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A New Age of Insurance Marketing

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The need for insurance companies to reimagine the way they market, engage and sell to consumers has never been greater. The vast majority of insurance carriers recognize this and believe they must move faster, innovate and change. While growth is the imperative, insurers face a highly competitive market.

To understand the environment from which a new paradigm must emerge, let's look at the challenges—or, rather, opportunities—the industry faces:

- 72 percent of insurers are concerned about losing out to competitors if they can't become more agile.¹
- 68 percent of insurers say it's becoming more challenging to find avenues for growth in today's environment.¹
- 29 percent of consumers would consider buying insurance from online service providers such as Google or Amazon.²

How are insurance companies responding? One way is by increasing their investment in marketing and distribution. Life insurers are expected to boost advertising and marketing budgets 51 percent from \$3.7 billion in 2016 to \$5.6 billion in 2020.³ And as marketing and distribution costs increase, insurance prices will also rise.

Advertising costs aren't the only way marketing and distribution influence insurance pricing. Bill Bade, FSA, MAAA, a Milliman consultant located in Tampa, Florida, views marketing approaches and distribution channels as two of the most important factors in pricing life and health insurance products. "It all starts with distribution," Bade said. "Distribution influences underwriting, commission rates, expense margins, profitability margins, the risk of anti-selection, and other critical pricing factors. For example, carriers selling through employer channels may be asked by brokers to reduce or remove underwriting, usually leading to higher prices. In the rapidly expanding digital markets, carriers selling direct to the consumer may experience higher acquisition costs that are passed onto the customer."



For these reasons, we believe there's never been a better time to reimagine marketing and distribution with intelligent, data-driven technology. The middle market represents a tremendous opportunity—a \$12 billion opportunity in life insurance alone⁴—for insurers that can quickly develop products and provide more choices. But here's the challenge: Highly digital, middle-market consumers expect a seamless, personalized approach that anticipates their changing needs and adapts products to meet them. They hate paperwork and expect to complete the entire process in an intuitive, online experience from their mobile devices. In fact, one out of four life insurance companies says the process of buying insurance will become completely digital from start to finish within the next three years.⁵

The shift in consumer demand for access, transparency and mobile experiences only adds to the widening gap, a divide that exists between insurance companies and the digital imperative of today's mobile consumers. More than 85 percent of insurance buyers start their journey toward purchasing online. Pew Research's 2017 study of smartphone usage indicated 77 percent of Americans are smartphone users. That same stat was 35 percent when Pew first conducted the study just six years ago. The rapid use of mobile and social media has radically shifted consumer behavior in just a few short years—and the pace of change isn't slowing down.

Let's take a look at some of the latest technologies and trends that have the potential to narrow the gap between today's digital consumers and insurance companies, while at the same time lowering prices and improving bottom lines.

LEVERAGING BIG DATA

Big data is transforming the way business decisions are made. The depth of consumer information available is changing how organizations think about customer acquisition, customer buying decisions, customer retention and more. And we know it's top-of-mind for many insurance industry executives. In a recent poll my company conducted with nearly 100 insurance and financial services industry leaders, 60 percent said activating data for growth is a key focus of their company's 2018 business plan.

However, the insurance industry historically has struggled obtaining data on consumer engagement with mobile and social media marketing campaigns specific to its own industry. Insurance has always looked to banking, retail or other industries and tried to extrapolate that data to make assumptions for insurance.

To address that challenge, our platform has aggregated more than 1 billion data points on consumer engagement with mobile and social media ads powered for insurance companies. As much data as that is, it only scratches the surface on the amount of cross-channel behavioral data available.

One way to activate that much information to make smarter marketing decisions and improve consumer experiences is by understanding how different audience segments perform with different campaigns. Often, marketing teams think about audience segments differently than the way mobile websites and social media platforms, such as Facebook, are able to segment them. With the data collected, we have the capability to intelligently micro-target the consumer segments most likely to respond to a marketing campaign.

