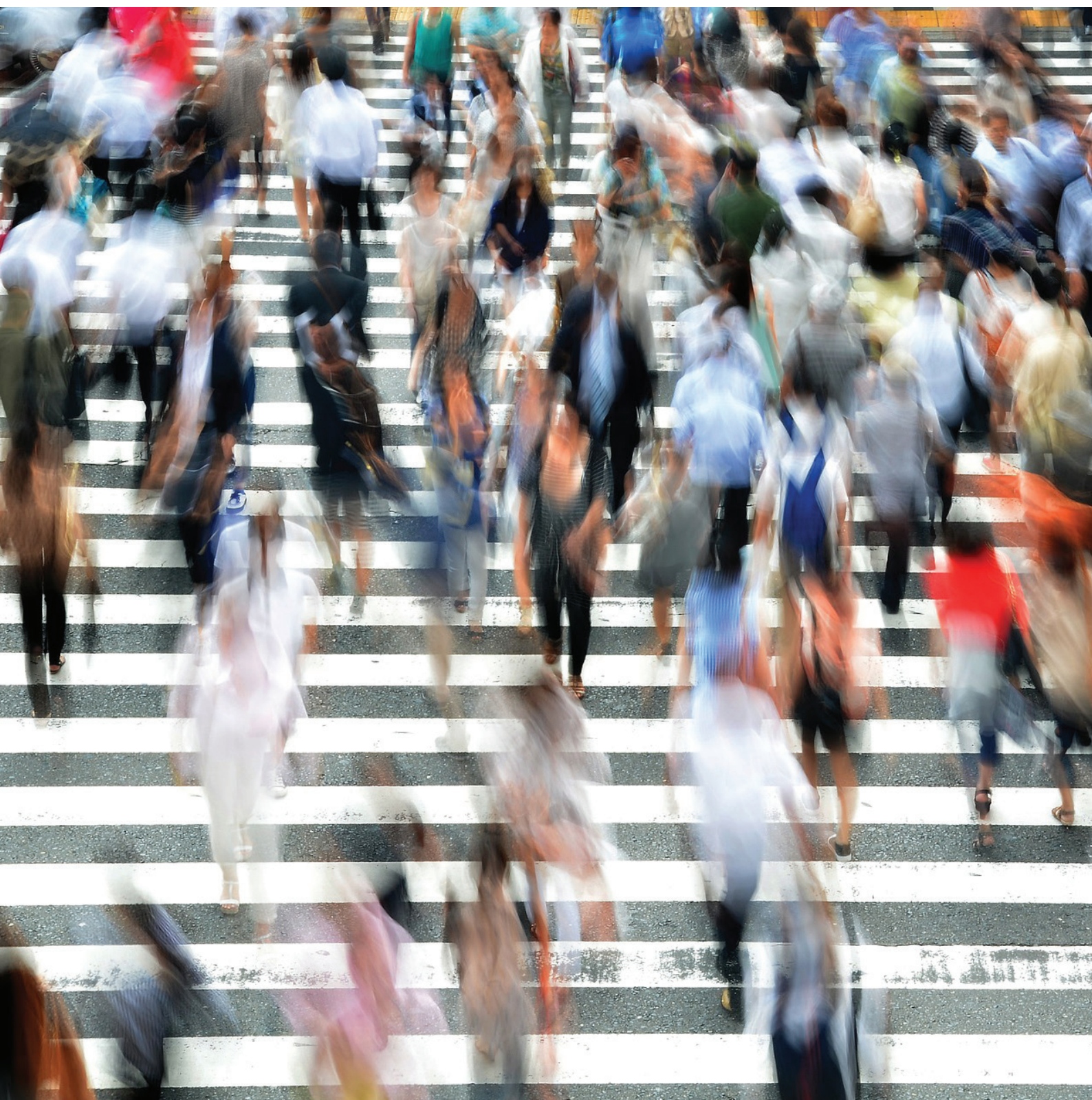


Becoming a Customer-Centric Insurer: Paying More Than Lip Service



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Customer disloyalty is costing insurance companies \$470bn across personal lines, life and P&C. That shocking statistic is one revealed by Accenture's *Capturing the Insurance Customer of Tomorrow* report¹, released in 2015. The same report states that only 29% of customers are happy with their current insurance provider.

