

WHITE PAPER

# Transformation of insurance companies in a digital world



## Introduction

Firmly in the grip of a digital revolution, insurance companies are looking for new ways to sustainably grow their top and bottom lines and retain customer loyalty. Online insurers, aggregators and auction sites have reduced premiums for customers. The rapid maturing of mobility – based technology is making it easier for customers to engage with insurers. Opinions posted on social media channels provide valuable market intelligence and competitive insights.

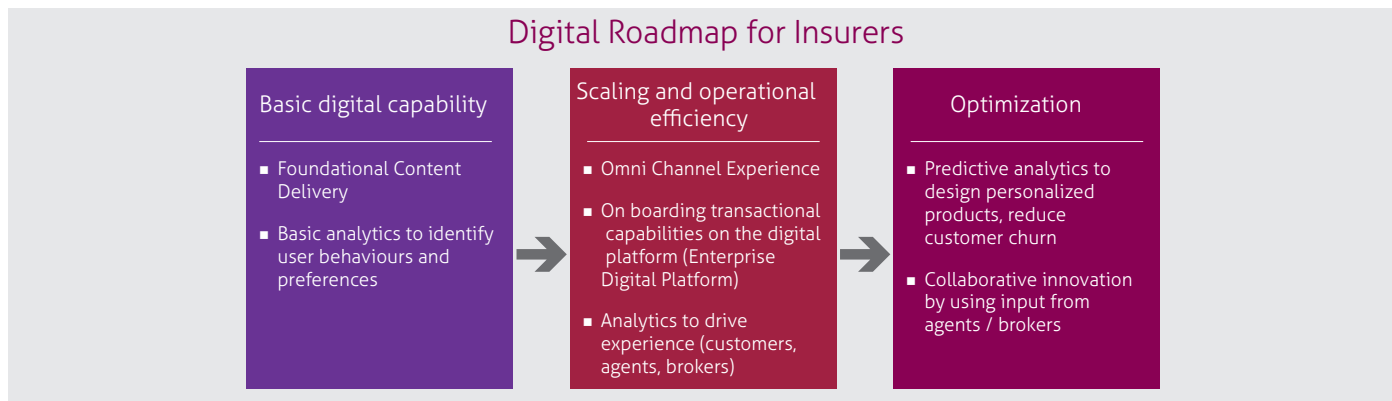
As the balance of power shifts in favour of consumers, insurance companies need to look at new ways to remain viable in this digital world.

Based on the work that we do for insurance companies, we believe that insurers who proactively make use of technological advances to enhance collaborative, co-creational, innovation and operational capabilities gain competitive edge.

## A well-thought out roadmap is critical

Information in the form of requests for quotes, product info, customer profiles, complaints, reporting etc., is generated continuously as a result of interactions among the various stakeholders including insurers, customers, agents, brokers, suppliers, reinsurers and regulators. By efficiently capturing information in digital format and then disseminating relevant information in a timely manner to the concerned stakeholders,

To achieve the above, insurance companies must chart a roadmap that will put them on a clear path to enhance capabilities:



This evolutionary paradigm built on a robust technology foundation will offer tangible benefits in terms of operational excellence, collaboration, co-creation and innovation.

## Operational excellence

### New product launch

Insurance companies are facing regulatory pressures to launch new products as they have to comply with localization needs, state / province-level specific requirements and cross-border regulatory norms. Insurers with a global footprint face an even more difficult job. In today's digital world, time-to-market is often the major difference between market share, profitable growth and "me too" status. The time-to-market for products and variants can be shortened significantly by using configurable and reusable digital platforms.

