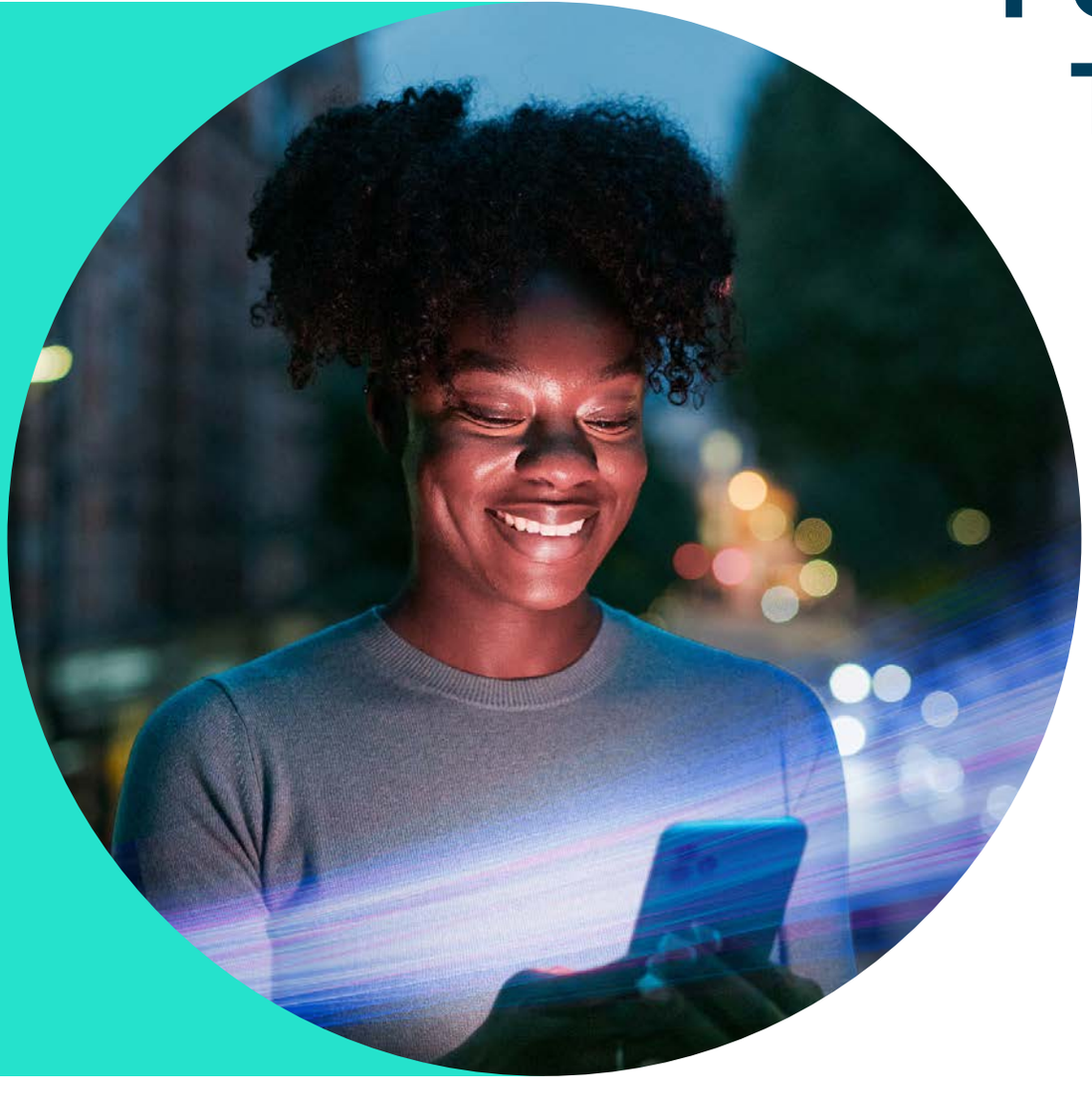
Five Insurance Industry Trends Powering Digital Transformation



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Introduction

Insurance companies around the world are grappling with challenges unlike anything they've seen in the past. Stricter regulations coupled with the financial squeeze of inflation, as well as emerging competition from innovative players, are redefining the industry.

