re-attached hereto as **Exhibit 2**) attached to Plaintiffs' Notice of Supplemental Authority Regarding Plaintiffs' Motion to De-Designate (filed Sept. 23, 2026). **Exhibits 1 and 2** attached hereto were both included in the Court's September 28, 2026 Court Minute on de-designation and are no longer confidential.

These documents attached to this Notice are crucial due to numerous State Farm executives' depositions taking place in Judge Palumbo's courtroom, as well as CEO Jon Farney's deposition that was ordered by this Court and is currently scheduled to take place on October 19, 2026. Plaintiffs have the right to use these documents at these upcoming depositions to shed light on contradictory statements made by State Farm's attorneys in court and by the State Farm executives whose testimony has differed greatly between this case and the *West* case in Comanche County.

According to State Farm when it receives notices for deposition, the executives who were essential to State Farm's work with Accenture have no unique fact knowledge. See e.g. 10/24/2025 SF MTQ Ress Notice at p. 9 ("Ms. Ress has no unique knowledge of the facts and circumstances surrounding Plaintiffs' insurance claims."). However, key discovery in this case shows that Ms. Ress was one of four Vice Presidents who served as an executive lead on State Farm's work with Accenture. See Ex. 2, HUR00156099 ("The Exec leads ... Kathy,").

Exhibit 2 is a document titled "Executive Summary – Op Model – 9.10.20" which Accenture was involved with the development of. This operations model which Accenture worked with State Farm on contains blatant bad faith plotting to reduce claim payouts and develop "outcome-based

claim

handling.”

Horizon 1	Horizon 2
• Move coverage (and liability) decisions earlier in the lifecycle through insights acceleration and workflow integration • Insights driven workflow optimizes inspection option presentation driving vendor network or virtual inspections only • Damage Evaluation partners engage to accelerate virtual estimating capabilities & accuracy • Claim classification informs skill-based routing and outcome-based claim handling. • Auto & Fire Model Enhancement teams are optimized for 'specialized handling' footprint • Claim characteristics are analyzed at intake to predict exposure & path	• Vendors are empowered to make decisions and pass conclusions along to move claim forward • Expansion of automation for downstream activities allows minimal touch for claim resolution • Estimators and vendor footprint is optimized to maintain and increase virtual inspection % • Shift from calendar-based workflow to intelligent inventory prioritization and task surfacing • Leadership intervention and escalation will be surfaced based on claim characteristics to allow narrowed yet prioritized management structure
EXPENSE EFFICIENCY ASPIRATIONS  \$218M - \$300M	 \$325M - \$500M

See Ex. 16 at HUR00156103. It is pure bad faith and a gross violation of the duties owed to first-party insureds that State Farm hired Accenture to develop an operations model for “outcome-based claim handling.” As such, this document cannot be considered privileged. Oklahoma law is clear that an insurer can never treat its insureds as an adversary, and engaging in outcome-based claim handling to save State Farm \$218-\$300 million dollars on claims that have not happened yet is the most adversarial conduct an insurance company could engage in. *Newport v. USAA*, 2000 OK 59, ¶ 15, 11 P.3d 190 (“An insurer may not treat its own insured in the manner in which an insurer may treat third-party claimants to whom no duty of good faith and fair dealing is owed and cannot offer less than an internal evaluation of how much the claim is worth.”);

Furthermore, this same operations model is where the “Fire Model Enhancement” or “FME” is developed and implemented to reduce claim payments for an “efficiency aspiration” to the tune of “\$218M-\$300M” in the pockets of State Farm. See *id.* It even discusses leadership

intervention or what becomes team manager review required of full roof replacements to the estimated “efficiency aspiration” of “\$325M-\$500M.” *See id.*

Outcome-based claim handling is inappropriate because Oklahoma law and the duty of good faith and fair dealing requires each claim be handled on the merits and based on the policy terms. *See e.g. Beers v. Hillory*, 2010 OK CIV APP 99, ¶ 30, 241 P.3d 285 (“The Unfair Claims Settlement Practices Act can provide the district court for guidance in determining whether particular conduct on the part of an insurer is unreasonable and sufficient to constitute a basis for a bad faith claim.”); 36 O.S. § 1250.5(1-2) (Provision of the Oklahoma Unfair Claims Settlement Practices Act) (“1. 1. Failing to fully disclose to first-party claimants, benefits, coverages, or other provisions of any insurance policy or insurance contract when the benefits, coverages or other provisions are pertinent to a claim; 2. Knowingly misrepresenting to claimants pertinent facts or policy provisions relating to coverages at issue[.]”); 36 O.S. § 1250.7 (Provision of the Oklahoma Unfair Claims Settlement Practices Act) (“No property and casualty insurer shall deny a claim because of a specific policy provision, condition, or exclusion unless reference to such provision, condition, or exclusion is included in the denial. A denial shall be given to any claimant in writing, and the claim file of the property and casualty insurer shall contain a copy of the denial.”); *Christian v. American Home Assur. Co.*, 1977 OK 141, ¶ 12, 577 P.2d 899 (An insurer must act fairly when adjusting a claim.); *Milroy v. Allstate Ins. Co.*, 2007 OK CIV APP 6, ¶ 18, 151 P.3d 922 (“The duty of good faith and fair dealing is inherent in every contract of insurance.”).

Furthermore, the same executive discussed how “coverage is the strongest area of improvement, yet remains the largest area of opportunity related to FED\$.” *See* Ex. 2, HUR00031476. She also discusses “quality indicators trending positively” including the following:

Other quality indicators trending positively include:

- May 2021 Total Roof to Partial Roof Replacement down from 4.1 in June 2020 to 2.3 in May 2021
- Wind/Hail estimate payment bands over \$10,000 decreased 13% YOY
- Wind Cat/NCAT CWP/Reported ratio is up 7.7 at 32.3 R12 (10YR CAGR is 25.2); Hail Cat/NCAT CWP/Reported ratio is up 15.7 at 34.7 R12 (10YR CAGR is 22.9)

See Ex. 2. State Farm leadership is openly bragging about total roof payments decreasing, and calling that positive, including tracking how many claims closed without payment ("CWP"). As such, Plaintiffs respectfully submit this Notice to clear the record of certain allegations about State Farm executive involvement in Accenture, outcome-based claim handling, and bragging about reductions in claim payments as a positive trend.

Respectfully submitted,

Hannah Whitten

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CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of September, 2026, a true, correct, and exact copy of the foregoing document was emailed and/or mailed to the following persons:

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P&C Claims Fire Claim Quality

June 2021

**Fire Claims**

The 2021 Fire Property Claims Quality Plan outlines specific tactics to address quality opportunities, yet action plans are adjusted based on actual results. Measurement and monitoring is in place at the team and individual level. Results are reviewed monthly at each level and documented in MyBlock to include trends and next steps for improvement and oversight. Results, Drivers and Actions in Progress are outlined by each VPO to drive improvement with the common thread of a one team quality approach to improve accuracy across fire claims.

Fire Weather: Ressa

Coverage analysis is the strongest area of improvement, yet remains the largest area of opportunity related to FED \$. Estimate reconciliation also improved in reconciling the contractors estimate, yet remains an area of focus. Scoping covered damages needs improvement. Action plans are heightened for scoping.

Results

Fire Weather Reinspection Fire Frequency Error Target is 7.8%, or a 20% improvement from 9.75% 4Q20 results.

- 7.33% YTD results for Fire Weather internal staff only (includes Winter Storm Uri)
- 8.12% YTD results for all Externals (includes Winter Storm Uri) compared to 8.36% at 4Q20
- 7.73% YTD Wind Hail combined; 7.58% YTD Wind Only, 7.93% YTD Hail Only

Three month wind/hail trends are improving for combined wind/hail peril from March to May and running at target error rate. External trends also improving Mar to May. Fire Weather internal staff 3-month trends declined, primarily related to winter freeze claim reinspection findings as Uri claims represent the largest volume of catastrophe claims handled YTD.

Other quality indicators trending positively include:

- May 2021 Total Roof to Partial Roof Replacement down from 4.1 in June 2020 to 2.3 in May 2021
- Wind/Hail estimate payment bands over \$10,000 decreased 13% YOY
- Wind Cat/NCAT CWP/Reported ratio is up 7.7 at 32.3 R12 (10YR CAGR is 25.2); Hail Cat/NCAT CWP/Reported ratio is up 15.7 at 34.7 R12 (10YR CAGR is 22.9)
- Virtual Inspection

FED 4Q Actual 4.06% for Fire Weather Internal Staff, YTD FED 4.25% with Mar to May trending down. FED 4Q Actual 4.71% for Externals, YTD FED 5.53 % with March to May also trending down. FED \$ results are heavily related to freeze losses.

Drivers

The top three drivers of results differ between Fire Weather internal and external resources. For staff members, the drivers include:

- Paying for non-covered roof damage
- Reconciling the contractor's estimate related to finish carpentry (freeze losses)
- Roof estimates reflect covered damages per the scope

The Roofing Skills Assessment identified the following areas for improvement in scoping the roof

- Xactimate Category/Selector Codes (e.g. skylight trim)
- Application of Appropriate Roof Waste Factor
- Identifying Hail Resistive Roofing Material

For ECRs, the drivers include:

- Paying for non-covered roof damage
- Reconciling the contractor's estimate related to water extraction (freeze losses)

EXHIBIT**1**

- Estimate reflecting covered damages per the scope related to Painting (freeze losses)

Actions in Progress

Fire Model Enhancement

- Wind/Hail guidelines with TM intervention for total roof replacements on small hail/light wind.
- Fire Data Accuracy Dashboard spot-check reviews for 'TM Approvals' on small hail, light wind and age & condition (specified states).
- Conducting recalibration sessions in early July on repair/replace and reasonable consistent appearance following a file review.

Estimatics Skills Enhancement

- WCCS Stewardship TM Estimate Writing Assessment conducted on June 21st; to implement targeted estimatics training. TMs completed Assessment on 6/21, with an average overall score of 83%. Training assessment in progress to deliver targeted training in July.
- Implementing targeted Training Modules based on under-scoping reinspection analysis in July.
- Reinspectors to deploy onsite to support findings earlier in the cycle starting in July.

