Insurance to the Power of Digital

Customer Experience and the Future of Insurance

An insurance executive's guide to simplifying customer journeys for driving profitable growth

Enterprise to the Power of Digital™

Introduction

Customer centricity is now a key priority for companies across the globe. What has added more fuel to this growth is the rapid pace of digitalization across the end-to-end value chain. Brand interactions in areas such as retail, tourism, media, and entertainment happens primarily online, changing the expectations of the end-customer. Inevitably, customers now prefer digital channels for interacting with other service providers as well, including healthcare and banks/insurance.

This shift in consumer behavior does result in a few challenges. Despite the rise of digital stalwarts in retail like Amazon, Netflix in media, Expedia in tourism, insurance is far from being digital-first. And this has a significant impact on customer experience.

> Recent research finds that only 64% of customers are happy with the quality of experience they receive, and this number has dipped by four percentage points between 2018 and 2019.[1] Further, insurance has traditionally ranked relatively lower in the list of industries named as customer experience leaders, despite the proliferation of digital channels for communication. This trend isn't surprising, given that over 90% of insurers do not communicate with their customers proactively even once a year; 90-99% of all communications are sales-focused and service-focused.[2]

There is an imminent need to rewire customer experiences, taking advantage of the latest digital technologies. One of the most effective ways to achieve this is by re-envisioning the customer experience as a connected journey, rather than the cumulative sum of multiple digital touchpoints. Customers interact with their insurers over several touchpoints during the research-purchase-payments-claims-renewal lifecycle. It is easy to isolate specific touchpoints and look at them in silos, without considering the end-to-end customer journey.

However, this will result in only a fragmented experience redesign. Instead, the customer journey approach can bring measurable benefits for insurance companies in the form of heightened satisfaction and engagement.

> A study suggests that "excellence in journeys" could lead to a 20% improvement in customer satisfaction, up to 15% uptick in revenues, and up to 20% reduction in costs-to-serve.[3] Ultimately, modern customers are looking for a seamless pathway from the moment that their need arises, to when it is fulfilled, across all points of contact and queries.

Understanding Customer Journeys in the Digital Era

Today, customers are no longer limited to carriers in their immediate geography when purchasing insurance. Several digital players are emerging (like Lemonade and Elma), offering stiff competition to industry incumbents. This shift from traditional to new business models entirely upends the customer purchase pathway, especially at the research and

engagement stage. The typical insurance buyer will visit multiple comparison websites and brand pages for rigorous research before deciding on a carrier. The next step includes conversations with a brand executive that may start with a chatbot placed on the company website. The data collected via these multiple touchpoints must flow into a central experience management platform without interruption, informing future interactions and communications.

Moreover, customers may not be satisfied with a set-and-forget approach to their policies, and seek continued communication across the lifecycle even before a need to claim arises. Here, online FAQs, customer self-service, a digital kiosk at convenient locations, email, and social media comes into play.

> The impact of poor experiences is also severe, with 40% of consumers decreasing or even entirely ceasing their spending on the specific insurance provider after the bad experience.[1] They are likely to share their thoughts and opinions with their community on social media, impacting a carrier's brand reputation and prospects. For commercial insurance carriers, the dent in revenues could be significant. Therefore, it is essential to revisit the entire customer journey from a digital standpoint, exploring how technology could influence experiences during research, purchase, claims processing, and renewal, and at every moment of truth in between.

To achieve this successfully, insurance companies require accurate data collected across the customer journey as well as the ability to empathize, to perceive the impact of digital transformation from the customer's viewpoint. Access to these insights will enable a holistic rewiring of experience, leading to heightened satisfaction – for instance, a recent survey estimates that customers are 73% likely to be satisfied with a health insurance provider where the journey works effectively than when only individual touchpoints perform well.[4]

Several companies have managed to come out on the winning side of digital transformation, despite the perception of poor customer experience attached with insurers. Nearly all of these companies have intelligently utilized the potential of digital tools both at the front-end and backend of customer relationship management.