The future outlook is being made even more complex by external factors like climate change. Insurers are now being forced to **pull out of areas** prone to natural disasters due to rising risks and costs.[1] Over the past five years, the U.S. alone has experienced 18 billion-dollar climate disasters each year. The increasing costs for claims are pushing up rates and driving customers to look elsewhere for their insurance needs.

At the same time, customers want more seamless, digital-first interactions across all platforms.[2] Considering the pressing issues facing the industry, insurance companies can't afford to lose customers because of a poor experience.

Avoiding change and technological advancements is no longer an option. To stay competitive and profitable, insurers need to digitally transform their operations to be more nimble, efficient, and cost-effective.

From re-engineering their operations to boost flexibility and customer satisfaction, to re-investing in cutting-edge technology, incumbent insurance firms need to embrace re-invention. Otherwise, they risk lagging behind Insurtech startups and new market entrants, which threaten their long-term viability.

The industry faces major disruption that requires a rethink of business as usual. In this whitepaper, we explore five ways that digital and organizational shifts are transforming the insurance sector. And how to face them head on.

Over the past five years, the U.S. alone has experienced 18 billion-dollar climate disasters each year.

[1] "Farmers Limits Future Insurance Policies in California and Florida. Here's What Homeowners Can Do," Natalie Campisi, Forbes, July 12, 2023.

[2] "Bad Customer Service Puts Brands at Risk," Dan Berthiaume, Chain Store Age, March 11, 2022.

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1 Re-Engineering for Agility

Fast matters in insurance. It matters on a micro level: Can you get in touch with that customer who just had a car accident before they make rental and repair choices that cost you more money? And it matters on a macro level: Can you rapidly launch a new product to compete against new market innovators? The kind of agility that makes your operations lightning-fast and efficient—and your innovation game unmatched—can be difficult to achieve.

It's a problem that runs across industries: legacy technology meets organizational silos. Bottom line: operational agility isn't a final destination you can—or need to—wait for. Agility is a core ability to create change right now, and it can be achieved without protracted timelines and barrels of money.

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CASE STUDY

Achieving Agility By Starting a New Service Line

With a goal of improving their sales of insurance bundles—such as auto, home, and pet insurance—our client, a large general insurance company, recognized a growing demand for high-quality service.

To meet this trending need, we helped them to introduce a premium service that mirrored the traditional broker model, emphasizing strong customer relationships. This service provided clients with a single point of contact for all their insurance needs and claims, ensuring consistency and personalization.

For example, if “Sara” sold you multiple types of insurance, she would also be your dedicated contact in the event of an incident or claim.

This high-touch model offered compelling benefits:

- **The one-contact premium service offers an attractive value proposition to customers**
- **It helps insurers sell more products to each customer**
- **Bundling makes it harder for customers to price-shop for individual products, reducing price sensitivity and increasing retention and lifetime value**
- **Bundling spreads risk, decreasing the amount of cash needed for reserves—and freeing it up for investment**

How To Build Agility

When designing agility into what you do, here are some good questions to ask:

1 What's the optimal mix going to be?

Identify the best configuration of human and technology you want to use from your toolset of identified and proven innovations.

2 How much velocity do you want?

Get the right balance so you can build quickly while baking in flexibility for the changes ahead.

3 How much capability do you need to own?

Manage the balance between owning all the staff capabilities versus the outsourced flexibility to scale up and down or change staff locations when you enter new markets.

4 What's the cost-benefit analysis?

How cost effective is it to design, implement, and own the processes and technology needed to support new use cases?

5 Does it build regulatory resilience?

How does your model help you demonstrate the operational resilience global regulators want to see?

