

THE ROAD TO A CUSTOMER-CENTRIC INSURER

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How customer experience today is shaping the insurer of the future

Customer experience is one of the most frequently used buzz phrases today. It is a bandwagon every sector is keen to jump on because of the transformation in customer expectations brought largely by retail in the digital channel.

But what does it really mean to focus on customer experience, and why is it so much better than the former product-driven model historically so successful for insurers?

First, let's look at why customer experience has become so pivotal for insurers. A 2017 Econsultancy report¹ noted that changing lifestyles, mobile technology and competitors were the three major factors defining customers' expectations of their relationships with companies.

Interestingly, the financial services sector often self-reports as being a laggard when it comes to digital and mobile development. Yet it came second in a table ranking sectors by their customer experience maturity (56% stating their company was quite or very advanced; travel topped the table with 69%).

Table 1: How do you rate your company in terms of customer experience maturity

| | Very advanced | Quite advanced | Not very advanced | Immature |
|--------------------------------------|---------------|----------------|-------------------|----------|
| Charities, Government and Non Profit | 0% | 33% | 62% | 5% |
| Consumer Goods | 10% | 36% | 52% | 2% |
| Financial Services | 4% | 52% | 39% | 5% |
| Manufacturing | 5% | 29% | 62% | 4% |
| Media | 10% | 46% | 41% | 3% |
| Professional Services | 8% | 34% | 53% | 5% |
| Retail | 8% | 46% | 44% | 2% |
| Technology | 15% | 41% | 37% | 7% |
| Travel and Leisure | 11% | 58% | 28% | 3% |

Source: Econsultancy²

There is clearly a move towards building customer experience across the totality of the insurance organization, from marketing to underwriting, customer onboarding to claims. How to begin doing this in companies that have traditionally been product-led is a question at the front of many executives minds.

"Customer experience is certainly front and center of all of our conversations here at Swiss Re and I think in many ways we're still trying to figure it out," states Shelly Habecker, Consumer Content and Engagement Specialist, Swiss Re. "My background is not in insurance at all, I'm a cultural anthropologist. I think they hired me quite deliberately because they want someone to understand the end consumer and not how the insurance jargon and world works in [insurers'] minds."

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1. <https://econsultancy.com/reports/implementing-a-customer-experience-cx-strategy-best-practice-guide/>
 2. <https://econsultancy.com/reports/quarterly-digital-intelligence-briefing-the-cx-challenge/>

Three targets for customer experience

As we mentioned above, there are three key areas that define customers' expectations: Changing lifestyles, mobile technology and the competitive landscape. For insurers, just these three elements are creating shockwaves across the board.

Changing lifestyles: For insurers, we might swap out the word 'lifestyle' for 'risk and behavior'. Under the influence of technology, particularly internet of things (IoT), consumers' need for insurance products is changing.

From the concept of micro insurances to pay-as-you-go models, insurers are increasingly having to look to breaking with tradition and the annual 'catch-all' policy to address the demand for hyper-personalization.

"Millennials want to buy shared services coverage because they're not all buying an automobile, they're sharing them. They're sharing office space so they don't need to buy a business owner's policy for the whole office but they need to buy a policy that covers them while they're in the space. We're developing products for this new buyer," says John Wurzler, President, OneBeacon On-Line One Demand Products.

Mobile technology: It's not the mobile handset per se but the increasingly immediate, frictionless experience it delivers that has built up customer expectation. Mobile technology has created an impatient consumer who expects service to be intuitive and real time.

Traditional insurance experiences that have to be relayed at length through third parties will be broken down when quotes and comparison prices can be delivered via chatbot or text message. Form-filling is rapidly becoming a thing of the past.

Competitive landscape: It has been pointed out many times that customer expectations have been set by the digital doyens: Airbnb, Amazon, Uber and Google. But now we're seeing the emergence of insurtech competitors which, though still comparatively small, are setting the bar high for incumbents.

