

PERSPECTIVE

Digital Insurer

Driving transformational change through better customer experience



Abstract

Insurers are undergoing an enormous transformation in order to thrive in today's digital world. By embracing digital, they will be able to deliver effective consumer engagement resulting in highly productive relationships.

Introduction

Over the last few years, digital has become a way of life, pervading our professional and personal spectrums with ease and with a telling effect. And the impact is both fundamental and groundbreaking. We live in a world where there are more mobile phone connections than people. This massive explosion of smartphones and devices has created a new set of information-savvy, hyper-connected, community-driven customers who are driving a brand new shift across the business lifecycle – product development,

marketing, branding, sales, and operations. The insurance world is no different, and is on the brink of a massive digital revolution.

This digital revolution is giving rise to newer business models, which lead to disruptions characterized by rapidity and scale. Insurers in today's digital world can be broadly classified into two categories – those who are driving the digital disruption and those who are struggling to adapt and as a result, getting disrupted.

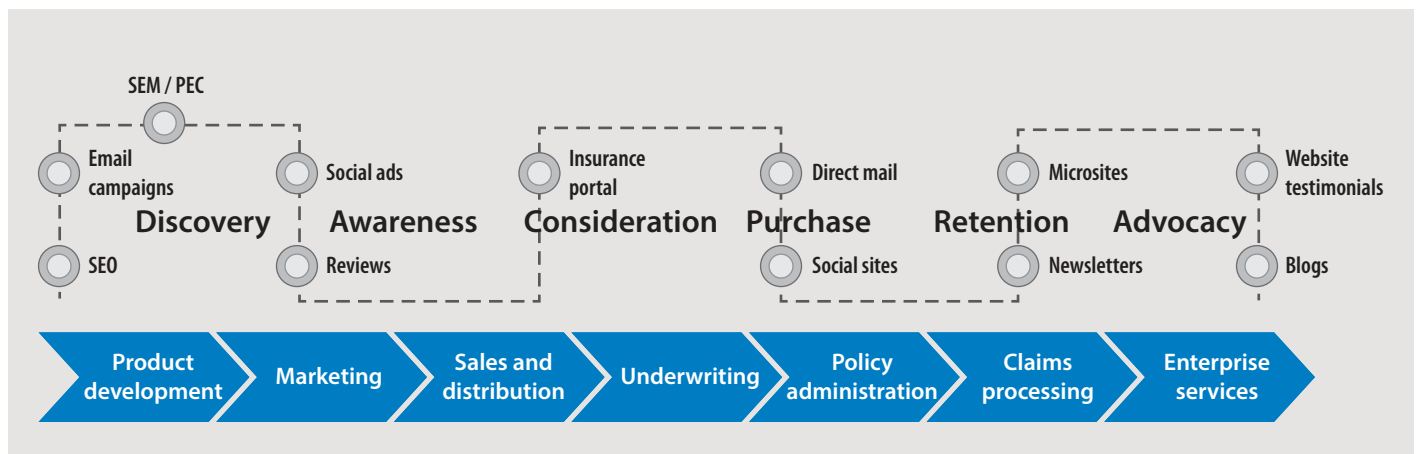
It is therefore imperative for insurers to

assimilate these disruptive themes and their impact, and adapt to these changes quickly in order to remain relevant to customers and other stakeholders.

This paper seeks to help insurance carriers identify the areas where digital can provide quick and pathbreaking transformation. These areas are validated by years of Infosys partnership with top insurance carriers, agents, and other ecosystem participants.

Impact of digital on the insurance value chain

By enabling disintermediation, digital connects carriers with their customers directly, thereby enabling them to better understand customers' needs. This also helps customers get a direct view of what the carrier has to offer, which means transparency in transactions and cost savings. From pushing insurance products to the market, carriers today find themselves in a world where they need to influence customers by ensuring that their products are personalized to suit every need.



Digital impacts the entire continuum in the insurance value chain

The impact of digital across the insurance value chain is pervasive. However, its impact across pre-purchase, sales, operations, branding, and customer services functions is significant.

Pre-purchase

Digital has a huge presence across discovery, awareness, and consideration during the pre-purchase process. It covers key areas such as product, pricing search, customer advocacy, customer queries, community positioning, and feedback.