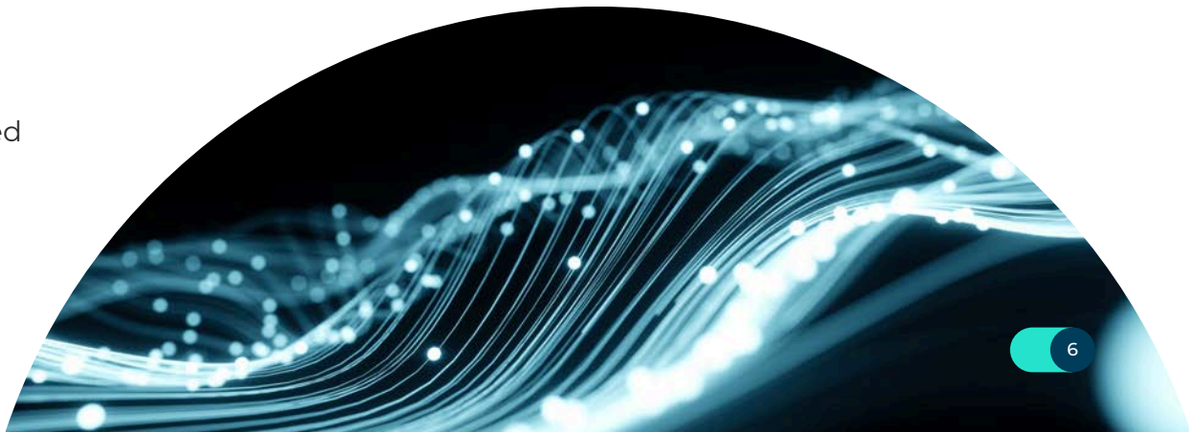
2 Re-Wiring the Customer Journey

Customers not only compare insurers based on policy coverage and the cost of premiums, but also on their experience. **Only 41% of insurance customers "completely agree"** that their insurer has met their expectations around digital efficiencies and keeping them informed throughout their claims process.[3]

An omnichannel customer strategy in the insurance space can be the blueprint for delivering fully-integrated experiences—seamlessly carrying the customer through every potential touchpoint.

To realize an omnichannel customer strategy, insurance companies must reorganize their internal structures with a focus on customer-centricity. This involves everything from roles, responsibilities, and behavior to business processes and technologies:

- **Aligning around the customer:** A customer-centric organizational structure is paramount. Silos within the organization often lead to disjointed customer experiences. Breaking down these barriers and creating cross-functional teams aligned with business goals is essential.
- **Overcoming legacy systems:** Many insurance companies are encumbered by legacy systems designed for a pre-digital age. Transitioning to cloud-based, API-friendly systems is vital for the agility needed in an omnichannel environment.
- **Redesigning process and operations:** Mapping and redesigning operational processes are critical for enabling a seamless omnichannel experience. Streamlining and automating where possible can reduce inefficiencies and speed up response times.
- **Utilizing lean and operational excellence:** Implementing lean practices and operational excellence methodologies can lead to significant improvements in operational performance. These include reducing waste, optimizing resources, and fostering a culture of continuous improvement.
- **Leveraging data and analytics:** Sophisticated data analytics can provide insights into customer behavior, preferences, and needs that help them anticipate and predict what they want in future.



[3] "Insurers Still Struggle to Deliver Seamless Digital Experience – Report," Ryan Smith, Insurance Business, December 6, 2023.

3 Re-Investing in Cutting-Edge Technology

Why AI's Time Has Come

The insurance sector is no stranger to the latest technology. At its core, the industry relies on mathematical and statistical techniques to handle a range of tasks—from assessing and pricing risks in policy underwriting, to settling claims, and even combating fraud.

However, generative artificial intelligence (AI), alongside established discriminative AI, promises to reshape the face of insurance. The global AI in insurance market size was estimated at $4.5 billion in 2022—and it's **expected to be worth around $80 billion by 2032.**[4]

AI's integration into insurance operations is **not without its challenges,** but it is already enhancing areas like underwriting, customer service, claims processing, and fraud detection.[5]

Unlocking Better CX:
Insurers are adopting conversational AI to enable more human-like interactions between customers and insurers, with chatbots and voice assistants providing 24/7 support. As this technology evolves, expect even more sophisticated AI systems capable of managing complex conversations, especially in claims processing.