Products such as Berkshire Hathaway's AirCare or the oft-quoted Lemonade may be niche services but they're garnering a great deal of attention. Insurance customers will shortly be asking their traditional providers not 'if' but 'when'.

Adapting to these new consumer expectations is not a simple process: "One of the challenges we have is how do you take that attitude of 'I'm doing product innovation' and think about it from a customer perspective," says Lisa Woznica, Vice President, Customer Experience, Wawanesa Insurance. "Understanding how to bring customer needs into a design is easy to do in some areas but from a product development perspective, it's really hard."

How to understand the customer

It's glib to suggest that understanding the customer is simply a question of the insurance executives putting themselves in their customer's shoes. Woznica in fact notes that one of the common failings in product development is the tendency to go "I know what the customer needs so I'm going to design it and there you go." It's a classic example of product-centric thinking.

Swiss Re's Habecker explains that the mindset needs to shift to encompass the totality of the consumer if you're going to understand what really motivates them. "There's a very strong push towards digital analytics and looking at big data to understand the customer's digital footprint. I keep saying, yes, that's important but we also need to understand people's lives outside the digital space.

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“How are those things integrated together? How is their everyday life linked to their digital life? If we only look at what the data points, we can miss some of those human insights that come from just spending time with people, talking to them and observing their situation,” she warns.

Delivering on customer experience can seem in many ways to be pulling the insurer in two different directions. On the one hand, we have the scenario above: to fully serve the customer the insurer needs to understand what motivates them from a holistic perspective.

On the other hand, the vast amount of data insurers owns relating to very specific behaviors leads them down the path of hyper personalization - the creation of an insurance product that has the potential to be absolutely bespoke to the customer’s individual risk profile. How can insurers possibly serve both ends of the spectrum?

“Since last July we’ve been looking at the different consumers in the marketplace - their age groups, buying habits and trends, how they deal with problems online, the tolerance they have for answering questions and how they want to pay for things,” Wurzler says.

“We have 25 questions in our surveys, we aggregate and review that data then invite five or six respondents and sit with them for two hours. We continue refining this because user experience has to be paramount. How do you know what they want? You don’t know until you ask them.”

As a result of surveys, Wurzler has refined both the claims process and the website experience, based on customer segment and preference. “You have to understand every persona that might use your website and you have to build a user experience just for that persona. I think we have 10 personas identified right now.”

With both macro and micro customer views in place, are insurers then in a place where they can start to build a truly customer-centric insurance experience?

Building a customer-centric insurance product

A major issue with having been predominantly product-led is the inherent consumer-unfriendliness of the average insurance product. A contract riven with ‘nested ifs’, in all but the simplest policy most consumers would struggle to define their precise coverage.

To date, this has been a strong argument for the insurer - agent - consumer trinity that continues to dominate the US insurance landscape. But with increasing pressure on insurers to use the digital channel to sell direct, both the intermediary and product landscapes will have to change.

“The customer today is the agent and broker in America. Over time we’re going to see the buying patterns shift. It’s different on the consumer side already but on the business side it’s 90% insurance companies selling to agents, 10% insurance companies selling directly. Over the next decade that’s going to change to somewhere around the 50/50 mark,” suggests OneBeacon’s Wurzler.

With that change will come consumers looking to self-educate or buy products that need no education. “We just did a survey on this with more than 1,000 responses from our customers,” Wurzler reveals. “What they’re telling us is that they’ll buy from us direct provided they understand what they’re buying. For them to understand what they’re buying, I have to build a website that’s intuitive for the non-insurance agent.

“You need to change the way you are selling insurance to your direct customer. You need to go out of your way to explain to them in terms they’ll understand and not insurance legalese. Online policies have to be very clear and very concise,” he adds.

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Simplicity may be one aspect of an appropriate direct-to-consumer insurance product but it's not necessarily relevant in all cases. Many insurance customers have complex needs that require detailed policies or can't manage their coverage purely online. There is more than one way to address customer experience.