Sales

Digital enables disintermediation, resulting in a drop in costs for the customer. It also provides a closer appreciation of customers' needs, thereby leading to an increased conversion of leads. Currently, a majority of customers are hybrids,

using both digital and physical channels during the sales cycle. We see digital tools providing a better and more efficient mechanism for agents in the front office. This helps them play the advisor's role effectively, thus improving productivity and reducing sales costs.

Branding

Digital provides a channel for connecting with customers and society at large. Top insurers have taken the digital route to promote safe driving, lend health advice, sensitize customers on disease prevention and so on with a view to occupy the mindshare of their end customers. Insurers are using digital channels to brand themselves as well-wishers and trusted advisors of their customers.

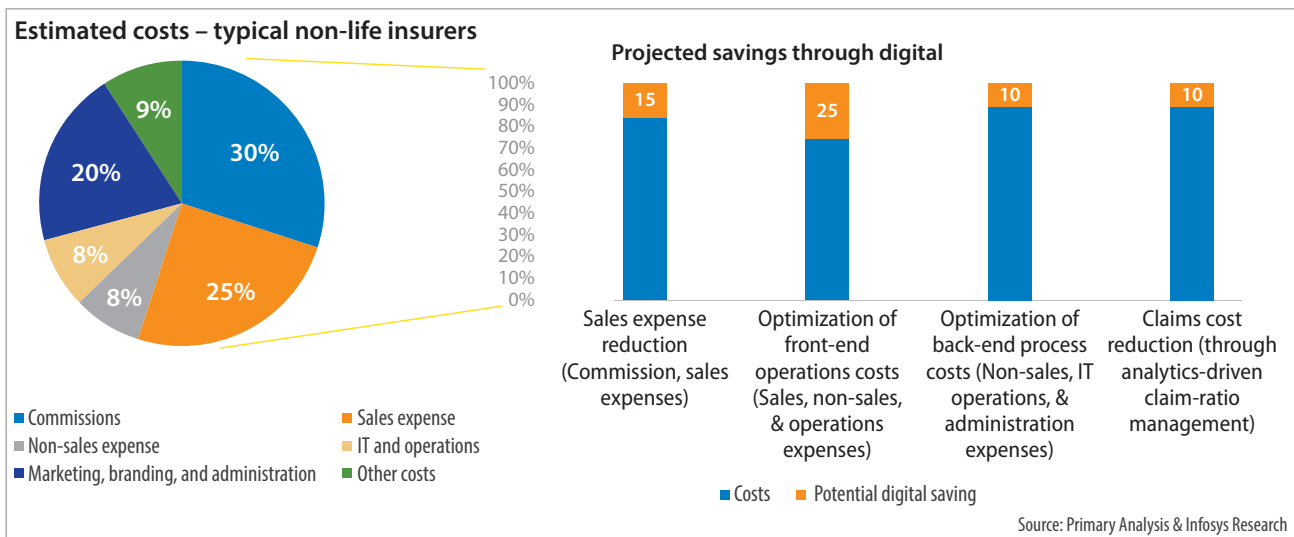
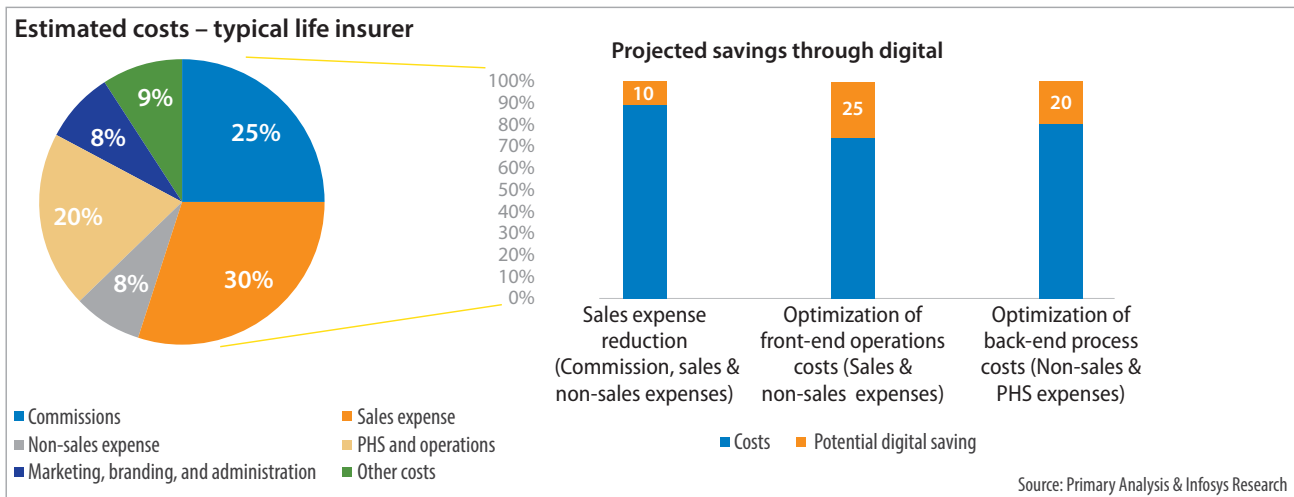
Operations