Transforming claims processing:
AI is dramatically speeding up the settlement process. Image recognition technologies can rapidly analyze documents and images—identifying vehicle models or assessing damage from photos. Discriminative AI, with its access to vast historical datasets, can ensure claims are handled consistently and accurately. Generative AI can work in tandem, assisting in summarizing data and drafting preliminary reports, streamlining the adjustor's workload.

Detecting fraud with AI:
AI excels in analyzing massive datasets (from various sources) to detect anomalies that might indicate fraud. It can identify suspicious patterns in vehicle damage reports or flag manipulated images, all of which help guard against fraudulent claims.

Improving pricing and underwriting:
AI opens new avenues in pricing strategies and product design for insurers. By harnessing a wealth of data, insurers can identify new risk factors, enabling much more precise insurance coverage. The ability to analyze personal data—with the customer's consent—also allows for the customization of products to individual needs.

[4] "Artificial Intelligence (AI) in Insurance Market (By Offering: Hardware, Software, Services; By Deployment Mode: On-premise, Cloud; By Technology: Machine Learning, Natural Language Processing, Computer Vision, Others; By Organization Size: Large Enterpri," Precedence Research, July 2023.

[5] "AI Deployment, Development and Other Issues in the Insurance Industry," Stewart Bowling, Digital Insurance, March 18, 2024.

Why Self-Service is the Dream (But Can Be a Nightmare)

Insurers, like almost every other industry, need satisfied customers. What customers want is convenience—and that often means instant gratification and easy interactions. For example, many customers prefer self-service digital experiences to phone calls and other human interactions.

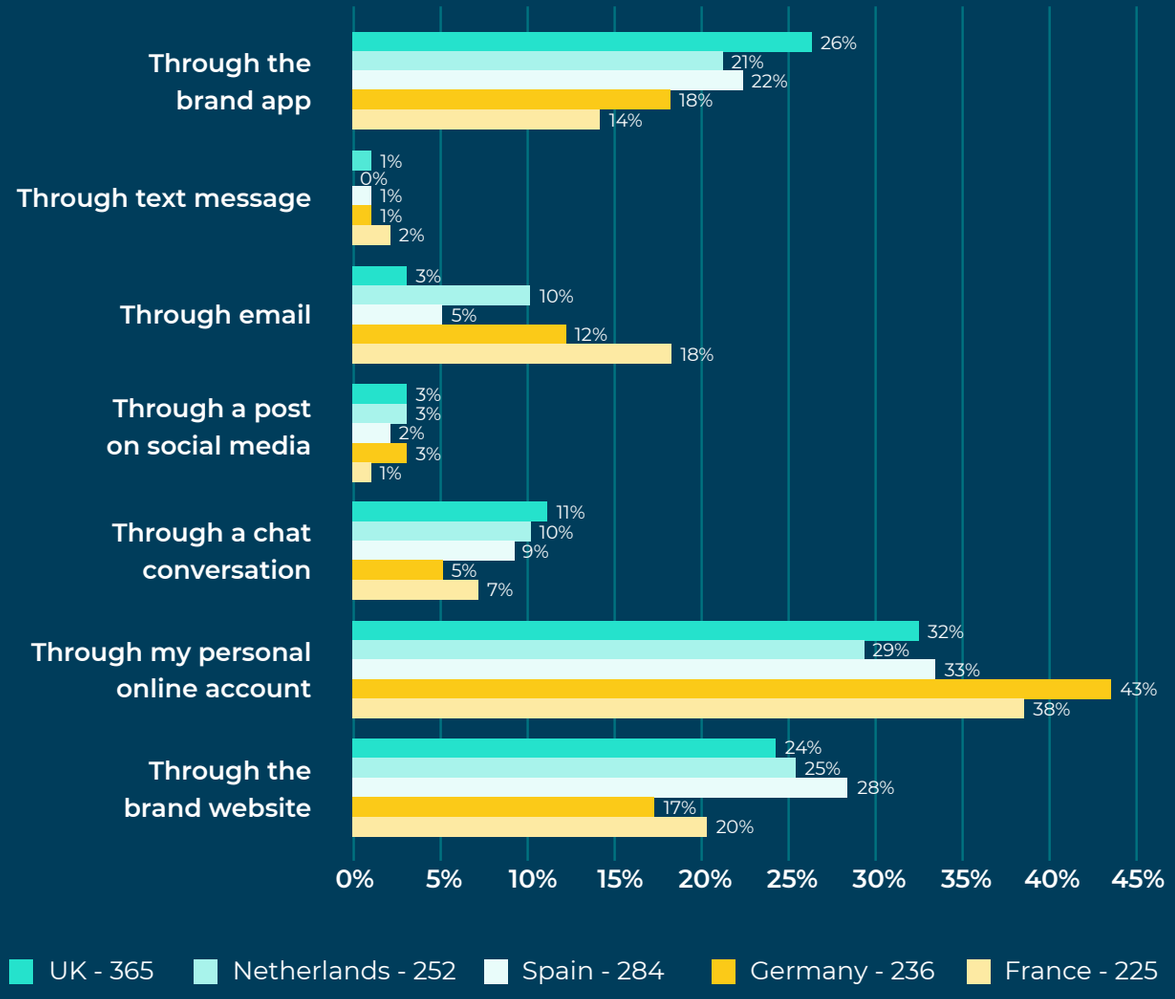
But there's a catch. While self-service experiences and AI-powered chatbots can reduce the cost to serve, poor execution can end up frustrating customers. When they give up on a portal or chatbot, they're leaving their channel of choice.

