Transforming customer service in insurance through digital innovation

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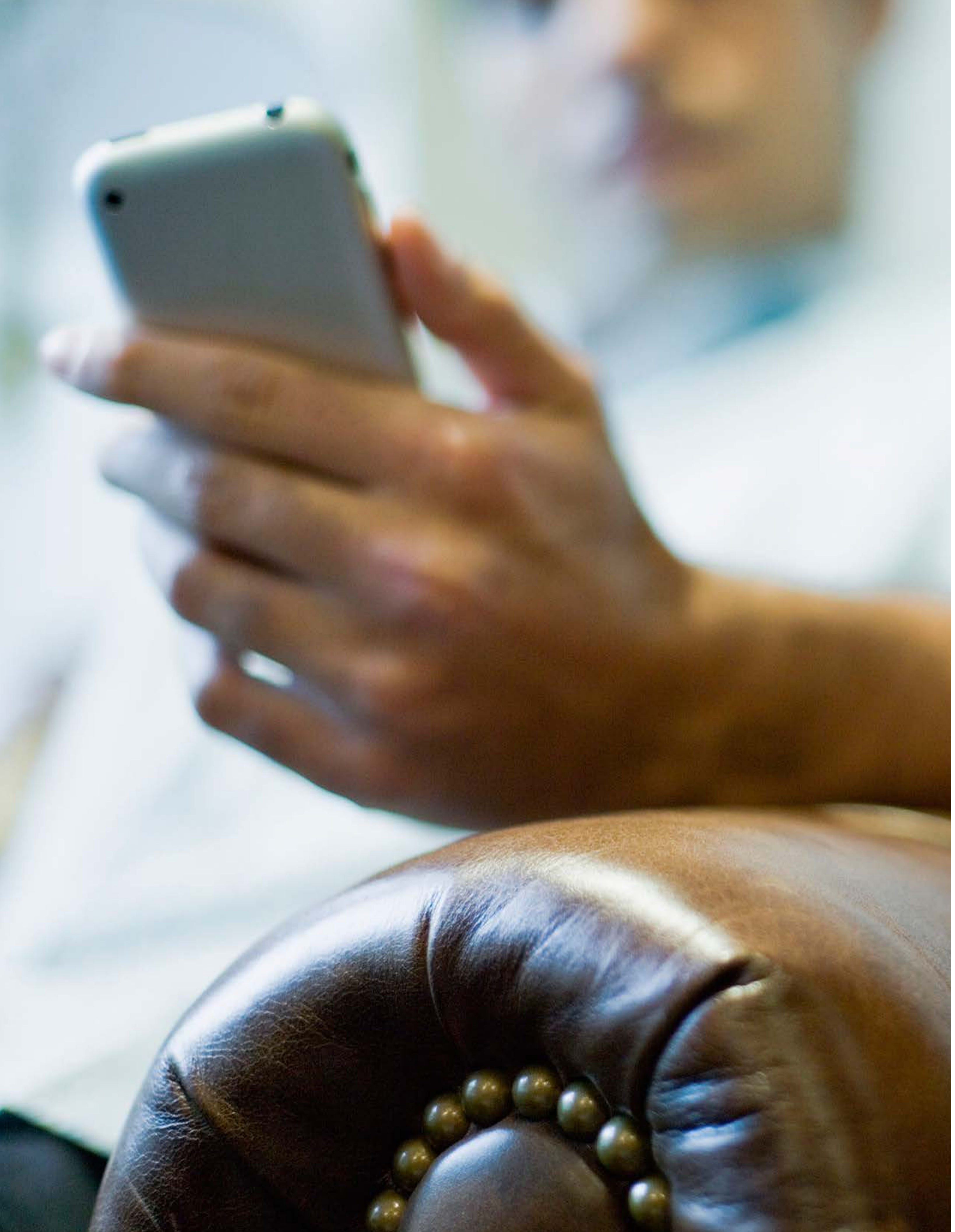


Digital represents a continuous form of disruption to existing or new business models, products, services or experiences enabled by data and technology. Effectively leveraging digital innovation can allow life insurance companies to reduce customer service costs while increasing both customer satisfaction and retention.