If happy customers are loyal customers, it would seem insurance carriers are not making their customers very happy at all.

"Putting the customer first" is heard a great deal these days and companies are falling over themselves to claim that they have put the customer at the heart of the organization or that they have embedded a customer-centric culture.

"Building a customer-centric organization" is easier said than done. "It is hard to execute and change behaviors," says Emily Hathcoat, CNA Insurance's Vice President and Head of Marketing. "It is the right goal but it's really hard to change behaviors and execute. It's really a cultural transformation of an organization. The customer-centric organization has come of time at an opportune time as insurers are forced to navigate a dynamic, changing landscape due to digital, mergers and acquisition etc. Leveraging a customer-centric operating model can guide decision-making as employees navigate in a rapidly changing new world."

The digital ecosystem has bred a multi-channel, multi-touchpoint spaghetti junction through which brands must map new customer journeys. On the other hand, innovation is reinventing the insurance product model as old risks (many motor risks phased out due to the introduction of autonomous vehicles) are replaced by new ones - increased longevity matched by a growing rate of cancers or dementia and cybercrime flourishing in the connected home.

That's before we get started on data management and regulation; real-time analytics and fraud. There are so many fires to fight on all fronts.

It's hard for insurance carriers to know where to begin. That \$470bn lost through switching is not an opportunity cost from not engaging with customer-centricity. In a very short period of time it will become the difference between thriving or failing entirely.

"The very thing that will make the industry more competitive and profitable is the capitulation towards being customer centric," says Steve Jalkut, Head of Marketing US, Tokio Marine.

What does it mean to be customer-centric?

The overarching purpose of customer centricity is to provide a product and/or service that meets and ideally exceeds the needs of today's customer while anticipating future needs so the company is ready for evolving demands.

"It means looking for the customer's viewpoint. What is the problem we're helping them solve and what ancillary services can we provide to make their lives easier. Ultimately, we want to make them less likely to experience the thing they're insuring against," suggests Hunter Hoffmann, Head of Media Relations, Beazley Group.

1 <http://ins.accenture.com/rs/897-EWH-515/images/Capturing-Insurance-Customer-of-Tomorrow-Final-POV.pdf>

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In reality, this means moving from a product mindset to outcomes as companies shift their focus from what they are able to do to what customer needs are, and then building an infrastructure to serve them.

However, this is not only a product-related issue. In an industry with only two main moments of truth (renewal and claims) and where one of those (claims) is ideally addressing a much smaller subset of customers than the other, customer centricity means finding a way to serve customer needs throughout the year in a way that is frictionless and authentic.

It also means addressing the not-so-secret elephant in the room: "Most customers view insurance as a necessary evil. When you're catalogued like that it doesn't feel good and it puts you on the defensive as far as wanting to be customer centric. Challenging the assertion of being a necessary evil will be key," Jalkut says.

Ultimately the aim is to grow a loyal customer base because loyal customers don't switch. With more than 70% of consumers showing a high propensity to switch, upselling and cross-selling as a result of a customer-centric approach is only a future ambition today for many insurance carriers.

Challenges to customer-centricity

Strikingly, many of the challenges facing insurers trying to turn their supertankers round to a customer-centric way of thinking are similar to those faced when trying to move towards a more digital, data-driven or multichannel organization.

- Silos
- Culture
- Skill shortages
- Investment
- Prioritization

Customer centricity requires the organization to be focused on how its constituent parts interact with customer needs. This doesn't necessarily suit the way most insurers are constructed with different departments (actuarial, underwriting, product, marketing, finance, operations, customer service and so on) functioning independently with their own goals and practically hermetically sealed when it comes to interdepartmental interaction. Collaboration is the key to breaking down silos and beyond an investment of time should not generate fresh costs.