Why aren't more customers satisfied? All the technology is in place to make chatbots a highly satisfying experience, but it turns out technology was just the starting point. Chatbots require deep CX insight to anticipate customer needs.

Even for brands that provide near-perfect automated experiences, nudging customers to switch to these self-service tools is the next challenge.

How Banking, Finance, and Insurance Customers Prefer to Interact with Brands

2020 survey of 5,328 banking consumers in five EU countries



How to Channel-Shift to Self-Service

Build trust:

Digital experiences are built around trust: Trust that the experience will be worth their time, especially if they've been disappointed by similar experiences, and that their data will be secure.

Use behavioral science to your advantage:

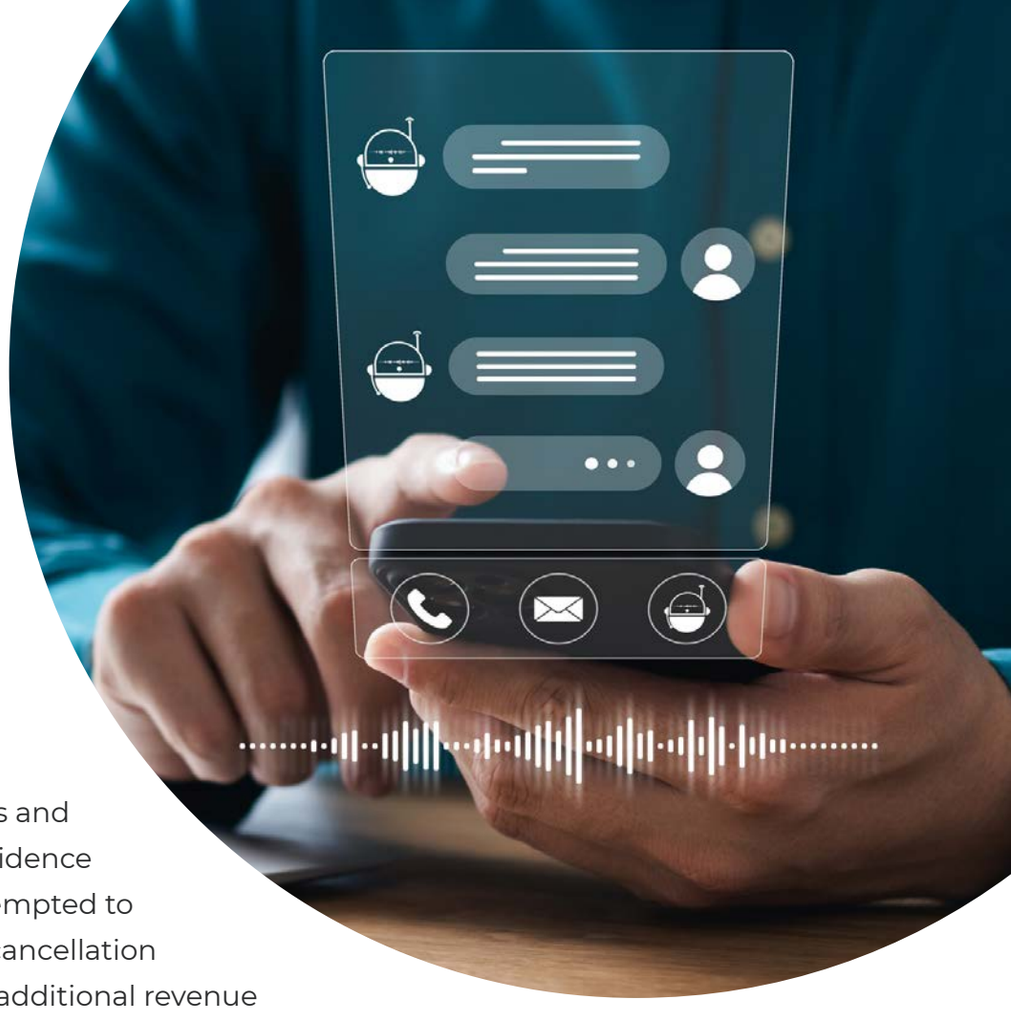
Customers don't want to be forced into using chatbots or other automated tools—but you can influence that choice. Skilled UX designers know how to use clear language and visual cues to signal an intuitive experience, and how to clarify upfront what the experience will ask of users and what it will give them in return. The next level is having behavioral scientists participate in customer experience journey redesign, drawing on psychological insights to improve every element of your specific journey.