Leadership Accountability and Alignment

- Division/Section/Team/Individual reinspection results are reviewed monthly with Top 3 Areas of Focus for monthly MyBlock, huddle and performance dialogues. This focus has led to identifying several individual claim handlers driving negative quality results.
- All division leaders (CM, SM and TM) complete spot-check reviews as outlined in the Fire Quality Plan with focus on CWP to Payments $\geq$ \$2500 (5 reviews) and Total Roof Reason Codes (5 reviews)
- Monthly meeting with Claim Consultant to review overturned roof calls by In-Office to drive consistency and specific opportunities like "Reasonable Appearance".

ECR Vendor Performance Management

- Delivering reinspection findings at macro and micro level to vendor executives and leaders regarding error frequency and most common errors to enable action
- Vendor Performance Dialogue sessions with vendor leaders where specific actions/tactics are delivered by firms in quality space
- Tracking of ECR tenure to obtain action plans by ECR Vendors when there is lower tenure

Fire Proximity: Smith

The main areas of opportunity based on findings and FED include Coverage, Reconciliation and Scope.

Results

While opportunities remain, Reinspection trending supports the efficacy in the action items currently in place. Overall Proximity results for May, in both % FED to Estimate Dollars Written (5.38%) and Finding Frequency (10.15%) were below the Q4 benchmarks.

- Finding Frequency has been below benchmark (10.75%) each month so far this year. May's result was the lowest of the year.
- % FED to Estimate Dollars Written has been below benchmark (5.43%) 4 of 5 months this year.

Drivers

Coverage

- Wind/Hail: accurate damage assessment on roof claims
- Water: accurate coverage analysis on continuous, repeated, seepage and leakage (CRSL) related claims

Reconciliation

- Identification in overlap between mitigation and repair estimates
- File documentation to support claim handling

Scope

- Over scoping; top driver associated with paint

Actions in Progress

Additional oversight, accountability and monitoring have been added at each leadership level as outlined.

- Review of Reinspection Results associated with coverage, reconciliation and scope
 - To be reviewed between TMs and SMs on FED findings over \$1K; SMs to review trends with CM and Consultant
 - SMs to review FED findings over \$5K with CM
 - Review Reinspection Coverage finding in monthly performance conversations
- Q2 Water Forums – Focus on Estimatics and Reconciliation based on top Reinspection Findings
 - Expectation setting for all claim specialists and leadership
- Wind/Hail Quality Focus
 - Primary focus is on coverage and repair versus replacement damage evaluations
 - TM authority required on wind less than 50 MPH and hail less than 1"
 - SM and CM review of Utilization Dashboards results associated with partial/total roofs and TM file reviews in monthly performance discussions
- Water Quality Focus
 - Accelerated Management Reviews to address Coverage and Estimatics
 - Water Claim Handling Estimatics Considerations developed for handlers based on most common Reinspection findings
 - SM and CM review of Utilization Dashboards results associated with completion and direction provided through the Accelerated Management Reviews/Water Coverage Analysis tasks
- Monthly Quality Review at the Segment and Division levels to address results, drivers and impact of the plan.

Fire In-Office: Mazza

The main areas of opportunity based on findings and FED include Coverage, Reconciliation and Scope.

Results

Overall reinspection findings for HCCS In-Office operations have made improvements over Q4 2020 results for both severity (FED %) and frequency (findings per claim). FED% is down from Q4 benchmark of 5.2% to 4.1% YTD, and findings per claim from .535 to .498. However there are opportunities for continued improvement. Coverage determination has seen the biggest change over Q4, with remaining improvements expected for CRSL and slab leak losses. Our largest areas of opportunity are Estimate reconciliation - specifically related to water mitigation and paint, Depreciation and Coverage. The majority of findings and dollars are in Estimate Reconciliation.

Drivers

- Lack of strong estimatics and water mitigation skillsets to efficiently reconcile estimates
- Inconsistent confidence levels preventing handlers from engaging with contractors on reconciliation
- Coverage determination for CRSL and slab leaks is inconsistent

Actions in Progress

- Accountability and follow up to the individual Online Reinspection Tool results is focused and scheduled for all levels of leadership, with MyBlock documentation.
- Water Forums are building skillsets and confidence for handlers with coverage determination and reconciliation. Skills assessments following the forums are utilized to identify areas needing follow up at the individual and team levels.
- In-office TM estimatics skill assessments to ensure knowledge and ability to coach
- Art of the Conversation attendance to build confidence with handlers
- Claim Insights for accelerated water reviews for coverage and estimatics
- Water test team is scaling proven tactics to HSTWD operation (starting this week)

From: Kathy Ress [/O=STATEFARM/OU=HOME/CN=RECIPIENTS/CN=HE8J]
Sent: 9/17/2020 1:30:59 PM
To: Nicole Manduca [nicole.manduca.lok2@statefarm.com]
BCC: Nicole Manduca [nicole.manduca.lok2@statefarm.com]
Subject: FW: Op Model Discussion
Attachments: Next Phase of Claims OVP Check In 9112020.pdf

Please do not forward.

From: Wensley J Herbert
Sent: Friday, September 11, 2020 3:44 PM
To: DL-PC-CLMS-OVPs <DL-PC-CLMS-OVPs.DLUSS2@internal.statefarm.com>; Robert Yi <robert.yi.caqa@statefarm.com>
Cc: Carol Waldron <carol.waldron.bip0@statefarm.com>; Kathy Ress <kathy.ress.he8j@statefarm.com>; Cheryl Schaefer <cheryl.schaefer.lrkt@statefarm.com>; Matthew Parola <matthew.parola.nzjn@statefarm.com>
Subject: I/A: Op Model Discussion

Team,

Since our last showcase which focused on the conceptual view of the Op Model, we have been working on the next two phases and have started Phase 3. The last two weeks have focused on:

- Strategy refinement to set the parameters for execution
- An assessment of the inflight initiatives for prioritization/start/stop/continue
- Detailed new initiative definition from the journey/horizon roadmaps

We would like to spend our time on Tuesday, on reviewing the work of our last two weeks and align on the output, specifically the strategy refinement and the initiative view by horizon. The Exec leads (Carol, Kathy, Cheryl and Matt) will join us for that discussion.

Post that discussion, our next steps will be:

- Refinement towards the next level of detail on the implications to the Op Model by Horizon
- Complete our Horizon outcome analysis and alignment on those
- Finalize our oversight and ownership structure

