Improve Insurer Operating Profitability

The Rise of Intelligent, Personalized, Digital Property and Casualty Claims Experiences

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Customer power is not just a slogan, it is here and growing. We are witnessing an era symbolized by a paradigm shift in power towards the consumer – fuelled by the rise of digital channels, which is redefining customer relationships with their providers. The claims experience is recognized as the emotional and effective key moment of truth in the P&C customer–insurer relationship. This relationship is directly associated with the average 13–17% per year churn in customers. Enhancing your current operations and tools with the latest techniques to improve the effectiveness, ease and emotional resonance of the customer experience during the claims experience, can deliver measurable results. According to Bain and Company, a 5% increase in customer retention can increase profitability by 75%.*

Digital interactions are more cost effective than human interactions, but are becoming overwhelming in volume and complexity and their relative simplicity does not replace the effectiveness of sophisticated human interactions. Increased personalization helps but the rise of intelligent, guided, concierge experiences is going to allow these critical human experiences to be replaced by the next level in digital experiences in effectiveness, ease-of-use, emotional resonance with customers, therefore impacting insurer operating profits, especially in key moments like claims.

Customer Power is Rising

In every industry, in every market, in every sphere of business, customers across the globe are gaining power.
This revolution is being driven by:

- The growth and ubiquity of information via the internet, making customers ever more aware and knowledgeable
- The diversity of digital and mobile devices and technologies
- The exposure to more and more advanced experiences within and outside your industry
- The ability of customers to broadcast their opinions locally and globally through social media

The immense spike in customer power is also resulting in a proportionate rise in customer expectations. Customers today expect to be able to interact and engage with companies anytime, anywhere through any interaction channel of their choice: digital, mobile, contact center, kiosk, face-to-face, or omni-channel communication for different steps of a given journey.

Growing levels of research demonstrate a direct relationship between a strong customer experience and financial leadership of organizations, including operating profitability and competitive positioning.
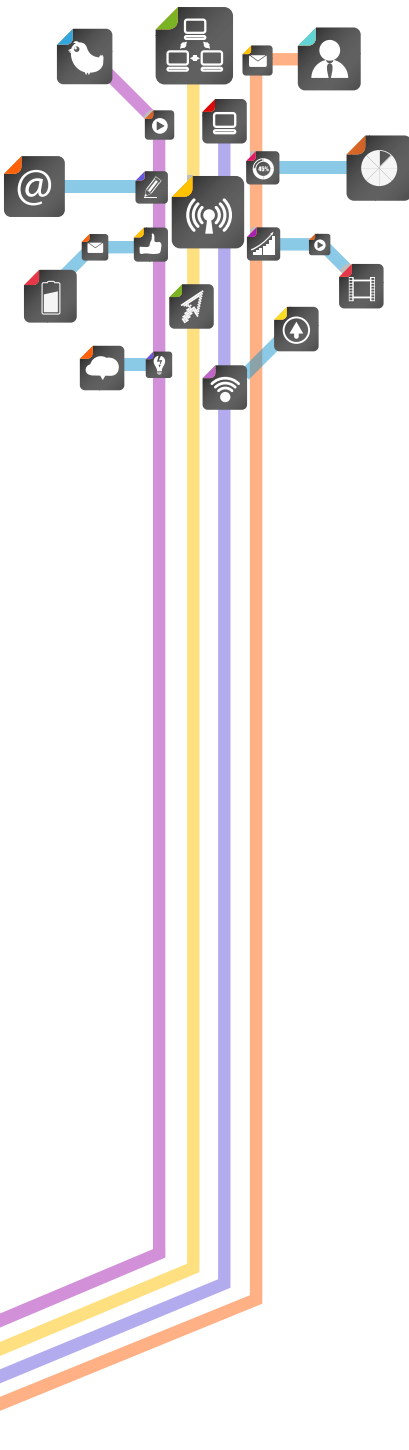
*Forbes 11/1/2012 - Five Customer Retention Tips for Entrepreneurs

> *Superior customer data and analytics capabilities enable you to gain an in-depth understanding of customer behavior patterns*

Customer Experience Management

The discipline of actively managing customer experiences for better business results is called Customer Experience Management (CEM).

