Insurance carriers have invested a great deal in digital capabilities in recent years. While these initiatives reflect a genuine need to be more efficient and profitable, it can be difficult for management to maintain a clear perspective on strategy in the face of what amounts to generational change.

Accordingly, whether you’re embarking on a digital transformation or just making targeted improvements, there are a few important things to keep in mind.

- The first is the customer. Without a customer-focused mindset, any changes are unlikely to make much if any difference in the company’s trajectory.
- The next is operationalizing that mindset. Putting the customer at the forefront can be challenging in an industry that’s typically prioritized products, but new technologies are making it easier.
- The last is the impact these changes will have on organizational culture and talent. Do you have the talent you need and, if not, how can you obtain and develop it?

Insurers have been hearing about “the customer” for years. What’s different this time?
The customer

Insurers have been hearing about “the customer” for several years. What’s different this time?

While most carriers are moving away from being product-focused organizations with siloed functions, they have to cope with forces from outside the industry that are profoundly shaping and influencing customer expectations. When customers interact with an insurer, their benchmark isn’t one carrier versus another, it’s their experience with online retailers and service providers (e.g., video streaming). This has resulted in customers expecting a much faster, transparent, and more intuitive experience than they’ve ever had before. Not only has this resulted in a different customer mindset, it also means that every level of the marketing and sales funnel has the opportunity for – and challenge of – a much higher level of engagement.

Intermediaries aren’t going away, but offering a seamless experience across channels is only increasing in importance.
Operationalizing customer-centricity

Historically, carriers have relied heavily on intermediaries, namely agents and brokers. While intermediaries aren’t going away, offering a seamless experience across channels is only increasing in importance. The key is to determine how direct and intermediary channels can best work together to create an integrated and productive experience for both the customer and carrier.

That said, creating awareness in the particular market segment with which you want to engage – at the right time, in the right channel, and with the right offer – hasn’t been easy. For example, marketers traditionally have been limited to low frequency, generalized, and low touch mass media type campaigns. What’s so different now is that, through the proliferation of data, analytical tools, and marketing technology, marketers can target much more effectively in the campaigns they run, as well as when, where, and how frequently they run them.

Moreover, insurers can touch customers in much more than just sales. It’s now possible to link everything from product research and purchase, to billing and issuance all the way to claims, and get quantifiable customer data at each step. The companies that can do this best will increase customer retention and lifetime profitability, as well as decrease their cost of service. Considering the increasing sophistication and disruptiveness of new market entrants and InsurTechs, this is an especially urgent priority for established carriers.

The digital workforce

Like other components of the business, the workforce of the future also is shifting to digital. For established players, this represents a cultural change and thinking and working differently than in the past. As a result, there’s a lot of tension in the system. Carriers do need to bring in new, digitally savvy talent, but they’re realistically not going to replace their entire workforce. Embracing new technology and ways of doing business also means properly training your existing employees and making them comfortable with new digital tools and practices.

As far as attracting digitally skilled employees is concerned, insurance typically isn’t the industry of choice for most millennials if they want to do digital, customer-centric work. In response, to attract that talent, some carriers have made creative investments in off-site innovation labs (or “garages”) that have a completely different look, feel, work environment, culture, and dress code.

But, even hiring new employees and upskilling existing ones isn’t likely to meet all talent needs. Accordingly, it’s become critically important for carriers to understand what type of talent they need to have in-house versus what they can “rent.” With that understanding, they can form partnerships that provide different types of skills they may not need in a full-time, in-house resource but only in specific instances.

Digital transformation isn’t a start-stop effort. It’s a continuous improvement program.
What makes for a successful digital transformation?

Even if you know what needs to change in your organization, making it actually happen is another challenge entirely. In our experience, we’ve observed some common attributes of successful digital transformations.

Initially, a successful digital journey has to start with the full support of senior executives. It then needs to link directly to business value. If you can’t meet these two baseline requirements, then you’re setting yourself up for failure.

Moreover, prescient companies aren’t just keeping up with the Joneses. Insurance is often an imitative or fast follower industry. Too often, carriers react to what’s going on in the marketplace instead of dictating change themselves. When they see their peers make investments in certain areas, they tend to follow suit. But, they don’t always contextualize the relevance to them and if what they’re doing will actually result in the same business value. Companies that can identify their own, unique circumstances and goals and create a bespoke way forward can avoid a lot of unproductive – and often counterproductive – copycat activity.

Once you’ve defined your vision, goals, and objectives, it’s important to get a couple of quick wins early on. Carriers that have done this have significantly increased their success over the long haul. For example, what are some things you can put out in the marketplace in year one that don’t rely on cumbersome legacy technology? Figuring this out can help you build momentum and credibility for the program early on and provide some equity when you start tackling more complex, time-consuming initiatives.

We’ve seen quick improvement in a couple of areas in particular:

1. The first is process improvement. This is usually a good place to start because it tends to be very quantifiable. For example, in personal lines, auto claims tend to be low-hanging fruit. Considering the clunkiness and redundancy that typifies the process and its underlying technology, it’s often possible to get some quick wins and quantifiable value reflected in the bottom line.

2. The second is the market-facing experience. Almost every company has opportunities to deliver a better customer/agent/broker/adjuster experience. Improving here even incrementally will help you better attract customers and help partners and intermediaries do their jobs more effectively.

Lastly, digital transformation isn’t a start-stop effort. To succeed, it has to be a continuous improvement program. That’s a very different way of thinking for most carriers. In the past, plans for specific initiatives rarely exceed a three-year period. But, business strategies in the digital age are continuous improvement efforts that go on for much longer. You can certainly make meaningful improvements early in a transformation, but don’t expect to run out of ways to improve.
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