

# How the Life and Pensions Industry Can Leverage a Platforms Approach to Deliver Better Customer Experience

## Abstract

Digital technologies have transformed how customers interact with companies. Driven by experiences across the technology, e-commerce and retail sectors, customer expectations are continuously evolving. Customers are increasingly demanding better experiences from every company with which they interact. It is no different in the life insurance and pensions industry that is still product-led, operates in organizational silos, and relies on legacy systems.

Recently, life and pension companies have begun to invest in digital transformation to address these challenges. In this paper, we discuss platforms that integrate modern technologies to manage organizational complexity and deliver improved outcomes for customers – an innovative and successful approach to achieving digital transformation.

## Introduction

As life insurance and pensions companies seek to deliver better experiences and outcomes for their customers, they are shifting towards a platforms approach, which uses an integrated set of technologies to manage organizational capabilities such as core business processes, data and analytics, and customer journeys. It connects with and optimizes the value of external ecosystems, such as health, lifestyle, payroll, and HR providers.

We have seen that companies providing great customer experience (CX) have faster growth, loyal customers, and better brand capital. According to McKinsey & Company<sup>1</sup>, CX leaders within the insurance industry saw a 6% annual premium growth compared to CX laggards, for whom growth averaged just 3%. The UK Customer Service Index 2019<sup>2</sup> from the Institute of Customer Services found that customer satisfaction is directly linked to high levels of trust, loyalty, and reputation.

The life and pensions industry falls short of meeting customer expectations in providing personalized products and insights, engagement, and experience. To attract and retain customers and drive growth, industry players need a fundamental relook at how they can use technology and digital capabilities to manage their organizations and capitalize on this opportunity.

## Customer Experience in Life and Pensions

Changing customer needs, new technology adoption, and the emergence of new competitors (such as FinTechs and competitors from adjacent sectors) have forced companies to not only deliver consistently superior customer experiences, but also reconsider what makes for a good customer experience in life and pensions and what it takes to deliver it.

This has become even more important in the post-COVID-19 “new normal” world as customers look to their financial services companies to be more accessible and supportive, and to engage with them effectively.

Digital natives – which include millennials and Generation Z and comprise ~50% of the British population<sup>3</sup> – today form a majority of life and pensions customers. It has been observed that new kinds of experiences, such as personalized insights, dashboards, and access to relevant tools across other sectors such as e-commerce, retail, and technology, have led to “experience inflation.” This means customers now expect similar kinds of experiences from their life insurance and pension providers.

<sup>1</sup> *The Growth Engine: Superior Customer Experience in Insurance*, McKinsey & Company, April 2016 (Accessed on 28 July 2020)

<sup>2</sup> *July 2019 UK Customer Satisfaction Index: The state of customer satisfaction in the UK*, ICS

<sup>3</sup> TCS analysis based on ONS data

The financial services sector has also witnessed the rise of new players, such as FinTechs and players from adjacent sectors, that are focused on customer experiences in the insurance, savings, and investment spaces. For example, in the UK, Pension Bee helps customers consolidate their pensions into a single place for easy management. Anorak, a life insurance platform with a distribution partnership with Starling Bank, Nutmeg and Canopy, uses data science and machine learning to improve pension customer service and help consumers find the right protection (life insurance, critical illness, and income protection) products in the market.

## Delivering Superior Customer Outcomes in the Life and Pensions Industry

Delivering superior customer experiences and outcomes is not easy, particularly in the life and pensions industry, which is low-touch compared to businesses such as retail or travel. The companies here face three key challenges:

First, life and pensions companies traditionally are product-led, with a significant focus on developing and deploying discrete products and point solutions. While this approach has worked in the past, it doesn't address the broader and emerging needs of customers around financial wellness. Customers increasingly expect to have a holistic view of their financial positions.

Second, life and pensions companies still operate across siloed organizational structures with limited use of data and insights to support propositions and customer engagement. Internal processes and customer journeys, often without clear owners and metrics, span across multiple functions and business areas and are not informed by end-customer insights. An incomplete view of their customers results in sub-optimal experiences.

