The future of insurance in a digital world
Executive summary

The digital revolution has transformed the way companies interact with customers, creating an environment where marketing, information and technology must work together. Retailers and industry giants have made significant strides in adopting digital platforms to deliver a satisfying customer experience. As mobile and social networks increase in popularity, consumers are relying on smartphones and tablets to research, compare prices and buy products online - anytime, anywhere.

As noted in our EY Global Insurance Digital Survey, the insurance industry is lagging behind other providers in developing innovative and customer-friendly digital experiences. Insurers trail the entire digital spectrum: customer engagement, use of analytics, and adoption of mobile and social media. While they have high ambitions of digital leadership, many are far from bullish about their digital maturity. Life insurers are less advanced because of organizational silos, multiple distribution channels and legacy technology that impacts the speed at which new strategies are adopted.

Yet, customers expect the same intuitive and streamlined experience from their insurance carriers as they do from their favorite app, search engine or online retailer. Life insurers must adjust their business models and strategies to remain competitive and take advantage of potential wallet share. Failing to adapt to the fast pace of digital change presents many risks, including losing ground to more agile players.

This paper explores what is happening in the digital landscape, the influence of demographics and information overload, and the case for change within the context of the value chain. Given the prevalence of digital adoption in other industries, insurance companies cannot risk sitting on the sidelines. They can start by asking these key questions:

- What should life insurers consider as they develop a bold vision for their digital strategy?
- How do they meet the diverse needs of end-to-end customers, financial advisors and wholesalers?
- How can they deepen customer relationships by learning from the experiences of retailers and technology providers?
New technology equals information overload
More and more people of all ages and demographics are living their lives vis-à-vis the internet. The younger generation (particularly, the millennials) is using social media to share structured and unstructured data across multiple means and channels in an integrated fashion. This is creating a greater need for digital relevance.

The model has shifted from face-to-face to computer, phone and now mobile devices. And the launch of new mobile payment options is making traditional wallets obsolete; eMarketer research indicates that mobile payments will grow to $27.5 billion in 2016. Customers expect all these experiences to be integrated and consistent. The increased availability of, and access to, data is what will bring insurance to life in the digital world.

Today, the stakes are higher than they have ever been. Before the digital era (dot-com), companies would release information about capabilities and layer it with transactional pieces. In those early years, the process was informational and later became conversational (where you could briefly ask questions to guide you along, with some, albeit minimal, transactional activity).

Nowadays, with the advent of the digital revolution, products and services are being introduced so much faster. The adoption rate of new technology is so much quicker that consumers have higher expectations in terms of insurance companies’ digital output and functionality.

Moreover, cycles and timelines have been condensed. Consider the fact that online social networking services amassed 50 million users within 18 months; notably, it took one retail giant 5 to 7 years, and an auto manufacturer 20 years, to reach that milestone. The rates of change and adoption are much steeper than ever before. Insurers have to build compelling capabilities via digital models in order to be relevant in the marketplace.
Customer experience matters the most
Generation X, millennials and the younger end of the baby boom generation are all increasing their usage of and familiarity with technology, as the rate of adoption skyrockets. That rate of usage has created a much more prevalent user base via global technology (phone or tablet), as well as traditional web interface. Insurers need to be relevant when it comes to those interfaces – be it through business-to-business or direct-to-consumer activities. Insurers must provide a comprehensive experience. It is no longer feasible to default to the dot-com-era model of the informational, conversational and transactional experience.

Insurers also need to provide robust transactional capabilities that are consistent across all channels. This means picking up on one channel and handing off to another to complete the transaction. A customer should be able to start the conversation with a financial advisor, purchase a product on the phone and complete that transaction by computer. An experience across channels is the digitalization of the activity. Customers view this through different personas and different players, but they all have a common need for transactional and financial information, supported by advanced metrics and data.

Advanced analytics and key performance indicators will define the insurance market leaders of tomorrow, based on key findings from the *EY Global Consumer Insurance Survey*. Identifying and implementing the right customer metrics will require process design, data management and strong analytics platforms that align to key functional drivers and business strategies.
High stakes across the value chain
Direct to consumer

The next generation of digital consumer wants to have consolidated banking, insurance and wealth protection, as well as retirement data, at its fingertips – all in one place. While banks are largely able to provide a wealth of information today and draw upon various sources and aggregators to offer that service to high-net-worth individuals, the gap has been most difficult to bridge for life and annuities data. Carriers must be able to offer banks, financial advisors and individuals the ability to consolidate their data in a useful, easy and meaningful manner. Today, life insurers are responding by offering paper statements – an onerous solution at best.

This type of service comprises more than the experience of gaining information about a service or the ability to buy a product, change a beneficiary or update an address via a digital medium. Rather, it is a way to add current value and disposition of those products in a manner that uses consolidation to give customers a full view of their overall financial health and well-being at a glance. Insurance has been a laggard in this area. A bank, for example, will provide information about a checking account, savings account or mortgage, as well as integrated information about a 401k or other retirement plan. A financial advisor offers a portal with integrated information about the customer’s portfolio. But when customers ask for information about their life and annuity products, the communication usually breaks down. Those areas have intensively manual processes that make it difficult to provide answers to the right questions.