Overview

Digital innovation has transformed entire sectors of the economy over the past two decades and placed enormous pressure on companies to evolve their strategies to maintain relevance in the marketplace.

Customers have witnessed a digital revolution that has streamlined everyday activities ranging from depositing checks to renting movies and hailing taxis. Yet insurance leaders are well aware that implementing a digital strategy within the operating environment of a life insurer represents a more complex set of challenges. Unified digital strategies are inherently complex to develop and execute, but the life insurance industry's organizational silos, multiple distribution channels and legacy technology considerations make the work especially difficult, impacting the speed at which these strategies are adopted.

The challenges presented by the digital revolution also represent significant opportunities. Insurers have new tools for increasing the quality of customer interactions and deepening customer relationships while continuing to drive operational efficiencies in a prolonged low-interest-rate environment. Like most companies, life insurers must adjust their strategies and business models to stay competitive; failing to adapt to the fast pace of change in the digital economy risks disruption from more agile players.

EY's recent Global Digital Survey found that carriers who can differentiate their customer service experience through a carefully designed, thoughtfully executed and adaptable digital strategy are more successful than their competitors at reducing customer service costs while increasing customer satisfaction and retention.

Differentiated digital experiences

Room for improvement

Customers who gravitate toward online experiences often prefer self-service interactions to dealing with a customer service representative. These customers expect a carrier's digital experience to be streamlined and to provide clear answers to their questions,[1] much in the same way they would expect an interaction with an online retailer to be intuitive and informative. When a carrier's online experience fails to provide the information the client is looking for, or the process to complete an interaction is too complicated, customers will often leave the carrier's website and call or email a contact center, both of which are higher-cost channels for the carrier to service. Insurance carriers spend millions of dollars each year on these channel escalations, with basic calls, emails and interactive chats costing roughly US$5 to US$7 each.[2] These costs can run significantly higher when licensed employees are required to discuss specific product information.

How does a digital experience fail to meet customer expectations and drive a channel change? Visitors most often leave a website because it does not have the information they need, the language is unclear, an excessive number of steps are required to complete a task or the design of the site is not intuitive.[3] Collectively, these poor experiences create "friction" that prevents customers from easily completing a self-service interaction, potentially driving them to a competitor site to search for answers.

For customer interactions that are supported by insurance agents or financial advisors, digital tools are becoming increasingly useful. Thoughtfully designed, customer-centric digital tools help the sales force more effectively communicate the benefits of complex products and services, and they streamline the end-to-end sales process (from illustration through application and policy issuance). In addition, digital tools increase the speed of the transaction while also reducing cost and errors. Beyond interactions supported by the sales force, digital tools can be used by the operations staff to execute transactions, thus improving overall quality and execution times by streamlining the use of back-office systems as well as enabling these employees to focus on higher-value work.

Getting it right

Technology companies, online retailers and certain financial services providers have led the way in developing innovative and customer-friendly digital experiences that eliminate friction from the user experience. Customers expect the same intuitive and streamlined experience from their insurance carrier's website as they do from their favorite app, search engine or online retailer.

One guiding principle of digital innovation is responsive design, wherein user interfaces are designed to adapt to the size and characteristics of a device's screen. This optimization of user experiences across device types lets companies prioritize content and services that are relevant to customers at the moment they need them. For example, users can view bills or pay premiums on the go using a smartphone, and they can enjoy a broader spectrum of capabilities viewing the same website on a desktop browser.

The shift toward responsive design has another benefit: many companies have realized that their desktop-specific website interfaces, while continuing to offer more content, could also benefit from being streamlined, allowing clients to more quickly achieve the purpose of their visit.[4]

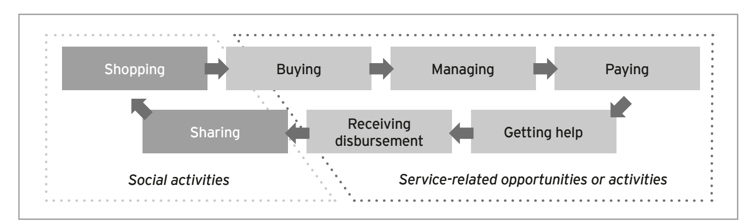
Not all online user experience improvements require significant infrastructure investments. An initial low-cost step could be to gain an understanding of what customers want and use most frequently and make that information readily accessible. Often, getting the basics of design and messaging right can be just as important as understanding users' needs. Legible fonts, clear language, effective layout, savvy use of space and ease of navigation result in a more streamlined online experience.

