

CX in the Age of Digital Insurance: What to Do, and What's at Stake

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In the year 2000, Blockbuster had an opportunity to buy Netflix for about \$50 million. Today, Netflix is worth over \$80 billion and Blockbuster is little more than a memory. Are insurers facing a similar choice in their need to embrace digital technology and recognize the threat of emerging digital competitors? In this article, we'll discuss what constitutes a compelling digital insurance experience and address some of the challenges insurers face in creating it, and most importantly what's at stake.

What is "digital" anyway? The term has often been used to signify little more than online alternatives to various aspects of insurance sales and service. Ultimately, it means the recreation of all insurance documents and processes in digital form. However, for this article we'll focus primarily on its meaning for customer experience. This is essentially when the selling and servicing of insurance are entirely technologically based, where technology can facilitate direct communication in better ways, and ultimately minimizes the need for human interaction when purchasing or servicing an insurance policy.

This digital approach to insurance represents a departure from traditional methods to insurance customer interaction. It is a further step on the long journey from policy and business unit orientation to customer orientation, and it requires greater interaction between business and IT. As the pace of technology change accelerates - and with it the changing expectations of consumers - business executives need to communicate with greater clarity and frequency to their partners in technology. At the same time, IT needs to become more aware of the struggles that business leaders face.



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From ‘Modernization’ to ‘Continuous Change’

From the standpoint of technology planning and implementation, digitization requires a shift from an imperative of modernization to one of continuous change. Rather than updating or replacing core systems at a faster pace, insurers need to organize an ecosystem, a sort of scaffolding that enables the addition and subtraction of functional components.

Insurers must recognize that they face not merely an accelerated pace of change but also a qualitative change. Not only must they move faster, but they must become a different type of consumer of technology. More specifically, insurers must think differently about sourcing. Insurers have significantly handed over the task of creating core insurance software to their vendor partners. They are now making the transition from implementing and managing that software themselves to entrusting the hosting of systems to their software and infrastructure partners. Insurance IT executives are thus increasingly focused on managing partner relationships rather than developing and maintaining software and infrastructure.

This sourcing shift implies the need for software vendor partners to respond to changing insurer customer demand. They must embrace architecture that allows parts of their software products to be swapped in and out. They may well need to coexist with other vendors of the same class, for example, two vendors’ claims systems living side-by-side. Vendors need to operate within a framework of application programming interfaces (APIs) and must be extremely flexible in the ways their software can be used within that ecosystem.

In turn, insurer technology managers must think as API consumers. It’s been said that CIO will increasingly mean “chief integration officer,” meaning someone whose job is to find and incorporate the software services that define their company’s value chain. That implies a heavier focus on vendor management, locating the needed functionality and making deals with providers to most economically aggregate required functionality.

Digitization also increases the need to be familiar with a range of emerging and maturing technologies that are reshaping customer experience. The single most important area is mobility, as the vehicle for delivering desired functionality anytime, anywhere and on any device. Mobility itself is quickly evolving, with voice-enabled devices representing the next phase.

The next most important area is the range of technologies that fall under machine learning, artificial intelligence (AI) and cognitive computing. These technologies are quickly having an impact on automating various aspects of customer and internal user experience. Examples include chatbots for self-service, or analytical support for CSRs to anticipate the needs and answer the questions of customers they are servicing. The 2017 Atlantic hurricane season demonstrated the utility of Internet-of-Things (IoT) capabilities through the increased use of drones and various kinds of image processing to assess damage.



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It is through understanding the potential of available and emerging technologies that insurers can shape the best customer experience for their business. The general characteristics of customer experience are the same for all insurers:

1. **Maintain the context of conversations from one interaction to another:** Few things are as irritating to customers as the need to repeat what they've already shared. Maintaining continuity not only within a single interaction but across interactions reassures the customer, while requiring repetition gives the impression of shoddy services. However, this simple courtesy has profound implications for the architecture of core insurance systems.
2. **Speak with a single voice to the customer:** Insurers' communications come from different parts of the organization—marketing, sales channels, underwriting, billing, claims, etc.; it is critical that any area communicating with the customer knows about other communications to avoid appearing like a bureaucracy that shunts the customer from desk to desk. Accordingly, insurers are questioning whether it makes sense to have specialized CSRs for different departments as opposed to CSRs capable of answering all questions.



