The Customer Compass

Navigating the Future of Insurance

EIS™

Do everything faster™

Setting sail

Over the insurance industry's long history, it has held a remarkably stable status in society. The names of some of the earliest insurance businesses, like the Amicable Society for a Perpetual Assurance Office, suggest that what insurance can offer people today was already in place at the very beginning: assurance, peace-of-mind, stability, and trust.

While what insurance promises has never really changed, however, the way in which the industry offers it has continually evolved – and that has never been truer than it is right now. We are at a moment in history when businesses in all sectors are rapidly reworking how they interact with customers, and how they can remain a valuable part of people's lives as so much is changing around them.

The pandemic has accelerated these changes, of course. In its massive disruption of daily life, shaking people and societies out of familiar routines and forcing new ways of pursuing their professional and personal interests, COVID-19 has created a new space for changes in behaviour. Well before this, though, the digital environment we now live in was having profound effects on the consumer mind-set.

49% of consumers consider their insurance provider responsive to their needs.

Media consumption, in particular, is now highly personalised. A growing number of our waking hours are spent interacting with information which has been specially curated for us: from social media feeds, to on-demand entertainment like Netflix and Spotify, to automated recommendations on shopping websites, people are now so familiar with businesses which adapt to their specific needs that it is more often the alternative – single, monolithic offerings – which is surprising. That constantly changing experience also extends to how people interact with their digital environment. Services delivered through the cloud can continually innovate, offering new features and making old ones easier to use, in a real-time reaction to what users want.

Insurers are taking change into account. But even as the industry increases its spend on customer experience solutions to nearly $28 billion annually by the end of 2022, less than half of respondents to our consumer survey said that they anticipate that their insurance provider will be responsive to their basic needs. It is time for insurers to check their headings and set new courses.

Anthony Grosso, Head of Global Marketing, EIS

INTRODUCTION

The navigational challenge ahead

This technological innovation is making itself felt in the insurance industry, as insurtechs apply cloud capabilities to create agile, intelligent, responsive ways of delivering those fundamental qualities that people need from their insurer. One result has been an explosion in the number of options available to insurance buyers, with more differentiation between those options. Along with greater choice, consumers also have more information available to inform their buying decisions – and one truth of the digital economy is that people are willing to research and assess which product is right for them.

Modern insurers, then, are often racing to keep up both with each other and with the consumer's expectations in order to maintain their place in the market. Indeed, a recent report by Deloitte described the insurance industry as standing "on the precipice of profound change", citing changing expectations, innovative product lines, mergers and alliances, and disruptive technologies as the major themes for coming years.

As willing as shoppers are to do their research, though, there is always also a desire for things to be made as easy as possible. This the guiding north star for insurance consumers. The navigation challenge for insurers is to continuously align with where consumer interest and appetite is tracking, bending their organisations and resources to the quest, without losing sight of ease and simplicity.

The key to doing this lies in understanding not just what potential customers need, but how they behave. Insurance customers are fickle, and will readily switch providers for a wide range of reasons – especially if they already hold policies from more than one provider. When customers have a wealth of options which meet their basic needs available to them, there is a real advantage in understanding how insurance might better meet their desires and expectations, increasing customer satisfaction and adding real value to their lives.

That's why we conducted research which aims to take a closer look at customer behaviours and motivations in the insurance industry. Gathering data from 1,057 consumers in the UK, France, Germany, and the US, we sought to understand how the big changes in the world around us map on to what people think about insurance, whether people think that insurers can match those desires, and what the insurer of the future should look like. We learned, for example, that policy-holders really are more fickle if they already have different providers rather than a single provider for multiple policies: auto policyholders are, in fact, 39% more likely to switch, while for homeowner policyholders that figure is 57%.