Across the value chain

Opportunities abound to deliver digital innovation across the life insurance and annuity value chain, from policy purchase to claims payout.

Many life carriers have not yet fully implemented or optimized digital experiences at the most critical stages of the insurance value chain.[5]

An end-to-end digital insurance model would increase automation and reduce the resources needed during the policy application process. At the tail end, the opportunity to leverage digital technology during the claims process promises to speed up the payout of policy proceeds while enabling faster and more rigorous fraud detection practices.



Buying

Electronic signatures

E-signature technology can greatly expedite and simplify processes that require customers to sign a form or application. Customers across many industries have rapidly adapted to the technology, and regulators have established rules that facilitate acceptance of e-signatures. Digital signing also saves costs in postage, paper handling and storage, as no physical copy is required, and eliminates the need to verify that signatures have been affixed in all the requisite places on lengthy forms. E-signature technology has also transformed fraud detection and legal discovery by providing a digital trail and capturing and bronzing identity markers.[6]

Clear and concise communications

A more positive online customer experience can have a significant impact on business, as one life insurance carrier discovered when examining user interactions with its online direct-life application. Customers paused slightly where the application asked for "daytime" and "evening" phone numbers, perhaps trying to decide where their mobile phone fit in or if they were likely to be at an office number enough to make it worth entering. A simple switch to "primary" and "secondary" numbers led to an 18% increase in leads.[7]

Managing

Policy issuance

Digital technologies can transform and simplify policy issuance by harnessing e-delivery facilities to transmit all policy documentation, endorsements and disclosures. Superior data analytics and business rules can provide targeted messaging to the customer, and rules engine technology and electronic content repositories ensure that only the latest revisions and editions of forms and artifacts are used.

Ongoing and transactional correspondence

Insurers should resist a piecemeal approach to customer communications, using a series of unrelated technologies and processes, and instead aspire to create a common platform for all digital communications, including customer documents, correspondence, statements and billing. A comprehensive approach enables the efficient creation, compliance, delivery and receipt of the highest-quality digital communications, along with core processing systems integration, audited workflow and business insights.[8]

Cross-selling

Digital analytics can provide a holistic and comprehensive view of the customer, creating opportunities to cross-sell and upsell.[9] For example, when a customer adds a new vehicle to an existing auto policy, sales representatives can use data analytics that combine internal and external sources of data to determine whether the customer owns a home, and accordingly offer a homeowner policy and bundled discount. Likewise, the sale of an annuity product could trigger the offer of a complementary long-term care (LTC) rider. This big-picture view of the customer's profile across all lines of business, when combined with extensive information from marketing database providers, results in personalized interaction, higher customer satisfaction and improved retention.

Leveraging new wearable technology to bring data analytics into underwriting

Life insurers can further leverage data analytics by extending applications used in the property and casualty (P&C) space, which has begun using advanced tracking technology to monitor and record unprecedented levels of information about customers' driving habits via telematics. Conventional rating systems depend heavily on historical records of realized losses and the records of drivers with similar characteristics, such as age and geographic location. But usage-based plans rely on actual driving data when evaluating the risk of insuring a driver.[10]

Similar to telematics in cars, life insurers can now extend this model to include data gathered from wearable technology, such as smart watches or fitness trackers. Wearable tech products have made significant advances in detecting their customers' physical activities and biometrics, and these capabilities are expected to continue advancing at a rapid pace.[11] Life insurers can leverage the extensive amount of data gathered to make richer risk assessments using ongoing data for longer-term health indicators, such as changes in weight or body mass, blood pressure, and blood sugar and cholesterol levels. Carriers could move away from broader historical rate models and integrate user-specific data to develop more accurate underwriting models and potentially customize premiums. In Asia, AIA Group Limited has begun offering its customers a wellness program named Vitality, which provides rewards points or premium discounts for improving behaviors, such as quitting smoking, increasing physical activity and adopting healthy eating habits, all while integrating data from fitness trackers.[12] These strategies can have significant impacts across the life, health and group benefits markets.