Companies that Illustrate the Sector's Ongoing CX Revolution

Interestingly, there is a vast chasm between customer experience leaders and laggards in the industry. In a recent survey, leading companies were responsive across all common digital channels (email, Facebook, and Twitter), while bottom-performers weren't present on any of these platforms. Similarly, one company was able to answer 67% of queries across all channels with ease, while another responded only 28% of questions via web alone.[5] The quality of experience has a direct impact on company performance across all insurance verticals – consider the following numbers.[6]

- Customer experience laggards in auto-insurance report a 102.9% nine-year stock performance. For leaders, the performance stands at a vastly better 461.2%.

- Customer experience laggards in home insurance report a 71.6% ten-year stock performance. Leaders came in at an astounding 224.8%, with over 150 points performance differential.

- In two years, leaders have successfully tripled their total return advantage, turning what was once a gap into a chasm.

> It is impossible to ignore the ROI implications of investing in customer experience. No wonder, several industry incumbents are rejigging their business models, pivoted around emerging digital technologies and their value proposition in the context of experience. Leaders also recognize that the experience of employees has a direct correlation with end-customer convenience and satisfaction, making the internal transformation into a digital-empowered workplace equally critical.

Take the example of China's leading insurance group, Ping An. The company made a bold move into technology in 2019, announcing a $22 billion investment in artificial intelligence (AI), blockchain, and other potentially game-changing areas. This has accrued tangible dividends – Ping An's chatbots can answer inquiries with 95% accuracy, its automotive claims can be settled in less than three minutes, and Ping An saves 310 million sheets of paper a year through electronic insurance policy delivery. Ping An operates five technology-driven ecosystems: financial services, healthcare, real estate, automobile, and government services. Integrated operations allow the company to cross-sell its products, boosting operating profit per client by over 20%.[7]

Another company making impressive strides in customer experience is the global provider, Allianz. Allianz has launched 70 customer journey projects across 24 business units with a few clear goals:

- Inspire customer advocacy
- Link customer satisfaction improvement with business impact
- Boost loyalty and retention
- Reduce contact center workloads

Allianz approached customer experience transformation with a journey model, analyzing the health-claims journey, the pension-communication journey, and the motor-claims journey. This approach provided a clear understanding of customer expectations and how to use digital assets for engagement. Allianz replicated this approach for its employees (as is a common trait among leaders), studying agent journeys to develop and deploy internal digital tools.[8] Moves like these are essential to keep up with digital-native carriers that offer stiff competition. Consider Digit Insurance, an India-based insurance startup founded in 2016. The company calls its employees "simplifiers" as their core objective is to streamline customer journeys and make the experience of purchasing non-life insurance dramatically simpler. The company recently

transitioned to a data lake on AWS, improving customer experiences by 20%. Data can now be auto-populated across documents, reducing the need for manual efforts. It is also using a distributed SQL query engine to execute interactive analytic queries for advanced data exploration, to personalize customer journeys.[9]

Leveraging the Power of Digital to Improve CX in Insurance

As is clear from these examples, the payout for harnessing the power of digital is exceptionally high. In today's insurance landscape, companies can either be a leader or a laggard – with the chasm between the two getting consistently wider. Strategically implemented digital technology could help overhaul customer experience capabilities in the following ways:

Artificial Intelligence (AI) chatbots

AI chatbots have already found immense traction among insurers (including Ping An, as mentioned). Chatbots can assist customers across multiple stages of the journey right from product advisory to claims processing and routine customer servicing. At the product advisory stage, chatbots can offer customers detailed information on the available policies and packages, reducing the workload on human knowledge workers. Query resolution timelines will also witness a massive dip as there is no need to manually access a knowledge base, search, and retrieve the requisite information.

For them to be truly useful, chatbots must be powered by more than mere rules-based automation – integration with Ai can enable system-driven decision-making, while capabilities like natural language processing/generation allow cognitive learning. At Birlasoft, we enable intelligent automation in the banking, financial services, and insurance (BFSI) sector through a smart combination of these technologies.

Personalized upselling and cross-selling

While chatbots transform the end-customer experience, upselling/cross-selling translates increased satisfaction into a tangible revenue uptick. Companies can collect data across the customer journey and create a single source of truth to inform all future interactions. For example, customer data collected during the underwriting process for life insurance could inform the insurer of momentous life events, such as when the customer turns 60. At this juncture, the company can cross-sell a specialized health insurance product designed for the 60+ age bracket, increasing the customer's lifetime value.

