

WINDS OF CHANGE - INSURING CUSTOMER CENTRICITY

Abstract

For long, insurance carriers rarely interacted with their customers except when faced with an insured loss. Yet customer expectations are changing, shaped by B2C trends that are increasingly permeating the B2B sphere. This paper explores how insurers can overcome their traditional ways and become more attuned towards customer-centricity.



Seldom speaking thus far

The insurance industry has always required a blend of technical, actuarial, and legal knowledge to design and price its products. Because this knowledge was niche and scarce in the early days, the business evolved around a group of professionals who were primarily intermediaries — brokers, MGAs, claim adjusters, surveyors, valuers — and thus naturally lacked focus around end

customers. As a result, the interaction between an insurance carrier and an end customer was negligible.

With the emergence of the digital revolution during the 80s, a surge of information flowing across every domain including insurance, saw customers becoming more informed about their policies. Around the same time, the industry also felt the need for digitalization

and customer outreach initiatives. While this took place only in the personal lines for life and general insurance, intermediaries continued to control commercial, specialty insurance, and group policies. In any case, the underlying operating principle of loss indemnification remained the same, which indirectly meant that once a policy was issued, an insurer and insured would still seldom speak unless a loss occurred.

Changing expectations

Today, with B2C concepts increasingly permeating B2B segments, many customers want to interact directly with their insurers and decide on the value of their relationship based on how connected they feel. Also, delighted by service providers in other industries such as mortgage or investment advisers, they expect much more from insurers today including consulting, assurance, guidance to avoid untoward circumstances, and at times even value-added professional services.

This is underscored by this excerpt from a recent study by Bain and Company “Insurance customers don’t have complicated needs. They want to be able to choose from a good selection of policies at reasonable prices. They want clear, transparent information, and they want smooth, hassle-free interactions. When they’re filing a claim after an accident, theft or injury—often a time of great stress—they expect their insurers to help alleviate their anxiety, not add to it. Increasingly, insurance customers also want their insurers to provide additional services, such as roadside assistance and advice on leading healthy lives.”¹

Apparently, the ask is simple. However, the question is whether insurers are well positioned to do this and if not, how should they go about doing it?

¹ <https://www.bain.com/insights/customers-know-what-they-want-are-insurers-listening/>