"A smart way to get started is to create a working group of emerging leaders from around the company and give them dedicated time from their regular day jobs to work towards a solution. In our organization we did this to identify a model of what a true customer experience could look like and be executed. It involved people from finance, underwriting, customer service, marketing – it ran the gamut of the organization. As marketers you may want to own the entire process but for it to be done well you have to take your hands off the wheel, see what others can do with it and then take it back to drive execution," Hathcoat says.

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Similarly, getting the organization culturally aligned should be a cost-light exercise. However, this can be met with resistance for a variety of reasons, not least the fact that any sort of change can create resistance and instability. This is where leadership appetite and inspiration can be vital to getting everyone on board so changes are made in the same direction and at the right speed.

“There are some preconceived notions to smash through and it’s costly. If you look at the current profitability of the industry and its ability to swallow costs at a time when the margins are being pressurized, it’s difficult. It takes leadership to support this pivot away from traditional behaviors,” Jalkut says.

Customer centricity has also revealed a skills gap right at the heart of the insurance carrier’s organization that will have to be filled. The battle is fought on two fronts - the scientific and the emotional.

Scientific skills are lacking in terms of the amount of data generated. Data analysts and scientists are in high demand but short supply as every sector, not just insurance, cottons on to the value inherent in the information flowing into the company from every channel. Being able to act on it is essential as customer expectations rise.

From one-click log-ins driven by Facebook to Apple’s Touch ID, the customer is losing patience with old-style form filling. The upside is a more frictionless customer experience and the ability to keep them loyal; the downside is having to weigh up cutting inconvenience with opening the door to fraud. The ability to understand and manipulate data will provide the key to solving a great deal of the customer centricity conundrum.

Emotional skills remain an important element, as much of the customer centricity battle is fought on the front lines. Customer service representatives, previously schooled in data entry or claims and complaint handling are now being asked to help manage the customer journey, intuit what might make a customer loyal and deliver against higher expectations.

“Many on the claims side would take issue with being called anything but customer-centric [right now] because they work with a person who is often going through one of the worst moments of their lives. It takes a special person to work in the claims profession, requiring a great deal of empathy and strong communication skills,” Jalkut warns.

Jalkut points out that it is this aptitude that needs to bleed across the business, noting that the hospitality industry has broken barriers in terms of thinking around screening individuals that have the ‘it’ factor: “We should hire people who genuinely want to help the customer.”

Connecting with clients extends to the B2B relationships in insurance: “Communications is at the center of it and you want to create a dialogue. We can educate brokers on existing and future issues which helps them understand where we’re coming from and inform their clients. We can give them a greater degree of command on industry topics by sharing intelligence about the industry and claims trends that they may not be able to access,” Hoffmann says.

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Prioritization of time and investment of budget go hand in hand as twin challenges for those leading the centricity charge.

“There are so many interactions with customers that are overlooked because it’s the nature of our economies to need to do more with less and a desire to move faster, but also everything in our business gets bogged down with legacy processes and documentation requirements,” Hathcoat admits.

All too often when change is suggested, the vision of wholesale mothballing of expensive technologies looms large in executives’ minds. With cloud-based software, managed services and software as a service it is less of an issue today but there is no getting away from the fact that moving an organization towards customer centricity is a change of some considerable size.

Do companies approach it piecemeal, taking elements in manageable bite-sized chunks that match both the organization’s appetite for change as well as the depth of its pockets? On the positive side, that gives the company time to focus on daily needs while experimenting and can provide low-risk proof of concept to ideas that can then be rolled out on a larger scale. Or, being as the change is so heavily reliant on culture, does this risk the company looking inauthentic and faddish?

“The conditions need to be right. If you have a terrifically charismatic and emboldened CEO who has strong convictions and real ties to the employee base, then a transformational approach could work. Moments of crisis can also motivate the industry to try new ideas but change often isn’t sustainable,” Jalkut says. “Many companies prefer an incremental approach but it is often difficult to motivate people and reinforce positive behavior over long periods of time; often it doesn’t feel like you are making progress. Either way, your stakeholders won’t change until they fall in love with different versions of the future.”