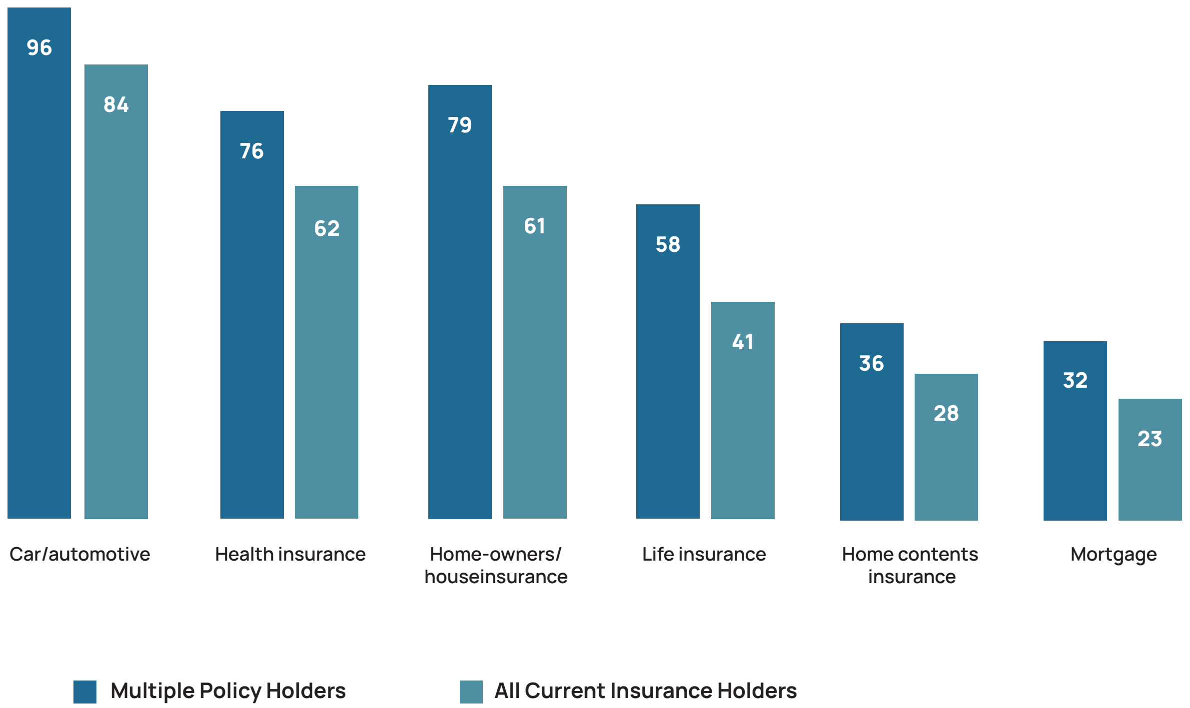
57% of home policyholders

39% of auto policyholders

Are more likely to switch insurers if they have different providers rather than a single provider for multiple policies.

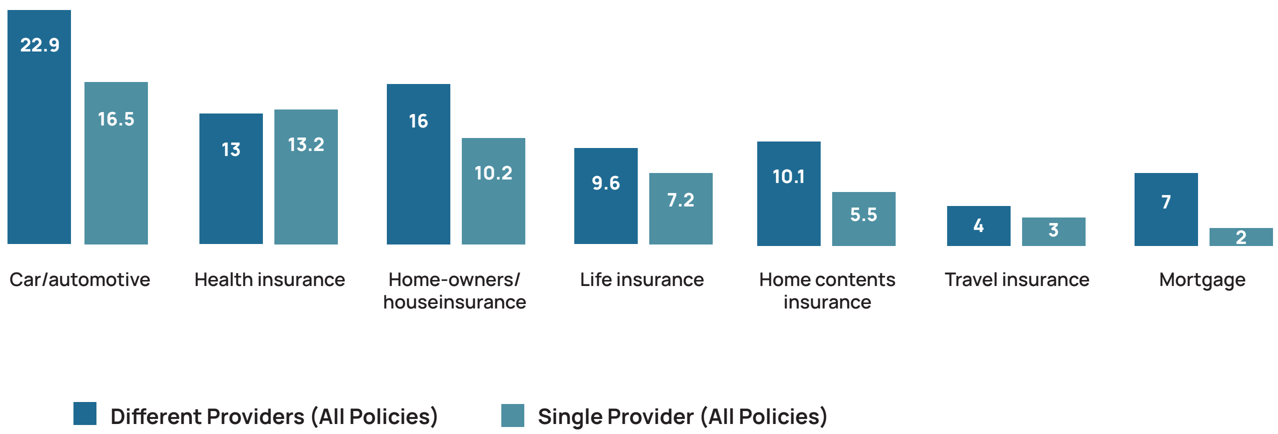
Active Policy Types

% of respondents who currently have the following types of insurance policies



Likelihood Of Switching Providers

% of insurance owners who are either “likely” or “very likely” to switch providers in the next 12-18 months



SECTION 1

The power of a personal connection

We also learned that experience and personalisation – which have been predominant concerns in retail for some years – are now second only to price when it comes to reasons why people might switch insurer. A full 20% of multiple policyholders stated that a lack of personalisation is a 'main reason' for leaving a provider, and 28% cited poor customer experience, compared to 69% for cost. Getting experience and personalisation right is no longer a 'nice to have' for insurance providers; it is quickly becoming a crucial element of what the insurer offers to customers.