Meet expectations for human support:

It's tempting to think technology will entirely replace humans, but customers prefer to talk to people in certain situations. This is especially true for complex or sensitive matters, such as a life insurance claim or in the aftermath of a car accident. Also, consider that 24-hour digital self-service creates an expectation that there will be humans to turn to in case of problems.

CASE STUDY

How Self-Service Features Can Reduce Contacts (and Improve Experiences)



Our client, a leading insurance provider in the U.S., was facing challenges with its digital self-service channels. Specifically, low completion rates when customers attempted to use these channels, signaling a need to improve their digital offerings to encourage self-service and steer customers towards digital solutions.

Our Strategy & Design team discovered that a significant number of customers were attempting to cancel their policies online only to find out that it wasn't possible, leading them to the contact center instead.

We identified inefficiencies in our client's operations that resulted in high costs and low return on investment. Our presentation to senior leadership showcased evidence of a critical area for improvement, specifically the fact that customers who attempted to cancel their policies often did not return. By implementing a seamless online cancellation feature, we demonstrated a significant increase in customer retention and an additional revenue of $4.6 million from cost savings achieved through self-service cancellations.

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$4.6M

additional revenue from cost savings achieved through self-service cancellations

4 Re-Newing the Value of Personalized Data

The highly regulated environment that insurers operate in tends to make them cautious and risk averse. For example, because statistical models suggest young males driving red cars are likely to be riskier bets to insure, the premiums for this group are higher regardless of individual driving habits. This pricing strategy reflects the industry's broader challenge with personalization: offerings are not as tailored as one might hope.

How can companies move beyond the transactional and make a more personalized pitch to a customer, offering different solutions, benefits, and value propositions that can drive a relationship beyond the actual product?

From Transactional Provider to Trusted Partner

Insurers should aim to embed themselves in the fabric of customers' lives and make personalized outreach to those customers, helping to minimize worries and maximize peace of mind. It's also good business: 60% of consumers report that they will become repeat buyers **after a personalized purchasing experience.**[6]

So an insurer might provide a parent of a newly qualified driver with a telematics device to monitor the household's driving habits, as a way to gather information but also encourage responsible driving. Or an insurance company operating in an area prone to extreme weather might offer practical advice and tools to mitigate the risks of floods or fires.