Wearable technology devices allow health indicators to be continuously monitored and could award either premium discounts or other customer incentives, such as redeemable points, to customers who have shown long-term commitment toward healthier behaviors.

Paying

Billing and payments

Life insurers made progress over a decade ago by adding online options to pay via credit card or directly from a bank account, but they haven't been adopted as much as expected. Many life insurance customers still send physical checks into a maze of different remittance addresses. When a customer loses a statement, it can be difficult to determine which PO Box to send a payment to, and it may require a call to the contact center, resulting in a suboptimal user experience and increasing operating costs. This process does not reflect the best practices for payments in other industries.

Technology companies have significantly innovated how they accept payment methods, driving greater automation and simplicity in strategies that insurance carriers can also deploy. Customers increasingly expect more streamlined payment capabilities using their credit cards and mobile devices. Capabilities exist to allow customers to hold their credit card up to the camera of their smartphone or tablet to photograph it, and then optical character recognition technology is used to automatically upload the relevant information, greatly streamlining the process of entering in long credit card numbers via a small touch screen.[13]

Effective digital strategies even have the potential to reduce lapse rates. The traditional model for addressing customers late on their premium payments involves a letter delivered via postal mail indicating payment should be sent via check. An intermediate digital capability may be an email to the client with a link to log in to their account and make a payment online. But a *differentiated* digital experience would automate the process considerably. Imagine the letter to the client including a QR code to a mobile URL that can open a link, or for customers that have accepted e-delivery, a text with a link to open the corresponding app on the device, facilitating the payment with as few taps as possible by adding credit card information using the device's camera.

