

Why Digitization and Customer-centricity will be the Propellers of the Insurance Industry in 2021

WHITE PAPER





One common denominator among most insurers during the 2020 Covid-19 lockdown was their desperation for digitization to keep operations running.

One of the severely impacted sectors, the insurance industry paid dearly for its years of hesitation to embrace technology and stay current with the evolving world. With remote working as the new normal for executing operations, only those insurers who had implemented digitization for underwriting, document management, customer service, collection, etc. could conduct business with the least interruptions.

For insurers, the post-Covid era has several implications for the foreseeable future. Among those, the need for a customer-centric approach tops the list.

For insurers to regain their lost ground in the second half of 2021, profitability, sustainability, and growth are indubitably critical, but these must be centered on one primary idea – customer experience. With consumers getting more fickle, demanding, and informative than ever, wins like sales, customer retention, and market reputation would be determined by one factor – customer-centricity.

In a study, **26 percent** of insurance customers said they have no loyalty to their insurers.



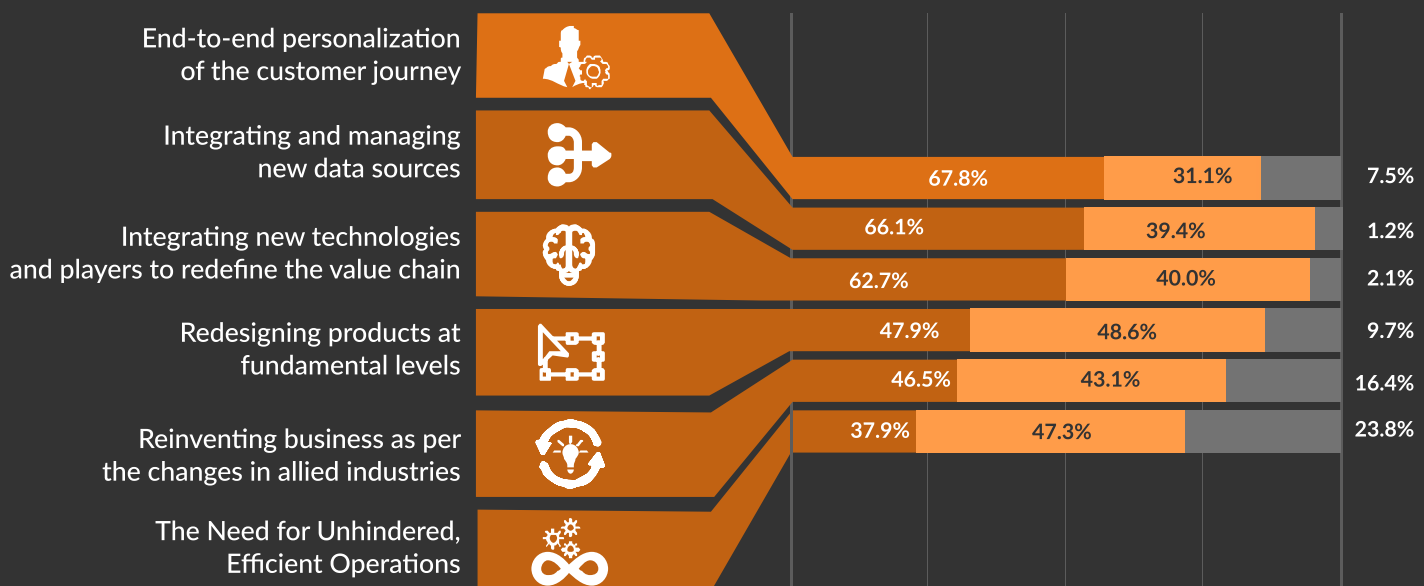
Customer-centricity is a Mandate in the Post-Covid-19 World

Demanding Customers

The rising expectations of the average insurance customer have caught insurers unawares. Digitization has made inroads into every sphere of human life, and insurance is no exception. With functionalities such as omnichannel communication, price and feature flexibility, and tailored offerings common in industries like retail and banking, customer expectation in the insurance sector has changed too. Inability to match these expectations would lead to consumers being weaned away by competitors.

The only way out for insurers to meet these expectations is to move from their conventional customer handling protocols – a shift from their product-centricity to customer-centricity model. It starts from a change in mindset and extends to a recalibration of the operating model, technology, infrastructure, and staff workflow - all aligned with the customer rather than the products.

