

The why and how of simplified customer communications

Insurers that adopt a holistic, customer-centric approach can realize a clear and compelling business case

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Executive summary

For years, there has been a clear consensus in the insurance industry about the need for customer centricity. However, there is considerably less clarity regarding the best way to achieve this objective, let alone what customer centricity means. Is it an overarching enterprise strategy? Or a set of digital capabilities that make it easier for consumers to connect with insurers, research products and conduct transactions? And does it affect only customer-facing functions, like sales, service and claims?

Insurance consumers want more frequent, clearer and more personalized communications from their insurers, as well as greater transparency around rates and fees

These are all excellent – and urgent – questions for insurers to address, as confirmed by findings from EY’s 2014 Global Consumer Insurance Survey. Based on 24,000 responses worldwide, it is clear that insurance consumers want more frequent, clearer and more personalized communications from their insurers, as well as greater transparency around rates and fees. They also show a clear willingness to embrace digital channels for a broader range of interactions.

As such, these findings point to an effective first step on the journey to enhanced customer experiences. Rationalizing, simplifying and ultimately digitizing customer communications provide a clear, compelling and often self-funding business case for pursuing customer centricity.

Improved communication is more than a “nice-to-have” that may lead to a small uptick in policyholder satisfaction or provide other marginal benefits. New regulations have made “plain language” requirements a “must do” for insurers. More importantly, there is real business value to be gained. Simpler and clearer communications reduce call center volumes, customer churn and operational expenses. Improved communications can also result in increased operational efficiency and effectiveness and clear competitive differentiation. In other words, investing in customer-centric experiences and better communication can yield real and substantive financial returns.

This paper outlines the business case of **why** simple and clear communications are important and provides a recommended approach on **how** to realize the benefits.

Consumers to insurers: “We want to hear from you”

From the EY 2014
Global Consumer
Insurance Survey



“In the age of information overload, it is exceedingly rare for consumers to ask for more communications – but that’s exactly what insurance consumers want. The communications gap even covers promotional offers; customers are open to receiving more, meaning insurers are being invited to share more valuable content.”

57% Customers who want to hear from their insurers at least semi-annually



47% Customers who currently hear from their insurers at least semi-annually



Why: high stakes and huge opportunity

Results from EY's 2014 Global Consumer Insurance Survey frame the business case for simplified communications:

- ▶ **Insufficient frequency:** A full 44 percent of insurance consumers have had no interactions with their insurers during the last 18 months.
- ▶ **Low satisfaction:** Only 14 percent of consumers report being very satisfied with communications from their insurers.
- ▶ **Digital readiness:** About 80% of consumers want to use digital and remote channel options for many different tasks and transactions. This includes seniors, often regarded to be resistant to digital channels.

The low-frequency, low-satisfaction combination has the potential to erode customer relationships. Current communication practices do little to address the situation, as illustrated by these all-too-common scenarios:

- ▶ Insureds only hear from their insurance companies when bills are due and don't even recognize this as an interaction with their insurer
- ▶ Agents never follow up with policyholders after selling a new policy
- ▶ Required communications include dense language that only actuaries or attorneys can possibly understand
- ▶ Processes for simple tasks (such as beneficiary changes and address changes) are unnecessarily complex and cumbersome. Some companies still requiring a form to be mailed in.

There is something of a paradox here: insurers don't communicate often enough, but when they do (often because they're required to share information about a rate increase or change in claims status), they send repetitive, overly complex and difficult-to-understand communications that cause more problems than they solve. Generic "dear customer" letters and crudely conceived upselling offers automatically printed on every billing statement are simply not good enough in the world of tailored recommendations, individually customized messaging (e.g., relationship anniversary) and other enticements from online retailers and digital leaders.

Relatively infrequent contact and rising consumer expectations mean that every customer interaction has become a critical moment of truth. Conventional wisdom once held that claims processes were the essential "make or break" interactions with consumers. Today, however, insurers must be prepared to "win" all types of interaction - even simple administrative contacts - by providing the information customers need in the formats and channels they prefer.