Great Customer Experience Management mandates attention to all the various processes, technologies and touch points that support today's high–pressure and high-impact customer experiences.

Executing this requires a great customer experience design to support the increasingly complex multichannel experiences, robust customer experience metrics and measures to ensure you know how you are performing from an internal and external perspective. Superior customer data and analytics capabilities enable you to gain an in-depth understanding of customer behavior patterns, which help you to deliver personalized next-generation digital experiences using the web, mobile and other devices, and ensuring that your contact center experiences are powerful and compelling. This engine works to maximize the value from core content, knowledge and messaging systems, and the return on CRM systems to manage marketing, sales and service relationships, boosting customer loyalty and lifetime value. This is all wrapped in compelling user experiences within each channel whether the user interaction be graphical (GUI), voice (VUI), text (TUI) or a device (DUI), the newly emerging world of GUI – VUI – TUI – DUI experience design.

A CEM framework for understanding these capabilities and requirements:

EFFECTIVENESS
Gain value from
the experience

EASE
Without difficulty

EMOTION
And feel good
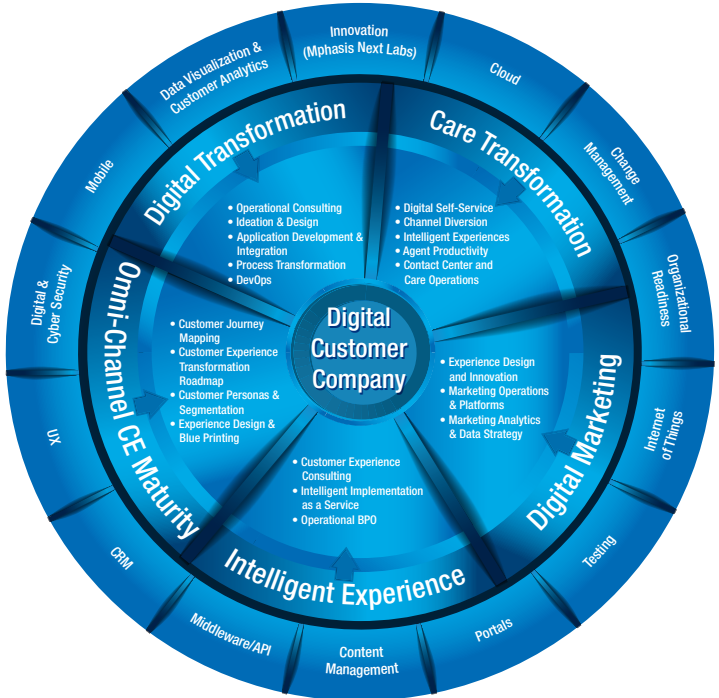
Think You Know Your Customer?

It does not matter whether customers are end-consumers, business associates, employees or companies; customers are first and foremost people and every business needs to treat every customer as a unique person.

People evaluate experiences against three criteria:

- **Effectiveness** – did I achieve what I was trying to do?

- **Ease** – how many obstacles were there for achieving it?

- **Emotion** – do I feel good about it?

However, customers come in many different types, from different cultural backgrounds and displaying different personality types and personas which give them very different evaluation parameters for each experience. Great customer experience design addresses all three of these evaluation criteria across multiple channels originating with the understanding that different customers have different experience requirements in different circumstances. Great customer experience execution delivers on these design principles every day. Not only is every customer unique, but every customer experience must be unique as well.