A carrier's operations typically consist of front-end and back-office costs. The use of business process management and business rules automation software with a view to enable straight-through processing (STP), self-service portals, and agent process automation can lead to substantial reduction in back-office processing costs. Coupled with big data and predictive analytics, this can also significantly impact

the claims ratio, thereby reducing the overall claims outflow for the carrier. This is especially significant in the current scenario where the overall economic climate is demanding; and the challenges in penetrating the customer base lead to the need to manage claims ratios and expenses ratios together to effect bottom-line growth.

Potential savings driven by digital

Across life and non-life insurers, digital impacts direct sales expenses, front-end and back-office process costs, and can provide an impact of 10-25 percent across each of these areas. While the impact of digital is to predominantly help drive penetration and sales, it also positively impacts the operating models of insurance carriers by creating better customer experiences, risk management, productivity improvements through process optimization, and driving down cost of sales.



Reduction in sales costs, productivity improvement, and better customer experience

Agents who are armed with digital devices and tools can enable better lead conversions, close out cross and upsell opportunities faster, and provide a seamless experience for customers. They can close out policy details, online documentation, play a video to demonstrate products, share contact information for PHS, and enable payments online; essentially a one stop-shop to close out all transactions and on-board the customer in minutes. Several of the top insurers are already well on their way to realizing agent enablement maturity.

French insurer AXA gave 3,500 iPads to members of its sales force to help them sell products. The agents use the iPad to collect information from customers, analyze needs, present products, develop the contract, and obtain the signature. Through this process, new contracts get automatically stored on AXA's computer systems.

Aflac's LaunchPad put its sales presentation onto the iPad. The iPad version allows dynamic media such as videos and calculators to be added to the presentation. The company reported that it gave 150 New York area agents iPads loaded with the app, and has seen an 18 percent increase in sales within two months.

Optimization of back-end process costs

Optimization of back-end processes are driven by process simplification, STP, and enabling self-service for various policy holder services. Process simplification of complex areas, like underwriting and claims processing, lend themselves to process automation driven by business process management and rules automation. This results in improving underwriters' productivity enabling them to underwrite more policies and



finish complex underwriting at a faster rate. Automation also helps in avoiding human errors in underwriting and claims management. Most of the customer scenarios are simulated using business rules that can be fired for a specific customer profile / trigger event.

Potential savings driven by digital

Extension of automation with a view to automate complete processes leads to STP. Processes like new business generation, policy holder services, and claims are classic use cases for STP. STP of insurance processes leads to lower FTE usage and higher volumes per FTE providing a significant reduction of per policy processing costs. Top insurers like Allianz, AXA, Generali, GEICO, Liberty Mutual, and Allstate have achieved a high degree of STP ranging from 70 to 100 percent of their insurance processes.

Enabling self-service portals for customers and agents to carry out day-to-day transactions is an extension of STP initiatives.

STP leads to process automation and therefore lends itself to self service. This cuts out the traditional call center route for policy holder servicing, which is an expensive proposition when compared to self-service portals. Apart from the cost angle leading to better expense ratios,

self-service portals also provide round-the-clock access to customers, improves customer experience and sets up an ideal platform for cross / upsell opportunities.

Better risk management

Digital capabilities can generate meaningful actions out of large volumes of data that are stocked up with insurers. They can help unlock potential intelligence that has been hitherto lying untapped, providing tangible opportunities to improve sales and service efficiency that are customized and targeted for a specific customer / customer group. Customer-risk profiling based on historical and current data with respect to premiums paid, claims made, timeline of sales, lead time, and specific event occurrences that increases applicability for certain insurance products can now be enabled by big data analytics and allied digital technologies.