[6] "Announcing Twilio Segment's The State of Personalization 2021 Report," Geoffrey Keating, Twilio, June 2, 2021.

The more an insurer knows about an individual, the more tailored their assistance can be:

Data collection and analysis:

Begin by gathering data from both internal and external sources. This could include customer interactions with your services, social media behavior, and even purchasing trends. Consolidate this data to uncover valuable insights about your customers.

Tailored coverage options:

Regulation permitting, consider offering personalized coverage and micro-policies. These should cater to the unique lifestyle and needs of your customers. For instance, a customer who loves adventure sports might appreciate specialized insurance coverage.

Anticipate needs with predictive analytics:

Use the insights gained from data to predict and meet customer needs proactively. Predictive analytics can help identify critical life events and offer timely and relevant insurance solutions, making customers feel valued and understood.

Go beyond the product:

Look beyond the traditional boundaries of your product or service. This could involve offering exclusive access to helpful resources, personalized advice sessions, or loyalty rewards that align with customer interests and needs.

5 Re-Visiting the Voice of the Customer

Insurance, with its layers of complexity, can often seem daunting to customers. That's where Voice of the Customer (VOC) programs come in, offering a window into the actual needs, desires, and frustrations of customers.

Feedback from customers serves as a direct line to improving those services. It shines a light on areas that might need improvement, whether it's making the claims process smoother, or ensuring communications are crystal clear. Seeing their input lead to real changes makes customers feel valued, fostering loyalty in an industry where trust is paramount.

Beyond problem-solving, VOC can act as a catalyst for innovation. Catching issues early through customer feedback can streamline operations and reduce costs, while preventing small issues from ballooning into larger, more costly ones.

VOC also plays a critical role in compliance and risk management. It helps insurers stay ahead of potential regulatory or litigation risks by highlighting areas of customer concern.

CASE STUDY

Major US Mutual Insurance Company

In order to improve customer care through a customer experience framework, a leading insurance company implemented our state-of-the-art voice of the customer (VOC) program powered by Concentrix's own customer feedback management platform, ConcentrixCX.

To capture one holistic source of truth, this client's listening strategy includes nine active feedback programs with over 500 total ConcentrixCX platform users, live-time feedback distribution, centralized sample management, and closed loop orchestration. Alongside the program structure, both teams take part in 8 improvement workshops and 12 work sessions per year—focusing on root causes and actions with priority placed on recommendations.

One such improvement workshop involved a pilot program centered around digital adoption. Using supporting insights that show customer preference for self-service solutions over agent-assisted channels, advisors were guided to educate callers on available self-service options. Results from the pilot showed just what any future-facing CX leaders would love to see—fewer advisor calls, better containment via self-service, and an overall positive impact on key advisor attributes.

With such a modernized and connected CX strategy, the client has averaged a Net Promoter Score (NPS) of 70 percent—compared to the industry standard of 50 percent—since 2018.

By asking "where can things still be improved?" this client was able to take its already exceptional CX and go even further.

500

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The Five Trends Redefining the Insurance Industry

Technological advancements, combined with a deep commitment to understanding and meeting the unique needs of each customer, are setting the stage for a new era in insurance where agility, innovation, and customer satisfaction are not just goals, but the very foundation of success.

Below are the five shifts in digital transformation we see driving the industry forward:

1. Achieving operational agility is key to enhancing efficiency, customer relationships, and market competitiveness.

2. Insurers are leveraging artificial intelligence and data analytics not just to streamline operations, but to create more personalized, efficient, and responsive services.

3. By rethinking their approach to seamless customer journeys and investing in technologies that enhance both the accuracy of risk assessment and the customer experience, insurance companies are staying ahead of the game.

4. To transform from transactional entities to trusted partners, insurers must embed personalized experiences and tailored offerings in their customers' lives.

5. The focus on listening to the customer through initiatives like Voice of the Customer programs illustrates a significant shift towards a more interactive and responsive insurance industry.