Thanks,
W & SS

EXHIBIT

2

Executive Summary

Op Model

09.10.20

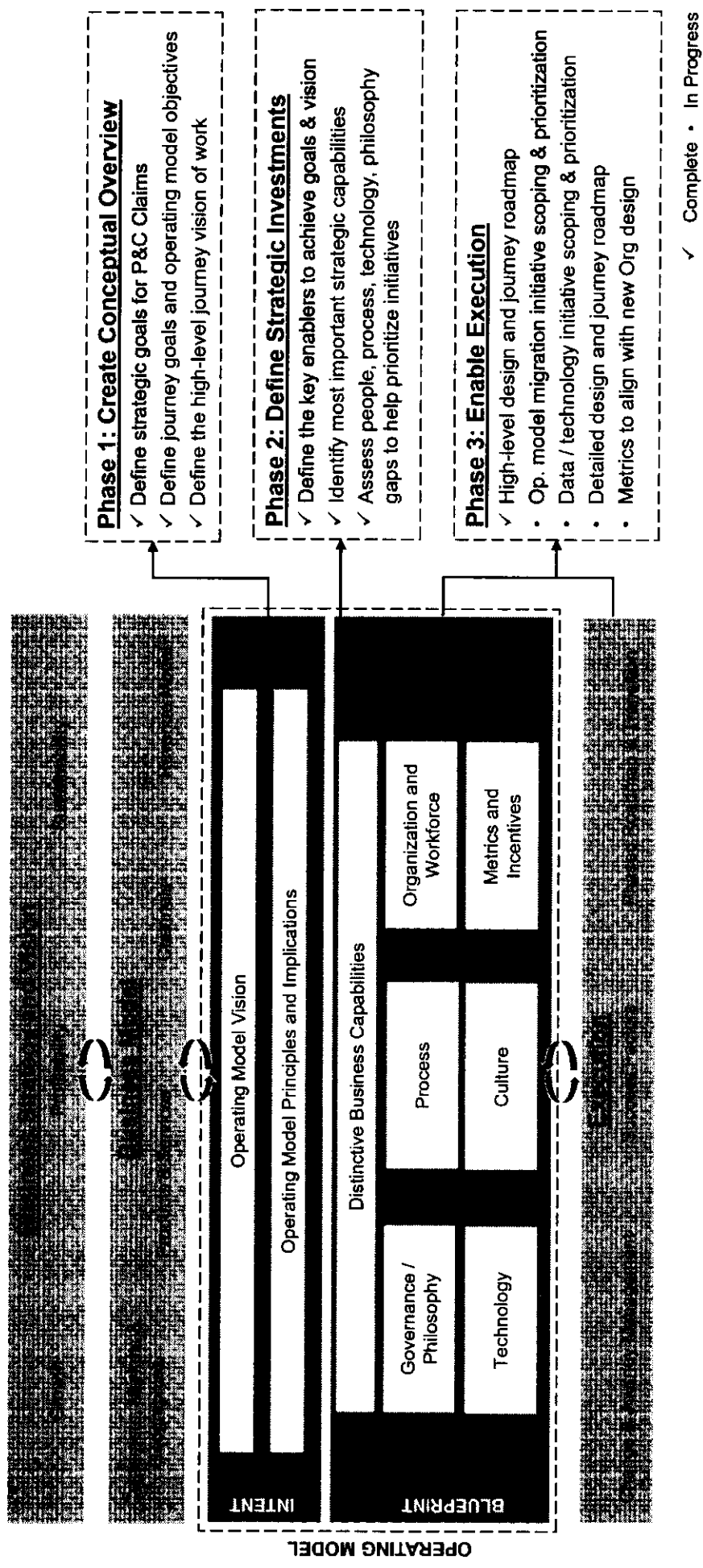


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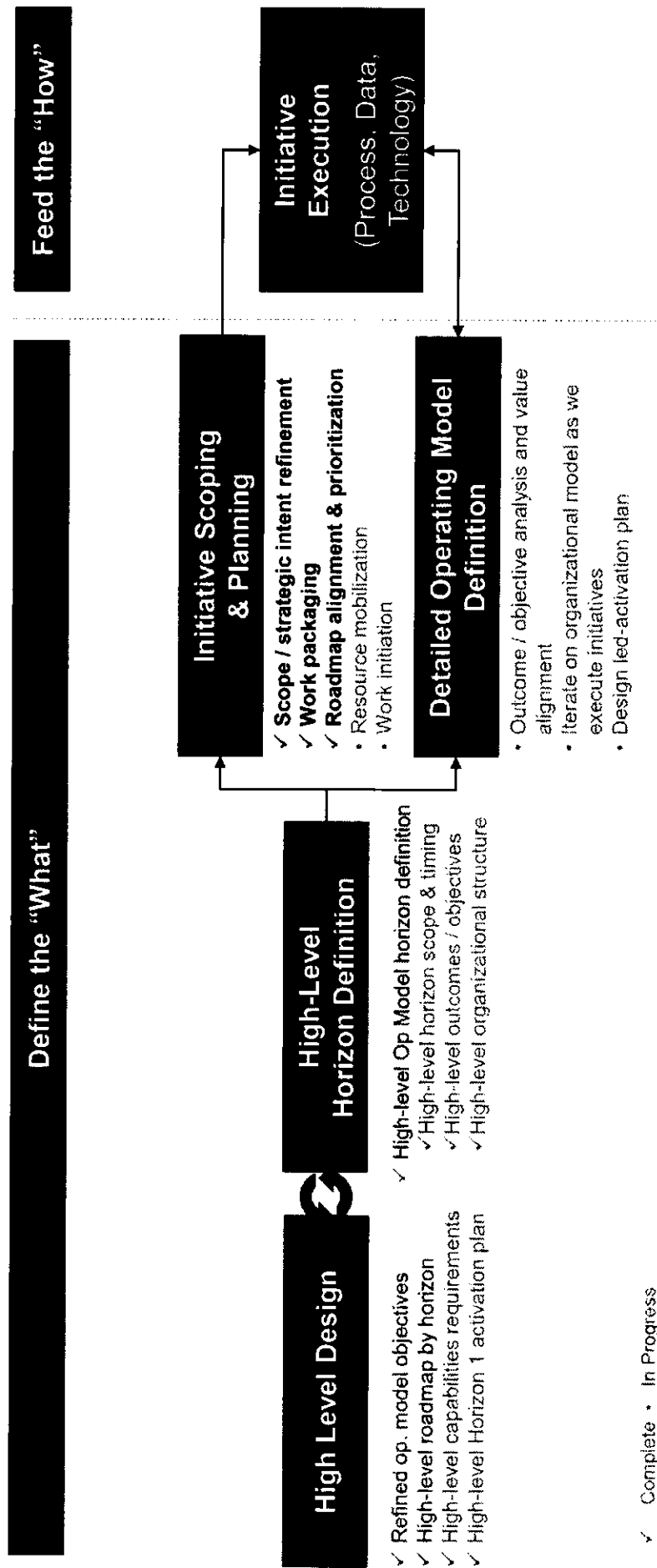
HUR00156100

We broke down the components of an operating model into three phases of work



As we mobilize for execution in September, we've made progress on the Initiative Scoping & Planning

Over the last two weeks, we have refined the strategic intent for our key strategies, assessed in-flight initiatives and defined new initiatives in alignment with the Journey / Horizon roadmap scope, and began to prioritize the workstreams / initiatives overall.



The three "Landing Points" were leveraged to assess detailed work packages & initiatives and ensure iterative progress through execution

Hursh, Billy, et al. v. SFF&CC, et al
DRAFT – For Discussion Purposes Only

EXPENSE / EFFICIENCY ASPIRATIONS	Horizon 1	Horizon 2	Horizon 3
	- Move coverage (and liability) decisions earlier in the lifecycle through insights acceleration and workflow integration - Insights driven workflow optimizes inspection option presentation driving vendor network or virtual inspections only - Damage Evaluation partners engage to accelerate virtual estimating capabilities & accuracy - Claim classification informs skill-based routing and outcome-based claim handling. - Auto & Fire Model Enhancement teams are optimized for 'specialized handling' footprint - Claim characteristics are analyzed at intake to predict exposure & path	- Vendors are empowered to make decisions and pass conclusions along to move claim forward - Expansion of automation for downstream activities allows minimal touch for claim resolution - Estimators and vendor footprint is optimized to maintain and increase virtual inspection % - Shift from calendar-based workflow to intelligent inventory prioritization and task surfacing - Leadership intervention and escalation will be surfaced based on claim characteristics to allow narrowed yet prioritized management structure	- Delivery of instant claim valuation greatly reduces manual evaluation - Coverage and liability decisions not requiring specialization are automated - Fully optimized digital claims process is delivered - Low value tasks are automated - Cross journey skilling will allow realignment of workforce to enable realization of future state Enterprise claims structure
	 \$218M - \$300M	 \$325M - \$500M	 TBD

Note: Horizon 1 \$ are relative to 2020 budget

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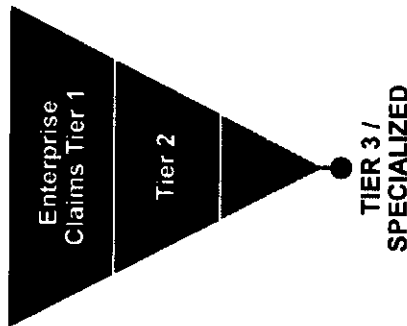
HUR00156103

As we evolve the current model, we used areas of focus across all three DRAFT – For Discussion Purposes Only horizons to help inform prioritization and progress

Today's Environment
Work of similar complexity is aligned
for scale and consistency

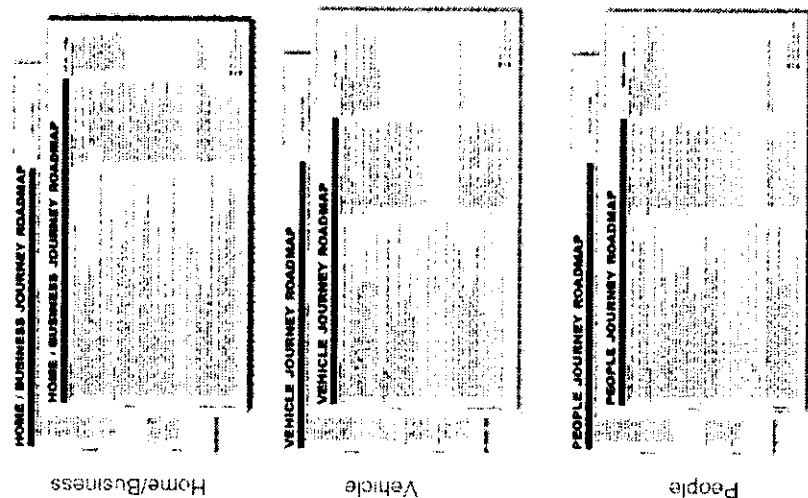
Auto ILR	Express	Fire ILR
Complex	Total Loss	Fire In Office
Injury Tier 1	Injury Tier 2/3	Fire Proximity
Estimates	Subro	SIU

Horizon 1	Horizon 2	Horizon 3
<u>Areas of Focus</u> • Maximized repair options through Select Service or virtual channel • Increased liability and coverage determination at FNOL • Automated and enhanced accuracy of claim routing <u>Key Capabilities</u> • Intelligent Messaging • Claim Handler Inventory Prioritization / Claim Insights • Automated Liability Assessments • Advance Claim Triage	<u>Areas of Focus</u> • Increase number of touchless claims • Increased injury identification and direct claimant resolution at intake • Realization of substantial reduction in field inspection needs • Modern Associate eXperience (MAX) • Instant Claim Valuation • Intelligent Damage Evaluation • IOT Architecture • Intent Driven Digital Interactions • Document Imaging & Indexing • Third-Party data Ingestion • Optical Character Recognition / Text Mining • Dynamic Party Profiles	<u>Areas of Focus</u> • Fully optimized digital experience from intake to resolution • Instant claim valuation to reduce cycle time and manual effort • Reskilling and realignment of workforce to fully support target model

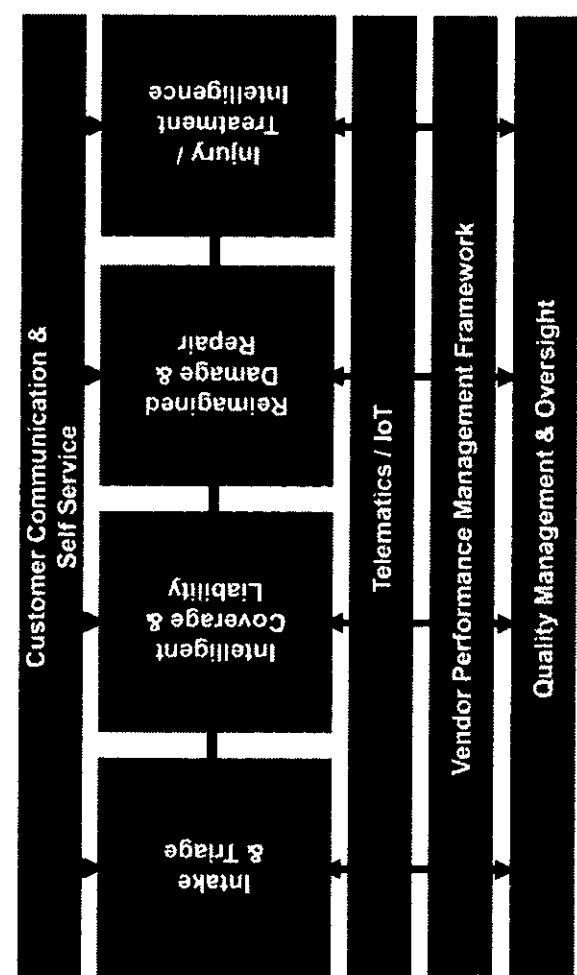


We refined the scope / strategic intent for 8 key "workstreams" to close the gaps identified across the journeys

Detailed Journey roadmaps outlining Initiatives by Horizon



Refined scope of key strategies/workstreams to provide guideposts for execution...