Priorities for the insurer of the future





The Need for Unhindered, Efficient Operations

With digitized, customer-first operations, goals such as reduced waiting time (in customer service); simplified customer experience through user-friendly websites, mobile apps, and self-help tools; 24/7 access to relevant information; and faster and transparent claims management can be realized quickly. It's only through digitized workflows that processes such as documentation, underwriting, payments, etc. can be managed remotely to offer uninterrupted customer service to meet customer expectations.

Today, industry leaders have expedited their efforts of implementing and improving their digital infrastructures, such as mobile apps for document and data management, video calls for consultations and borrower verification, AI and ML-based tools to identify process bottlenecks, and big data to address those shortcomings. They are offering a variety of digital channels through which prospects can research, compare, and purchase insurance online without the need of middlemen or agents. They prefer insurers to offer easy self-service transaction capabilities and speedy claims resolutions. Digital processes enable insurers to make quick updates in their systems without sacrificing the IT resources required for daily operations, and customers get quicker, easier access to information.

Customer Segmentation for Tailored Products

The average insurance prospect demands tailored experience. They want insurers to help them with personalized products based on their interests, life stage, and behavior. This requires insurers to collect, organize, and analyze massive volumes of customer data to understand every customer. However, the traditional workflows and tools don't support such detailed and intensive market study. An effective way to tackle this problem is to leverage digitization to segregate markets into customer groups, which helps insurers tailor products or services to match the needs of each group.



Customer segmentation helps insurers spot, sense, and persuade the various segments where the potential customers are available. Based on their findings, they can formulate marketing strategies for each group, with subtle or distinct variations in their offerings as needed. This also allows them to make their promotional measures creative and sensitize the target audience. Tailored products are only possible when insurers combine their insurance services with technology to understand market dynamics. An example of such products is a customer assistance program comprising counseling services with prospects and customers via a portal, video, or phone to learn about their specific insurance needs. Another example can be an app that allows customers to access their insurance agent from anywhere with a phone, facilitating engagement on a personal level.

INSURANCE FRAUD



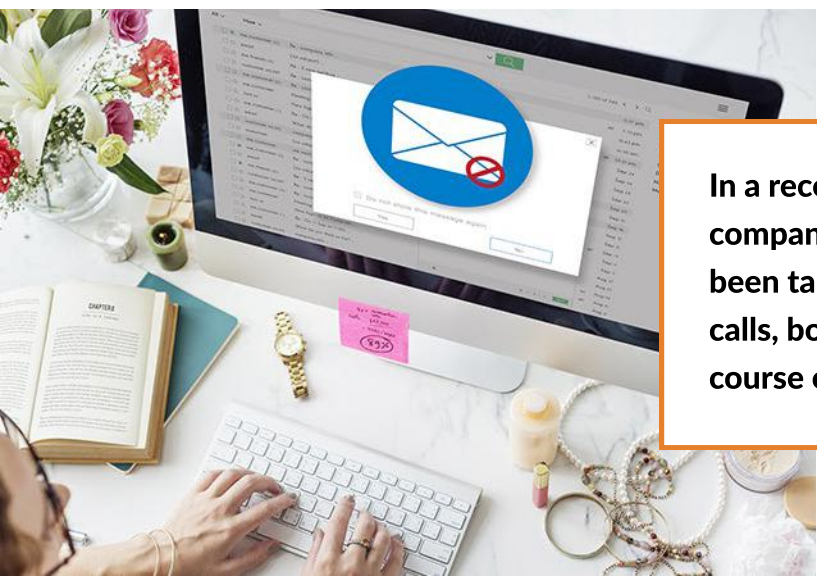
Rising Concerns about Insurance Fraud

Incidents of staged accidents are rising steadily across the US, leading to fraudulent claims and monetary loss for insurers. During the pandemic period, insurers had to deal with countless cases where the insured person stages an accident in their home or on the road and makes injury claims. Such issues consume the substantial time of the insurance staff, severely affecting their customer-centric efforts. Another source of fraud are bogus agents who claim to be licensed insurance agents, mimic mainstream insurers, and try to sell fraudulent COVID-19-related insurance products. With gullible and non-tech customers forced to go online during the pandemic, fraudsters had a field day.

In 2019, data breaches in the US went up 17% from the 2018 figures, exposing over 164 million consumer records.