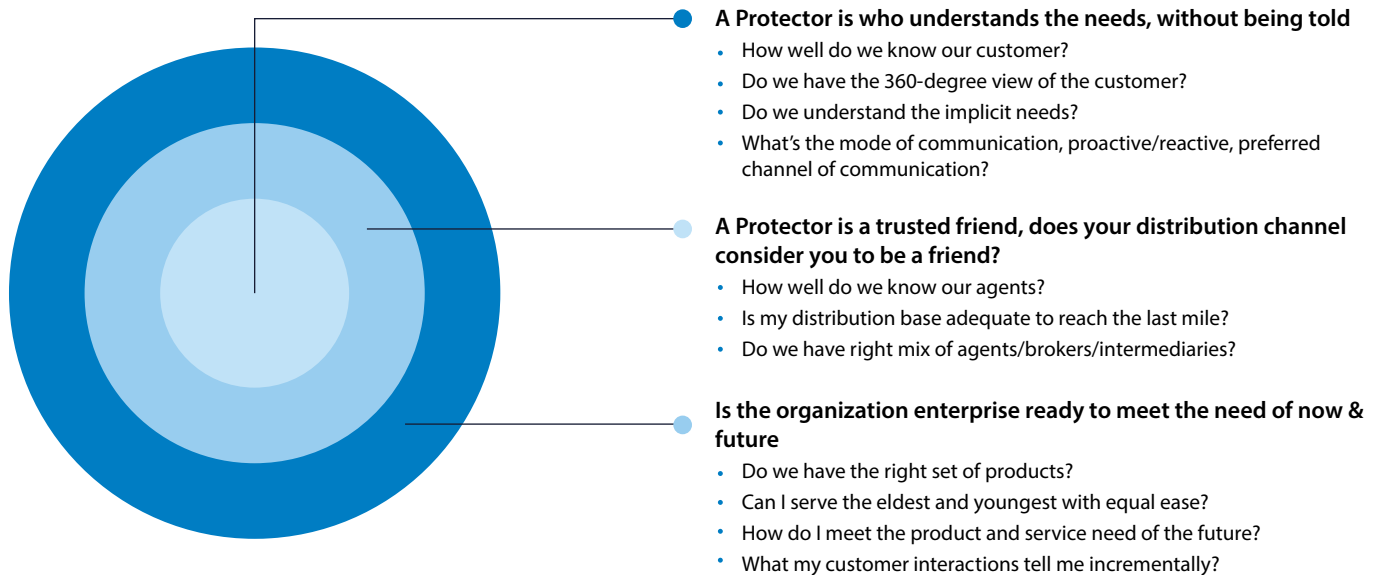


Repositioning for customer-centricity

Historically, the reason behind the poor penetration of insurance across the globe is easily understood. The fundamental principle of indemnification leads to negligible customer connect and thus the customer feels a lack of value addition in

taking an insurance policy unless obligated to do so by regulators. This is something that insurers need to be concerned about and repose for a dramatic shift in their approach to business.

The shift involves repositioning their business model from being an indemnifier to that of a protector, trusted advisor, and a value-added service provider, centered around end customers' needs.



To achieve successful repositioning, insurers need to focus on three things:

- Keeping an unwavering attention on customers in order to keep their needs at the center of all activities.
- Building a strong symbiotic ecosystem of distribution and service intermediaries, and empowering, transforming them to serve customers effectively
- Bringing in cutting-edge technology and knowledge to cater to the above





The following sections discuss each of these aspects in greater detail

Building a deeper understanding of customers

While insurers may have a lot of customer and transaction data, they do not use it effectively to understand their customers better. Building a 360-degree view of customers requires understanding their demographic mix, their social footprint, location of work and stay, level of digital adoption, their hobbies, affinities, and pets. A detailed understanding will also require diving into the explicit and implicit needs of customers when faced with life events such as change of address, marriage or divorce, birth of a child, or death.

Further, insurers need to classify their customer base based on loyalty and profitability factors. They need

to understand the stickiness of the relationship through analyzing the products purchased, their sourcing channels, transaction histories, and claim records. In addition, knowing more about the other products and services consumed such as medical or car services, house alteration, psychological counselling, or further education will be valuable.

This kind of customer understanding will help insurers review their own products and services from a customer-centric lens: are they easy to understand? Are they adequate to serve emerging needs such as micro insurance? Is the intermediary reach adequate? The answers to such

questions will deliver the needed insights for product or service innovations such as hyper-personalized products, usage-based insurance, or microinsurance. Further, they will help customers avoid probable loss through proactive protection measures such as weather-related evacuation alerts, periodic maintenance alerts, or even IOT-based burglar alerts to authorities.

A greater understanding of customers will also help win their trust through enabling proactive and faster settlements in case of claims, and through ensuring a delightful customer experience with value added services provided through the service provider network.

Empowering the ecosystem

So far, insurers' relationships with intermediaries have been purely transactional for specific business purposes. Also, in most cases, many intermediaries render only one specific type of service or hold only a specific relationship with the insurer. However, a recent McKinsey study² indicated that over 73% of insurance customers want to trust their intermediaries, expecting them to truly understand their needs and accordingly advice on what is best. Thus, an intermediary needs to be empowered enough to take the right decision for its customers on behalf of the insurance company.

The first step towards such empowerment starts with insurers understanding the intermediaries better, through detailed analyses of each intermediary's strengths and weaknesses to help them find the gap and take cognitive decisions.

Towards this, insurers need to invest in more meaningful interactions with their intermediaries to discover insights around their implicit needs, if their existing channel reach and mix is adequate, and if they are empowered enough. They will also need to rank intermediaries based on specific products or lines of business, their ability to bring in quality submissions, their loss and retention ratios, spread of products and geographies,

and their propensities to cede some lines of businesses to other insurers. More importantly, insurers need to discover other services offered by the intermediary that with a little help could help start a new business line.

All these insights would help the insurer with improved existing agent productivity, finding new agents and channels across product and geography segments, and developing mutually symbiotic intermediary relationships, through providing them leads on customers needing specific services. Winning trust in this way would help them to serve the end customers better.