As the world becomes increasingly digitalised, interacting with the services we use is no longer something we choose to do – simply because those connections are now always-on, and this has real opportunities for new kinds of personalisation and customer experience in the insurance industry. Fitness trackers, for instance, help their users with real-time insight into their health and activity – but the same data might be fed into a health or life insurance product in order to reduce premiums when certain levels of exercise are reached. Similar approaches are relevant for product and automotive insurance, rewarding users when they avoid risky activities or drive responsibly, while giving them options for more extensive insurance if that's what is appropriate for their lifestyle and behaviour.

That expectation of connectivity can also mean offering multiple ways of communicating – including email, self-serve interfaces, and automated chatbots as well as phone and instant messaging. For a truly satisfying customer experience, insurers need to ensure that customers can move between those channels as they wish, and explain things clearly across all of them. As an example, a buyer might receive some initial information about an insurance offer via email, then use a messaging app to get further details in a conversation facilitated by a chatbot. A web form would then be pre-populated with the information from that chatbot conversation and a quote sent. At the same time, a call centre would be available where a representative can see an overview of progress so far if the buyer has any final questions before completing the purchase.

A deeper dive

Phone calls are still the main medium of contact with insurers, with 56% of Millennials, 60% of Generation X customers and 68% of Baby Boomers opting for them. However, our data also shows a growing trend towards messaging apps – 3% of Baby Boomers use that channel, while for Millennials the number is 9%. As options become available, we should expect significant changes in preferred communication methods.

Industry perspective

Adam Rimmer, co-founder at FloodFlash

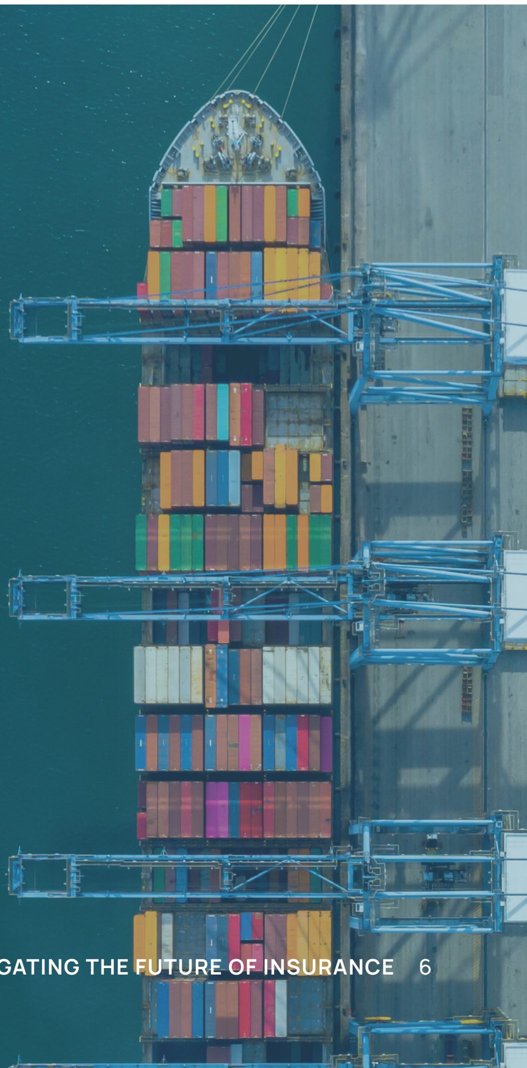
“Every customer - whether a consumer or a business - is different. It makes sense they demand choice when buying cover. With data and tech improving every day, one-size-fits-all policies are a thing of the past. Insurers must embrace this challenge and deliver insurance that fits the customer, not the other way around. We customise every aspect of their cover. That way they can benefit from rapid-payout insurance whether it’s a £10k-payout holiday-let policy or a £10m-payout heavy manufacturing policy.”

Top reasons for changing insurance providers:

69% policy is too expensive.

28% poor customer experience.

20% lack of personalisation.



SECTION 2

Like and subscribe for more revenue

The power of always-on models lies in their ability to match consumer lifestyles. Not only is it convenient and useful to be able to check in on a policy from anywhere at any time, but the nature of the modern economy means that it can be disconcerting and upsetting when that option is not available. For insurance customers, this can underpin the sense of trust and reliability which is so central to insurance.