Today's tech-savvy customer expects heightened digital security measures, including data encryption, multi-step account authentication, and other anti-fraud efforts. With the lockdowns forcing employees to work from home, insurers who are unprepared for digitization are at a high risk of security breaches and malware. Technologies such as ML, AI, and analytics are being widely implemented to allow insurers to always be a step ahead of fraudsters. Also, after this extended period of economic

distress, insurance leaders are likely to turn to platforms such as secure access service edge (SASE) to consolidate all their security needs and save money. Today, there exist API-based scalable fraud management systems that can gather all fraud and identity services in one place — making life easy for the insurance workforce. Unsolicited/phishing emails designed to steal the personal information of customers also distract insurers from pursuing true customer-centricity.



In a recent international survey by a U.S.-based tech company, 48% of participants revealed that they had been targeted with text messages, phishing emails, or calls, both professionally and personally, over the course of their six months of working from home.



Digital Agility to Shift Focus to the Customer

Agility and efficiency in operations have a significant bearing on the experience of the customer. The equation is simple – if the staff invests most of its working time in micro-managing operations, concerns about the employee, by default, take a back seat. There is an urgent need to break operational silos and encourage transparency. This is why insurers are turning to digital and agile methods of executing business and workflow restructuring. For instance, they are taking to automation to handle repetitive, rule-based tasks like customer data verification, sending business emails, etc., giving the staff ample time to focus on the customer's needs.

Insurers are sincerely exploring options of macro shifts in their workforce with remote-working models, striving to come up with new capabilities for better customer experience. This can also build robust customer lifetime value models to predict the long-term value of a customer. For smooth remote operations, there are a few prerequisites for insurers. For instance, to remain productive in the remote environment, the staff must have access to the right tools. With remote teams' growing reliance on tools like CRM systems, real-time dashboards, etc., the management must collaborate with the right insurance technology provider to improve and maintain customer experiences when agents are working from a distance.



Salient Customer-centric Abilities Enabled by Digitization in Insurance

Customer-centricity encompasses cost management, profitability, growth, and the overall well-being of customers and other stakeholders. Insurers need to choose the right processes for digitization and a competent digital implementation and support partner that would help them meet growing customer demands, position themselves prominently in the poorly differentiated marketplace, and command a premium for their products. Digitization enables a smooth transition from the conventional product-centric approach to the one facilitating customer-centricity.

Human-centric Experience

Beneath all the 'hi-tech' devices and automated workflows needed to serve the customer in 2021 and beyond, nothing can replace that reassuring human touch that has been the hallmark of insurance customer service. To drive relevance, satisfaction, retention, and advocacy with customers, making the customer the focus of product, service, and experience development is the key. Insurers have traditionally struggled with pricing transparency and in providing instant response to customers, requiring inputs from multiple communication channels. Digitization of their ecosystem enables them to better address such glitches adequately.

87% of insurance consumers don't mind sharing their personal and lifestyle information to receive reduced premium rates.



Digital workflows break data silos and prioritize transparency and context throughout the journey of the customer. Customers can access the breakdown of rates and simplification of the language around coverage options, enabling them to complete insurance enrollment at ease.



Digital communication channels enable agents to interview customers and identify their requirements precisely. The feedback received from these interactions can be used to refine their existing strategies and define their new offerings in line with customer expectations.



Digital platforms such as websites, live chat apps, mobile apps, etc., enable insurers to keep the human experience front-and-center. When such tools are designed for ease of accessibility and use, they save precious time for the customer, adding to their delight.



Digital Direct Marketing

To compete in a fiercely competitive landscape, insurers have to earmark a huge chunk of their operating costs for marketing. However, even after giving it their all – money, time, manpower, and those long marketing-strategy meetings, the return on investment has rarely been above average. Today, with customers busier, choosier, and smarter than ever, investing in smart, data-driven digital marketing is the best way out for insurers to not just churn more sale figures but delve beyond 'selling' and help customers connect and engage with their insurers at a deeper level.



Sales and marketing teams must be on the same page to create holistic relationships with prospects. There must be digital channels to notify the sales team of an opportunity the moment a prospect engages with a marketing effort, like clicking an online ad or signing up for an email subscription.



A proven step toward customer-centricity is personalized videos that include some basic information about the recipient/viewer, such as their name and occupation. Albeit it seems like a massive effort to create such videos, they go a long way in engaging prospects.



It's important to communicate with customers on the latter's needs, sharing content that meets a need of theirs and through a channel they are used to (social media, emails, etc.). The customer wouldn't want to take to a new channel just because the insurer prefers it.

