



INSURERS in the DIGITAL AGE

Systems of engagement will transform insurance organizations throughout the value chain

By **Sanjeev Karadagi**, Principal Consultant, TCS Financial Solutions

Retail, consumer-facing companies have been aggressive in transforming customer experiences using digital technologies. In financial services, retail banks and retail investment firms have become experts at digital delivery by moving to new core solutions that support, analyze and act upon the data generated in a digital world.

Yet the insurance industry has lagged behind, held back by the limitations of legacy technology. Many of the biggest brands in insurance rely upon decades-old legacy systems characterized by cumbersome, product-specific operational procedures that are expensive to change. Until those legacy systems are replaced or supplemented by more flexible and agile solutions, the digital world will remain tantalizingly out of reach.

Bolt-on solutions are not the answer. That's because legacy systems were built around the fundamental unit of transactions. The transaction-centered approach worked well in the past, but in the digital world, the fundamental building block is no longer the signing of the contract at the end of the sale, but rather the details of every customer engagement that happens along the way and afterwards; that is, every interaction between the company and the customer throughout the lifespan of the relationship.

From the perspective of a "system of engagement," a revenue-earning transaction is just one of many customer engagements. The transaction sits at the end of a long series of customer engagements leading up to the sale, and at the beginning of a new series of customer engagements after the sale. By keeping track of every single customer engagement, a digital insurance company can better determine what factors contributed to revenue and customer satisfaction, and then use that learning for improved operations elsewhere in the enterprise. Such level of detail is not something that a legacy insurance system was built to capture, analyze or use.

Fortunately, insurance companies have begun to embark upon transformations from "systems of transaction" to "systems of engagement." In the next few years, we expect to see the launch of several major initiatives from insurers in the digital world, based upon improved underlying architectures.

The Digital Insurer

Digital is not just another distribution channel, but rather an entirely new way of doing business. For the insurance industry, the expected benefits will be visible throughout the value chain of the business.

Product management: Product innovation based on real-world data; product pricing based on real-world risk, and product features based on immediate customer feedback.

Marketing and communications: Marketing messages targeted appropriately for social media networks; private networks enabling direct communication between stakeholders including independent agents and customers; and direct marketing campaigns supported by analytics. (See drill-down, below.)

Sales and distribution: Improved sales with mobile and tablet apps for both customers and field sales force; “gamification” of sales force analytics to align incentives; social media

for after-sales support; social media listening platforms to improve engagement with end users; social media as a distribution channel; and social media analytics to predict customer behavior.

Underwriting and risk management: Consideration of customer engagement data in risk underwriting and pricing; and risk profiling based on a combination of traditional data and digital channels including social media.

Policy acquisition and servicing: Virtual service centers through web, mobile and social channels; mobile and tablet apps for self-service; listening platforms to assist service; personalized services; and infrastructure optimization based on usage data.

Claims management: Mobile apps for claims reporting; social media for claims servicing and fraud detection based on broader analytics.

Drill-down: Marketing and Communications

The tremendous changes in digital channels have led to an accompanying need to transform the marketing and communications function within the insurance industry. Again, these are not approaches that can be taken using bolt-on technology, but rather require the ability to build up profiles and analytics based on customer engagement-level data.

Here are some ways in which the insurers are poised to change in the digital age to provide great customer experiences:

Segmentation: Combined with existing transactional data, social data will derive new customer segments, and analytics on those customer segments will yield improved strategies for product development, marketing and servicing. “Social listening” technology will ensure the ongoing viability of these segments, allowing insurers to understand the pulse of the market. In addition, marketers will use mobile apps to analyze trends and make informed decisions.

Customer acquisition: With improved segmentation, insurers will run targeted campaigns according to the preferences of prospects, customers, agents and distributors, across mobile devices, social platforms. Customers may make use of virtual Assistants on websites, while agents and distributors will have their own branded apps.

Customer loyalty: Personalized services will enable targeted strategies for different types of customers. One driver of loyalty is product fit, which will be improved by capabilities that suggest products based on similar customers’ purchases. Another driver of loyalty is customer satisfaction, which will be supported by the highest levels of straight-through processing using mobile solutions and location-based services for customers, agents and distributors.

Customer Value Management: Cross-sell, upsell and retention will be aided by data analytics of historical, transactional, real time and social data. Analytics and mobile services will allow field sales agents to deliver better and more detailed quotes for new policies and renewals. Furthermore, cloud-hosted

solutions will ensure that sales agents have the most up-to-date and accurate information possible.

Service Cost Reduction: Straight-through processing on all distribution channels will contribute to lower servicing costs. Mobile services will reduce reliance on customer service at the call center, and when needed, customer service representatives will have a better understanding of customer complaints. In addition, analytics will reduce fraud by mining both transactional and social data.

These are just some of the possibilities enabled by digital technology, and the competitive reality is that leaders in the insurance industry are on their way to turning those possibilities into business success. For insurers currently locked into transaction-focused legacy systems, it has become imperative to accelerate the transition to solutions that can work at a more granular level of detail, providing the data and analytics required to compete in the digital world. These solutions require insurers to consider initiatives not in silos, but across the entire insurance value chain. ■