Make the most of each interaction: Communicating with one's insurer is something consumers do strictly as a matter of necessity, so insurers should be prepared to address any pending issues when the opportunity presents itself, whether that be matters of billing, coverage or any other issue.

1. **Keep the message simple:** In a highly regulated industry, there's a temptation to use industry terminology. Never lose sight of the purpose of customer interaction—effective communication—and use simple and direct language.
2. **Keep the process simple:** As with language, the process should be kept simple to make communication as pleasant and as efficient as possible for the customer. However, like the motions of an athlete or a ballet dancer, simplicity depends on great efforts of preparation and orchestration. From a data point of view, simplicity of process requires unfettered access to everything that the insurer has gathered about the customer. It also implies a journey whereby insurers can apply increasingly sophisticated data analytics to understand customer intention and anticipate needed data.
3. **Leverage existing information:** To optimize customer communications, take full advantage of any information already held about the customer, and supplement it with third-party sources to make interactions highly customized.
4. **Find ways of connecting with the customer that adds value:** Among the most important business advantages of digital technology is the ability it affords to increase the frequency of communication and thereby deepen the insurer-customer relationship. Insurers should seek ways to interact that add value, are not intrusive and, whenever possible, come about through a conscious opt-in on the part of the customer.

Achieving the above capabilities requires moving beyond a common misconception: the transition to digital has been characterized as moving from an orientation to “systems of record” to “systems of engagement.” While that’s meaningful in terms of understanding the need to move from policy to customer orientation, in fact, a compelling customer experience relies on the marriage of systems of record to systems of engagement. Interacting effectively with customers requires the capability to reach back effortlessly into systems of record to retrieve vital information.

Transparency into back-end systems relates to the discussion of technology integration above. However, ultimately customer experience rests on organizational integration. Whatever legacy organizational structures create friction that impedes effective customer interaction should be abandoned. The logic of business units must not trump the logic of customer centricity. Thus, for example, insurers should consider organizing staff not by product, but by customer segment, and key performance indicators and associated incentives should be reordered to maximize the organization’s customer experience competencies.

When all is said and done, insurance customer experience will be judged against standards set in other industries, and insurers are competing directly against both other insurers and other financial services segments—every dollar an insurer asks of a customer could be invested in another financial instrument. If you want to sell a coverage or a higher limit, you’re asking for dollars the customer could spend on a mutual fund, or on increasing the limit on their life insurance or yet other product options. Having a compelling customer experience is not merely a matter of creating a modern platform for sales and service transactions, but rather having a platform for developing a relationship embodying the kind of trust that will encourage customers to look to your organization to meet their needs.

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Digitizing the Entire Insurance Value Chain

Being able to deliver a compelling experience is not a matter of front-end capabilities alone - it will be impossible to deliver a world-class digital experience without digitizing the entire insurance value chain. Exactly what customer-facing capabilities should constitute the customer experience is a matter for each insurer to determine. But whether to digitize is not an option. Insurers need to be where the customer is, in the way the customer wants. The names we will see on a top 20 list of insurers is likely to be very different 10 years from now than today. What's at stake when it comes to delivering a satisfactory customer experience is whether an insurer will have any customers at all.



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OneShield's co-founder, Vivek leads the design and implementation of the OneShield platform and suite of products. His extensive experience includes product management, product development and acquisition integration within the financial services industry.

To learn more about how to navigate the digital insurance transformation, visit us at [OneShield.com](https://www.oneshield.com) or connect with us at info@oneshield.com.