Getting help

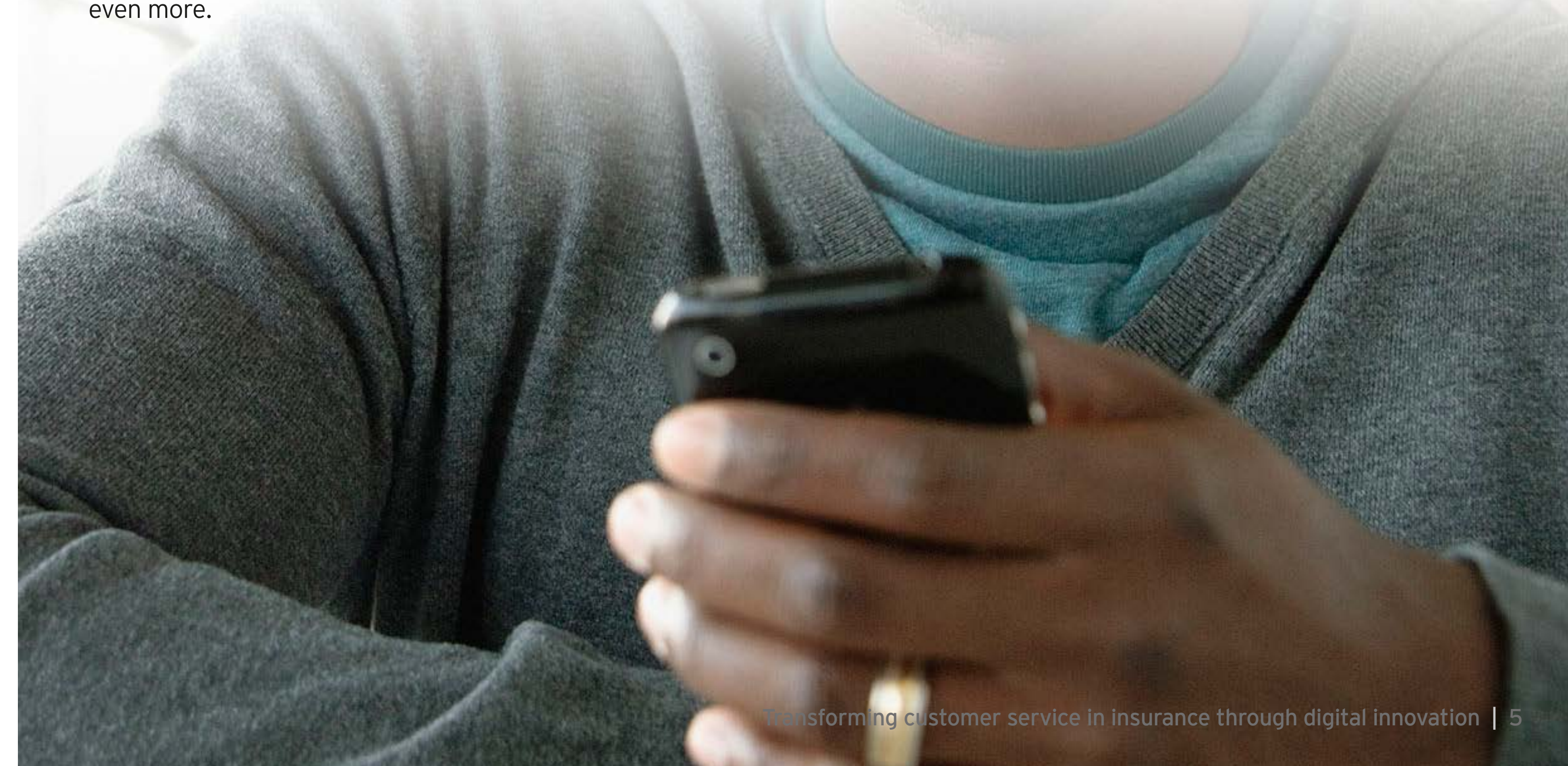
Self-service

Self-service functionalities, if implemented correctly, can switch customers from higher-cost channels such as phone centers and in-person meetings with advisors. Ideally, self-service transactions would be available across mobile and handheld platforms with special attention paid to whether the transaction lends itself to completion on smaller devices. Enabling shortcuts, hotkeys, QR codes and optical character recognition would help streamline the mobile experience even more.

Receiving disbursements

Claims

Superior customer service in the insurance industry requires streamlining claims processing and adopting a more efficient and shorter claim cycle that provides an added benefit to the carrier in terms of reduced costs and increased customer satisfaction. There are many benefits to improving the death claims experience. The single most important factor for final expense product types is providing peace of mind to policyholders that their dependents will not be unduly burdened with their interment expenses and that the payouts will reach them expediently. For general life products, a positive experience with a beneficiary payout from an insurer can lead the beneficiary to become a policyholder in the future or invest in annuity products, or even influence others to do so through word of mouth, both in person and online. The sensitivity around processing death claims, in particular, mandates that insurance companies provide the utmost flexibility to process a claim. Using the digital channel allows family members to complete the claim online and avoid talking to an insurance carrier employee if they prefer not to during the grieving process. This medium also provides the beneficiary or the agent with real-time updates regarding the claim status.[14]



Developing and executing a digital strategy

Plan big, but start small

A robust, long-term, enterprise-level digital transformation strategy should provide for incremental quick wins that boost the credibility and momentum of the strategy while also achieving long-term objectives. Critical to its success is a vision defined by business and brand objectives, a deep understanding of target users, and prioritization of crucial touch points.[15]

The first consideration in developing a digital strategy is the overall business strategy. A carrier with a strategy to become a cost leader or one offering lower-margin products, such as term life insurance, will need to create highly automated and rewarding self-service capabilities for customers, with less emphasis on personal interaction. At the other extreme, a carrier pursuing high-net-worth customers will want to develop a strategy that gives agents advanced tools for tailoring products and solutions for these individuals, creating a sense of intimacy even when dealing with digital channels.[16]

The power of data analytics

Rapid strides made in the field of data analytics have resulted in powerful systems capable of identifying, analyzing and deriving answers from vast amounts of both historical and real-time data. Life insurers can use the predictive power and optimization opportunities of data analytics in a wide variety of disciplines, from marketing and customer acquisition to actuarial science and underwriting.[17]

Data analytics teams should collaborate with the end users of the models being designed to fully realize the benefits. Analytics teams also need to build adaptive models that rely not only on internally sourced customer records but also information that may be made available from third-party sources and digital footprints left by smartphones, tablets and web-enabled mobile devices.[18,19]