The real trick is direct to consumer: providing the information, transactions and conversation. However, consumers also want real-time data post-sale in order to service themselves and view the current health and welfare of their life and annuity products in an integrated fashion. This means that insurers have to speed up their legacy processes and deploy new analytics that are capable of identifying, analyzing and deriving answers from vast amounts of historical and real-time data.

Wholesaler enablement

Like consumers, wholesalers have the need to aggregate retirement, financial and insurance information. This process includes integrating third-party benchmark data – information about the entire portfolio that an advisor has with the carrier, as well as the overall value for third parties that resides with the financial advisor.

Wholesalers want that information in a handheld device or tablet so that when they are on the road or spending time with their advisors, they have all the information at hand to pull up at a moment’s notice. This ensures that they are triaging effectively to make sure they are spending time with the right advisors. Training these advisors and disbursing information on products and related sales processes should be done digitally to help the wholesaler in his marketing efforts. Currently, those needs are addressed by tutorials that the wholesaler produces. This process could be streamlined through a multimedia experience that integrates to the actual product. This would allow for a better experience at a convenient time (as opposed to interrupting wholesalers’ lives) in order to review the principles of reaffirming a sales pitch.

Marketing and customer engagement

Digital channels are becoming increasingly important to the advertising, marketing, sales and service functions of insurance companies. Given their experiences with other industries (not just banking, but also telecommunications, retail and social), customers’ expectations for a superior digital experience have been raised.
Customers want to connect via face-to-face meetings, mobile and web channels, and call centers at their convenience regarding income-protection and risk-management options. Providing a consistent Omni-channel experience requires insurance companies to provide their informational, transactional and experiential content through an operating model prepared to meet this need. A clear experience strategy and a communications operating model, along with appropriate methods, standards and tools, are required. Coordinating activities and clear insight into dependencies across the enterprise are also important variables in the drive to “clear and simple.”

Products and service deployment

In a digital world, life insurance companies need to rapidly test and incubate products and services. That means having the ability to enable digital channels or integration with social media as test platforms for new products and integrating wearables, emerging technologies and biometrics – whatever those may be – with life insurance products.

Even more important than quickly developing the products is the ability to utilize this digital forum to test the efficacy of the product or service – the capability of building out of that innovation. Life insurers need to ask several key questions:

- How do they create that model in a digital world – and leverage some of the largest names in social media?
- How do they engage digital social mechanisms to create new services, product test beds and incubation test tubes?
- How do they build recursive loops that are more rapid than today where financial experience is viewed four, five or ten years back?
- How can they take advantage of digital and social capabilities to close those loops and pipe them to understand the efficacy of a product faster and make adjustments quicker (and more easily) to ultimately glean better profit from that experience?

Another significant thread is the concept of structured and unstructured data. This is the ability to capture and integrate structured data from internal legacy systems, applications and sources with structured data from third parties, social media and information aggregators that provide broader trends. Life insurers need to become more sophisticated in the capture and analysis of that integrated data. Rendering that experience into a digital realm – whether informational, conversational or transactional – is critical.
Customer value proposition

Telecommunications giants are incredible when it comes to broadly reaching out and engaging with customers. They have the mechanisms in place and the ability to change the experience. Retail organizations (particularly large big-box retailers) are able to integrate information about what is on the shelf and what is selling with facts they are getting through social mechanisms such as Facebook and Twitter. These retailers are able to reorient the products and placement within the stores in order to provide a better overall experience for their customers.

Insurance does a terrible job of this in sales, service and product development. Based on findings from the EY Global Consumer Insurance Survey, high turnover and low trust signal serious relationship issues. Only 14% of consumers are very satisfied with the communication they receive from insurers – and 44% have had no interaction with their insurers in the last 18 months. The communication gap presents opportunities to expand the fundamental value proposition at each customer interaction point: paper correspondence, call center inquiries and digital self-service tools.

The quality of contact and service closely correlates with higher customer satisfaction, and with cross-selling and up-selling rates. EY’s consumer research shows that 70% of “moment of truth” interactions result in positive outcomes; thus, engagement equals opportunity.
4 What is the path forward?
Big-box retailers are looking to create an insurance footprint, and large technology are beginning to “kick the tires” on insurance opportunities. There is a real threat from these powerhouses that have different business models than insurers and stronger technology platforms.

EY’s *Transforming customer service in insurance through digital innovation* places the onus on insurance carriers to learn from the experiences of technology and financial service providers and to find innovative ways to improve their existing customer-service model.

Life insurers must not be encumbered by their legacy systems. Some such systems were developed based on technology from a previous decade and were not built for today’s level of functionality. Organizational silos, multiple distribution channels, service layers and protocols continue to impact the speed at which new strategies can be adopted.

Companies need to integrate internal data and platforms, become more responsive in their digital design and deliver digital innovation across the life insurance and annuity value chain – from policy purchase to claims payout. As they build their capabilities, they need to incorporate internal development and partner-engagement models for digital realization. If you were to start a new insurance company today:

- How would you orient your data and your digital experience to accommodate this?
- What issues would you consider in designing your digital strategy?
- How would you seamlessly integrate structured financial and transactional data with unstructured data, so that a simplified data environment aligns with the desired analytics?
- Should you integrate front-end services and align with a transactional provider?
- Which of the world's largest and most renown companies would you like to partner with?

What is the path forward?
5 Contacts
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2015 EYGM Limited.
All Rights Reserved.
1508-1598717
EYG no: EG0281
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com