### Managing customer experience in an omni-channel world

Customers are increasingly using mobile devices for ease, speed and convenience. The use of apps and mobile devices are gaining popularity amongst personal insurance buyers. The others channels that are still preferred for purchase and services includes broker / agency channel, bank / partner network, branch, call centre, friends / social networks besides others. Today's customers are using a mix of these channels for product search, purchase, payments, claims reporting, claims tracking, complaints etc. Seamless unified experiences and quality service are two of the most important expectations of customers. Unless insurance companies can efficiently and seamlessly support omni-channel interactions, they will face higher operating costs. More importantly, poor customer experience is bound to result in churn, in what is already a very price-sensitive market.

insurance companies will be better-equipped to:

- Create new market segments
- Gain insights into customer needs and respond by enhancing product design, service quality and customer experience
- Empower partners, agents and brokers with leads, insights and competitive intelligence to create win-wins
- Reduce operating costs

## Efficient risk analysis in a global setting

For insurance businesses to go global, they need to service customers who operate in markets that are new to the insurers. As such, understanding customer risks in the context of the new operating environment is critical in order to quantify and price them more efficiently.

But customers know their businesses, and hence, associated risks better. We therefore believe that an online information capture framework developed by the insurer can be used by buyers (especially commercial buyers) and brokers to enter information about operations and markets of prospects. Insurance companies can use this information to model and price various elements of risk and arrive at premiums, inclusions and exclusions appropriately. This may serve as a utility for insurers who are either venturing into a newer market or trying to serve new customer segments or planning to roll out new products in market. This approach helps insurers to continuously involve potential buyers, brokers, agents, customer executives and other channel partners in design and rollout process rather than merely relying on market research or survey data. Another advantage is that this approach helps identify risks more thoroughly and enables insurers to make effective risk selection and pricing decisions.

Over time, insurers can refine models to fine-tune operating characteristics of specific lines of business /countries, claims history, exposure information etc., into the information framework. In-country specialists can enhance the model further to reflect changes to risk perceptions due to geo-political considerations, abnormal economic volatility or regulatory changes.

## Collaboration and Co-creation

Increasingly, customers are purchasing insurance from online sources on the basis of their own research on plans, premiums, coverage etc. By analyzing customer data on social channels, insurance companies can engage with prospective customers online and offer customized products and services. Customer feedback can be a valuable source of information for insurers to analyze and identify specific causes of dissatisfaction / delight.

Despite the rising trend of customers buying insurance online, agents and brokers still do play a role in selling insurance policies. Though insurance companies, agents and brokers target the same superset of customers and prospects, win-win outcomes can be achieved for all three stakeholders if they collaborate with each other on improving the efficacy of the sales process.

Insurance companies can use predictive analytics to uncover insights about individual customers. By sharing these insights with agents or brokers, insurance companies can empower them to engage more effectively with prospective customers, thereby increasing the likelihood of a sale.

Similarly, since agents and brokers interact directly with prospects and customers, they are a valuable conduit to convey customer questions, concerns and value perceptions (both, about your offerings / service as well as those of your competitors). Such information around policy, coverage, risks, service etc., can be invaluable in designing new products and improving service quality. Agents and brokers will benefit as it will make it easier for them to sell.

## Innovation

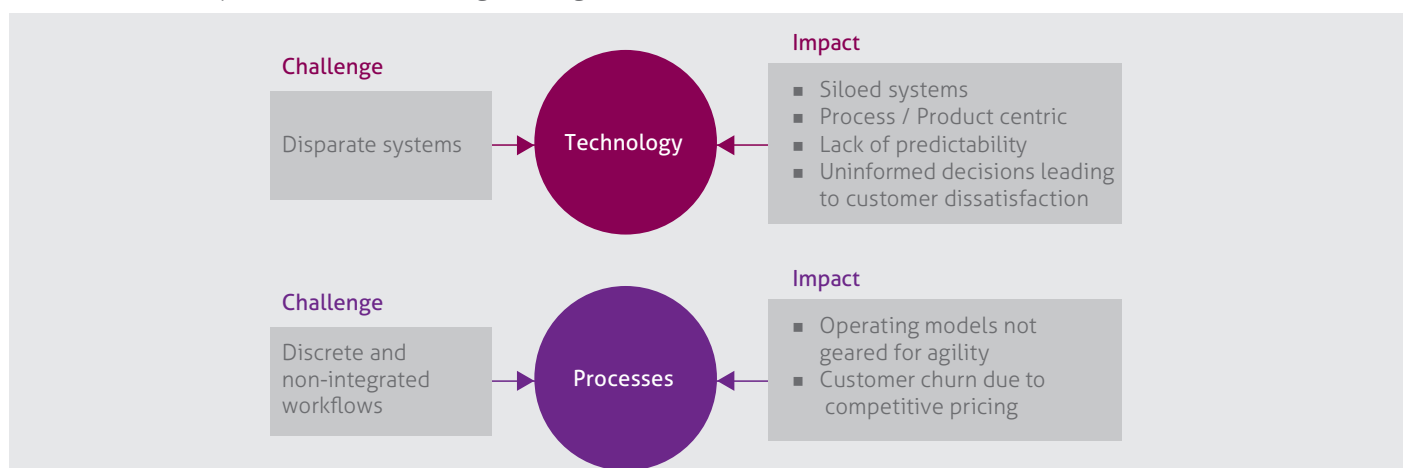
Cross-pollinating technologies across industries is a good example of innovation. Energy companies have been using telematics for several years to remotely record meter readings and use this data to generate bills on the spot. Insurers too have started using telematics to segment auto insurance customers based on the driver's characteristics. Such usage-based insurance involves dynamic pricing of risk based on how, where and for what distance the vehicle is driven on a daily basis. The intent is to lower premiums for drivers who are more careful, drive shorter distances in relatively safer areas and get their vehicles serviced regularly.