"Digital is rising" but digital is not everything. Customers who would never had previously engaged with you are now empowered by digital devices. The increasing sophistication and proliferation of devices in our everyday lives is transforming the kind and extent of customer experience demanded. When these devices make our lives easier, we love the intimacy of digital experiences. When they make our lives more awkward and don't work right, we tend to dislike digital experiences. While digital is a critical component of any customer experience and mobile digital is increasingly the most important component, digital as a whole is not everything. Digital needs to enable customers to have pleasant experiences rather than distasteful ones. In complex financial services, transactions are often enacted at times of stress, and the two most important elements to elevate these experiences are personalization and guidance which demonstrate experience and responsiveness.
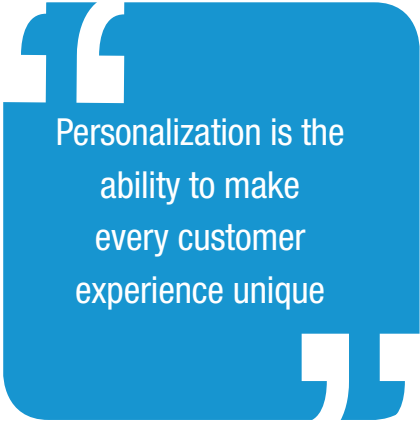
> Personalized digitization and the rise of intelligence in channels will win in the competition for customer hearts' and minds

> **Personalization is the ability to make every customer experience unique**

In highly complex financial services industries, customers are increasingly adept at identifying acts by company professionals that are in the best interest of the company rather than the customer. Regulators have also accelerated their efforts to regulate companies that act in their own interest rather than their customers' interests, and the legal framework around this is tightening. As a result, a growing number of customers are demanding direct access to the same digital systems that manage the complex decision and selection process, bypassing these professionals. However, the same customers will often look to the professionals to help and guide them in their experience. Many people just want to be more involved, they want more transparency, they want more information, they trust when they can verify what is happening.

This is complemented by acceleration in the sophistication of digital tools, providing more and more information. The only way to win with these tools is with personalization and intelligence.

"Personalization" is the ability to make every customer experience unique, to talk to customers individually, in the way they want to be interacted with, using their device or channel of choice, in a style that they appreciate while demonstrating that the company knows who they are and is able to engage with them at a deep emotional level.

"Intelligence in the channel" is the ability to guide customers, get the best out of the interaction using information about them within the experience, other experiences and information about how others similar to them have engaged. Human beings do this every day; it is why the best experience is always a high-touch, concierge experience, especially in high complexity arenas like insurance, and high emotion events like claims. Today's best digital experiences need to provide the same high-touch, intimate guided experience that the most expensive human concierge provides.

Intelligent Virtual Agents (or IVAs) are digital concierges that guide the customer through an experience. Today's well-designed IVAs are not only meeting the same standards as human experiences, but in complex businesses with lots of decision points and data inputs required, they are quickly exceeding the human advantage. Of course the top 20% of human performers will always exceed any machine, but even those top performers could serve more customers with the help of the right digital assistants.

The next wave of competitive business transformation will be led by companies that combine a premier brand, highly personalized experiences, intelligent digital channels, access to people when required and preferred business terms for use of these channels. An example is, an investment management fee of 1% of portfolio for automated portfolio management, 1.5% for automated with a twice a year check-up, 2% for advisor assisted and 3% for personal concierge service.

Only when there is a financial benefit to the customer to match the convenience benefit, will we see a wholesale migration to these channels. Fortunately enough companies have seen the crippling impacts of digital start-ups capturing highly profitable segments of their market, that most large, established companies are already considering these models.

Intelligent Claims Handling – The Moment of Truth

There are a growing number of interactions where intelligent guided personal digitization with no human intervention makes increasing sense. A claim is one of these key addressable moments in the insurance customer experience.

The customer experience, as we have learned, is the glue that enfolds a company's marketing, sales and service value to its customers. In today's business environment, being good or even

Liability
Uninsured Motorist
Subrogation
No-fault
Deductible
Comprehensive

great is just not enough. Features and price differentials get negated in no time, but what sustains is the customer experience across channels and across time.

Customers have unprecedented access to information and are connected today across the globe through the use of social media and the internet anytime anywhere. So how does this impact insurance and specifically the insurance claims experience?

The P&C insurance claims experience can be complicated and overwhelming to consumers, especially given the emotional turmoil that often accompanies the First Notice of Loss (FNOL) Today, insurers are using multichannel efforts to attract and retain customers by reaching them through customer contact centers, online, mobile/digital, and with live agents or brokers.

