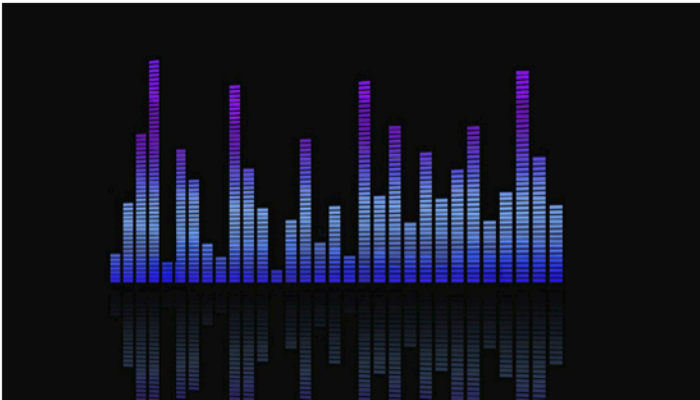


Digital Transformation for Insurers

By Sundar Vallinayagam



Digital giants like Amazon, Facebook, Netflix and Uber have transformed the way people interact, engage and purchase products and services. Driven by customer demand, banks and financial service companies have made significant progress in digital capabilities. Surveys conducted by analysts show that insurance customers and agents, shaped by their experiences in other sectors, have high expectations and the insurers around the world are recognizing that digital disruption is imminent in the insurance industry. In this article, we will uncover why digital is important and what insurers must do to ride the digital wave and not get left behind.

Why Digital?

A 2015 survey by Forrester Research found that improving customer experience is at the heart of digital transformation. Going digital means a number of things, including:

1. Reduction of paper and manual processes
2. Improving customer experience by providing self-service capabilities
3. Anywhere, anytime capability leveraging mobile apps and responsive web design
4. Empowering agents to enhance the efficiency and quality of interactions with customers
5. Using advanced analytics to better understand customers' priorities
6. Leveraging social media as an efficient channel for marketing and lead generation

7. Utilizing external data and Big data in assessing risk and underwriting
8. Improved loss control using devices and sensors (location, telematics, IoT, etc.)

In summary, digital has the promise to simultaneously improve customer experience and reduce transaction costs and process latency.

Benefits

The benefits of digital transformation are significant. Studies find that leading insurers are able to recognize the promise of the digital transformation. One insurer has been able to reduce millions of calls to customer service while others are reducing costs, error rates and manual entry by customer service after transitioning from paper to digital self-service. Some are using mobile apps for faster and easier claims processing. Some insurers are able to control losses thru telematics. Some insurers have partnered with social media marketing firms for brand promotion, lead generation and to provide agents with relevant information about customers and prospects.

What this means is that insurers do not need a big-bang approach. Insurers can incrementally introduce digital capabilities one area at a time, and realize the value along the way. However, it is important to understand all potential digital opportunities Create a strategy, prioritize initiatives based on value and effort analysis, and implement the strategy in phases.

Digital opportunities

Digital can play a significant role throughout the insurance value chain. Some of the opportunities in different areas are:

1. Marketing
 - Intelligent digital marketing and search engine optimizations
 - Lead generation supported by advanced analytics
 - Social media as a relatively inexpensive marketing tool to engage with skeptical, digitally savvy young consumers
 - Leveraging social media for connections and relationship building
 - Cross sell and upsell through digital channels
 - Digital tools for agents and brokers
2. New business

- Provide online quotes via web or mobile
 - Straight through processing – bind and issue immediately if risk meets underwriting criteria
 - Using third party data to prefill and reduce manual data entry
 - Scan barcodes (VIN or driver's license) to speed up data entry and prevent errors
 - Deliver policy documents electronically
 - Telematics as part of underwriting process
3. Customer service
 - Single view of customer
 - Policyholder self-service
 - Account history
 - Introduce mobile apps. One study finds that consumers spend 4x more time on smartphones accessing apps than the web
 - ID cards online
 - Electronic billing and payments
 - Online chat and messaging
 4. Claims
 - FNOL apps for claims submission
 - Ability to capture multi-media (photos, videos and voice)
 - Claims status on mobile app
 - Push notifications to alert consumers during bad weather, etc.

5. Analytics
 - Use Big data in risk selection, fraud detection
 - Analyze usage patterns to identify customer's priorities and areas for improvement

Next steps

Digital is important and insurers need to be ready. As one analyst said, "insurers need to embrace the mobile and social media wave, neglecting mobile is turning one's back on the future". The good news is that digital is not a disruptive multi-year project like a core system replacement, and digital is well-suited for agile development. Insurers need to create a robust digital strategy that can be implemented in phases one project at a time.

Sundar Vallinayagam is the CEO of Jarus Technologies. He is an expert in Insurance and Technology and has architected solutions for a large number of insurers. His company Jarus Technologies, specializes in core system replacements, automated underwriting solutions, self service portals and mobile applications for small and large insurers. Sundar has a bachelor's degree in electronics and communication engineering and a master's degree in computer science.



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JARUS TECHNOLOGIES
 681 Andersen Drive,
 Pittsburgh PA 15220
www.jarus.com
 T: (412) 922-5432
 E: info@jarus.com

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