

# Implementing a gamification strategy

The importance of winning the  
game in insurance



# Enhancing customer engagement through gamification



## This paper:

- ▶ Defines gamification for insurers – what it is
- ▶ Explores the ramifications, opportunities and risks for the industry – why it matters
- ▶ Outlines a path forward for insurers considering gamification – how to generate the value

Among the many changes and innovations happening in the insurance industry today, gamification is surely one of the more interesting. At the nexus of trends ranging from behavioral science and social networking to the Internet of Things and wearable tech, gamification is serving as a powerful lever for insurers seeking to enrich digital experiences and adopt new customer-centric business models, such as pay-as-you-live offerings.

Gamification – which involves the use of game techniques and elements to influence the behaviors of individuals, which may include customers, employees or other groups – matters to insurers largely in the realm of customer engagement. Certainly, it is proving to be a successful way to reach younger generations of consumers, with whom insurers are keen to develop stronger relationships. In this sense, gamification can help build and sustain direct customer relationships and serves as an efficient step toward customer centricity and greater customer engagement.

# Defining our terms: what is gamification?



Gamification is the application of game elements and techniques (such as point scoring, competition with others and score keeping) in non-game situations. Its objective is typically to influence the behavior of consumers, employees or other groups of people who participate in the “game” and promote increased engagement. Typical use cases include:

- ▶ Encouraging people to exercise more, lose weight or eat better
- ▶ Promoting retirement savings and charitable contributions
- ▶ Enticing workers to increase productivity or workplace safety

## Common elements of gamification

- ▶ **Progress:** often represented by “badges” that represent achievement or progress bars
- ▶ **Virtual goods:** objects or special powers players are able to obtain by exchanging some type of virtual currency
- ▶ **Interactions:** to encourage teamwork and social networking
- ▶ **Content unlocking:** motivates user to complete something to unlock additional content
- ▶ **Constraints:** deadlines that motivate people to action in specific time frames

More advanced and sophisticated applications go beyond computer-based gaming to focus on real-world data and outcomes. These may involve the Internet of Things or the “quantified self” movement, which uses wearable technology and other data sources to track personal behaviors (e.g., calories consumed), physical condition (e.g., blood oxygen levels) or mental states (e.g., moods).

# Why gamification matters to insurers

Within insurance, gamification has emerged as a useful practice and effective means to:

- ▶ **Engage customers:** Gamification can transform ordinary applications into interesting and fun experiences that keep users coming back.
- ▶ **Establish or strengthen brands:** In helping companies motivate customers to buy their products and services, gamification can boost brand awareness, affinity and penetration, as well as purchase intent.
- ▶ **Educate and train customers and staff:** Gamification can help guide customers to learn about and choose the most suitable products. It can also help inform employees and enlist their support for strategic plans and organizational change.
- ▶ **Motivate people to act:** Gamification has proven to influence and even change behaviors in areas such as health and wellness, safe driving, wealth management and financial planning, and sustainability – all areas where people express a strong intention to act without actually acting.

All of these goals reflect the need for insurers to strengthen their customer relationships through more direct interactions. According to recent EY research, 44% of customers have had no interactions with their insurers during the last 18 months.

More frequent interactions and richer experiences are especially important relative to millennials, a cohort that has shown little interest in life insurance and has higher expectations for digital channels. Further, this generation is also likely to drive less, delay home purchases and save less for retirement than previous generations. Gamification can help mitigate these trends and help insurers engage a younger generation of potential customers.

Outside of consumer-facing applications, gamification can facilitate customized risk assessment and pricing, providing additional perks, benefits and discounts for high-value policyholders who embrace safe or healthy behaviors, though such an approach may strain the principle of risk pooling. Internally, insurers can seek to boost sales and service performance with techniques that go beyond traditional “President’s contests” for distributors and service agents.

The principles of gamification offer value to all types of insurers. The path to adoption is clear for property and casualty, health and life insurance companies alike. Early-adopting health insurers already use gamification to improve retention, drive safer behaviors and underwrite more effectively based on data shared by customers via wearable technology. Similarly, auto insurance underwriters are using telematics to track driving behaviors, improve risk profiles and increase underwriting efficacy. Some life, retirement and pension, and workers’ compensation products may also benefit from gamification. As the adoption of telematics and wearable technology increases, so too will the opportunities for deploying gamification strategies.



# Designing compelling games and experiences



It is important to recognize how gamification influences behavior. To be effective, game experiences must be fun and motivating, which encourages engagement and fulfillment. Typically, gamified activities rely on three basic components of motivation:

- ▶ **Autonomy:** giving users or “players” a sense of being in charge so they stick to their goals
- ▶ **Value:** motivating players with an appealing reward that is relevant to the specific individual
- ▶ **Competence:** encouraging users to keep playing by allowing them to get better at the game

To boost motivation, the game should provide both extrinsic (perks, benefits, discounts or badges) and intrinsic (self-development or self-interest) rewards. The ideal mix of rewards will be customizable, for the simple reason that different people are motivated differently. For instance, competition positively motivates some people, but does not appeal to others.