Intake & Triage Strategy

Intake & Triage

Strategic Intent & Vision

- A fully optimized digital claims process to enable early lifecycle claim handling, enhanced data collection, and streamlined resolution. Leverage claim information collected at FNOL and throughout claim lifecycle events for continuous triage and routing.

Strategic Statements

- Constraints around job level, skill level do not prohibit the ability to get claim resolved at 1st interaction
- Core claim decisions (coverage, liability, damage repair, etc.) will be made at 1st interaction
- Transfer for specialization (if needed) will occur at intake with decisions still targeted for 1st interaction
- Inefficiency, handoffs, duplication is minimized post intake with decisions being made at intake
- Third party / internal sources and vendors leverage "Know the Claim" and "Know the Party" information at FNOL
- Omni-channel experience will enable information & actions to be shared in real-time across channels
- Digital capture of photo / video / IOT data at intake (for claims where required) will be priority
- Service expectations and prioritization will vary by 1st and 3rd party (non-SF) customers / work
- Vendors related to 1st party will be prioritized over 3rd party for resolution
- 3rd party handling will be different for resolution path – prioritize satisfying handling for good faith, but eliminate work soliciting 3rd party handling through SF

Outcomes

- Labor expense reduction through increased STP
- Increased speed to resolution (decreased avg. cycle time)
- Reduce non-value work due to accurate initial routing
- Reduce manual claim reassignments by xx%
- Achieve measurable improvements in claim resolution and accuracy

Objectives / Key Metrics

- 40%+ of losses go through digital intake and are contained in the digital channel (no human follow up required)
- 35-40% touchless claims
- 80%+ of required data and supporting information is ingested up front to inform a touchless path
- 90%+ of up front and continuous triage to Tier 2/ Specialized is automated
- XX% improvement in cycle time (ex. BI settlements within 60 days, cycle time to liability established)
- XX% increase in model identified claims routing to specialized segments (ex. SIU)

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Intelligent Coverage and Liability Strategy

Intelligent Coverage & Liability

Strategic Intent & Vision

- Leverage internal and external claim information collected at FNOL to translate facts of loss into coverage and liability decisions and/or recommendations. In addition, continuously validate liability and coverage determination throughout claim lifecycle events.

Strategic Statements

- Information and documentation required for coverage and liability decisions will be established and gathered up front based on claim path and scenarios.
- Coverage and Liability decisions where possible will be made at 1st interaction with the insured/policyholder.
- Liability and Coverage escalation varies by complexity with decisions still targeted for 1st interaction based on the following Levels.
 - Level 1: escalation to non-specialized handler. Reviews decision or communicates to parties involved. After interception of claim for liability, claim is back on touchless path
 - Level 2: escalation to the right specialized handler for complex scenarios where AI is not able to make determination. May require additional investigation, may be outside of intake function
 - Level 3: escalation for leadership review based on scenario i.e. high exposure, decision is made outside of model's recommended range, and/or deviation from anticipated path predicted and intervention is needed
- Insights and/or specified vendors (body shops, contractors, rental car agency) will complete damage investigation to inform and where applicable make coverage decisions; internal data from other departments i.e. Underwriting and Agency will be better leveraged as well; exceptions kick out to SF claim handlers as noted in levels above
- Follow-up for documentation / information will be limited post FNOL as more decisions made and/or documentation/information request is automated/auto requested
- Documentation required for subrogation recovery will be identified during initial customer interaction or automated
- Vendor partnerships will have the skills, certifications and/or licensing required for desired workflow.

Outcomes

- Greater automation and/ or decision support leading to labor expense reduction
- Increased speed to resolution (decreased avg. cycle time)
- Less variation in decision accuracy
- Improved customer satisfaction with the claims process

Objectives / Key Metrics

- 90% of liability determinations are made at initial triage
- 80%+ of coverage decisions are made at initial triage
- 30-50% increase in throughput per handler
- 90% of subrogation potential identified at intake
- 75% of subrogation referrals automated with no re-work

Reimagined Damage & Repair Strategy

Reimagined Damage & Repair

Strategic Intent & Vision

- Guide customers to optimal virtual or preferred vendor network option at intake. Leverage photos and loss reported data to understand potential extent of damage (inclusive of vehicle, property, home). Determine reparability and the right repair channel at intake to eliminate delays in determining the correct path for property damage.

Strategic Statements

- We are going to optimize our vendors to position as the best inspection option for the customer.
 - MSO/DRP for Vehicle
 - Contractor/Vendor Network for Home/Business
- Virtual estimating will be handled based on 3 levels of complexity:
 - Level 1 – estimate is written through Artificial Intelligence (AI) capability delivering instant claim valuation
 - Level 2 – estimate is pre-populated and review & approved by most cost beneficial / accurate channel (SF vs. vendor)
 - Level 3 – AI level of confidence is low based on reparability/Damage ID for prepopulating estimate – this claim is routed to preferred service provider to be physically inspected.
- The E2E salvage process is a hybrid process leveraging a combination of estimating and salvage vendor solutions, internal capabilities and process changes, and a SF run governance and quality monitoring structure for facilitation
 - Contents self-service options will require vendors to work directly with the customer to create inventories (H/B)
 - ALE self-service option will require vendors to work directly with the customer for housing solutions (H/B)
- In jurisdictions where allowable, only DRP options are presented to customer. (Criteria such as shop performance, location etc. are utilized to surface list of shops to select from). Shop connectivity allows customer to view inspection availability and schedule their appointment (Vehicle)
- In jurisdictions where we can't be as directive, MSO/Select Service shops will be positioned as the best option for the customer, however, decision tree will provide additional options to satisfy statutory requirements (Vehicle)
- Based on increased accuracy in repair/total loss, work flowing to DRP shops will be for repairable vehicles only and can be further triaged at the shop level based on complexity of hit and claim characteristic (vehicle)
- MSO and DRP shops will facilitate all activities once assignment is made (vehicle)

Outcomes

- Increased Utilization of Virtual Estimating (X% handled by State Farm, Y% handled by vendor)
- Decrease Salvage Cycle time
- Increase Preferred contractor utilization
- Improvement in lead time

Objectives / Key Metrics

- 95% of repairs go through virtual or preferred vendor options
- 40% of damage evaluation done virtually
- 70% Select Service program utilization
- 80% virtual handling of non-program estimates
- 60% of non-program estimates are handled through photo estimating
- XX% of Total Loss claims are handled through ETL
- XX % improvement in repairable and non-repairable lead time
- XX% of estimates are initiated through automation
- XX% of estimates are completely automated
- XX% of total loss settlements are completed virtually

Injury / Treatment Intelligence Strategy

Injury / Treatment Intelligence

Strategic Intent & Vision

- Utilize internal and external data to inform insights to improve injury identification, claim classification, escalation, injury evaluation, offers, offer timing and negotiation (if applicable). This includes demand packages, medical bills / records to be automatically reviewed/analyzed and surfaced if necessary to help inform what is needed during claim life cycle.

Strategic Statements

- Offer workflow (e.g. timing, delivery, etc) will be based on exposure, participants and claim characteristics
- Offers will be made at intake where possible if basic injury details are captured for evaluation utilizing information within claim file and /or historical data
- Offers will be made directly to claimants/attorneys through digital channels without a claim handler touch for low complexity and low risk claims. Reduce reliance on over-documentation where appropriate and allow 1st and 3rd party injury claim resolutions to be informed by insights
- Demand package review will be enabled, driven and automated by insights
- 1st & 3rd Party medical bills / records will be analyzed against claim characteristics and outputs (e.g. pricing, range of value, strengths and assertions) will be embedded into the workflow without human intervention where possible
- Litigation strategy will be informed by data from both internal and external sources. Litigation will be more automated based on expected path for litigation claim scenario and escalated for intervention when appropriate. The data will be made available for modeling / insights to inform multiple elements during the litigation life cycle. Continuous improvement of the Settle/Defend recommendation will be supported by external vendor agreement that will constantly monitor external Plaintiff Attorney actions/results.
- Follow-up for litigation strategy is optimized and documentation/information related to litigation is warehoused in digital environment that minimizes mail/email/phone interaction needed with defense counsel
- Vendor partnerships will enable ability to automate generation of people profile (while also leveraging internal data available) for early ID of injury and improve accuracy. Data will not require human discretion to produce rather be driven based on claim characteristics

Outcomes

- Increased % of automated offers without handler intervention
- Increased accuracy
- Direct Claimant Closures
- Greater efficiency in first party medical claims
- Human capital will be shifted towards focusing on negotiation/defense strategy.

Objectives / Key Metrics

- 95% of injury exposure identified at initial triage
- 50%+ of injury direct claimant resolution at intake
- X% autopayment of 1st party medical claims
- 30-50% increase in throughput per handler

Telematics / IOT strategy

Telematics / IoT

Strategic Intent & Vision

- Ingestion of telematics will reduce manual intake effort and inform the claim path through ingestion of real time loss information. The value realization will require a target state data architecture which captures all forms of data, unlocks it to be leveraged across multiple tools, build insights, and ensure that data received is accurate.

Strategic Statements

- Telematics / IoT data strategy will focus on procuring data in a format that allows us to utilized telematics data across journeys/across vendors etc. downstream.
- Telematics / IOT use cases will focus on loss prevention services to drive digital engagement, pre-population of claims data at intake, augment core claim decisions
- Telematics and IOT will be enriched with internal and 3rd party data to feed analytical models and inform insights to determine claim path at intake
- Supplementing claim data with Telematics and IOT data is a key component for touchless claim journeys.

Outcomes

- Expense reduction by reducing need for capturing loss information manually at intake
- Accuracy benefits by defining claim classification and path early in lifecycle
- Increased customer adoption of auto/smart home telematics
- Decrease in severity due to early detection/mitigation of damages (Home/Business)

Objectives / Key Metrics

- 80%+ of required data and supporting information is ingested up front to inform a touchless path
- 30-50% increase in throughput per handler

Customer Communication & Self Service Strategy

Customer Communication & Self Service

Strategic Intent & Vision

- Create a customer centric journey providing personalized interactions and driving self service interactions. Leverage insights and claim characteristics which surface the "next best action" for customers in self service workflow. Create clarity for customers and agents and reduce the need for State Farm intervention.