Making the most of every customer contact is the simplest answer to the question of "why invest in better customer communications?" Depending on the situation, the benefits can take many forms:

- ▶ Higher up-selling and cross-selling rates
- ▶ Increased retention
- ▶ Reduced call center volumes
- ▶ Improved customer satisfaction and Net Promoter Scores
- ▶ Increased operational efficiency
- ▶ Reduced mail production, volume, meaning lower printing and postage costs
- ▶ Less time spent managing complex correspondence inventories
- ▶ Fewer errors and rework
- ▶ Reduced risk of non-compliance
- ▶ Increased likelihood of recommendations, both direct and through social media channels



70%

Customers experiencing moments of truth who reports a positive outcome

Quality of contact and effective service are closely correlated with higher customer satisfaction, cross-selling and up-selling rates, which provides a clear and near-term incentive to enhanced communications practices. Indeed, EY's consumer research demonstrates that up to 70% of "moment of truth" interactions result in positive outcomes, such as coverage increases.

All insurers have far more variety and complexity in their communications and forms inventories than they need. Thus, by migrating paper interactions to digital channels (online and email), insurers can not only boost quality and compliance but reduce associated overhead costs. Streamlining content development, management and distribution processes represents another cost savings opportunity. Combined with simplified technology environments, these smarter processes can reduce errors on forms.





Conceptually, the process of improving and simplifying communications occurs in three basic steps:

- ▶ **Rationalize** – consolidating communications templates into manageable body of templates and messaging sets (by customer type and business function) saves printing and postage costs while still fulfilling regulatory requirements
- ▶ **Clarify** – simpler language and formatting leads to higher rates of customer understanding (especially for required actions) and thus reduces call center volumes
- ▶ **Digitize** – beyond the cost savings, an increasing percentage of consumers prefer to receive communications via email or through online channels

The regulatory factor

The necessity to reduce risk exposure relative to new regulations is not to be underestimated. Plain language requirements are not new to the financial services industry; in fact, they have been around since the 1970s. However, new rules and guidelines regarding Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) from the Consumer Financial Protection Bureau (CFPB) are designed to increase transparency in customer communications and have raised the burden on insurers. The prospect of large fines (such as those levied on several banks) has also increased the urgency level.

As with other regulatory matters, insurers face a fundamental choice: either adopting a “tick-the-box” approach aimed at a minimum level of compliance or devising

a strategy that ensures compliance-driven investments generate greater returns that benefit the business and the customer as a whole. For instance, a centralized approach to communications means not only improvements in policy and regulatory compliance, but also more consistent and stronger controls. That may be especially important relative to issues like vendor oversight, enforcement of service level agreements, undelivered mail and the like.

Centralization is also critical to help ensure consistent messaging and the other leading practice attributes described above. As we turn our attention to how insurers can begin to operationalize the “simple and clear” vision for communications, it is worth pointing out that the Pew Model for disclosing fees on basic checking accounts provides a useful template for moving forward.

How: the way forward for insurers seeking simplified communications

Simplifying customer communication makes a great deal of sense as a starting point for insurers that are unsure of how to begin enhancing a poor customer experience. However, the process is not an aesthetic pursuit. Rather, it requires deep cross-functional understanding as multiple parts of the organizations will be involved or affected. Certainly, there are legal and compliance issues to take into account, but streamlining and reducing the overall number of communications often requires careful synchronization among underwriting, accounting, billing, claims and customer service. Agents, brokers and distribution partners will also be affected, as they are both channels and customers. So too will any function involved at any stage of the customer life cycle be affected.

That is why simplification must address the underlying operational drivers, not just the surface-level components, of the customer experience. Taking a holistic view is critical. Most simplification initiatives will include:

- ▶ **Standards and guidelines:** The framework for consistent customer experience, enterprise-wide brand compliance, production efficiencies
- ▶ **Content management:** Enabling re-use and consistent messaging, brand voice and information availability across all channels; boosting the productivity of writing and communications teams
- ▶ **Form redesign:** Decreasing customer inquiry calls and reducing form errors

- ▶ **Electronic distribution:** Reducing printing and mailing costs and enabling faster customer communications
- ▶ **Online data capture:** The foundation for account and customer Information access and maintenance, online forms and payment functionality
- ▶ **Data integration:** Multi-system data sharing based on common data elements, which can lead to single customer views across channels

Collectively, these elements add up to a robust communications “operating model” capable of supporting an enterprise-scale program to optimize customer communications across functions and the full range of customer touchpoints.

How will such a program play out on a practical level?