Insurance companies must resist the temptation to view the inclusion of data analytics as merely adding another link in the sequential insurance value chain. Instead, companies must embed data analytics as an organization-wide competency that spans the gap between data and insights and plays a vital role across every stage of the insurance process.[20]

The processing power of analytics is increasing, and the digital landscape has provided a platform for consumption of analytics that is greater than ever. The confluence of these factors requires that carriers simplify the way in which information is processed. As more human activity is being expressed digitally, data forms evolve. Carriers must be able to seamlessly integrate their structured financial and transactional data with unstructured data (e.g., voice, images, social). And to do that, they must simplify the data environments through a combination of information, application and integration efforts that facilitate extraction, accumulation, control and reporting that aligns with the desired analytics.

An end-to-end digital experience for insurance clients

To drive customer satisfaction and retention, carriers clearly need to develop a post-sales and servicing digital strategy that is differentiated and carefully thought out. But what does this mean in practice?

Customer servicing capabilities must be aligned with customer acquisition capabilities. Building a world-class digital customer acquisition capability without rethinking and streamlining the post-sale customer experience will result in significant dissatisfaction. Insurers must identify all connecting points with customers and build consistency and alignment with delivery across all interactions and channels.

It is important to understand customer behavior across an insurer's service delivery channels to prevent channel escalations and reduce costs. Online retailing shows an example of this: executives at a major clothing retailer realized that many customer service calls focused on selecting the right clothing size, so the company added contextual help to the product pages on its website. Call center volume dropped by 20% – a huge cost savings.[21] Conversely, data analytics that tie together the key drivers for channel escalations to the call center can allow targeted improvements to key areas of the web experience that will reduce customer confusion.

Objectives such as deflecting call center traffic and generating more leads require an intuitive customer experience across digital touch points that is equal to or better than the experiences they have with other service delivery channels.[22]

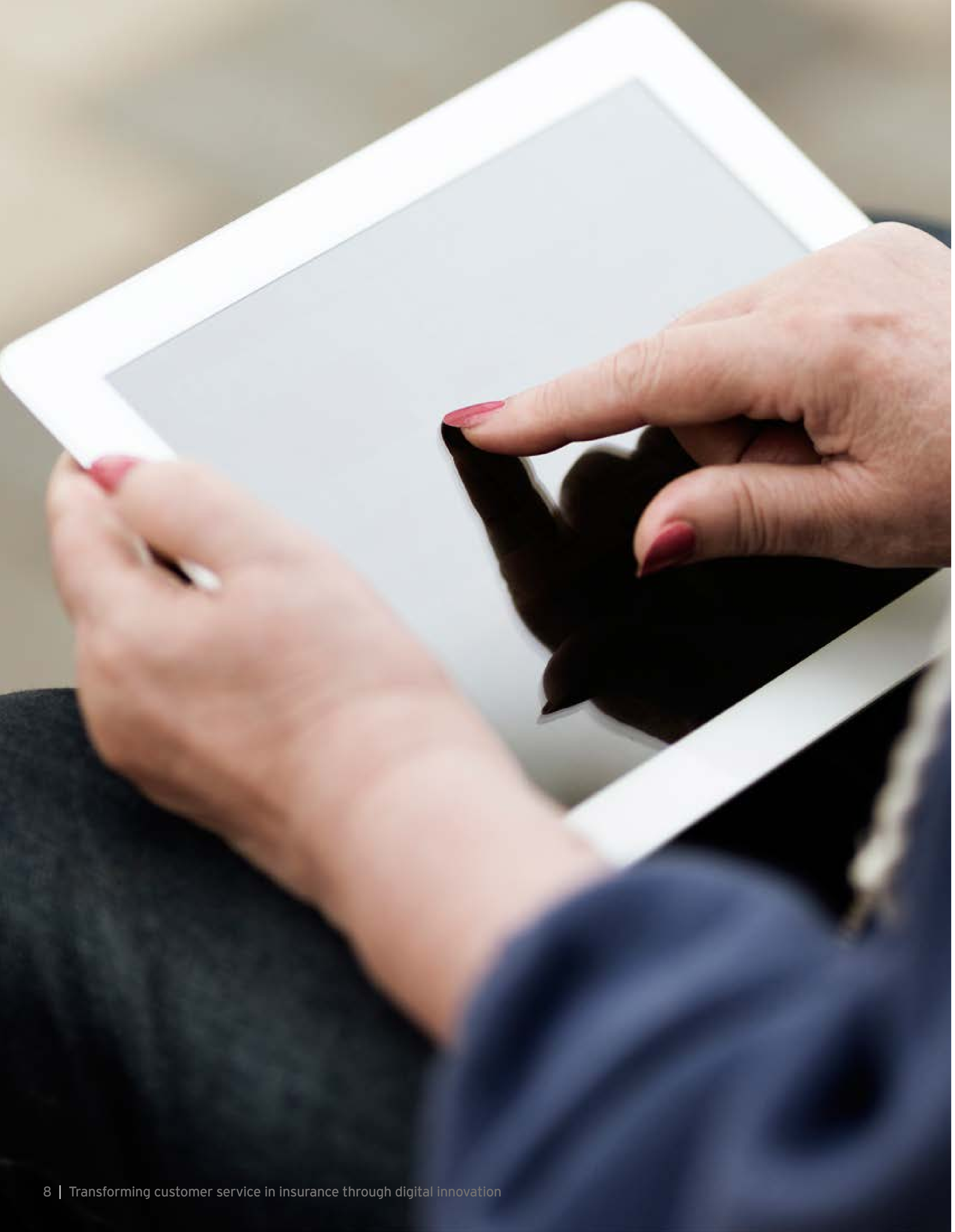
Multichannel digital strategies also require a careful consideration of potential distribution channel conflicts. Insurers cite intermediary and agent channel strength or resistance as one of the top three inhibitors in implementing a digital strategy.[23] Yet while traditional intermediary and agent channels have commonly viewed direct sales via the web as a form of competition for premium dollars, emerging strategies reposition these distribution channels to share the benefits of investments in digital capabilities, providing a clear mutual value proposition to deliver a better customer experience regardless of how the customer was acquired.