When it comes to underlying revenue models, the equivalent of this trust and reliability is the growing subscription economy. It has been predicted that, by 2025, global subscriptions for services such as Netflix and Amazon Prime will surpass 1.1 billion. It is therefore unsurprising that 54% of respondents in our research claimed they had either purchased or renewed a digital subscription service in the last six months, while 59% expected to do so in the future. The appeal of such models for consumers and businesses is clear: for one, it is a simple, hassle-free offer; for the other, it is reliable, predictable revenue which can generate customer loyalty.

54% purchased or renewed a digital subscription service in the last 6 months.

37% of Millennial policyholders are interested in monthly subscriptions that offer discounted services or products.

While insurance is often a subscription-based business by its very nature, we are seeing insurers take inspiration from this new wave of subscription economy growth by making their offerings clearer, more useful, and more flexible. Aviva, for instance, has launched AvivaPlus, a payment model which removes minimum policy lengths and promises to give existing customers the same prices as new customers in order to alleviate the perceived risk of staying with one insurer over a long period. HSBC, meanwhile, has launched a flexible subscription service which likewise has no minimum term and offers up to seven kinds of insurance in one package for a simple flat monthly fee.

HSBC's global head of digital, wealth, and insurance has suggested this product is a direct reaction to the new subscription economy, saying that "there's a trend in the younger generation where they want to see greater flexibility in terms of what is covered [...] People expect a simple pricing structure with greater transparency, and they expect that their loyalty to an insurer will be rewarded when they are buying multiple products in one go." Indeed, our research found that this kind of purchasing is especially strong amongst younger consumers, with 37% of Millennials expressing interest in paying a monthly subscription to a company that gives you a discount on its services or products whenever you make a purchase.

SECTION 3

The rundle advantage

At the other end of the age range, 37% of Baby Boomers in our research (compared to 34% of Millennials and 27% of Generation X consumers) said that the ability to bundle multiple products and services into a single purchase is one of the most important factors when purchasing. This is the other key element of HSBC's innovation: packaging up a suite of insurance products in a simple, comprehensible way in order to capture more recurring revenue from a customer. This packaging is often referred to as a "rundle".

The appetite for this is clear. While our research showed that 41% of life insurance customers from across the four regions (and a stunning 68% in the UK) buy insurance from multiple providers, we also found that 52% of respondents were interested in paying a flat monthly fee to cover a range of diverse insurance needs (including auto, home, and life and health), while 48% would like a configurable insurance bundles which they can adapt to their needs on-demand, with a simple on or off toggle for coverage.

The key advantage for insurers is delivering more revenue from each customer – even to the point of becoming their sole insurance provider. Here, our data demonstrates something interesting: in the UK, for instance, just 12% of UK respondents currently buy all of their insurance from one company, while 60% of UK respondents are comfortable with the idea of having a single provider. The picture is quite different in France, where a differing traditional insurance business model means 44% of consumers already buy from a single provider, but averaging across all four regions we find an 36% gap between those who currently use one company for all their insurance needs, and those who would be happy to do so. That's a huge market opportunity.

48% like configurable insurance bundles they can adapt with a simple on or off toggle for coverage.

36% gap between those who use one insurance company and those who would like to.

The advent of open platforms and connected devices is also enabling innovative packaging of insurance and non-insurance products. In our study, 58% of respondents were interested in a mobility bundle including auto insurance, auto loans, buying or leasing options, remote monitoring, maintenance and driver safety guidance. 55% were interested in an equivalent housing bundle, including home insurance, financing, essential home repairs and all home utilities.

Such bundles create high value interactions, as seen in the success of John Hancock Vitality, which combines life insurance with a technology-based wellness app featuring education, support, and rewards for customers. [Brooks Tingle, CEO of John Hancock], said that with this product they are now "having an average of 23 positive interactions with customers a month — from a paradigm that was one or two administrative interactions a year".

This approach of driving revenue by bundling products has been a major tactic in online retail for years, while recurring subscription revenue is a default strategy for software sales. The insurance sector, however, has been somewhat slower to catch on. The shift required is a move from product-centric thinking, where each policy is a distinct sales line, to customer-centric thinking, where each person has a distinct set of needs which the insurer can work to meet.

