



# Can Insurers Learn How to Develop Strong Digital Customer Relationships?

Turning Each Point of Contact Into a Customized, Personal, and Positive Experience

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# Executive Summary

- Insurers need to tackle the rapid changes to their ecosystem.
- They instinctively react in the same way they have always reacted in previous crises — by making marginal adaptations to the traditional way of doing things and further optimizing and streamlining the existing business model.
- But this time the changes are deeper — they are here to stay, and they will accelerate. Sticking to the old ways is like trying to square the circle.
- Insurers must piggyback on the new technologies as they mature to redefine the boundaries of their role with their (mass market) customers.
- They need to add risk prediction and risk prevention to pure traditional risk transfer.
- This creates an opportunity to finally develop frequent, positive, and valued interactions with the customer base by exploiting one of the key components of what insurers are at the core — risk managers.
- But proactivity does not come naturally to traditionally reactive insurers. This will require a dramatic cultural change that must start with, and be sponsored by, the top managers.



Now is the time for insurers to finally steer their digitalization efforts toward better servicing their customers.

Addressing internal gaps can no longer be their main focus.



# No Escape From the Challenges Facing the Insurance Industry

Insurers must tackle this perfect storm



## New customer expectations

Digital-native customers expect:

- 24 x 7 availability
- Omni-channel accessibility
- Seamless interactions
- Digital interfaces
- Contextual and personalized services

**By 2030, 70% of the working population will be digital native (Gen Y and Z)**



## Technological innovation

Disruptive technologies are converging and reaching maturity:

- Big Data analytics, machine learning, artificial intelligence, natural language processing, and robotic process automation are mature enough to be used in customer journeys.

**Venture capital investments in insurtechs increased by a factor of nine in five years.**



## Competition from incumbents

Low organic growth and lack of true innovation in products and services will lead traditional insurers into further mergers and acquisitions.

**The top 5 insurers control on average 68% of European markets. The top 10 control 84%.**

Standardization and automation are the most common levers to maximize the financial impact of such concentration efforts.



## Competition from new entrants

GAFAMs and other major players originating from other industries (car manufacturers, etc.) are testing their capacity to compete in the insurance market, capitalizing on the huge amount of customer and user data collected.

Insurtech insurance carriers (2% of insurtechs) are fighting to demonstrate the long-term viability of their business models.



## Economy and COVID-19

The crisis created by COVID-19 is far from over as new variants of the virus are forcing countries to maintain strict public health measures (social distancing, mask wearing, lockdowns, quarantining, etc.), despite the growing availability of vaccines.

This generates a climate of uncertainty that bears down on all players in the insurance industry.



## Global warming

*It is indisputable that human activities are causing climate change, making extreme climate events, including heatwaves, heavy rainfall, and droughts, more frequent and severe*

IPCC, 6th Assessment Report (08/2021)

Global warming will impact the technical results of a growing number of insurers.

In the future, one might expect pressure from public authorities to drive insurers toward broader inclusion of such events in all their policies.

Insurers are pressured from all sides to dramatically improve the way they interact with their clients, from their products and services to the content and form of their communication.

# Insurers' Reactions to Tougher Conditions Tend to Be Standard and Follow the Same Models

Insurers know how to react to a crisis and bounce back as quickly as possible



## MAINTAIN CONTACTS WITH END CUSTOMERS



**68%** of P&C and **35%** of L&H run through agents and brokers.

The digital transition of the traditional sales force is key for the EU insurance market.

Smart working solutions that enable staff to comply with COVID-19 distancing guidelines while still delivering the services to end customers are here to stay.



Post-COVID full-time remote working will increase by **60%** vs pre-COVID.

Activation of 24 x 7 digital services through bots, NLP, etc. is needed to compensate for the restrictions on direct social contact.



## AUGMENT THE CAPACITIES OF THE KNOWLEDGE WORKERS

Introduce tools relying on AI to increase the effectiveness of the staff managing lead generation, pricing, underwriting, claims management, and antifraud.

The technology is used to increase the capacities of the FTEs, where the non-replicable knowledge is concentrated.



