



OPENING THE GATEWAY TO A SMART INSURANCE FUTURE WITH DIGITAL

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Abstract

The insurance industry is in a state of flux. It is undergoing a transformation with strong undercurrents being powered by digital innovation. Digital is all-pervasive – it has a place in every aspect of an insurer’s organizational structure, product and service development and delivery, and most importantly, in reshaping its relationship with the customer.

The insurance industry is in a state of flux. It is undergoing a transformation with strong undercurrents being powered by digital innovation. Digital is all-pervasive – it has a place in every aspect of an insurer’s organizational structure, product and service development and delivery, and most importantly, input reshaping its relationship with the customer. The industry is currently functioning in an ecosystem that is wholly customer-centric.

In fact, the focus is deeply entrenched in offering customers the experience they want because customers’ preference born of experience is a key differentiator. It determines whether an insurer will succeed or not, both in the near and distant future. And digital can influence success in a big way. It opens up smart new ways to connect, interact, and engage with customers, to better understand them, and offer what they want.



Digital brings great opportunities for insurers to grow and scale up. An important step to take before integrating digital in the company infrastructure is to know the key change agents fast-tracking the industry to adopt digital.

Need for comprehensive insights to enable better decision-making

Critical decisions are taken every minute by insurers, especially about whether to insure a customer or not, and if yes, how much to insure for. Underwriters can take these decisions in a way that is beneficial for

both customers and the company, based on their understanding of the customer and his need. The more comprehensive their understanding, the greater the accuracy in decision-making. How can

any insurer get this complete, or even near-complete, picture of their customer? Through data aggregation from different digitally advanced media and technological advancements.

Example:

An increasing number of insurers are tracking data from wearables picked by sensors embedded in the devices, with prior permission from users about their fitness status to decide the rate at which to offer insurance. Wearables like FitBit detect a range of aspects like

breathing, stress levels, and heartbeat, which are indicators of health. Insurers can make decisions about which wearers are eligible for a discounted insurance rate and which of them should be offered at higher rates based on the information generated and

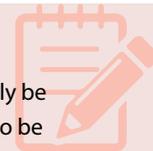
shared by the devices. For instance, wearers whose lifestyle habits are detected to be positive and overall health and wellbeing is indicated by sensor data as healthy, can be given insurance at subsidized rates and vice versa.



This way, information gathered from wearables and social media can play a big role in influencing an insurer’s decision to insure the customer for the amount they

request. Digital tools and technology not only play a role in helping insurers take a decision about insuring customers, but also in settling claims. They can leverage social

media to know more about their customer, and even unearth details that can adversely affect their claims.



Example:

A customer claims insurance for an auto incident that he stated was an accident that happened at work. However, a few hours later, he boastfully Tweets that he was injured during a daredevil stunt performed for fun.

If insurance companies have a strong team monitoring social media and other digitally generated customer data, they can pick up on information like this and confront the customer about the claim. If the customer is proven guilty of wrongfully claiming

insurance, he can not only be denied insurance but also be punished for it.

Need to reach the right audience with the right offers at the right time

Insurers can periodically visit customers' social media profiles to get a better understanding of their preferences and map these preferences to buyer personas. This will enable them to reach out to the

customer with the right product, which they will be more likely to need and hence buy. Similarly, insurance companies can leverage other technology and digital tools to generate valuable insights about

customers to offer the right products, deals, and the kind of service that the customer would expect and sometimes need based on their lifestyle.

Example:

Let's consider a scenario where a potential home buyer puts up a post on Facebook stating that he is almost closing in on a house that he really likes. He also mentions

that the house is in a locality that is quite prone to earthquakes and adds #inneedinsurance. An insurance company monitoring their customers' social media conversations chances

on this and proactively gets in touch with the buyer with not just a property insurance offer, but one that insures his house against earthquake-related loss.



NOTE:

Insurers should ideally track customers on social media or through wearable technology and other monitoring devices only with permission from users and by ensuring that they stay within regulatory bounds at all times.

For instance, a leading auto insurer offers subsidized rates for safe drivers. To determine whether customers are driving safe or not, the company requires drivers to plug in a device that monitors driving habits and shares

the information with the insurer, which is then analyzed. However, this device is installed in customers' automobiles only with their consent and understanding of how it works.

By taking the digital route, insurance companies will have access to many more data sources than just social media, to make more accurate customer profiles. When analyzed together, this multi-faceted information can produce a comprehensive

picture and act as a relatively more reliable source of information about geopolitical scenarios and weather. This enables companies to track the changes as they happen in real-time. This data will help companies map risk and loss more

accurately for their customers – a factor that can affect the insurance amounts they underwrite. This digitally generated data will also allow companies to service their customers at the right time.