Few sectors have a clearer incentive to know their customer than insurance – it's fundamental to how the industry operates. Consumers increasingly expect that kind of personal knowledge to be put to work for their benefit, not just to calculate premiums. Personalised insurance which responds to how their behaviour changes and communicates with them through their chosen channel, subscription-based insurance which makes costs transparent and eliminates the fear of being locked in to a bad deal, and bundled insurance which reduces the mental load of managing multiple policies for different parts of life all feed into this.
To be a single provider for a person's insurance needs, as their lifestyle changes, insurers need to get to know that person, and anticipate their needs, in a deeper way.

A deeper dive

The halo of loyalty associated with **life policyholders could drive higher retention** in general/personal lines if offered together. 66% of life insurance owners are unlikely to switch providers in the next twelve to eighteen months. That compares favourably to auto (42%), homeowners (26%), and health insurance (27%). Furthermore, they are less likely than those without life policies to switch providers of any auto (33% less), homeowners (74% less) or health policies (92% less) that they own.

Industry perspective

Barb Lutz, AVP, Chief Underwriter & Life Operations Underwriting - F&G Annuities & Life

“Bundling has advantages for both consumers and businesses. We're not only talking about the bundling of products, but services that go with it such as providing an easy, transparent customer experience and enabling self-service to provide the control which consumers are asking for. Currently, there is too much clutter found on websites and mobile apps and they are not intuitive enough for the consumer. As an industry, we can certainly make it easier to do business with.”

SECTION 4

What customers really expect of insurance

As we've seen, there is a wealth of opportunities for insurers to modernise their offering and meet consumers' expectations in the digital economy. This leads us to the question of whether consumers today actually trust insurance businesses to meet those expectations.

In a recent report, Bain asserted that "insurance customers don't have complicated needs. They want to be able to choose from a good selection of policies at reasonable prices. They want clear, transparent information, and they want smooth, hassle-free interactions. When they're filing a claim after an accident, theft or injury – often a time of great stress – they expect their insurers to help alleviate their anxiety, not add to it. Increasingly, insurance customers also want their insurers to provide additional services, such as roadside assistance and advice on leading healthy lives.".

Indeed, this model of clear communication, high trust, and additional benefits is exactly what our research has shown that consumers want – and it's an insight which makes intuitive sense. Currently, customers are most likely to contact their insurer at a time of crisis, and the value proposition of eliminating stress where possible is very simple.

The data, however, shows little confidence about the industry's ability to deliver this. Less than half of our respondents said that they anticipate that their insurance provider will be responsive to their basic needs. When it comes to communication, only 23% of consumers expect insurers will integrate their experience across mobile, web and in-person, while just 19% expect that insurers will have the ability to demonstrate that they know them and their preferences following an interaction.

The fact that people's expectations are so low when it comes to insurers integrating their products and services for a frictionless customer experience might be seen as a problem for the industry – but it's also a near-term opportunity. While businesses across sectors are innovating ways of bundling and personalising their offerings, these strategies clearly need to be adapted for the insurance sector in order to succeed. Social media, of course, sustains engagement with a daily stream of notifications and updates, but it's unlikely that many consumers will want that intensity of communication with their insurer. Treating the customer as a person, not just a policy number, might often simply mean successfully giving them the right thing at the right time. For insurers, making sense of customer data is therefore vital.

This is especially so when data from different areas needs to be linked up. Initiatives such as Open Banking have driven increasing consumer demand for the ability to access and manage all financial products in one place. This will become increasingly important for the insurance sector as the conversation around Open Finance matures. By connecting the full scope of people's financial lives into a single view, Open Finance will be particularly important for financial health applications. A user might be advised, for instance, that the size of their deductible is exposing them to risk, or offered solutions which could reduce their premium.

Taking the lead on this kind of initiative will give insurers the chance to become trusted partners to their customers in a more significant way – not just at times of crisis, but throughout their financial lives. Ultimately, more meaningful relationships with the consumer, in which they see insurance as integral to their financial ecosystem rather than as a necessary evil, can create both loyalty amongst current customers and a competitive advantage for consumers looking for their next insurer.

A deeper dive

Mobile apps are now cross-generational and cross-regional in their appeal. In our survey, 68% of Millennials, 65% of Generation X respondents, and 58% of Baby Boomers favoured using an app to manage their financial lives. Looking regionally, this is especially strong in the UK, where 72% of respondents picked it, compared to 65%, 63%, and 61% for the US, France, and Germany respectively.

23% only of consumers expect insurers will integrate their experience across mobile, web and in-person.

19% only expect that insurers will demonstrate they know them and their preferences.