To make this model a source of competitive differentiation, insurance companies will need to invest in mobile technology capabilities and Internet-of-things to gather real-time data. For e.g., for auto insurance, insurers need to know about the condition of the vehicle (tyre pressure, condition of brakes, coolant etc.), where the vehicle is being driven (terrain, traffic conditions etc.) and how it is being driven (speed, frequency of braking etc.). To minimize their risk, insurers will need to alert car owners about service schedules. Predictive analytical models using aggregated data on individual brands / models across the larger market as well as individual accident / service history may give insurers the real opportunity to move beyond a "discount model" and positively shape customer perception about value.

Embedding the above into "business as usual" will require the ability to create, manage and maintain multiple digital interfaces and the stream of data generated from them. In turn, this will need changes in existing business processes and the underlying technology infrastructure of insurance companies.

## Existing operations must be streamlined

Most insurance companies face the following challenges:



As a result of the above challenges, collaboration within most insurance companies is limited. There is poor visibility across departments due to limited information exchange, which in turn is constrained by the inability of existing IT systems to talk to one another.

The above mentioned technology and operational limitations also have an insidious impact on customer service and

experience. Insurance companies are aware that customer preferences are changing and their purchase decisions are influenced by what people have to say on various social channels. But marketing efforts are not tuned adequately; neither is there seamless integration between mobile, web, social and offline channels. This results in inconsistent customer experiences, and increases the risk of dissatisfaction and non-stickiness. Further, it precludes the business from

harvesting customer insights. Worst of all, it makes it easier for rivals to compete solely on price - something that insurance companies cannot afford, especially for those who rely on more than just online channels for business.