Also on the claims side, big data analytics can predict, based on patterns, the probability of claims outgo for a specific customer group. This can also help insurers spot claim outliers which can have a significant bottom line impact as these are large claims that are difficult to spot and require correlation of multiple event occurrences across the timescale. This results in better risk management leading to lower claims ratios.

Key components of the digital action plan

A thorough Digital Action Plan addresses five key tenets:

1. Prepare the organization

Align organization structure to reduce channel silos and simplify business processes

Ensure early alignment with other parts of the business and involve all stakeholders — leadership, marketing, technology, and management — in developing the plan early on, as their support will be crucial to your success. Break down the barriers.

Deploy agile and flexible digital operation model keeping the customer's journey at the center

Firms need agile digital teams that set and enforce policies to address digital pain points. Without these in place, experiences will remain siloed while operations costs increase.

Assess cultural impact and plan interventions to change mindsets

Insurance companies operate in markedly different environments, so each digital vision will be unique. Tackle legacy mindsets upfront in the process of creating new sources of value for customers and increase operational agility.

Introduce digital platforms to drive internal collaboration

Employees enabled with digital collaboration tools can immensely transform customer experience and bring about higher productivity gains.

Have leaders serve as change agents to drive digital transformation

A clear business owner to navigate the transformation with strong cross-channel and cross-functional representation across the team is of the utmost importance.

2. Integrated digital ecosystem

Powered by a common set of data and services

Use innovative techniques to obtain consumer data and utilize advanced data analytics for competitive advantage.

Deploy services-oriented architecture and middleware

SOA enables improved information flow and ability to adapt quickly to different external environments, thereby leading to improved manageability and security.

Fast, scalable, and responsive to the needs of consumers

Increased digital intensity could improve opportunity to connect with existing customers, allowing firms to better upsell, cross-sell and retain valuable customers based on a better understanding of latent client needs.

Allow customers and agents to tap into digital platform from anywhere and any device

Leading insurers today enable agents and customers with interactive apps, which allow dynamic media such as videos and calculators. This leads to better traction and in turn, a healthy jump in sales.

Ability to optimize and personalize customer interactions with self-learning

Digital channels are often less expensive compared to human assistance. Digital insurers are developing right-channeling strategies without sacrificing overall customer experience. They are migrating more routine activities, such as viewing and amending policies, tracking claims, and paying bills to digital touchpoints leading to better customer engagement and lower expense ratios.

3. Continuous innovation

Establish innovation labs to track new trends and drive learnings from other industries

Digital insurance teams must innovate faster and smarter, picking up best practices from across industries; build capabilities to drive loyalty among customers; and create compelling arguments for personalized offerings.

Identify new business partnerships which can help accelerate innovation across the value chain

The key feature of digital disruptors is giving customers more of what they want, faster. But often the required information, skills, and capabilities lie outside the organization, with time and financial constraints getting in the way of acquiring them. This is when you should look to partner strategically.

Conceptualize, incubate, and monetize ideas to address business priorities

Innovation labs promise to accelerate the development of new products and strategies by focusing a talented team on the biggest problems and opportunities facing the business. This will lead to better returns.

Conduct POCs on emerging technologies, launch pilot digital initiatives

Along with validating new ideas, POCs / pilots support the quest for continuous improvement to exceed customer expectations as well as ways to improve performance and reduce cost.

Build a digital culture – host hackathons, crowdsource ideas etc

Hackathons provide fertile ground for entrepreneurial thinking, and challenge the notion that big insurance can't be nimble.

4. Enhance consumer experience

Understand, enable, and value the consumer, provide seamless, personalized experience across channels

Elevate the effectiveness of engagement touch points by offering tailored experiences throughout the value chain. Create experiences to retain and engage customers, not just acquire them. The real differentiation kicks in with a laser focus on retention leading to better profitability throughout consumer lifecycle.

Ensure a single view of customer, product, policy, advisor data along with content and digital assets

Consumers tend to use multiple devices and channels to complete a single transaction. Insurers should therefore provide intuitive and consistent experiences across all channels.