Industry perspective

Yaron Ben-Zvi, Haven Life CEO

"I've always felt there was more we could do for policyholders after they buy a policy to build more trust and provide more value. Something that thanks them for placing their faith in us and reminds them they're more than just a number. That's why we've put an emphasis on a customer-driven program that puts a rider to our term life insurance policy that provides extra benefits, like a digital will and award-winning fitness app."

Richard James, Commercial Manager – Munich Re Digital Partners

"It's no longer satisfactory for an insurer to expect a customer to come to them and tell them everything they need to know, plus more, on a generic journey. The average consumer has become digitally savvy and expects a tailored experience, yet insurance has been slow to adapt. Whether it's insurance for their pet or their business, customers expect to get a smooth customer journey, which now insurers can enrich with powerful underwriting data to personalise at a huge scale. As a result, engagement is hugely improved and could change the dynamics of an insurer / customer relationship."

CONCLUSION

Navigating towards a modern insurance ecosystem

Overall, there is a huge opportunity for insurers to design insurance that not only protects possessions, health and livelihoods, but works with people's lifestyles in a proactive and holistic way. For insurance providers to be able to make the most of these opportunities, however, they must adopt more customer-centric business models – and that means addressing issues with existing legacy infrastructure which was designed for a product-centric approach.

An excellent example of this being done well is Ping-An, the largest insurer in China. In an interview with Forbes discussing the success of the company, the company's co-CEO, Jessica Tan, said that "the 1.4 billion people in China have varying degrees of financial services awareness, capability and trust. Each of our apps has a magic gate to this one portal, which links hundreds of [our] systems. Our view is: 'One customer, multiple products, one-stop shop, one account.'".

With the technology that has been used by insurers for decades, and even with many modern legacy core systems deployed just a few years ago, it is impossible to add a usage-based or episodic insurance product, or sell a bundle of different types of insurance products in one go, or bundle insurance and non-insurance products to add unique value. They were designed for a more traditional era of insurance. To be competitive in the modern market, insurers must adopt cloud-native insurance platforms which enable the kinds of microservices and APIs which enable Ping-An's magic gate. These new technology platforms for the future of insurance, called coretech, need to be flexible to support emerging business models and leverage insurtech innovation and data for growth in emerging B2B and B2C ecosystems.

The leading insurers of the future will be those that enable digital ecosystems which place insurance at the heart of how consumers manage their financial lives.

Coretech platforms will need to support massive data flows. This will be particularly important as the use of connected devices to inform policy decisions becomes widely adopted. With health insurance, for example, the use of health data generated from phones, smartwatches and tablets, can give providers continuous flows of information about the customer in order to ensure that the policy is still right for the business and the customer. This mutually beneficial relationship relies on a scalable platform which understands this data and how it should be applied to the customer's policy.

This is a scale of data analysis orders of magnitude greater than insurers will be used to. In its 2020 Global Insurance Outlook, EY commented that insurers must "be prepared to rapidly scale what works and extend their digital capabilities in the context of connected products, propositions, as well as broader ecosystems that offer genuinely unique customer experiences.".

Those experiences rest on a foundation of ecosystem-enabling technologies of the sort pioneered by Big Tech: the likes of big data, AI, ML, microservices, and open APIs are all hallmarks of the next-gen coretech platform insurers now need.

It's no accident that so many of the businesses we interact with on a daily basis already embody this customer-centric notion, adapting what they do and how they do it to customer's needs and preferences on a real-time basis. It's all driven by data, and the massive expansion of our ability to collect, interpret and apply it. Bringing this potential into the heart of the business will align insurers to consumers' true north – as the obvious choice amongst a crowded market.

The top insurers of the future will be those that enable digital ecosystems which place insurance at the heart of how consumers manage their financial lives. Incumbent players have a powerful opportunity to drive the industry forward and bring customers with them. We look forward to seeing how our industry changes as it meets the customer of tomorrow.

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Do everything faster™

About EIS

EIS is an insurance software company that enables leading insurers to innovate and operate like a tech company: fast, simple, agile. Founded in 2008, EIS provides a platform for high-velocity insurance. This open, flexible platform of core systems and digital solutions liberates insurers to accelerate and scale innovation, launch products faster, deliver new revenue channels, and create insurance experiences the world will love. And with thousands of open APIs, the platform gives insurers the freedom to connect to a vast ecosystem of insurtech and emerging technologies. Headquartered in San Francisco, EIS powers premium growth for insurers in all lines of business worldwide.

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