Strategic Statements

- At all phases in the claim lifecycle we will lead with a digital first communication strategy. The digital channel will be informed by customer preferences, claim characteristics/classification. Follow up will be directed to digital channel.
- Outbound communication, expectations and notifications are prioritized by claim classification and jurisdictional requirements. These communications will be executed through digital channel, and exception based non-digital interactions will be focused and intentional.
- Customers are 'opt-out' instead of 'opt-in' for prioritizing digital communication channels.
- Simplified and intuitive workflows through digital interactions are established to drive ease of use (this goes for claims hub, agents, 3rd parties, vendors)
- Measurement and governance mechanisms built around interactions drive accountability and maintain adoption of digital channels
- Different views are curated for interested parties to allow access of information as well as intent drive workflows based on party and level of action needed for claim.
- Certain journeys, claim types and parties will be limited to only self-service options (IVR, chat bot, mobile app, online)
- After intake, all tasks needing to drive claim towards resolution will be prompted for customer workflow through self service channels with intervention required only for complex scenarios

Outcomes

- Reduction in inbound call frequency
- Customer survey index
- Reduction of claim handler tasks and calendar items
- Cycle Time reduction

Objectives / Key Metrics

- 40%+ of losses go through digital intake and are contained in the digital channel (no human follow up required)
- 20-50% unit cost reduction per service transaction
- XX% of 3rd party calls are handled via a non-human responder
- XX% of Agent calls are handled via a non-human responder
- Reduce calls per claim by XX% (Auto)
- Increase Self-Service from XX% to XX% (YE2020 target: 20%)
- Increase Loss Reporting Self-Service from XX% to XX% (YE20 target: 12%)
- Increase Repair Assistant Self-Service from XX% to XX% (YE20 target: 27.8%)
- Increase Rental Self-Service from XX% to XX% (YE20 target: 9.5%)
- Increase Glass Self-Service from XX% to XX% (YE20 target: 41.5%)
- Increase ERS Self-Service from XX% to XX% (YE20 target: 18.5%)

Quality Management & Oversight Strategy

Quality Management & Oversight

Strategic Intent & Vision

- Escalations and oversight for activities will be based on claim characteristics and surfaced to the right handler, leadership, or expert. We will cross reference historical data and performance with claim characteristics to choose the appropriate level of leadership for intervention. Dynamic quality monitoring will enable inventory intelligence and early signal monitoring and to allow pre-emptive claim intervention.

Strategic Statements

- Calendar based workflow will be eliminated and replaced with data-driven interactions to work files at right time
- Authority process is no longer determined by monetary thresholds and escalation follows data driven escalation that is scenario and claim classification based.
- Escalation is surfaced to the right level of intervention or review needed instead of manual identification and push through multiple levels.
- Escalation will be 'action based' instead of 'rule based'.
- Financial control and review will be streamlined, automated, and prioritized based on claim characteristics and revamped triggers.
- Quality monitoring is narrowed and prioritized based on analytics and insights, replacing the current OAR and MCAR processes.
- Inventory intelligence informs real-time quality monitoring, minimizing need for retroactive file reviews and analysis

Outcomes

- Reduction in complaint frequency (agent, contractor, DOI)
- Increase in quality due to appropriate intervention
- Reduction in cycle time due to prioritization and handling efficiency
- Narrowed and prioritized span of controls for leadership
- Earlier trend identification

Objectives / Key Metrics

- Quality claim handling metrics

Vendor Performance Management Strategy

Vendor Performance Management Framework

Strategic Intent & Vision

- Increase strategic vendor partnerships with expanded decision-making rights and implement real-time performance monitoring to drive accuracy & efficiency improvement. Vendors will be required to/enabled to provide supplemental information or validate the accuracy of loss facts for a given claim to ensure adequate performance.

Strategic Statements

- Vendor engagement in processes is dynamic based on workflow needs
- Vendors are utilized as strategic partners within ecosystem and leveraged to increase efficiencies, cost structure, and accuracy.
- Vendors will be assessed for where they can be engaged to drive efficiencies and benefits in the process.
- Governance structure for vendors is tailored to use case and engagement level of vendor within processes.
- Oversight for vendor partnerships will be optimized based on performance and contractual agreement
- Vendor oversight will be data driven based on vendor integration into claims lifecycle and tasks performed.

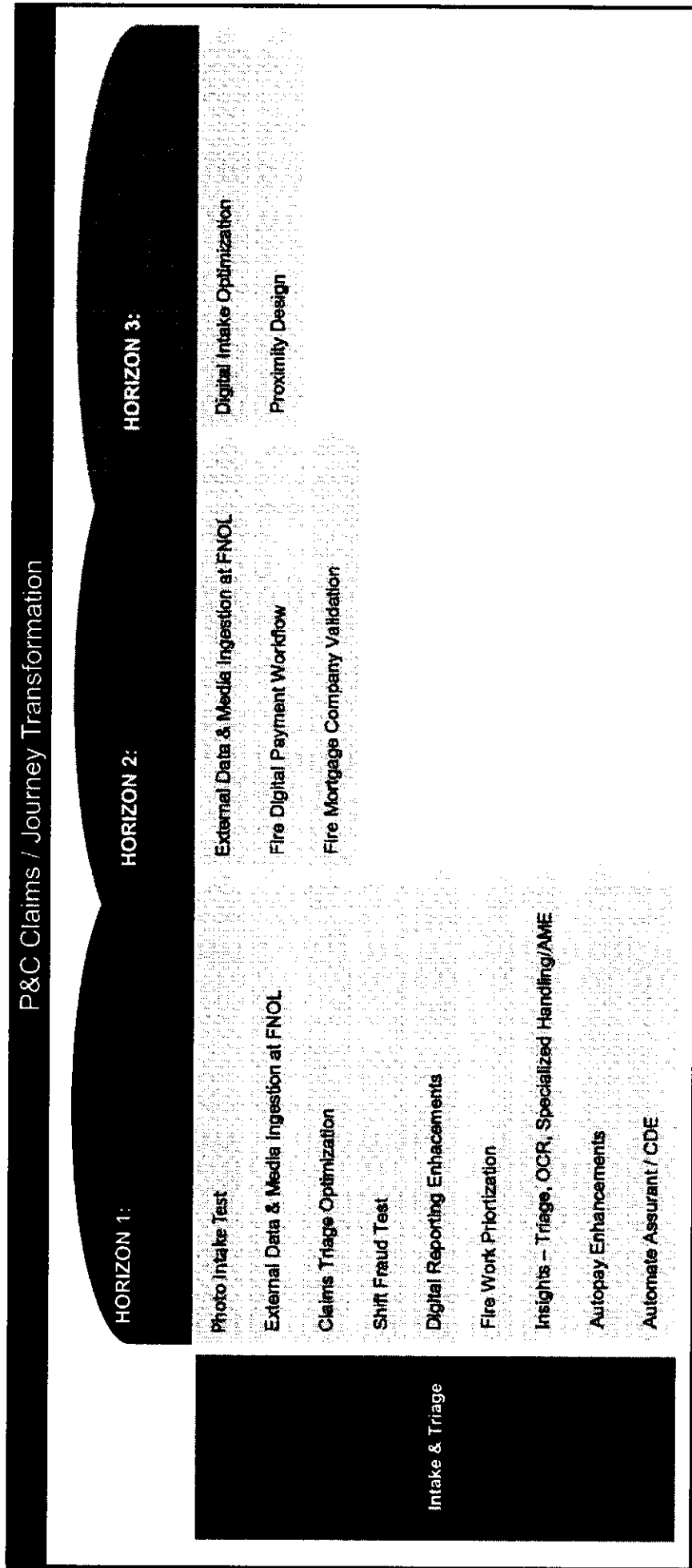
Outcomes

- Ability to dynamically change cost structure and footprint based on performance and demand