> "Customers are demanding better access to their claim and policy information

Faster pay out

## Easier filing

Higher quality interactions

Claims is a defining moment of truth, one of just a few touch points customers have with insurers outside of the purchase. For the insurer this is the time to shine and live up to the promise given to the customer. Admittedly, there will be times within the claims process wherein claims are denied or decisions made to the dissatisfaction of the customer for many valid reasons, however, it's the overall experience that drives customers and potential customers to action.

Customers are demanding better access to their claim and policy information. Portals and claim status notifications, texts and email notifications keep customers involved in the process and are increasingly being used to satisfy this need. Insurers are responding to the changing needs of customers and adopting customer-centric strategies. The *effectiveness* of these strategies is measured by the *ease* of doing business with the insurer, and a seamless experience leaves the customer *emotionally* satisfied with the interaction and the insurer.

In P&C claims, efficient handling of claims has gained utmost importance in customer retention in particular. Roughly 75% of the earned premiums go towards claims expenses or indemnity pay out which signifies that any improvement in claims handling can have a positive impact on the insurer's bottom line. Claims experiences can turn customers into loyal customers, promoters or even detractors of the insurance carrier, all based on their experience with the carrier.

Some of the criteria for superior claims management that enhance the end-customer experience are:

Claims interactions, though infrequent, have the greatest effect on loyalty
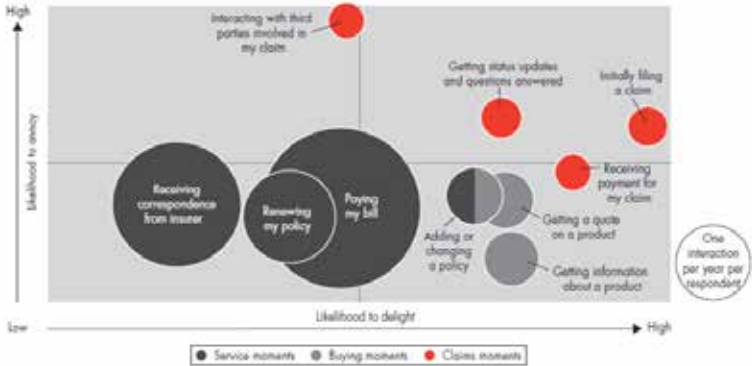
> In today's digital age, customers have a myriad of options and may choose to stay loyal or switch their policies

- Faster pay out
- Easier filing through digital channels
- Higher quality interactions between customers, vendors and claims representatives

A recent study by Bain & Company* found that a promoter's lifetime value is worth, on the average, 5 times that of a detractor.

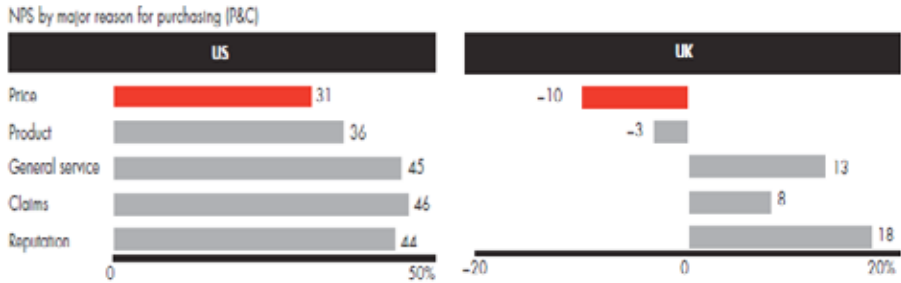*Fantastic Claims by Bain and Company

First Notice of Loss (FNOL) & Claims Submission – Ease of notifying/ reporting a claim:

Gone are the days where the customers are required to call an FNOL/claim reporting center and wait in the queue for a Customer Service Representative to respond.

In today's digital age, customers have a myriad of options and may choose to stay loyal or switch their policies to a different carrier based on the level of ease or difficulty in submitting a claim and enjoying a hassle-free process.

