DEMYSTIFYING THE DIGITAL INSURER CONUNDRUM

by Sundar Vallinayagam

While attending the IASA Annual Educational Conference and Business Show, there were several presentations and panel discussions that focused on digital transformation. What I heard was both fascinating and surprisingly conflicting. One CIO claimed that digital meant self-service for all transactions, from quote to issue to customer service, and fulfilling these transactions while remaining untouched by carrier staff. In essence, meaning straight thru processing. He gave a dire "*go digital or go broke*" warning, a sentiment not different from a recent Insurance Networking News article which stated *"becoming a digital insurer is not optional."* In the same panel, another CIO painted a different picture that although they receive a lot of online quotes, the actual purchase happens primarily through agents. Their policyholders seem to value the personalized experience and expertise of the agents—the *trusted advisor* path. While one executive spoke about how millennials are more comfortable with self-service online from their mobile phones, another executive pointed out how much their customers appreciate the personal touch that their customer service teams provide. Are these contradictions real, or are these different perspectives due to the fact that they cater to different market segments? Or is there a single version of the truth that explains all variations? Let us look at recent surveys on insurance buying trends and consumer behavior to see if there is an explanation for this conundrum. Hopefully this will provide clarity as to what the insurers must do in both the near and long term.

A survey published by JD Power a couple of years ago showed that about 27% of consumers shop for insurance every year, and one third of that sample size (9%) end up switching their carrier. Results from another research study found that consumers change their carriers about 7 times in their adult life. The biggest reasons why consumers shop for insurance are: significant life events (purchase of new car, home, marriage, etc.) and dissatisfaction with their current carrier (with the key reasons being an increase in premium, followed by bad claims/customer service experience). In other words, consumers are not shopping for insurance all the time but when they do, the channels they use are as follows. They hear about an insurer or an agent through internet searches or social interactions — word of mouth, social media, online forums, commercials on TV, etc. Once they hear about an insurer, the most common first touch point is the insurer's website.

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Since more searches occur on smartphones as opposed to a desktop, the insurer's website must be responsive. If the carrier offers an online quote, consumers will begin the quote process. Some may finish the process and some may drop off. One can then view the website's analytics to see that most of the drop off occurs when the site prompts for sensitive information, such as a user's SSN. Only a portion of those who received a quote end up purchasing their policy online. Millennials are most likely to purchase their insurance online. Whereas the prior generation's consumers are most likely to purchase a policy through an agent. One major exception is the affluent and business consumers. Their needs tend to be complex, and creating a quote requires extensive data entry. Hence these consumers engage the services of an agent to obtain quotes and to provide assistance in making purchasing decisions.

On millennials, insurers talked about four characteristics.

1. Millennials shop for and buy insurance online. This trend will continue to increase.
2. They will share information for value. They will be open to telematics, etc. if there is an incentive to share their driving behavior.
3. They have *"limited loyalty"*, meaning, they will not mind switching carriers.
4. Social extensive sharing. They are willing to share a lot of information among their social circles.

Taking all of this into account, it appears that the multi-channel approach is becoming very important, and providing an online/mobile enabled workflow is critical, at least for some of the self-service operations. Also, while non-touch will reduce transaction cost and process latency, providing a personal touch at the appropriate time is also important. Finally, keeping the customer engaged and providing ancillary features is viewed as a way to improve retention and customer loyalty.

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10 AREAS WHERE INSURERS AGREE AND DISAGREE ON WHAT IT MEANS TO BE A DIGITAL INSURER

1 | Improved policyholder experience — *most agree.*

2 | Mobile experience (responsive web and mobile apps) — *most agree.*

3 | Mostly front end — *most agree* while several point out that backend improvements/integration is needed to enable these features.

4 | Online & mobile customer service for routine personal lines transactions such as get ID card, make payment and submit first notice of loss — *most agree.*

5 | Online quote capability — *several agree* but not all. Some insurers want online quote as a conduit for lead generation and to pass on the lead to a nearby agent to follow up.

6 | Non-touch quote and bind (straight thru processing) — *some agree* (mostly direct writers of personal lines)

7 | More social media presence — *most agree.*

8 | Ancillary features (such as alerts/push notifications on severe weather events) to remain engaged with customers — *most agree.*

9 | "Gamification", a fun way to keep consumers engaged with their carrier or each other — *some offer this* and several expressed interest.

10 | Crowd sourcing to find new features — *some insurers are actively involved.* A large carrier talked about receiving 5000 changes based on portal feedback. P