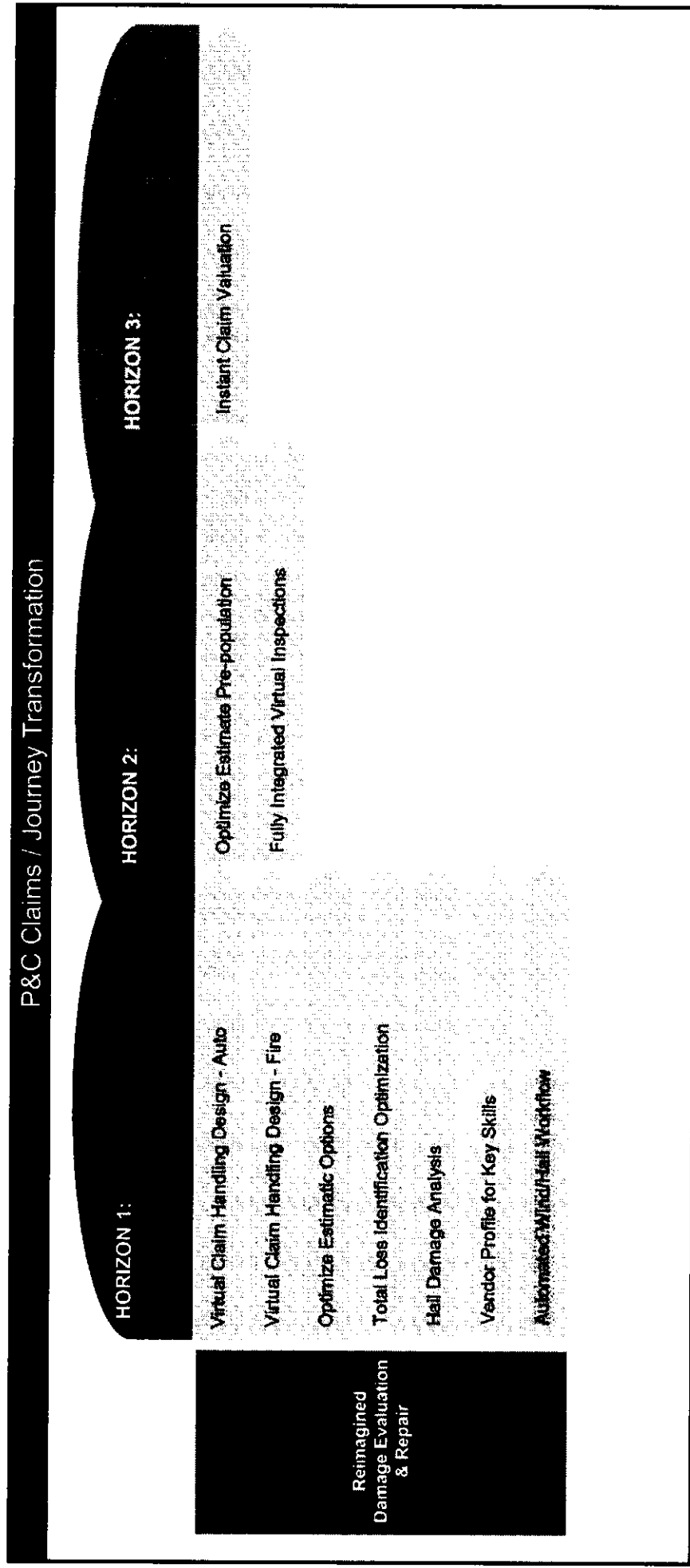
Objectives / Key Metrics

- 20-50% unit cost reduction for field inspection
- 20-50%+ cycle time reduction
- 20-50% unit cost reduction per service transaction

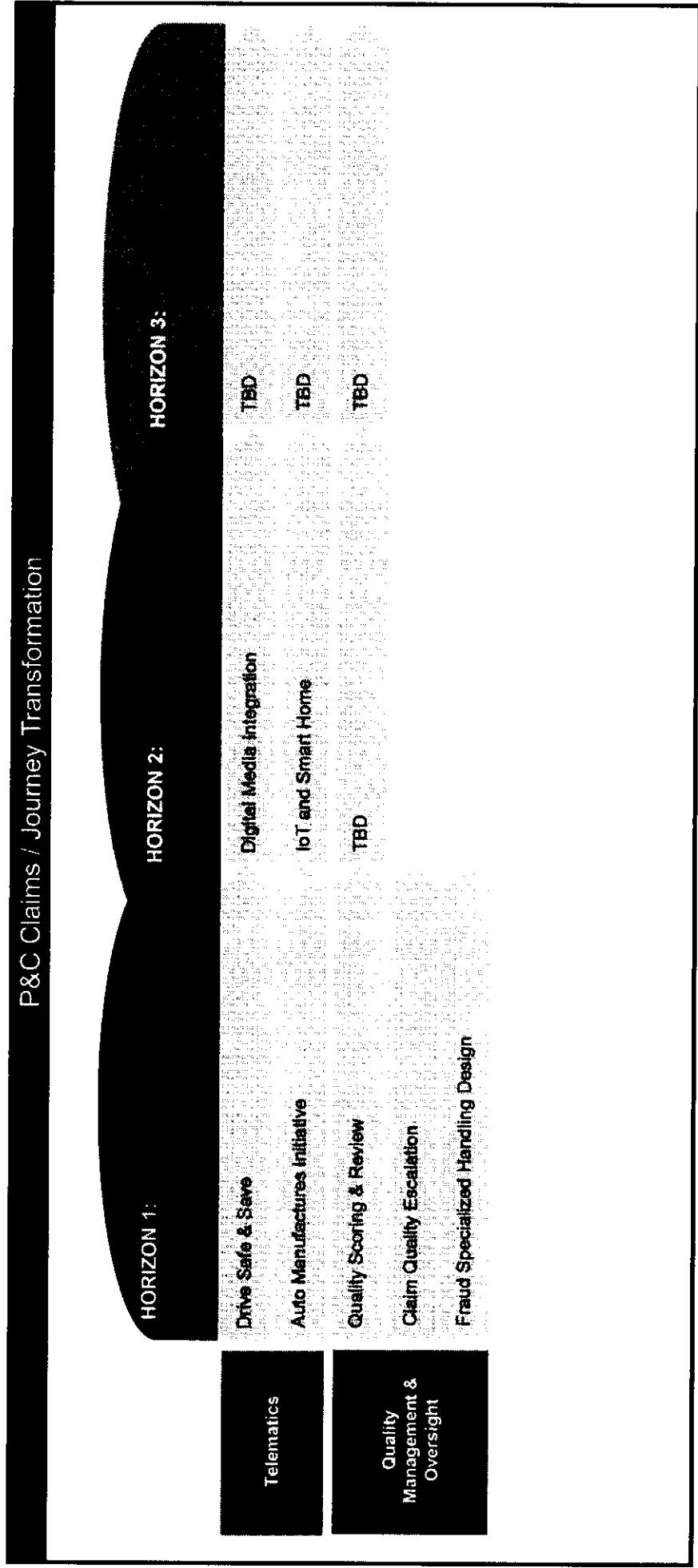
Intake & Triage Initiative Roadmap by Horizon



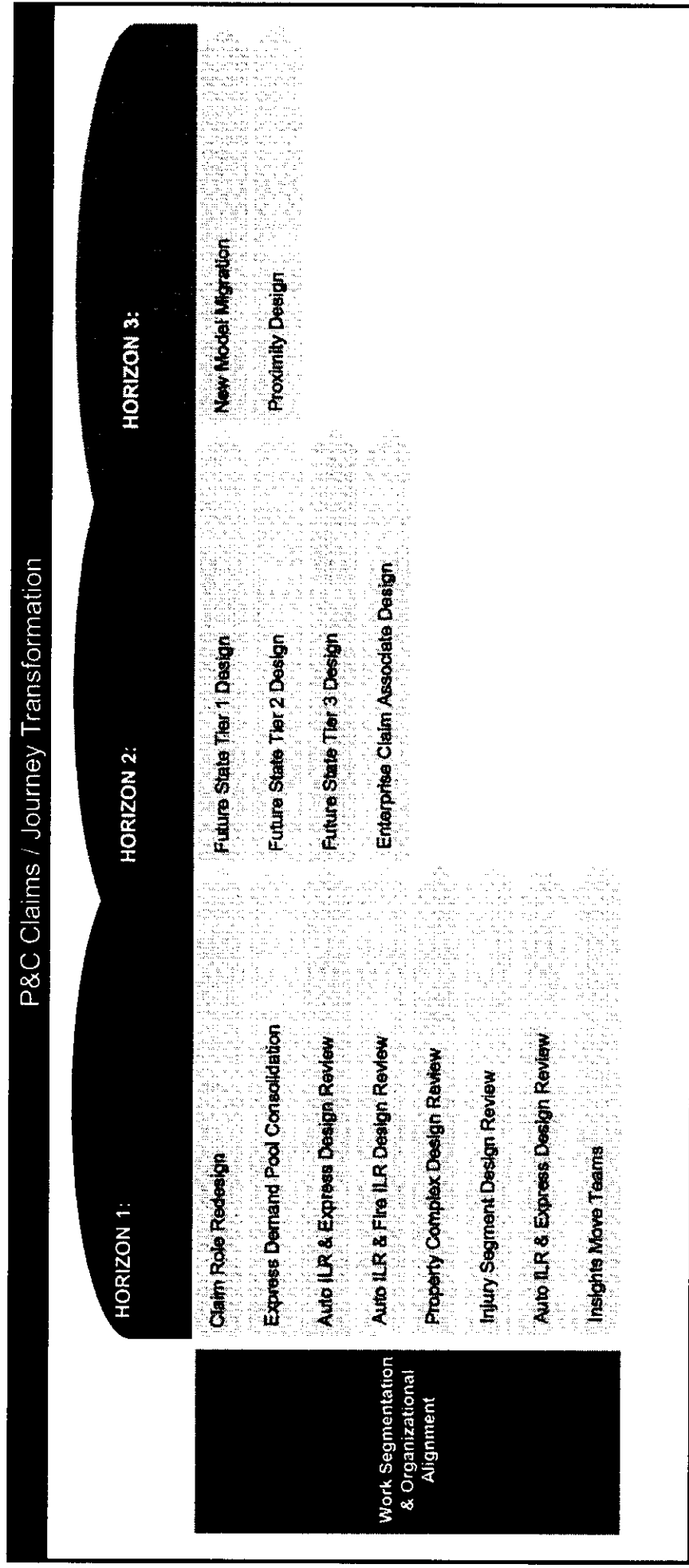
Reimagined Damage Evaluation & Repair Roadmap by Horizon



Telematics, Quality Management & Oversight Roadmap by Horizon



Work Segmentation & Organizational Alignment Roadmap by Horizon



The next two weeks we'll complete mobilization activities to prepare for execution

Next Steps

- **Finalize Accountability & Oversight Framework** – create of framework to ensure progress towards target state and realization of benefits
- **Refine Detailed Horizon 1 Implied Changes** – connect strategic intent to Horizon 1 changes and summarize major people, process, technology, model implications
- **Finalize Horizon Outcome Analysis** – complete high-level analysis to support expense / efficiency outcome targets by horizon
- **Resource Mobilization & Work Activation** – alignment of leadership and project resources to workstreams / initiatives and activate new or continue in-flight work

APPENDIX

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In Phase 1, we set strategic goals & aligned on the potential benefits as we evolve to the new model

Strategic Goals

EXPENSE / EFFICIENCY
Market Leasing Loss
Adjustment Expense
LAE & Operating
Excellence

1. Reduce Direct Labor Expense

2. Increase Productivity / Speed of
Delivery

3. Reduce Non-Labor Expense

ACCURACY
Pay What We Owe

4. Improve Quality Claims Handling

ULAE: \$5.16

- Total Reinsurance: 28,000 FTEs
- Initial Loss Report (Auto + Fire): 2,385
- Core Segments (Auto + Fire): 16,100
- Shared Services / Support: 4,385
- Field / Underwriting: 6,000 FTEs
- Other Adj. Expenses: \$1.05