Enhance the sales effectiveness of agents and brokers with mobility apps and collaborative technologies and mentor them to leverage social media platforms effectively

Leading digital insurers are enhancing the sales effectiveness of their agents with smart applications that not only let agents sell insurance from anywhere, but also draw on customer data and analytics to reduce application drop-offs. Infosys research shows cost savings to the tune of 10 percent can be achieved by digitizing the sales process.

Leverage the voice of the customer to provide personalized products and to monitor trends

Big data analytics can help insurers quickly identify trends from real-time data and take action on the go to influence customer psyche. In the process, insurers learn what matters most to customers and prospects as well as how they work around roadblocks that stand in their way.



Customer-need analysis followed by automated discussion with advisor on complex products

Each consumer is unique and has distinct needs, which calls for customized and contextualized advice. Mass production of experiences fails the whole digitization argument. Infuse human advice into digital touchpoints to make them more effective and reassuring, leading to better customer connect.

Sales effectiveness with electronic signatures and automated screening of contracts

Huge improvements can be achieved in the sales process through automation. Electronic signatures and automated screening of contracts lead to a significant reduction of per policy processing costs and higher agent productivity. With tedious tasks off their backs, agents can focus all their energy on delighting your customers.

5. Improve operational agility

Unlock process efficiencies through process management across the insurance value chain

Process management across the insurance value chain leads to significant reduction of operational costs, thereby bringing unprecedented value. Consider STP, automation, and inserting digital touchpoints across the value chain.

Improve operational efficiencies through a combination of digitization, process improvement, and agility

Optimization of back-end processes is driven by process simplification, STP, and digitization. Process simplification of complex areas lends itself to process automation driven by business process management and rules automation. This in turn leads to better expense and claims ratios. Infosys research shows cost savings to the tune of 20 percent can be achieved by digitizing operations.

Improve risk profiling, fraud mitigation, better decision making in pricing, underwriting and leveraging analytics

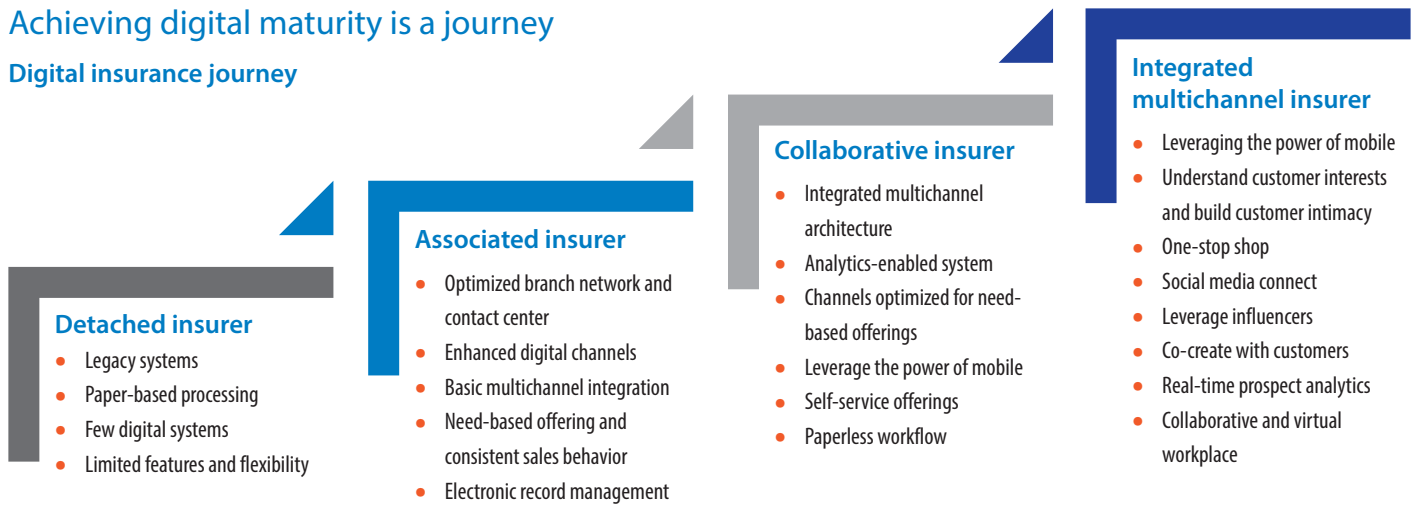
Digital can help insurers spot claim outliers, which can have a significant impact on the bottom line. These claims are often large and difficult to spot. They require correlation of multiple event occurrences across the timescale leading to better risk management, and consequently improved risk profiling and decision making.