In specific geographies or for specific lines of business, some insurers are taking a fragmented approach to implementing technology interventions for additional services or support. While this might be an encouraging start, a more holistic and methodical approach is needed to transform the operating model and deliver true value to end customers. The Insurance carriers of future need to evolve into a sentient organization or as we call a live enterprise; which can sense, analyze and act on its own, using data and insights. Like any living organism, it needs to constantly evolve in response to external stimuli. Live enterprise isn't only a technology vision, it goes much deeper than that. It's a culture of adopting continuous changes. The need of change can be analyzed and evolve from within through any of the analyses we covered earlier or through some external environmental changes.

It could be focusing on how to make operations scalable and imbibing a startup like thought process. Or evolve a partnership model with these startups to reach the last mile in product/services

offerings while offering the assurance and protection a traditional insurer can provide.

This further requires insurers to perform digital maturity modelling of their IT enterprises to evaluate whether they are ready to meet the evolving needs of the sector.

Such modelling will reveal the organization's technological capability to offer a seamless and hyper-personalized digital experience across B2B, B2C, and B2B2C in both underwriting and claims. A cutting-edge technology ecosystem will also be essential to identify potential risks in every line of business and enable comprehensive loss prevention and loss minimization mechanisms for customers. Alongside, technology will be critical for insurers to remain cost effective while providing superior customer experience, such as while settling claims almost instantaneously across large types of claims.

Here are a few real-life examples on how customer-centricity has been helping customers, from across industries:

- **Easy to understand:** An India-based new insurer ran a social study on their health policy terms and conditions on an age group of 7 to 14 years kids, with a small test to see if they could understand which are the coverages and exclusions under the policies, in order to set a benchmark. This helped the insurer to simplify their documents and make the products easier to understand for the customers.
- **Hyper personalized:** A company in the UK is providing options to the customer to dynamically switch on and off their insurance cover, by providing on-demand insurance services where the customers can insure their valuables such mobiles, laptops, cameras, for a specified time as per their needs rather than signing a long-term contract.
- **Proactive settlement:** An insurer based out of India is allowing to settle the car/motor claims under 30 minutes using deep learning technologies and an easy-to-access app for the customers.




² "The future of insurance agent-customer interaction";

<https://www.mckinsey.com/industries/financial-services/our-insights/insurance-blog/the-future-of-insurance-agent-customer-interaction>

³ https://www.youtube.com/watch?v=y4ITb1VqA_o

⁴ <https://www.carriermanagement.com/news/2016/04/26/153673.htm>

⁵ <https://www.youtube.com/watch?v=J2hcbyQyZcY>



Signing on the dotted line

It's a journey to explore what the Insurance carrier give back to the end customers. However, the journey towards increased customer-centricity cannot be travelled by the insurance carriers alone. The entire ecosystem of insurers, reinsurers, brokers, agents, and other service representatives need to come together and join hands to achieve successful outcomes. And that requires every individual stakeholder to sign up on the dotted line for transformational change.

About the Authors



Pinaki Ray

Principal Consultant, Digital Transformation Services, Infosys BPM

Pinaki is a Principal Consultant with Infosys BPM's Digital Transformation Services, responsible for Insurance and Healthcare – digital solution design and service delivery. Prior to this, he has worked for Wipro Technologies, TATA Consultancy Services, and ICICI Lombard General Insurance Company Ltd. He is a Fellow of Insurance Institute of India, with over 17 years of experience across Insurance Business and Technology Consulting around P&C, Life, and Healthcare domains.



Sourav Ghosh

Senior Industry Principal, Infosys BPM

Sourav is a Senior Industry Principal with Infosys BPM's Digital Transformation Services, and is responsible for Financial Services & Insurance – Digital solution design and service delivery. An IBM-certified design thinking practitioner, he advises organizations on their operations strategy, assists them in improving profitability and efficiency of business processes, and helps in executing business transformation through calibration of operating model and technology. Prior to Infosys BPM, Sourav had been with IBM, Satyam, Tata Consultancy Services and Standard Chartered Bank in diverse roles across India, US, and UK.

For more information, contact infosysbpm@infosys.com



© 2021 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.