Services Beyond the Core

To stay relevant, important, and exciting for prospects and customers, insurers must consider new value-adding products and services that are above and beyond policies. They must accept that while insurance offerings and related security services would continue to be the core of the business, carriers who help customers lead a safer, healthier, and more productive life through a constellation of non-insurance services would eventually be the biggest gainers.



The needs of customers evolve with time and insurers have an opportunity to help customers assess their current risks and create awareness. Technologies like big data, the internet of things, and analytics make this possible. For instance, insurers can gather data from bank accounts to inform someone about the amount they can put in a pension plan.



Besides alerting the customer of a risk, carriers can empower them to deal with it by motivating them to participate in platforms and ecosystems for specific customer needs, such as healthy living, housing arrangements post-retirement, financial planning, and so on.



Digitization and the application of Lean principles enable carriers to improve their operations and offer something extra to their customers. For example, robotics automates onboarding and improves claims handling, allowing customers to file claims quickly and easily.

Essential Steps to Achieving True Customer-centricity and Role of Technology



Precise Targeting

The insurance industry has always been overcrowded and competitive. Building and maintaining rewarding relationships with customers has never been easy, especially outside a claim or renewal. This is primarily because the industry is highly commoditized, while customer engagement is limited and superficial. But consumers want personalization and to feel appreciated by brands. This highlights the need for customer segmentation that allows insurers to segregate the market into distinct, manageable groups, based on parameters like age, income, occupation, location, etc.

As consumers dictate how insurers must treat them, customer-centric segregation strengthens relations by enabling insurers to offer a broad, but targeted, range of services that enhance their relevance and value. Customers grouped into segments help identify prospects and opportunities for cross-selling and upselling. Accurate grouping helps in debunking myths and wrong impressions; for instance, erroneous assumptions about the interest rate or the need for certain features that are actually very low in the marketplace. Consequently, insurers are in a better state to optimize their resources, craft targeted offerings, and serve customers better.

Creating the Right Strategy

Because no two carriers share identical business dynamics, their strategies for establishing customer-centricity should also be distinct. The retention rate has been the traditional metric of customer satisfaction for most insurers, but one look at the roadmap of the most successful (and unsuccessful) insurers suggests that it isn't always a good idea to map customer engagement only with retention rate. No customer engagement strategy can be successful without understanding the needs of the customer. This is where the possibilities of digitization like analytics enter the scene.



One of the effective strategies for insurers is to map the customer journey throughout their lifecycle. Digital elements enable them to establish events when any customer abandons the services. As a corrective measure, they can offer contextual products based on 'specific demands' of the customer. Another way would be to move beyond generic customer segmentation to create value journeys and/or customer personas. An accurate customer persona reflects the target customer's demographics and helps shape better and contextualized products. For that, insurers can leverage customer intelligence platforms that enable the quantification and analysis of customers' spending habits based on their demographics.



Focus on the Operating Model



A change as impactful as the shift from product-centricity to customer-centricity requires insurers to adopt a customer-driven model designed to incorporate the needs of the customer while also addressing revenue loss prevention and ensuring better protection services. Such a compatible, effective business model must be built on the foundation of digitization. With improved customer interactions as a key to customer-centricity, insurers need a highly integrated and multichannel environment that enables the designing and offering of customer-focused products.

A critical aspect that every customer-centric insurance model must cover is compliance. For that too, insurers are taking to digitalization that helps them minimize compliance-violation risks, including the ones threatening the integrity of their data. Today, there are compliance tools that provide effective risk-management solutions across the board. Besides, a robust model must have a range of customer service metrics to measure how satisfied customers are with the services of the insurers. It is critical to have KPIs that are tuned to the customer value. KPIs on customer satisfaction, retention, loyalty, and revenues can be pooled to form a customer value KPI, which can be then be assessed by customer segment, locality, etc.

A leading life insurer developed co-browsing capabilities to enable customers to choose coverage options and fill and submit insurance applications online. This personal touch eased the concerns of the consumers – and the customer satisfaction ratings of the site clocked to 4.8 out of 5. Conversions increased to 25% and the insurer generated \$1.4 million as its incremental policy premium value.

