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The Future of Insurance—Reaching Deeper Into Lives and Businesses

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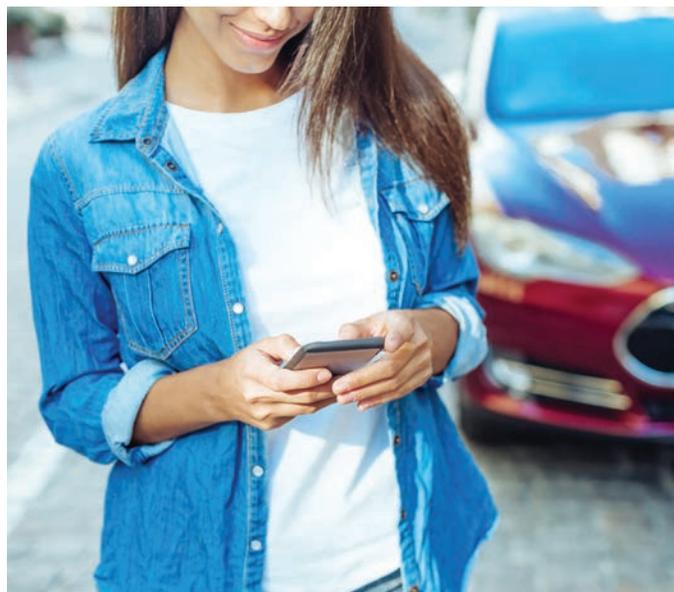
Imagine that the insurance purchase process is a bridge. The customer is coming from one direction and crossing the bridge and the insurer is coming from the other side. The point at which they meet is the transaction point. At one time, customers were willing to completely cross the bridge to get to the insurer. They knew that they needed insurance, and like any retail purchase, they would “travel” to make it happen.

Of course, agents and advisers would also make the journey to the customer. To carry the analogy to its fullest, this normally took several trips back and forth across the bridge to make the purchase happen. But that can’t happen today. Today and in the future, wherever the client happens to be is where the transaction will take place. Today, the customer’s part of the journey is 95 percent analogy and 5 percent reality. Instead, the insurers are typically the ones journeying across the bridge.

This new reality has created a strikingly futuristic value proposition. Can insurance, like Siri and Alexa, live at the point of life and business? Can insurers reside under the same roof, ride in the same car, and find ourselves a comfortable nook in the customer pocket? More importantly, can they use their proximity to add value to lives and businesses through greater protection and prevention? This is the future of insurance—useful, convenient, intelligent protection that does its best analytic and protective work on the client side of the bridge.

NEW JOURNEY, NEW BRIDGE

Arriving at the future of insurance requires insurers to construct a new style of bridge—let’s call it a smart bridge. The smart bridge enables the insurer to be in two places (or a million places) at once. This is important because an insurance process that used to look like a straight line or a series of steps now looks more like a neural network with communication, engagement, decisioning, transactions, preventive data and results data all woven into an intelligent fabric. To meet the future customer’s



needs, insurance must become more human and neural in its ability to connect and react.

All of this sounds very theoretical, but insurers’ knowledge in this area is built on research into customer decisions. Each year, Majesco conducts a broad survey of both individual consumers and small-medium businesses to track purchasing, engagement and technology trends. It also tracks how insurers are responding to these and other trends in terms of a Knowing-Doing gap that is segmenting leaders from followers and laggards. The findings assist Majesco in its product strategy and likewise assist insurers in prioritizing their transformations and investment allocations to enable them to respond. The goal isn’t just to help insurers reside on the client side of the bridge, but also to help insurers construct sustainable business models that can flex and adapt to any sort of future. This will redefine insurers, changing them from simple pipelines for insurance into holistic service providers that have a deeper (and more profitable) relationship with their customers.

CUSTOMERS ARE REDEFINING PRODUCTS

Customers today have a very different expectation regarding what defines a product. Their definition includes the insured risk product (policy), their customer experience and the array of services from which they may choose to supplement their coverage.

Future success will be based on insurers’ understanding and response to these new expectations. If customers are looking for more choices and simpler experiences within each product, can insurers design solutions that support quicker and more innovative rating, quoting and administration? Can they expand their offerings? A 2017 Bain & Company survey of 172,000 insurance

policyholders pointed to service ecosystems as one driver of loyalty that can reduce customer churn.¹ New products, especially on-demand or usage-based products, are currently presenting insurers with challenges that they must surmount before customer expectations can be met. Ecosystem partnerships and the platforms that support them are crucial to meeting future product requirements.

CUSTOMERS ARE REDEFINING THE INSURANCE RELATIONSHIP

Yesterday's customers equated a good human relationship to their relationship with their insurer. The face of the company was often the company agent.

Today's customers define their relationship with their insurer based on the customer experience they have. The experience can have multiple faces. Those multiple faces represent a multichannel world—one that meets the customer on their terms. Whether with an agent, mobile app, portal, service rep, aggregator or other channel, today's and tomorrow's customers want a compelling and consistent experience. To meet them on their terms, insurers must know their current customers better than their customers of the past.

Insurers have the opportunity right now to build deeper relationships by turning their depth of knowledge into depth of service, convenience and flexibility. This is what customers want and are pushing them toward. If insurers find, someday soon, that they have created a new framework for understanding their customers and it seems to be giving them greater control over growth, they will certainly have the customer to thank for it.