The central strategies of a customer-centric insurer

Ultimately, each insurance carrier will have to define what being customer-centric means to their core segments. Understanding customer needs and motivations and marrying that to industry trends will illuminate that company’s unique path.

This may mean customer centricity in the short term is about minimizing the claims timeline or automating quotes. In the long term the move may be more towards product evolution if not product creation. Channel use will become a critical element of product delivery.

“The industry needs to push the boundaries where everything is accessible from the phone,” Jalkut advises.

Building new products for new customer behaviors is two-fold. On the one hand, there is the question of how customers interact with companies. This is increasingly taking place on mobile and within apps. As a result, insurers have the opportunity to develop more service-oriented propositions such as home concierge or safe driving apps that increase engagement, lower risk and can in some cases move the sector as a whole to a new business model.

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Moving from risk to prevention

Jalkut states: "Whether it's the internet of things or other technologies, we are going to shift away from the large concept of risk transfer to something that is more preventative and integral to customers' lives."

Using products that 'nudge' customers towards less risky behaviors, insurers can not only mitigate any impacts on their own bottom line but also prepare the ground-work for an entirely new insurance paradigm in the future.

"It's about working collaboratively with customers. Working with hospital clients to implement risk management techniques that improve patient outcomes. Ultimately, that reduces costs for hospitals themselves and creates better patient outcomes," Hoffmann agrees.

Hoffmann points out that the data (both historical and real-time) available to insurers puts them in a unique, predictive position: "How do we help clients based on our experience? We can see over time where trends are going and proactively help anticipate problems."

Anticipating problems in healthcare and becoming healthcare partners is just one element of the genesis of new, customer-centric insurance products. With diagnostic tools in home and in car as well as access to more information, customers will modify behavior as mentioned above.

It's not just a customer benefit. Keeping in step with these changes means insurers will be ahead of the game when autonomous vehicles become mainstream for example. There can be no doubt that widespread adoption of driverless cars will dramatically alter the insurance product landscape.

"Never in my lifetime did I think I'd be in this place where this sci-fi concept of self-driving cars would be possible. But between that and reality, there are other technologies that make people safer drivers and can use them to pass on savings. People are embracing these technologies now," Tokio Marine's Jalkut says. The question is, he adds, are they perceived as insurance solutions?

"Our industry is going to ride a wave of customer centricity simply because the technology is allowing us to do it. The industry image is going to change from a necessary evil to being integral to customers' lives," Jalkut predicts.

Goals of a customer-centric insurer

Again, customer-centricity extends to B2B relationships where insurers need to deploy all these tactics again to engage with partners who, ultimately, deliver the relationship with the end consumer: "The wind will always blow, you can never prevent everything. It's about being a partner and having a dialogue that allows our clients' businesses to become more efficient and resilient," Hoffmann says.

He adds that proactive risk management delivers benefits both financial and brand-related: "If there are fewer negative outcomes, that's better for everyone."

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Jalkut would suggest that the goals in themselves should be simple, yet still powerful. "I would attribute our strategy to a cultural style of doing business which is terribly authentic to Tokio Marine and based around the idea of being a 'Good Company'. Our central tenets look beyond profit to being able to empower employees and deliver on our commitments. Then always asking: are we pushing ourselves to our limits to deliver these things?"

"From a financial benefit perspective, customer retention is driven by the experience they have with your organization and that's a major KPI. The other part is loss reduction which happens again if we're interacting with customers in the right way. But even more so, it's about brand and culture. This is why marketing should own the customer experience. If staff are empowered to act on behalf of the customer they feel good about what they're doing, they're loyal to the company. A thriving culture makes a better experience for everyone," Hathcoat concludes.

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I2C: Insurance2Customer USA Summit (September 19th & 20th 2016, Chicago) is taking the lead from insurance carriers and are placing insurance customers at the heart of our two days discussion. This industry leading event will bring together senior marketing and customer executives from insurance carriers from across the US, including over 25 speakers and 100 delegates. They will explore the future of the insurance industry, best practice digital marketing tools to understand, reach and engage customers plus discuss how to lead customer-centric transformations within their organizations. A must-attend event in the insurance marketing space, this event will be number one for 2016.