Examples of more efficient ways of claims submission/notification are:

- Increasing number of subscribers use smartphones, reporting a claim through an app on their smartphones including real-time submission of pictures. An intelligent smartphone app would guide the customer through the claim filing process with indications of implications of certain entries and recommendations to help expedite the claims process.

- Self-service portals enable reporting of a loss/claim and submission of required documentation including pictures etc.

- Automated call centers or IVAs facilitate step-by-step claim submission without having to wait in a queue for a live representative.

NPS by major reason for purchasing (P&C)

	US		UK	
Price	31		–10	
Product	36		–3	
General service	45		13	
Claims	46		8	
Reputation	44		18	

- Intelligent messaging notifications when a customer needs to complete some action are introduced. Customers may need to be notified about the next step in their process based on what they have completed before. These are personalized to the customer's desired channel across voicemail, email, SMS and even social posting, and can have significant impacts on overall claims processing ease and ultimately customer loyalty.

> "Self-service has been found to have the most impact on enhancing the customer experience and resolving stressful moments"

Processing the Claim and Follow Through:

Claimants and insurers often go through a lengthy and elaborate process while their claim is being processed, with the extent of follow-up that is required (for example – body shops/garages, adjustors, insurer's call center on the status of the claim etc).

The following steps can enhance customer experience in the claims process:

- Rule-based analytics for assigning the adjustor, body shop/garage, rental car etc. based on the location of the accident/report

- Modern workflow that enables creation of tasks for each step in the process

- Messaging/texting in real-time for the assignment of an adjustor that includes the adjustor's contact information, bodyshop information, rental car booking details etc.

- Messaging and ongoing email notifications on the status of the repair and claims payment process

- Up-to-date information in the contact center (from several sources like repair shop, rental car, payment etc.) made available as pre-recorded messages based on the stage at which the claim is at the time of the call

Examples of Positive Customer Experiences through Digital/self-service Capabilities:

- In the case of Allstate and other leading carriers, customers can file their claims, in case of minor accidents, with photographs taken with their smartphones. Claims are then settled on the spot through a direct deposit to their bank account, thus significantly reducing the time lag, expensive adjustor's time and follow-up calls at the call center. Self-service, that works well, has been found to have the most impact on enhancing the customer experience and resolving stressful moments when the customer interacts with the carrier.

Conclusion

Positive customer experience ultimately translates into retention of loyal customers and increase in cross-sell opportunities, while also increasing the potential of onboarding new customers through "positive" campaigning by loyal customers.

The increasing digital, self-service and IVA options have a positive impact on the insurer's operating margins; e.g. reduction of customer service/call center effort may translate into 0.5% to 1% swing in the operating profit for the carrier.

Many digital strategies have reached a stumbling block; the digital experiences are getting confusing and overwhelming. Intelligent experiences bring back the personal, guided experiences that we used to enjoy in past times, but at the cost of service which can only be provided by digital platforms.

About the authors

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Graham brings over 30 years of experience in the improvement of store, field, contact center, IVR, internet, mobile and social experiences for major companies in the Americas, EMEA and APAC. His industry experience spans Banking, Insurance, Media & Communications, Retail, Logistics, Travel, Technology, Pharma and Healthcare. He is a recognized speaker and industry thought leader and has spent much of the past 5 years specializing in the evolution of omni-channel experiences, customer experience design and metrics program and the impact of intelligent virtual agents in providing guided intelligent digital experiences, arguably the 10th wave of customer experience automation.

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About Mphasis

Mphasis (BSE: 526299; NSE: MPHASIS) applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized ($C = X2C2$™ = 1) digital experience to clients and their end customers. Mphasis' Service Transformation approach helps 'shrink the core' through the application of digital technologies across legacy environments within an enterprise, enabling businesses to stay ahead in a changing world. Mphasis' core reference architectures and tools, speed and innovation with domain expertise and specialization are key to building strong relationships with marquee clients. To know more, please visit www.mphasis.com

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