"I'm a healthy woman but what if I was not? How do we improve the [health insurance] experience for people who are maybe traditionally locked out of the insurance-buying process because of chronic health conditions?" Habecker asks.

"We can't change the price of insurance but perhaps we can provide an experience that would enable these people to improve their health over time. Help them become part of the insurance-buying process if some key changes were made. And how do we help someone become healthier so they qualify for lower rates?" she adds.

It's not just about altruism. Understanding the customer as a person and responding to their needs makes good business sense.

Woznica reveals: "The idea [is] that people aren't people in insurance companies, they're risks. So you don't design for a person you design for a risk. When you ask a simple question like 'how many of our customers have both home and auto?' we don't know. You've given a policy number a name but that's it."

If insurers begin to look at the customer as a whole person rather than a single risk to be covered, there is a whole world of potential. From finding new ways to engage outside the claims scenario, to cross and upselling to enrich their lifetime value.

It all begins with culture

It may seem as though technology is the primary driver behind the shift from product to customer-centric insurance. But, as we've seen from the evidence above, it is merely the context within which customer behavior and expectations have changed.

From an insurer perspective, technology has also had a significant role to play in delivering that customer experience (or in their inability to do so) but to assume that it is responsible for it is once again, a misplaced belief.

Many insurers will cite challenges with tying up data sources, implementing new technologies or integrating products based on IoT as holding back some of their progress towards a fully digital customer experience. Behind the technological challenges however, is the much more fundamental question of culture.

"Making that change to the customer experience perspective - [it's] the internal education, motivation around really understanding what it takes to be customer-centric. It's not the best person in the call center and being friendly on the phone as opposed to gruff. There's so much more," Woznica suggests.

However, taking something as conceptual as customer experience and embedding it into organizations that are driven by risk profiles, actuarial tables and financial reporting is a hard task.

"It's the million-dollar question. How do you click your soft skills and translate them into bottom line profits and I think that's the difficulty. It's a big step for [Swiss Re] to hire someone like me and we're in the process of figuring out how to monetize the solutions we feel we can offer. What does it mean to provide consumer-needs consulting to our clients and how do we translate that into insurance opportunities for ourselves? That's a 'watch this space.'" Habecker hints.

Bringing everyone in the insurance ecosystem on board with the customer experience focus is critical because a single weak link in the chain is enough to destroy the relationship. It's even harder when that link can be a third party that does not have direct sight of the end benefits of customer centricity.

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"It's really rethinking the role of partners. There are so many other people in this chain that we rely on. We haven't properly managed them because we don't have guidelines for them. We have not been really explicit about what our brand promise is and what we need to do to deliver on it. Once we set that I think we'll have some very stringent standards," Woznica warns.

Habecker suggests that Swiss Re has already been able to correlate improvements in experience with hard results on the bottom line. She points to strong behavioral economics capabilities that are improving sales and helping clients improve their communications through an established service that is connected to its reinsurance services. "It's the kind of metric we need to develop in the digital consumer consulting space and we don't yet have that but I'm hopeful we can work towards it because it's essential."

Internal collaboration across systems, departments and colleagues is vital if insurers are to deliver on customer experience expectations. "In our world, customer service, underwriting, engineering and claims people all work together. If a claims person is having a hard time with a claim, they have an underwriter they can talk to so they can interpret the policy better. They have a customer service person they can talk to so they can understand how to communicate to the insured. We work hard to deliver services to our customers, even when they don't have claims," Wurzler concludes.

Swiss Re's Habecker summarises the customer experience challenge thus: "Know how to connect data analytics to real customer needs; move outside the digital space to understand consumers in a holistic way and then think about how you shift a very old industry into a very new world. The whole insurance industry came about when the world looked very different. The digital world has transformed the way people relate to one another, communicate and purchase. We have to take this old industry and repurpose it for the 21st century."

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