Cross-selling/upselling relies on a robust data analytics practice that consolidates, cleanses, and converts fragmented customer journey information into a coherent narrative. This approach helps to highlight critical moments at which the customer is likely to make an insurance decision. At Birlasoft, our advanced analytics capabilities help financial institutions to process datasets comprising hundreds of variables. This is combined with customer-demographic data to drive value for insurers.

Legacy system modernization

Outmoded insurance systems aren't equipped for emerging digital technologies that transform customer experiences and generate ROI. Let's take a simple example: actuarial data collected over several decades might reside in a legacy format, which is difficult to mobilize and monetize. A 360-degree modernization across policy administration systems, risk assessment, underwriting, and credit risk valuation is essential to support enhanced customer experiences at the front-end.

This modernization effort must go hand-in-hand with the optimization of business processes, transforming employee and customer experiences in tandem. Birlasoft has end-to-end capabilities in modernizing both systems and processes at scale. We were able to help a global insurer upgrade its legacy systems and adopt robotic process automation, reducing costs by 25%.[10]

Unified platforms for collaboration

The siloed nature of touchpoints continues to be a challenge for insurers, particularly impeding effective partnerships between the underwriter and the producer. The producer interacts with end-customers, understands their expectations/needs, assesses an initial level of risk, and relays the information to the underwriter. The lack of collaboration between these personas can cause protracted delays in the underwriting process, diluting the quality of customer experience.

A unified platform for producer and underwriter communication – one that is integrated with other enterprise systems such as CRM, ERP, etc. – can provide a 360-degree customer view that is updated in real-time. To enable this, Birlasoft provides an integrated Producer Workspace, which is a one-stop solution for submissions, product views, and underwriting collaboration. It can even be integrated with the policy administration system to leverage existing data.

Loss prevention and control

A key aspect of customer experience is speeding up the change process and ensuring its validity. A claims journey that involves frequent follow-ups repeated checks by an insurance agent, and a multiple weeks' interval between claims registration and approval is sure to bring down customer satisfaction. For this reason, insurance carriers need digital apps for First Notification of Loss (FNOL), empowering customers to register claims using their mobile devices. This feature can further be augmented with digital loss assessments, requiring minimal human intervention.

This heightened degree of self-service will increase customer loyalty, controlling churn rates. Birlasoft has tailored solutions for claims reporting and fraud analysis, speeding up the investigation process to deliver a speedy resolution to customers.

The Road Ahead

While the benefits of embracing the power of digital for customer experience transformation in insurance might be obvious, it should be noted that this isn't a nice-to-have in today's highly demanding, highly competitive climate.

Low responsiveness and a fragmented presence across digital channels will dramatically lower a customer's trust in the carrier. Surveys find that 49% of customers who don't trust the company will switch to a rival provider. 30% would share their negative experience with friends, family, and social media. Combining this with the fact that 80% of consumers would happily purchase insurance from a new entrant, it is clear that superior experiences are central to churn reduction, brand reputation, revenue improvement, and overall business sustainability in the insurance sector. [11]

Carriers need to get into the skin of what matters to customers the most across their journey. This act requires them to align their core strategy to key milestones of that journey. To all carriers, we recommend following a simple four-point strategic roadmap to removing barriers to great customer experiences and thereby set themselves on the path to profitable growth.

DIGITALIZE

Figure out potential use cases where digital interventions will result in meeting the benchmark criteria. Start with pilots and slowly scale up as per the priorities that you should figure out in the "Define" stage.

DEMOCRATIZE

Ensure there's a proper change management process put in place, which can help drive this change at a large scale with appropriate checkpoints and governance models set in place to course correct.

DELVE

Associate vital metrics and operational levers with the KRAs and set up the benchmark to run a health check on how well the company executes the strategy?

DEFINE

Figure out tangible ways to assess what superior customer experience means. Call out what does success means to the carrier as an outcome of the customer journey? How does it manifest itself in terms of key result areas (KRA)?

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