LIFESTYLES ARE REQUIRING NEW INSURANCE BUSINESS MODELS

On the other side of the bridge, customers are subliminally asking themselves two questions: "What's in it for me?" and "How does this fit within my lifestyle or my business's strategy?" These questions cover a tremendously broad range of needs and insurance lines, but let's look at one concrete example.

Within the gig and sharing economy, individuals are finding the need for their coverage to fluidly switch back and forth from personal use to business use. This has been a major challenge for the industry. In the U.S., for example, rideshare insurance is available from at least a handful of carriers in every state, but there is still an underserved market estimated at 50 percent of all rideshare drivers who lack coverage.²

Majesco's recent research has shown that between 10 percent and 20 percent of individuals have worked as an independent contractor of some kind in a gig role.³ A business model with products and services that fits this group may look nothing like

traditional insurance at all. In fact, it may be helpful for insurers to occasionally think of themselves outside of the insurance box. Is the insurer also a travel company? Is it also a logistics company? Is the insurer a communications provider or a wellness firm? Looking at lifestyles may help insurers redefine their business. Insurance may be the core, but an ecosystem of partners that can bring value-added services and offerings with the risk (insurance) product will differentiate insurers and help meet changing customer demand and expectations.

The future will also contain many scenarios where insurance will be embedded in the purchase of something else, playing a supplementary role in another ecosystem. This is evident in areas such as rental property sites offering renters insurance, warranty insurance at the point of sale of items, and auto insurance embedded in the purchase—like Tesla. The larger these areas and others like the sharing economy grow, the more insurance will play a role in making transactions between the borrower and the lender easier and less risky. The service is lending or renting, but the background support vehicle for protection is insurance.

CHANNELS ARE IN DRAMATIC FLUX

Smart speakers, according to Majesco's research, are the new champions in the connected devices category, with nearly 50 percent of Gen Z and millennials using them, followed by 33 percent of Gen X and 25 percent of baby boomers.⁴ Research by Adobe shows that 71 percent of smart speaker owners use them daily, with 44 percent using them multiple times each day.⁵ They are mostly used for simple activities like listening to music (70 percent) or getting the weather forecast (64 percent). However, sizeable segments increasingly use them for more complex tasks like online search (47 percent), basic research (35 percent) and executing smart-home commands (31 percent).

In-car assistance is also growing in use, with shopping, texting and help apps on the rise. In 2017, General Motors began equipping some vehicles with Marketplace services that would allow drivers to order ahead at restaurants and reserve hotels or parking spaces. This is where the bridge analogy begins to look a little like that moving stairwell scene from *Harry Potter*. Insurers are aiming to live at the client end of the bridge, but that end of the bridge can move without warning. A new channel can arrive at any time or be in motion at all times. And in today's

The future will also contain many scenarios where insurance will be embedded in the purchase of something else.

world, that channel can also be networked for two-way data and real-time feedback, which leads to the next future customer trend: the acceptance of data gathering.

GROWING ACCEPTANCE OF USING PERSONAL DATA FOR PERSONALIZED PRICING

The abundance of new data that digital technologies, interactions and activities have created has opened up exciting new possibilities for improving accuracy and speed in underwriting and pricing. Yet, the personal nature of these data and concerns about privacy have been barriers to acceptance, particularly for Gen X and baby boomers, customers of the traditional insurance business model. In fact, when they were given details on eight potential pricing models in Majesco's research, Gen X's interest exceeded 50 percent on half of the models, and baby boomers were only at 25 percent.

However, Gen Z and millennials are far more open to the use of new data sources. Not only are they willing to share data from a vehicle monitoring device, digital thermostat or fitness tracker, but more than 50 percent of millennials would consider sharing their DNA if asked. This opens up the insurer/customer relationship to a whole new level of understanding and personalization.

The key to this trend is not that the data will become available but that insurers need to find a way to simultaneously use the data for personalized, accurate pricing and also use the data as a hook to loyalty or purchase. The future of the insurance relationships involves mutual transparency and understanding. If insurers are going to use data for pricing to help their business, that same data needs to provide innovative and attractive payoffs for the customer.

With these trends, there is one overarching theme: Each trend will result in the opportunity for insurers and customers to enjoy a closer relationship. The future of the insurance customer is a deeper, more engaged, highly relevant, ubiquitously connected relationship. The only insurers who stand to gain from it, however, are those who are prepared to pack up their traditional systems and processes and build innovative new solutions, business models and products on the other side of the bridge. ■



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ENDNOTES

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- 3 Garth, Denise, and Glenn Westlake. Building a Business Model for the Insurance Customer of the Future. *Majesco*, March 2019, <https://www.majesco.com/wp-content/uploads/2019/03/Building-a-Business-Model-for-the-Insurance-Customer-of-the-Future.jpg> (accessed May 16, 2019).
- 4 Ibid., p.12
- 5 Abramovich, Giselle. Study Finds Consumers Are Embracing Voice Services. Here's How. *Adobe CMO.com*, Sept. 10, 2018, <https://www.cmo.com/features/articles/2018/9/7/adobe-2018-consumer-voice-survey.html#gs.pyfj0v> (accessed May 16, 2019).