- ▶ More detailed design and scripting of common customer interactions and “moments of truth” to promote positive outcomes
- ▶ Forms and templates that feature intuitive design, consistent placement of headers and subject lines, scannable layouts, clear contact information and easy-to-read fonts
- ▶ Support and training for service agents on how to listen for and identify key phrases, what to offer in specific situation and clear definitions of desired results
- ▶ Fully rationalized inventories of templates and messaging by customer group and business function to improve the manageability of the communications and process
- ▶ Redesigned messaging and formats for correspondence types, aligned with standards and guidelines for the brand, template types and printing operation requirements
- ▶ The deployment of a centralized tool or content management system to support ongoing consolidation or customization of communications

It is clear that customers are looking for more from their insurer’s digital offerings. Though many in the industry recognize that insurance companies still lag in terms of digital capabilities, progress remains slow and intermittent. Consumers have signaled they are ready to do more through such channels. That readiness gives many options to increase efficiencies and boost loyalty through better experiences. Among the choices:

- ▶ SMS updates on application and claims status to reduce inbound calls and provide information more frequently
- ▶ Web chat as a means for handling many common interactions
- ▶ Interactive, guided tools to support, for example, an annual enrollment process with conversational guided interview workflow

Digitizing service processes and improving front-end access to information may require some fortification and enhancements on the technology front. Integrated back-end systems and intuitive self-service tools are necessary for consumers to get the information they need, when and how they want it. However, for most insurers, this is work that is long overdue. The business case described above more than justifies the modernization of legacy systems and the integration of data across functions.



16%

Customers who never want to hear from their insurers

It's not enough for insurers to simply build these new digital capabilities. They must also build awareness of their availability and actively promote their use. This is where regular communications (such as billing notices) can also be used to strengthen the overall relationships. Further, they must offer consumers the ability to set their own preferences for the frequency at which and channels through which they receive information. Personalization may even be viewed as the “secret sauce” for effective communications, given that 16% of consumers never want to hear from their insurance providers, according to EY’s consumer research.

Overcoming the digital divide

Many insurers have been reluctant to fully embrace digital channels for fear of alienating their agent, broker or advisor networks. Given the prevalence of digital adoption in other industries and the maturity of offerings from digital leaders, the time has come for insurers to address this reluctance. Fundamentally, it is a matter of finding the right balance of direct digital self-service and agent-supported services and offerings. Insurers should engage important strategic distribution partners to co-develop customer relationship strategies that offer mutual benefits.

Yes, some legacy models will be broken down, but consumer expectations (not to mention demographic shifts) are forcing such changes. They expect more options for receiving information, asking questions and otherwise engaging their insurers. Tomorrow's consumers will not think of digital as a separate channel, but as the central storefront for all things insurance.

At a minimum, if agents are to be primarily responsible for consumer relationships, insurers have the right to define standards for policyholder communications. They also have a clear incentive to support brokers with training, templates and other tools that promote quality in all of their interactions. To some extent, this boils down to consumer data ownership. Insurers must have access to basic contact information (e.g., mobile phone number and email addresses) for their policyholders. With such accurate information and the right communications operating model, insurers can design, produce and distribute content to come from advisors and brokers – at scale and in a timely fashion.

Lastly, when it comes to simplifying customer communications, the scope of initial projects is important to consider. Many insurers have undertaken targeted pilot projects to improve specific communications from, for example, the claims organization. Such efforts may be necessary, but they are unlikely to realize the full value compared to those that coordinate across functions as part of a broad-based, holistic approach. Case in point: a claim may cause many interactions with a consumer but most customers won't have a claim.



The bottom line: ubiquitous performance improvement opportunities

There is plenty of room for insurers to improve current communications practices. Every channel, each interaction and all customer touch points represent opportunities to deliver what customers are looking for. That includes paper correspondence, in-person interactions, as well as call center inquiries and digital self-service tools.

A clear experience strategy and communications operating model, along with appropriate methods, standards and tools are required. Coordination of activities and clear insight into dependencies across the enterprise are also important variables in the drive to "clear and simple."

Yes, there is much work to do to realize the benefits of a "clear and simple" approach to communications. However, insurers should recognize that the effort can make a positive difference in financial results. In seeking to offer an intuitive, holistic and integrated customer experience across channels, customer centricity becomes a bottom-line - rather than a "feel good" - objective.





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