Lastly, life and pensions companies are constrained significantly by their enterprise complexity and legacy systems. For instance, according to a recent poll by Insurance Times (2020)<sup>4</sup>, 55% of the participants consider legacy systems the main barrier to life insurance digital transformation. As recently as 2016, Crash Report<sup>5</sup> on Insurance covering North America, Continental Europe, and the UK stated that 69% of insurers run legacy COBOL applications and core insurance applications that date back to the 1970s and 1980s.

Overcoming and addressing these issues will require a rethink. We believe that a platform model will help life and pensions companies deliver end-to-end frictionless customer experiences.

<sup>4</sup> Legacy systems tipped as the main barrier to insurance digitalization, Insurance Times (accessed on 13 Aug 2020).

<sup>5</sup> CRASH Report, Insurance 2016, CAST Software (accessed on 13 Aug 2020)

A platform business approach, unlike other conventional business transformations, allows an organization to implement its business strategy, satisfy customer needs, and achieve growth and profitability by harnessing the power of technology and digital solutions. The platform approach enables companies to step away from organizational complexity and embrace a simplified and digital operating model, including processes and technology, that drives agility and improved customer experiences.

The platform business model described here is different and distinct from a marketplace such as Airbnb or Uber, or a system limited to delivering a small component of the value chain (e.g., policy administration). In a platform business model, technology and digital solutions are at the core of the business, enabled by APIs and services, allowing flexibility, scalability, and innovation within the organization, and providing insights to build customer-centric products, services, and journeys. The business model unlocks the true potential of enterprise simplification, customer experience, time to market, and ecosystem by applying them across value chain and customer touch points.

Many organizations have relied on platforms to be successful. Investment management firm BlackRock's Aladdin platform, for example, provides end-to-end investment and risk management capabilities for institutional investors and wealth managers globally, powering growth for themselves and their clients.

We see a technology platform bringing together the following capabilities across the value chain:

- Harmonized and modern technology stacks across policy administration, underwriting, and product development and distribution channels. Customers have access to digital front-end solutions that provide information and insights enabled by APIs. This allows the life insurer or pensions firm to be scalable and agile to the market and customer needs.
- Enterprise-wide data and analytics capability for a single view of customers and their portfolios, and to support primary business decisions. By enabling analytical capabilities, life insurers and pensions companies can build targeted journeys, engagements, and insights for their customers.
- Simplified product sets and processes supported by a harmonized and modern technology stack so that changes can be driven in an agile manner.

- Integration into the wider ecosystem (e.g., banking providers, payroll companies, benefits providers, healthcare firms, employers) using APIs to offer a broader set of products and services relevant to the overall financial needs of the customers.

The technology capabilities will need to be supplemented with the right mix of people skills and innovative and entrepreneurial culture within the organization. Using a platforms approach will enable omnichannel capabilities for customers, provide the organization and the customers with relevant and actionable insights, improve customer experience, and support sustainable growth and competitiveness in the market.

## Next Steps/Recommendations

Life insurers and pensions companies will need to take bold steps in reimagining their enterprises if they want to be customer-centric and grow in a changing world. We suggest the following steps:

1. Assess and understand your firm's vision, strategic goals, and business needs, anchored in existing and emerging customer needs and market development.
2. Assess the current state enterprise capabilities around your technology stack, maturity in data, analytics, and insights, and needs for integration with the market and the wider ecosystem.
3. Based on the strategic goals and customer needs, identify the future state capabilities and gaps. Invest and implement initiatives to deliver future platform capabilities.

Traditionally, companies have built everything internally, requiring the development of technology, skills, and knowledge. An alternative approach has been to acquire a similar player in the market that already has the capabilities required. Both these approaches take time to implement and bring to market.

In a rapidly evolving market, we see the fastest way to build the required capabilities is to take a results-based collaboration and partnership approach over a long term with an organization that brings domain, technology, and customer experience capabilities. Whatever the approach, the imperative to transform businesses by leveraging the platform model is here for the Life and Pensions industry.

#### About The Author

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