Drawing upon extensive research into human psychology and behaviors, the most effective games leverage the natural desire to feel good and induce the release of dopamine, a neurotransmitter that motivates people to act. Thus, compelling game experiences feature:

- ▶ **A “virtuous call to action” circle:** Designed to keep people interested and engaged, such a circle involves simple cues for action, easily identifiable markers of progress, clear feedback and an accessible path to the next level.
- ▶ **Positive feedback:** Points, badges, indicators of progression and the like help users stay engaged on the tasks being completed, but also generate a sense of closure, accomplishment and pleasure. As the human brain learns the behaviors that generate this state of mind, the desire to remain engaged increases.
- ▶ **An effective, intuitive user interface:** This must be overlaid on the game mechanics, dynamics and aesthetic. As with digital experiences more generally, a successful game experience is based on a clear and attainable objective with appropriate prompts to action. Such experiences have already proven to deliver near-term behavioral changes through gamification, just as improved user interfaces lead to increased user engagement.

# Gamification in action

Early adoption in insurance has focused on educating consumers on products and opportunities as well as driving brand awareness. But gamification is not “cookie-cutter,” and it’s being deployed in various innovative ways for both internal and external audiences.

- ▶ A global insurer has built a comprehensive online wellness program around gamification, with personal challenges around health risks, preventive care and/or disease management, which has increased customer retention, generated valuable risk and behavior data, and enriched customer relationships.
- ▶ A UK firm insures four million drivers between the ages of 17 and 25, with 90% under 21 years of age. The company’s success has been attributed to a quasi-gamified usage-based insurance model that monitors driving, provides consistent feedback and offers reduced premiums based on safe driving.
- ▶ An Indonesian insurer has generated considerable social media traffic and increased brand awareness through a gamified approach to educating customers about its products.
- ▶ A major US investment house allows 401(k) plan participants to check their balances and anonymously compare contribution levels to other account holders based on age, geographic region and other factors.
- ▶ A Canadian insurer has significantly increased customer engagement with a younger customer segment through a gamified app that requires players to demonstrate knowledge of investment and retirement planning principles.
- ▶ A US insurer applied gamification to its claim scheduling process, with employees challenged to submit and rewarded for submitting innovative ideas for solving common problems, with nearly \$20 million saved through efficiency gains.



# Winning with gamification: how insurers can generate value

Insurers interested in leveraging gamification to improve business outcomes must navigate a range of questions to choose the right path forward. They should be encouraged by the experiences of early adopters, which have clearly demonstrated that relatively limited investments and focused pilot programs can yield tangible returns in a range of areas.

- ▶ **Determine alignment with digital strategy and broader initiatives:** Gamification can be a powerful enabler of insurers' digital strategies, and even broader transformation programs, such as pay-as-you-live models. Therefore, insurers must seek to define the specific consumer behaviors that gamification can influence and map those to broader objectives surrounding cross-selling, customer engagement or other metrics.
- ▶ **Understand the wide range of game design options:** A wide variety of techniques and options can be used – from the simple to the highly sophisticated. The best techniques for encouraging older policyholders to exercise more frequently will naturally vary from those that may entice millennials to drive more safely or even to buy life insurance.
- ▶ **Choose the right use case:** The full benefits of gamification are linked to effectively deploying game and behavioral techniques to business problems. There are many relatively simple ways gamification can generate real results for insurers, meaning carriers can start small while learning the basics and still generate value.
- ▶ **Find the right customer niche:** Gamification will likely be more familiar and attractive to some customer segments than others. Therefore, insurers should choose carefully, especially when piloting, the customers they wish to engage through gamification.
- ▶ **Test, learn and iterate:** The best way to discover the value of gamification is to test assumptions against appropriate customer niches and keep iterating until the expected results are achieved. Such an agile approach to “testing and learning” helps produce both near-term results and deeper understanding of customer behaviors.
- ▶ **Get collaborative:** Gamification is very much a team sport. That means a range of functions, from IT to product development to underwriting to sales, will need to be involved. Data scientists and skilled game designers must also be on board, as their specialized skills is necessary to build fully integrated games.
- ▶ **Know the rules (and the risks):** There are a number of laws and regulations governing the treatment of customers, which may be applicable to gamification depending on the approach. Insurers must inform themselves. The top risk considerations include risk pooling, ethical and legal considerations, and data privacy. Labor laws may also apply for games focused on employees.
- ▶ **Find the right teammates:** Most carriers simply don't have the expertise or knowledge to implement gamification capabilities on their own. After all, there is a significant body of literature about persuasion, psychology and human learning that can be brought to bear. As partnerships are inevitable, carriers must choose their playing partners carefully – certifying they understand not only the long-term strategic possibilities of gamification, but also the near-term risk and barriers to success. The ideal partner will also need deep industry knowledge and experience.
- ▶ **Expect maturity:** Some critics complain that the current repertoire of game design techniques is too limited. Going forward, games will become more interesting, sophisticated and personalized as consumers will expect more and insurers will need to inspire new behaviors and continuously increase engagement.

# The bottom line: insurers get in the game



Given that early adopters have fully operationalized gamification, it is clear that gamification is here to stay for the insurance industry. There are clear and tangible benefits in terms of customer engagement and bottom-line impact. Carriers reluctant to make initial investments should recognize how gamification is closely aligned with some of the industry's most pressing imperatives regarding customer centricity and engagement. In this sense, gamification is a game that insurers must play.

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