Staff Training on Customer-centricity

For successful implementation of a customer-centric, mission-driven operating model, the first step is the acknowledgment and acceptance of the staff that customer experience is the responsibility of each individual in the organization. A vibrant customer-centric culture is a natural and organic strength that must not be compromised. Once the employees understand their role in the success of their customer-centric model, the rest of the journey is a breeze. However, for that, they must be adequately and constantly supported by the management on all fronts – training, tools, and appreciations.



A proven way to do this is to enable each employee to discover and improve their personal brand, be it their attitudes, skills, beliefs, or values. This should be followed by aligning their personal brand with the brand of the organization, which can be achieved through coaching and development. This is one area where the expertise of an insurance services BPO proves indispensable. They master the ins and outs of engaging insurance employees in customer-centric behaviors with the help of adequate training and support sessions. Also, the BPO team, by tackling the daily, tedious, routine jobs of the client's workforce, enables it to focus solely on the service of the customer.

The Role of Back-office Support Services in Building Customer-centricity

A common trait of all successful insurers over the decades has been their rewarding partnerships with insurance service outsourcing firms. The BPO factor has always been a strategic move for insurance companies thriving to flourish in tumultuous times like the present. For the paradigm shift to customer-centricity, BPOs can help insurers address the big challenge of striking a balance between customer satisfaction and costs. Policy servicing for enhanced customer experience is an easy goal with a competent insurance BPO firm. Other advantages of a robust insurance BPO model include seamless digitization of the ecosystem, rationalized delivery structure, standardized business processes, and a human-centric yet profitable approach to customer retention and operations.



Streamline Customer Marketing

Promoting their customer-centric services to the target audience is crucial for the success of the undertaking, hence the marketing aspect must be given the gravity it deserves. It's a fact that most insurers lack either the bandwidth or expertise (or both) required for effective insurance marketing. Moreover, the variable costs associated with it stand as a big deterrent.

Reliable insurance BPO firms have the answer to such questions. From customer research to data analytics, they adopt a scientific approach that yields highly accurate and comprehensive reports on customers. Insights drawn from such reports are the core of successful insurance marketing campaigns. BPOs employ the best of marketing strategists, analysts, product specialists, technologists, brand managers, communications professionals, e-commerce experts, and more – an entire army of professionals to make every marketing initiative successful. This, coupled with their cutting-edge tools, opens new doors of possibilities to understand and serve the customer better.

Customer Empathy as an Integral Part of Operations

To align the performance of the insurer with their customer-centric strategy, BPO services calibrate the client's operational plans, tweak workflows, and allocate resources for rapid change. They leverage digital solutions for that much-desired empathic touch in dealing with customers, thus closing more deals faster. Tech-savvy insurance BPOs have successfully developed AI-based solutions that deliver a human touch in customer interactions.

Insurers need to cash in on the data of the customer's lifestyle and habits to step into their shoes and tailor products that go hand in glove with the customer's needs. Using technology, outsourcing firms make it possible to percolate empathy throughout the lifecycle of the customer for their wellbeing. They deploy the right mix of human and digital channels, striking that delicate balance between profitability and customer experience.

A global P&C carrier was looking to offer a better experience to customers during claims calls. Their insurance BPO partner created an AI-based solution to analyze customer sentiments and help service agents better understand the sentiments of callers. This enabled them to respond more empathetically and with contextual information. As a result, the carrier could convert 10% of the customer calls that begun negatively to a positive result.



Who We Are And Why You Can Count On Our Insurance Services

Insurers that understand and respond aptly to the changing lives, expectations, and financial situations of their customers and prospects are set to rule the future of the industry. At Insurance Back Office Pro, we enable insurers to stay focused on the customer, besides their profitability. Our cutting-edge digital solutions enable insurers to extend real value to the customer in the form of enhanced services, tailored products, optimal pricing, and digital collaboration. We enable our clients to stay competitive and profitable even in the face of crises as terrible as the Covid-19. We ensure that they stay in the race by transforming them into valued partners of their customers.

Conclusion

For insurers, the silver lining of the disastrous Covid-19 pandemic is its push towards digitization. Today, the industry is ripe for the same digital disruption that has transformed other industries, from retail to banking to healthcare. The post-pandemic era would see the 'best digital experience' for the customer as the norm. In this context, the first step for carriers is to strategically design their digitization roadmap and align it to the key processes across the front, middle, and back-office. For carriers without a clear digital roadmap, creating one is urgent. Joining forces with a reliable insurance BPO would be a decisive move to building an agile environment and customer-focused organization.