With demographic shifts moving a higher percentage of insurance customers to the web, traditional distribution channels increasingly must be armed with effective digital tools to capture this market share. Customers acquired on the web may require servicing from sales offices, and a compensation model that rewards sales offices for their support of these customers lessens the potential for channel conflict by allowing traditional sales channels to embrace this growing customer segment.

Governance considerations

Life carriers' digital governance strategies vary based on the organization's digital maturity. No single governance framework can be applied across carriers, but all carriers do need a governance program to factor in these three key elements:

- **Clearly defined roles and responsibilities.** Carriers need to make it clear who is accountable for designing and delivering on the digital experience, how to escalate issues, and who holds ultimate responsibility.
- **Transparent policies and processes.** As with any governance program, policies and processes need to be put into place for an effective digital strategy. Equally important, they have to be promoted and clarified to the people who will follow them.
- **Clear communications structures.** Once designed, the governance program does not sit on a shelf. Carriers need to work continually to keep leaders and the culture aligned and able to move forward with the strategy.[24]



Conclusion

Life insurance customers of all demographics expect a high level of engagement and a seamless experience when interacting with carriers, and this expectation springs largely from their experiences with products and services outside of the life insurance space.

Carriers must accept that customer expectations for digital interactions are changing and must respond by developing strategies that keep pace. From adaptive designs and cross-device portability to data analytics and payment innovations, insurance companies have a range of digital tools available to increase the quality of client interactions, deepen customer relationships and drive operational efficiencies across the insurance value chain.

Carriers need to develop a bold vision for their digital strategy while relying on quick wins and incremental changes to drive management buy-in. Such a transformation would consist of an end-to-end digital view and overhaul of the insurance process, making certain that it is focused on keeping customers in the fastest, most effective, lowest-cost service delivery channels, while also driving other strategic goals, such as retention and cross-sell opportunities. Transitioning to the digital world also requires carriers to rethink their product offerings, with an eye toward simplification, flexibility and transparency to drive growth and enable retention.

The governance demands made of the companies engaging in end-to-end digital transformation will require an unwavering commitment to customer privacy concerns, transparency and clear communication, and accountability structures within the organization.

The onus is on insurance carriers to learn from the experiences of technology and other financial services companies and find creative ways of disrupting and improving upon their existing customer experience model.

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