Extend self-service capabilities

Enabling self-service portals for customers and agents to carry out their daily transactions cuts out the traditional call center route for policy holder servicing, which is an expensive proposition when compared to self-service portals. Research shows that going digital considerably reduces the expenses incurred on servicing consumers, and in turn leads to better engagement.

Achieving digital maturity is a journey

Digital insurance journey



Detached insurer

- Legacy systems
- Paper-based processing
- Few digital systems
- Limited features and flexibility

Associated insurer

- Optimized branch network and contact center
- Enhanced digital channels
- Basic multichannel integration
- Need-based offering and consistent sales behavior
- Electronic record management

Collaborative insurer

- Integrated multichannel architecture
- Analytics-enabled system
- Channels optimized for need-based offerings
- Leverage the power of mobile
- Self-service offerings
- Paperless workflow

Integrated multichannel insurer

- Leveraging the power of mobile
- Understand customer interests and build customer intimacy
- One-stop shop
- Social media connect
- Leverage influencers
- Co-create with customers
- Real-time prospect analytics
- Collaborative and virtual workplace

Committing to the journey

Embrace open innovation

To compete with digital disruptors, insurers are soliciting new ideas from three broad participant groups: employees, partners, and customers, by investing in digital labs, hosting hackathons and so on.

Invest in mobile technology to shorten the sales cycle

To drive growth, digital teams are enhancing the sales effectiveness of their agents with smartphone apps that not only let agents sell insurance from anywhere, but also draw on customer data and analytics to reduce application drop-offs.

Create simplified and differentiating digital service experiences

Currently, digital insurers offer functionalities and online experiences that are designed to only acquire customers. It is essential to go beyond the normal limits. Insurers need to be innovative, like using gamification to capture the minds of GenX and using the collected data to enhance customer value.

Use digital channels to generate local leads

The majority of customers are hybrid customers, who utilize both the digital

channel as well as the physical during the sales cycle. Top insurers provide customers with different options for finding an advisor, which lends local human reassurance before they decide to purchase.

Be a digital disruptor

Digital insurance teams need to innovate faster and smarter; build capabilities to drive loyalty among customers; and create compelling arguments for personalized, usage-based insurance offerings.

How Infosys can help

Infosys value proposition is based on achieving key business outcomes, which are tethered to a set of closely monitored and dependent metrics

Key metrics	Sales \$, %	Operating cost \$	Customer retention %
	Staff satisfaction %	Customer satisfaction %	Margin %
Business imperatives	Superior customer experience	Improved operational efficiency	Increased business growth
Major channels	Brokers	Agents	Direct channel
Key service propositions	Single customer view	Better lead generation	Performance marketing
	Mobility	Rating and reviews	Multichannel integration
	Innovation platform	Collaboration	Claims support
			Aggregator sites
			Content rationalization
			Social insurance
			Data / analytics

Infosys Service Offerings for Insurance Customers

01	Insurance Modernization Strategy	Identify modernization strategies and key rationalization opportunities within Insurers Process & IT application landscape that will provide significant cost saving opportunities while improving operational efficiency
02	Run-off Business Strategy	End to end outsourcing and managing of closed block of businesses, that provide significant cost savings
03	Digital Strategy	Enterprise digital strategy encompassing social, mobile, and web portal framework
04	Build vs. Buy Analysis	Assist Insurers to take the critical decision of buying or building a system by highlighting the key risks, challenges, and benefits associated with each of the options
05	COTS Package Evaluation	Recommending best fit COTS products that meet business and technical requirements in a client specific context, backed by decades of experience in offering COTS based product services
06	Insurance CoE	Leveraging best practices in conceptualizing, setting up, and managing an Insurance Center of Excellence (CoE) to radiate Digital implementations in a standardized and repeatable way

About the Author



Shankar Krishnamurthy

Shankar leads the Digital Consulting & Solutions Practice focussed on Customer Experience Management at Infosys. He has over 18 years of consulting and large program management experience across Manufacturing, Financial Services, Insurance and Retail industries and specializes in Business Process Management, Marketing, Digital Commerce and Social collaboration spaces. An avid evangelist of "Digital Everything", Shankar focuses on creating a digital ecosystem that lends itself to sustainable competitive advantage for organizations.

For more information, contact askus@infosys.com



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