Although one dataset can make the picture clearer, it is the combination of the insights provided by multiple datasets that will allow for a vivid picture of today's consumer market and the ability to target it in a more comprehensive way.

That's why we decided to partner with a variety of organizations, including a global actuarial consulting firm, to determine how the contribution of our dataset can help the industry better understand a consumer's risk assessment and determine if improved product pricing is warranted.

BALANCING TECHNOLOGY AND HUMAN INTERACTION

It's clear that developments in artificial intelligence (AI) and other innovative technologies will have an impact on nearly every industry, including insurance. But the question has to be asked: What data is training the AI? The key is to remain focused on a strategy that delivers a continuous flow of massive

amounts of data to begin with. And from there, we deliver uniquely new mobile experiences that take advantage of the data we've amassed.

AI applied to large amounts of data will not only reshape marketing outcomes; it will also reshape how consumers think about their relationships with the companies they do business with. In fact, it already has. There has been a significant shift in customer expectations: Today's consumers aren't benchmarking insurance companies against other insurance companies only; they're comparing them to all the experiences they receive from increasingly digital brands, such as Amazon, Google and Facebook.

Another finding from our poll mentioned earlier, 39 percent of respondents believe underwriting will be the insurance process most impacted by AI. Underwriting was closely followed by marketing and distribution with 32 percent and customer service with 26 percent. Clearly, it's not just one area that will be impacted.

The middle market represents a tremendous opportunity—a \$12 billion opportunity in life insurance alone.

When it comes to marketing and distribution, local and personal engagement on smartphones is the new norm. Brands are becoming dramatically more attuned to the needs and priorities of consumers and increasingly shaping their product offerings around rising lifestyle trends. Traditional blanket methods like cold calling no longer cut it in today's uber-connected, digital age. AI can pull in consumer data to create a full profile that can be used to offer only relevant insurance products and remember a consumer's preferences.

We believe a focus on human-centered AI is the key. There's a lot of talk about how AI will lead to the displacement of vast numbers of agents and brokers in the insurance industry. We hold a slightly different point of view. We believe the future is where AI automates the marketing and sale of very simple insurance products on behalf of carriers, agents and brokers. For more complex insurance purchases, AI will serve to enhance human advice in marketing and distribution.

We believe in designing and building products for humans, where human behavior and personality are key considerations in designing and building products. Human-centered design



places people at the center and then designs the best solutions that deliver the best outcomes for those people. As simple as this may sound, we believe an opportunity exists for the insurance industry to reimagine its value offering to consumers by taking a more human-centered approach. Examples are whether to build product value with an emphasis on agents and brokers or on policyholders; or how to balance the difficult decisions related to product pricing and the resulting impact on shareholder returns.

CONNECTING THE DOTS

So, where do we go from here? For those of us who come from the corporate insurance environment, we know innovation and change don't always happen as rapidly as we'd like. That's why InsurTech companies are critical to the future of the industry. There's clearly a set of complementary strengths that exist between corporate entities and early-stage companies. We

believe partnership and collaboration is the path to success in the highly competitive insurance marketplace.

Delivering the types of experiences today's digital consumers have come to expect and connecting the dots between marketing, distribution and pricing will require both the decades of experience and consumer trust insurance companies have earned and the agility and innovation that are hallmarks early-stage companies like ours.

“A successful marketing plan will exploit competitive rate opportunities, while a marketing plan that is too broad or poorly defined can lead to higher mortality/morbidity and unfavorable profitability,” Bade said. “The insurance industry is very competitive—carriers that can connect distribution, marketing and pricing should realize a significant competitive advantage.” ■



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ENDNOTES

- 1 State Street, Growth Readiness Study, 2017
- 2 Accenture, Global Distribution & Marketing Consumer Study: Insurance Report, 2017
- 3 Aite Group, Life Insurance: Trends in U.S. Marketing and Advertising Spend Report, 2017
- 4 Accenture, The \$12 Billion Opportunity in Life Insurance for the Middle Market, 2017
- 5 Accenture, 3 Insurance Underwriting Predictions for 2018 and Beyond, 2017