ALAE: \$1.98
• DCCG: \$1.98

ULAE: \$3.49

- Total Reinsurance: 13,000-16,500 FTEs
- Jan 1 (Initial): 7,000-8,250
- Jan 2 (Complex): 5,000-6,250
- Jan 3 (Specialized): 1,000-1,500
- Field / Underwriting: 800 FTEs
- Other Adj. Expenses: \$1.51-1.55

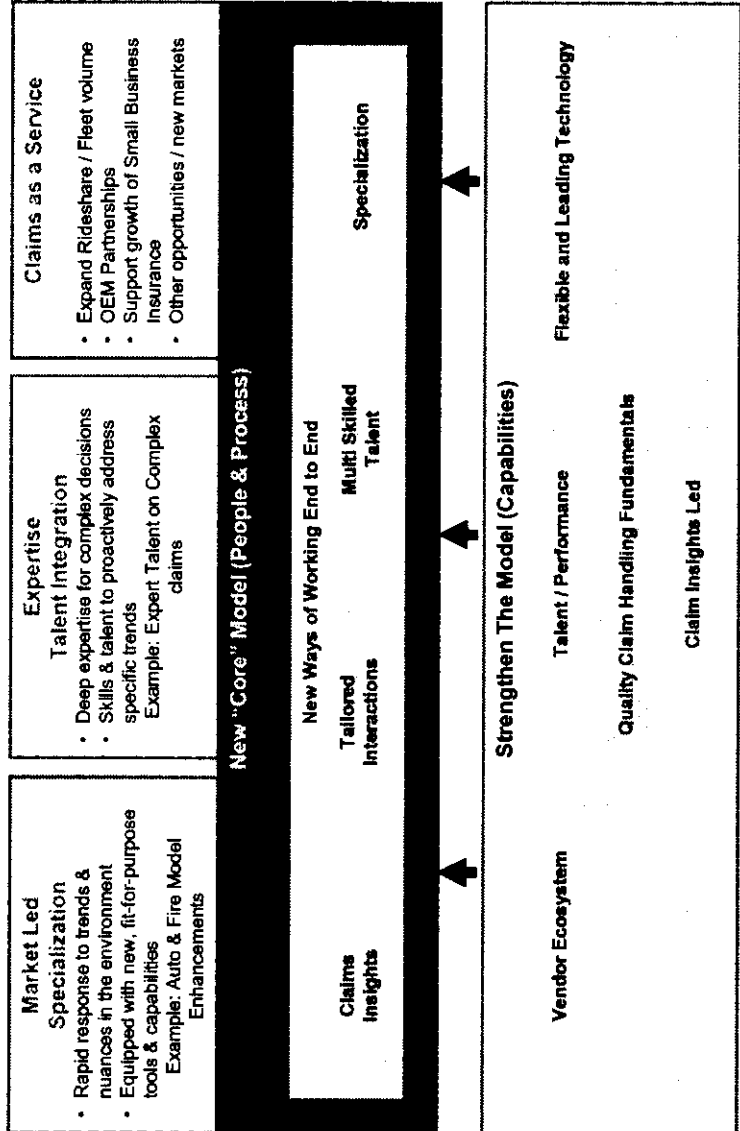
ALAE: \$1.41-1.55
• DCCG: \$1.41-1.55

Continued Improvements in quality claim handling

Continued Improvements in quality claim handling

Continued Improvements in quality claim handling

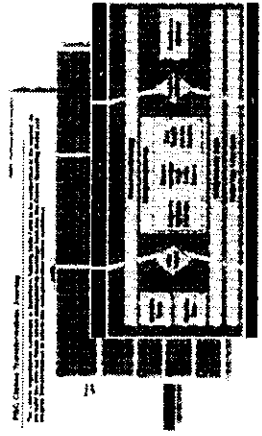
We started with a foundation and enhanced it to align on future operating model principles



- From the core model, we defined the following future operating model guiding principles ...
1. Move Claim resolution toward beginning of Lifecycle
 2. Embed Artificial Intelligence in most workflows
 3. Eliminate non-judgment based activities through automation
 4. Guide interactions to the optimal channel
 5. Leverage vendor ecosystem to accelerate solutions and play specific roles in our model
 6. Align talent and skill sets to the right work

We built / enhanced existing strategies and focused on how current transformation enables the future model

Strategic Imperatives & Building Blocks



- Focused on better defining "Human Capital Alignment" in our Insights-Driven Transformation
- Validated Strategic Imperatives and Building Blocks are still relevant and required for future success
 - World Class Triage
 - Automation & Self Service
 - Intelligent Decision Support

	In-Flight Transformation	Building Towards Future Operating Model
Claim Insights Driven	Current strategy has demonstrated that using data and AI in the claims process improves quality claim handling and customer service.	We will be Claim Insights led in everything that we do to improve productivity, enhance customer experiences, and pay what we owe.
Auto & Fire Model Enhancements	This work has provided a foundation for focus and enabling claims employees to work smarter and more efficiently.	We will continue to focus on scale plays while enabling specialization and expert skills where required.
Technology & Data Enablement	Technology and data enablement have been key to changing how work is completed (e.g., insights, self service)	We will continue to focus on claims technology and data modernization by making key technology investments.
Ecosystem Partnerships	Worked with our vendors to take a more performance-based approach to support our objectives.	We will shift our mindset to strategic partnerships with vendors to accelerate solutions and to play specific roles in our operating model.
Philosophy	Modernization of key elements of our claim handling philosophy	We will continue to evaluate claim handling philosophy considerations required to support the future model.

Our progress to date creates opportunities to achieve / evolve to this future environment

Our future model will enable State Farm claims to better support the needs of our customer and the enterprise.

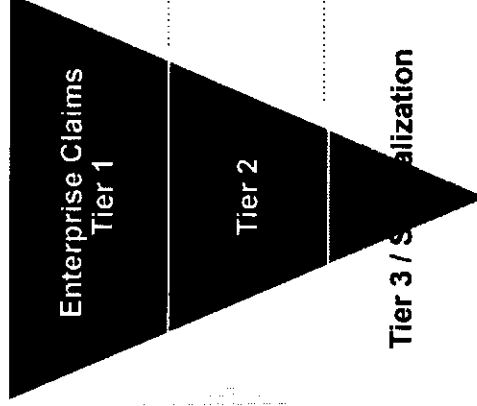
Today's Environment

Work of similar complexity is aligned for scale and consistency

Auto ILR	Express	Fire ILR
Complex	Total Loss	Fire In Office
Injury Tier 1	Injury Tier 2/3	Fire Proximity
Estimatics	Subrogation	SIU

Future Environment

Equipped with modern technology, digital capabilities and tools to enable scale and specialization across Enterprise Claims



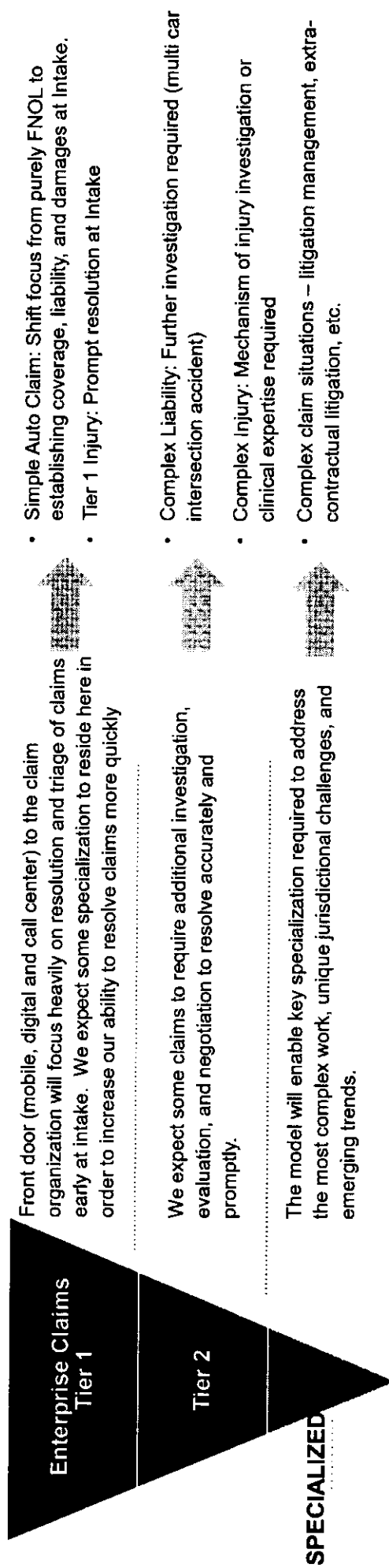
Front door (mobile, digital and call center) to the claim organization will focus heavily on resolution and triage of claims early at intake. We expect some specialization to reside here in order to increase our ability to resolve claims more quickly

We expect more complex claims to require a degree of specialization to handle additional investigation, evaluation, and negotiation to resolve accurately and promptly.

The model will enable key specialization required to address the most complex work, unique jurisdictional challenges, and emerging trends.