Need to retain the right talent

The insurance industry, like any other, is faced with the challenge of hiring and retaining the right talent. This is especially true in the case of traditional insurance companies working towards integrating digital and gaining a competitive edge. To be able to make the most of digital, insurance companies need employees to

be comfortable while using technology and with the capability to leverage it. Youngsters with this potential are widely called millennials. However, most millennials will consider working with a company only if they are assured that they will be provided the right digital tools and technology to leverage

digital. So, to be able to hire and retain the right talent, the company should become more digitally adept. Also, while most hires come with a sound understanding of how to use digital, they will need training to use specific tools like those for analytics and business intelligence to extract insights of value to the organization.

Need to align with customers' digital prowess and stay ahead of competition

The insurance industry services customers across all age groups. While the older segment is largely more comfortable with traditional interaction tools, the millennial generation, which represents the future customer base, is not. For this generation, digital is not just a set of tools they are comfortable using; it is an integral part

of their lives and facilitates most of their interactions. This means, while insurance companies can retain some of their traditional tools for interaction like mails sent to the post box, they need to connect more seamlessly with millennials with the right digital tools and build trust in this customer base. When

millennials understand that the insurance company reaching out to them is using tools they are familiar with or even next generation, they will be more likely to consider the insurer. Also, the right digital tools allow insurance companies the capabilities they require to offer greater accessibility and choice of products.



Customers rely heavily on research before they make a decision to opt for a policy with one insurer vs. another. Many depend on social media, and websites to shop around, compare prices, and understand more about claims processes. They are also willing to make their insurance policy purchases online, provided the process is simple and easy to follow. They also seek

the assurance that they will be provided the service they expect, when they expect it. When companies leverage digital to their advantage and gain the capabilities that allow them to deliver their products anytime, anywhere, customers will be more likely to consider them. Facilities like online information availability and registering, give customers the option to

not visit a brick and mortar store to get their insurance policies done. They can get what they want, anytime they want, online. The convenience this offers is a big plus for customers. Also, the process of applying and getting insurance is more streamlined online, as compared to offline.

Besides the benefits that arise out of countering the change agents with digital, there are a few other big advantages that companies stand to gain:



Better profit margins



Greater data mining capabilities



Enhanced customer relationships

So, who is a digital insurer?

A digitally adept insurance company will, as a complete organization, typically exhibit the following capabilities, to:

- Use new technology to create revolutionary business models to support the development, distribution, and deployment of new services and products that underwriters can use in new ways to suit circumstances and customer requirements.
- Simplify processes (both internal and external) for greater performance and cost efficiency.
- Provide an omnichannel experience to customers throughout their customer experience anytime, anywhere, and on any device.
- Use both big and small data with analytics and business intelligence tools to help the organization's key decision makers take more informed decisions.
- Create a connected workplace where employees are provided tools to enable them to connect, communicate, and collaborate on tasks with even external stakeholders.



Areas in insurance that can benefit from the integration of digital

Insurers will experience big transformations across the value chain by integrating digital into their IT infrastructure. Below are a few areas in the value chain that can benefit:



Buying

E-signatures: Can help simplify and speed up the process of getting customers to sign forms when buying insurance. It is a cost-effective solution that reduces the expense of paper, postage, and storage. Many customers are familiar with e-signatures, as several interactions they have with other companies, and in retail require them to use it. Also, regulations are already in place for the use of e-signatures, facilitating its acceptance in a number of areas.

Managing

Issuance of policy: Leverage e-delivery tools to share documentation for policy application, endorsements, and other critical data. Insights gathered from data analytics and business intelligence will allow insurers to communicate with targeted messages. It also helps manage the company's content base to ensure that only the latest information gets communicated to their customers.

Ongoing communications: The right digital tools will allow the company to develop a common

platform to launch a comprehensive communication plan. It will also enable companies to collate and store customer correspondence, billing information, policy statements, and other important documents.

Cross-selling: Insights from analytics will also provide a more complete picture of the customer that can enable companies to cross- and up-sell. Insurers can offer more comprehensive products to customers based on the information they gather about customers' possessions.





Paying

Billing and payments: Customers will have the option to pair their debit and credit card information with the insurance company's system to make payments – a process that eliminates the hassle of visiting an office to pay fees and reduces the subsequent issues that may arise from the loss of a check, etc. Some insurance companies have integrated tools that allow them to offer features that do not require customers to take the effort to feed in data. They can just photograph their card to make their payments.



Getting help

Self-service: If integrated the right way, self-service features can guide customers away from channels like call centers that cost the company a lot of money. Some of the easier to use self-service options can be made available on mobile and online so that customers can interface with companies anytime, anywhere.



Receiving disbursements

Claims: One of the most important functions that insurers perform is in claims settlement. Insurers should ideally offer customers the most streamlined, hassle-free experience at this stage, to process claims. Online claims settlement is a feature that makes the process less stressful for the customer. The more superior the service the customer receives, the more likely she will be loyal to the company.

How can insurers respond to change agents?

To gain the most out of digital, insurance organizations should have a strategy in place – a strategy guided by the digital solutions best suited to reach their goals and objectives, both in the short and long term.



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