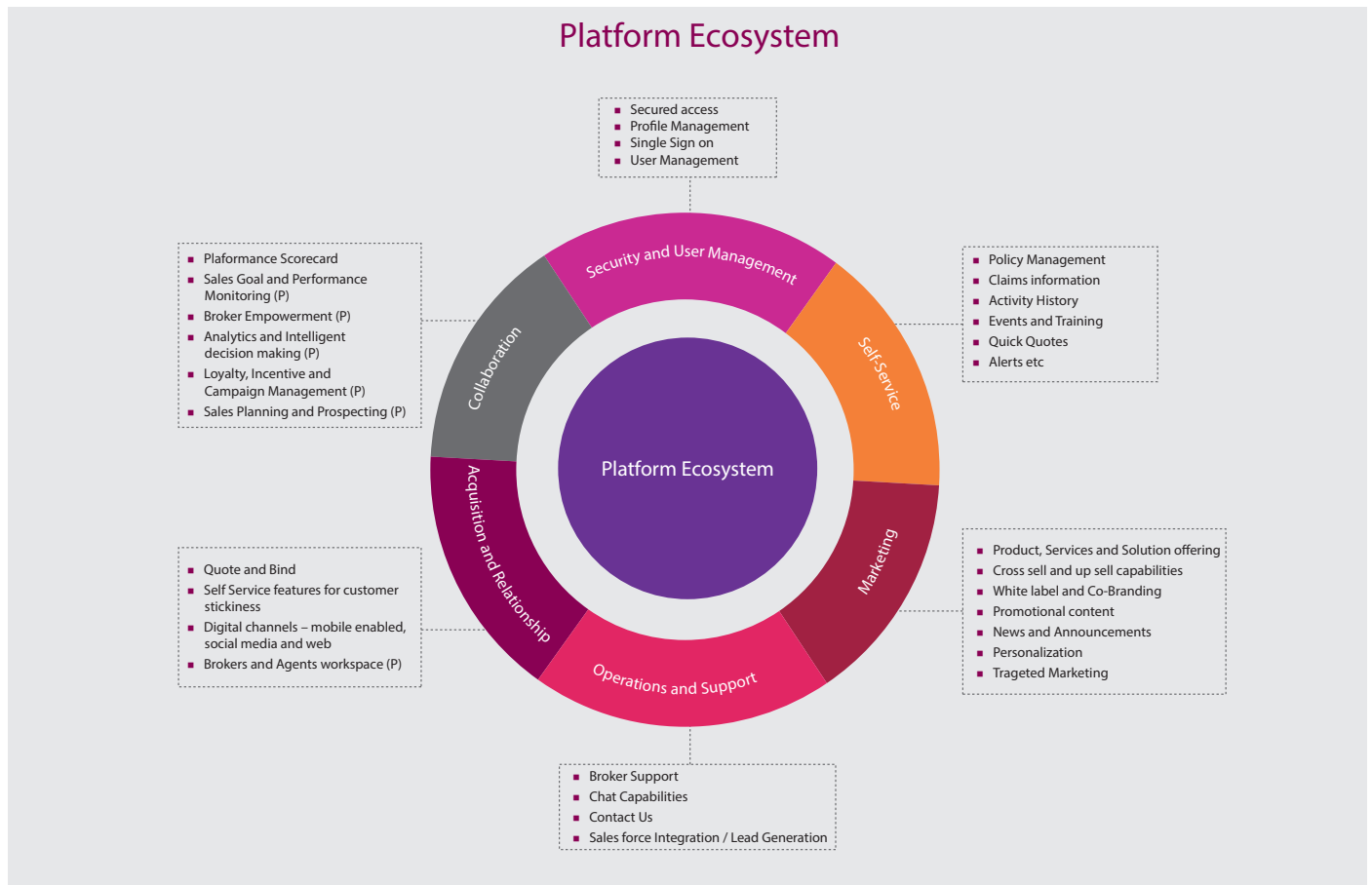
## Conclusion

Insurers must view the current discontinuity caused by the digital revolution as an opportunity to revamp their core processes and the underlying technology backbones so as to:

- Optimize workflows
- Provide unified customer view to stakeholders and partners

- Deliver consistent customer experience irrespective of whether the touchpoint is online or via the call centre or through agents etc.
- Support processes / functions such as quote generation, policy administration, underwriting, claims, new product development, operations, marketing and personalization via exposable services

The diagram below illustrates Mindtree's view of an integrated platform that efficiently caters to all business requirements of insurance companies and enables them to evolve in a digital world.



### About the author

Ashish Srivastava drives various digital initiatives for large global insurance providers. Ashish has partnered with the customers to conceptualize and implement solutions to enable brokers, agents, risk managers and consumers.

Ashish holds a bachelor's degree in Electrical Engineering from the Indian Institute of Technology, Roorkee, and a master's degree in Business Administration specializing in Finance and Information Technology from the Indian School of Business, Hyderabad, India.

## About Mindtree

Mindtree [NSE: MINDTREE] delivers technology services and accelerates growth for Global 1000 companies by solving complex business challenges with breakthrough technical innovations. Mindtree specializes in e-commerce, mobility, cloud enablement, digital transformation, business intelligence, data analytics, testing, infrastructure, EAI and ERP solutions. We are among the fastest growing technology firms globally with more than 200 clients and offices in 14 countries.