Claims Examples in our Future Model

Future Environment *Align scale and specialization across Enterprise Claims*



But to get there, we need to define key enablers and capabilities required

Operating Model Principles

1. Move Claim resolution to beginning of Lifecycle
2. Embed Artificial Intelligence in all workflows
3. Eliminate non-judgment based activities through automation
4. Guide interactions to the optimal channel (self-service, chat, etc.)
5. Leverage vendor ecosystem to accelerate solutions and play specific roles in our model
6. Align talent and skill sets to the right work

Strategic Imperative

World Class Intake & Triage

Accelerated early stage claim handling to inform desired claim path and accelerate settlement

Advanced Automation & Self-Service

Optimized claim workflows which reduce the price customers pay for our products

Intelligent Decision Support

Embedded intelligent tools or support capabilities to augment claim handoff or decision making

Enablers to the Strategic Imperatives

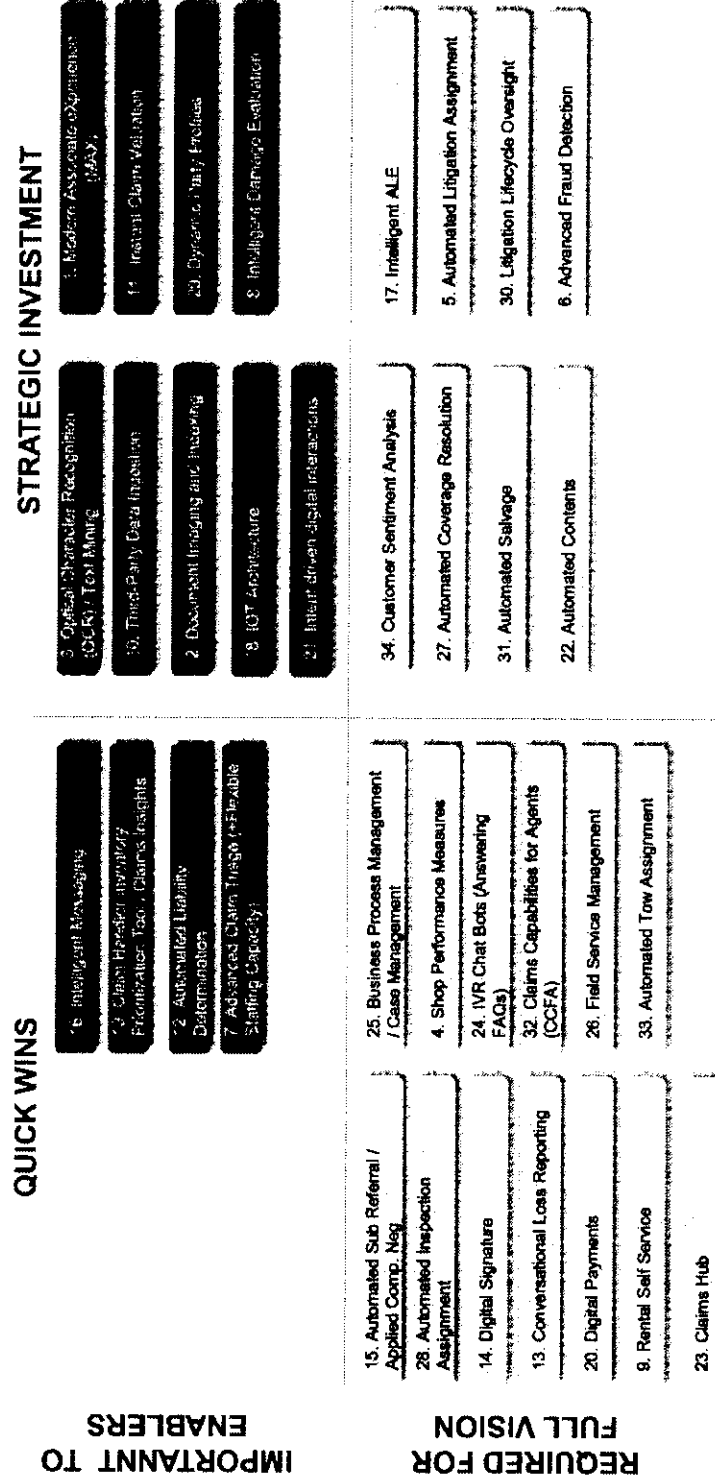
- Data intelligence (photo / video / telematics) at FNOL
- Establish guided repair inspection processes
- Data-driven Workflows
- Deliver solutions to automate claim handling decisions
- Guide interactions to the optimized channel
- Intentional, personalized customer interactions
- Proactively identify claim trends and prioritize work
- Deliver tools to help support complex decision making
- A highly skilled and experienced workforce to improve quality claim handling

STRATEGIC CAPABILITIES

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Which starts with identifying / prioritizing the important capabilities required

We assessed 34 capabilities against our strategic goals and the complexity to implement which helped prioritize the capabilities that are most important.



Quick Hit, important Capability Descriptions

Capability	Definitions	Impact
Intelligent Messaging	Notifications are received regarding a loss via telematics or other internal vehicle device Communications are automated to the customer digitally to inform on status points and request actions taken to complete a guided workflow including chat bot interaction, texting capability, and other appropriate communication during the claim lifecycle.	Inbound phone calls advising customer status will be eliminated or greatly reduced.
Claim handler inventory prioritization tool (CHIP)	Standardized business and model real time monitoring to understand the claims on the appropriate path (touchless path, touchless+, or complex) (automation of intake, coverage, liability, payment, et)	Productivity is increased by reducing the amount of low value or unnecessary tasks per claim
Automated Liability Determination	Liability decisions are automatically recommended based on facts of loss, pictures of vehicles, and customer provided details Claim information is leveraged (collected initially at FNOL and as information is refined) to route to the appropriate claim specialist. This is continually updated and acted upon in real time; this process should improve the information that is known and predictive modeling to start and interpret the path that a file take (i.e. injury)	Productivity is increased as less manual effort is required in the investigation process
Advanced Claim Triage (+Flexible Staffing Capacity)	Specialized staff are utilized to address exception handling and route the claim to a touchless path	Improve quality claim handling and more accurate and efficient triage

Strategic Investment Capability Descriptions

Capability	Definitions	Impact
Optical Character Recognition (OCR) / Text Mining	Leveraging of OCR/Text mining tools for the consumption of unstructured data, index, interpret and use for operational intelligence and action (i.e. photos of vehicle damage to interpret impact points and provide liability support, medical billing and records intake)	This will reduce manual activities and inaccurate data gathering. It will also automate and streamline processes to improve accuracy and efficiency.
Third Party Data Ingestion	Leveraging data from outside resources, vendors, and unstructured data coming from customers that will inform the claim process, remove manual tracking and data entry and create analytics that support data driven decisions.	This will reduce manual activities and inaccurate data gathering. It will also automate and streamline processes to improve accuracy and efficiency.
Document Imaging and Indexing	Ingestion of documents, creation of digital copies, and indexing documents received to specific claim files	This will reduce manual activities to scan and assign inbound mail and paper and routing to the correct claim and help with prioritizing next best actions.
IOT Architecture	External data is provided by programs such as Drive Smart and Save, or OEMs to document known information and inform claim decision making (i.e. speed and point of impact of the vehicle)	Increase in accuracy and reduction in cycle time with early determination of claim path
Intent Driven Digital Interactions	Customer intent is understood and utilized for service interactions based on omni-channel responses, current behavior, and historical customer data	Provides for the ability to keep a claim on a touchless path thereby increasing productivity and decreasing manual touches
Modern Associate Desktop (MAX)	A workflow that is context specific and is able to follow "next best action" methodology with little associate interaction/ decision making, which can be leveraged for both internal and external process guidance	Increase handler productivity and accuracy through enhanced workflow.
Instant Claim Valuation	Ability to provide valuation based on vehicle/property data and facts of loss instantly to the customer at loss report (i.e. Vehicle, total loss conditioning, Medical Bills, Theft of Personal Property)	Time spent analyzing documents and information to achieve claim value will be minimized and quality claim handling will improve with AI assistance
Dynamic Party Profiles	Profiles of all parties involved in the claim will be created and constantly updated as new data flows in. This includes, but is not limited to, medical history, claim history and third party data	Accuracy improvement based on additional information collected to determine claim path
Intelligent Damage Evaluation	Damages are identified (vehicle, property, home) by leveraging photos and loss reported data to understand potential extent of damage.	Physical inspections for identification of reparability will be limited, and capacity will be shifted to evaluation of damages if needed. Time in process will be shortened due to increased accuracy of reparability of intake.

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We Also assessed the gaps across people, process, philosophy and technology

World Class Intake & Inage Advanced early stage claim handling to inform desired claim path and accelerate settlement	Summary of Key Gaps
Advanced Automation & Self-Service Optimized claim workflows which reduce the price customers pay for our products	ECOSYSTEM PARTNERSHIP Identify vendors to play specific and more holistic roles within the operating model Expand 3rd party data partnership to enable more accurate and efficient decisions Predict claim path and automatically triage through 3rd party data and insights
Intelligent Decision Support Embedded intelligent decision support capabilities to augment claim handler decision making	PROCESS Guide associates & customers to take action or make decisions Integrate more insight into the parties and claim to enable more accurate and efficient decisions Automate some claim decisions (e.g. coverage, liability) using data and insights Escalate to leadership automatically based on insights and claim characteristics Identify vendors to assist with complex decisions PHILOSOPHY Guide customers to best options based on claim characteristics, customer preferences and vendor performance Expand spans of control as a result of data driven workflow, inventory prioritization and intervention Upskill, reskill or acquire skills to make complex decisions, utilize analytics/technology, and world class service Equip workforce to be flexible and adaptable to changing trends and needs of the operation

We took these inputs into account for the P&C Claims Roadmap and high-level horizon definition

Strategic Goals

EXPENSE / EFFICIENCY
Minimize Litigation Costs
Minimize Adjuster Expense
Improve Claims & Customer
Experience

1. Reduce Direct Labor Expense

2. Increase Productivity / Speed of
Delivery

3. Reduce Non-Labor Expense

4. Improve Quality Claim Handling

ACCURACY
Pay What We Owe

5. Increase Accuracy of
Payouts

6. Increase Accuracy of
Resolutions

Operating Model Principles

1. Move Claim Resolution toward beginning of Lifecycle
2. Embed Artificial Intelligence in most workflows
3. Eliminate non-judgment based activities through automation
4. Guide interactions to the optimal channel (self-service, chat, etc.)
5. Leverage vendor ecosystem to accelerate solutions and play specific roles in our model
6. Align talent and skill sets to the right work

Operating Model Objectives

1. 95% of repairs go through virtual or preferred vendor options
2. 40%+ of losses go through digital intake and are contained in the digital channel (no human follow up required)
3. 35-40% touchless claims
4. 90% of liability determinations are made at initial triage
5. 80%+ of coverage decisions are made at initial triage
6. 40% of damage evaluation done virtually
7. 95% of injury exposure identified at initial triage
8. 50%+ of injury direct claimant resolution at intake
9. 20-50% unit cost reduction for field inspection
10. 20-50%+ cycle time reduction
11. 20-50% unit cost reduction per service transaction
12. 80%+ of required data and supporting information is ingested up front to inform a touchless path
13. 90%+ of up front and continuous triage to Tier 2/ Specialized is automated
14. 30-50% increase in throughput per handler

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