Those insurers who can balance the demands of regulation with the drive for innovation, all while keeping the customer at the heart of their operations, will not just survive but thrive, setting new standards for excellence in the process.

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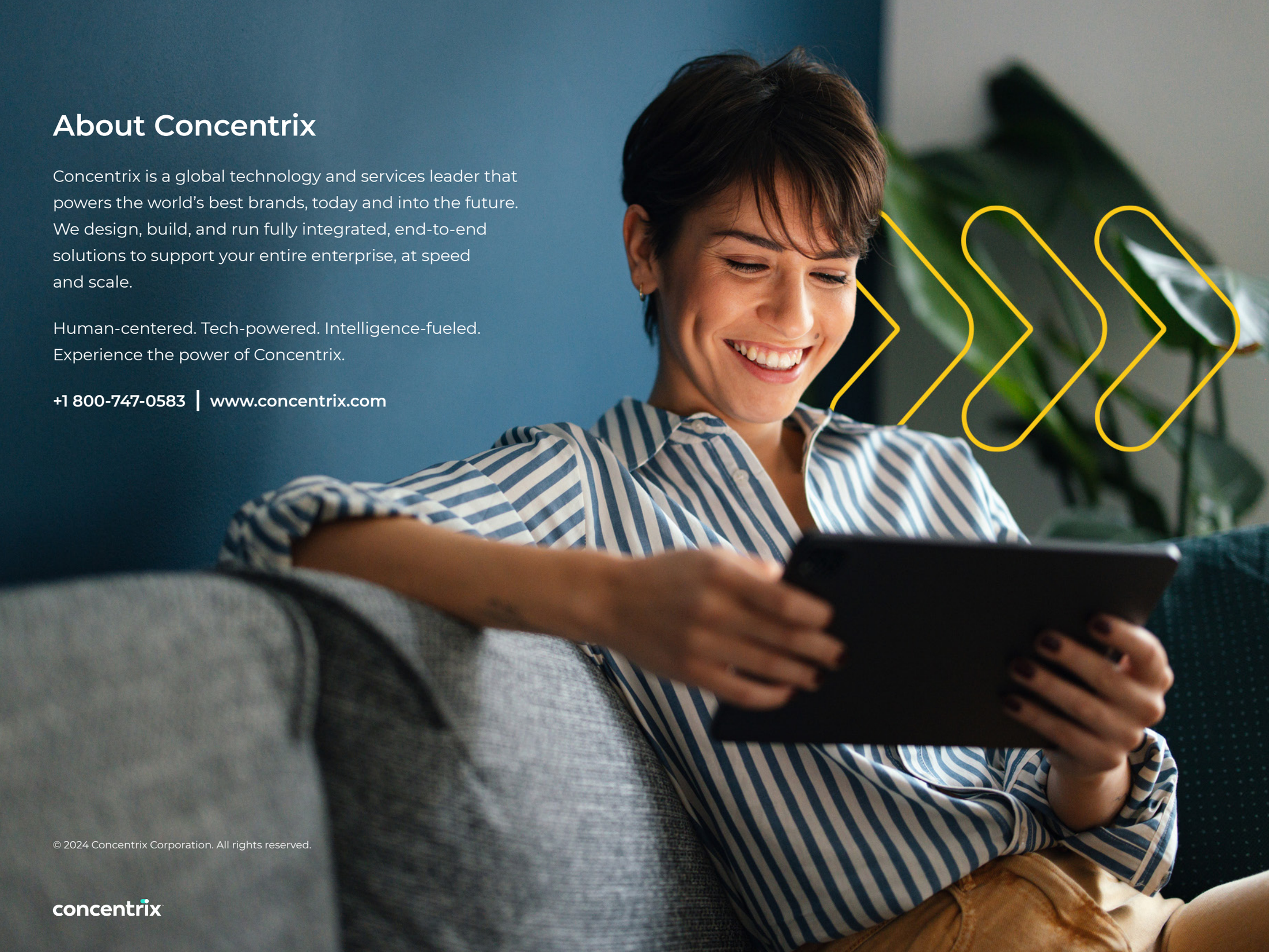

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