**63%** of insurers plan to further invest in an agile work environment.

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**96%** of insurers register significant improvement in talent attraction and satisfaction linked to digital investments



## REDUCE EXPENSE RATIOS

Consumers are no longer happy to pay a premium to cover the internal expenses of their insurer.

**P&C average expense ratio**  
 **34%** (min. = 10%)

**L&H average expense ratio**  
 **14%** (min. = 5%)

The increasingly concentrated market leads companies to seek further gains in efficiency to maximize their bottom line.

Insurers instinctively respond by accelerating the automation of their FTE-consuming internal processes by exploiting RPA.

Automation enhances customer satisfaction as companies are better able to deliver faster responses at all levels of the value chain.

None of this is meant to change the business model. It's mainly about marginally adapting and further improving, optimizing, and streamlining the traditional way of running the business.

# The True Challenge of Insurance Lies in Digital Resilience

**Insurers must find ways to turn their business into a daily positive experience for their customers**

Traditional retail insurance remains a business where it is hard for companies to develop strong personal relationships with their customers. Inertia is often the main driver of loyalty.

## LACK OF FREQUENT TOUCH POINTS TO BUILD UP A RELATIONSHIP

Apart from increasing the multidetention rate of the customers in a portfolio — not the easiest thing to achieve — the opportunities for interactions are limited to 1.1 times per year per contract:

- Renewal of the policy/payment of the premium
- Payment of a claim every 10 to 15 years at best



## SCARCE OPPORTUNITIES TO GENERATE CUSTOMER SATISFACTION

Paying a premium is never an exciting or positive experience. At best it is perceived in a neutral way — a necessary evil.

Claims are always linked to events that clients would have preferred avoiding. They usually generate either negative or neutral feelings from the client as “satisfactory” payments are always deemed due.

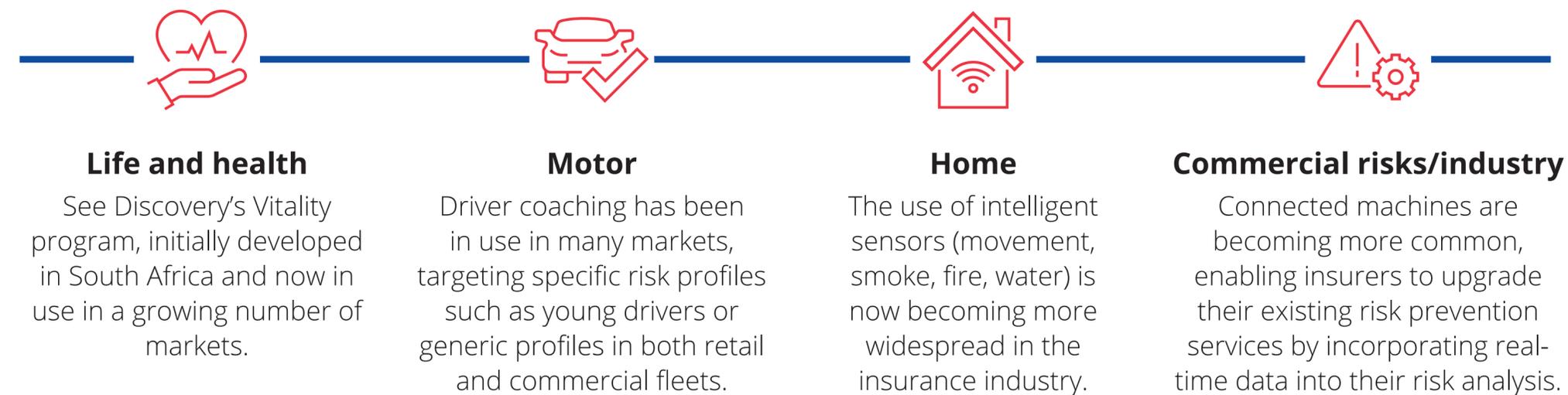
In a traditional environment, there are limited opportunities to generate positive experiences with a client and create frequent interactions to reinforce the emotional link between the two.

# New Technologies Redefine the Insurer's Role as a "Guardian Angel" for Clients and Society

**Transformational technologies open up spaces left out of traditional insurance business models**

Add risk prediction and risk prevention to the traditional risk assessment and risk transfer. Develop strong differentiators in a stepwise approach to fence off competitors and new entrants.

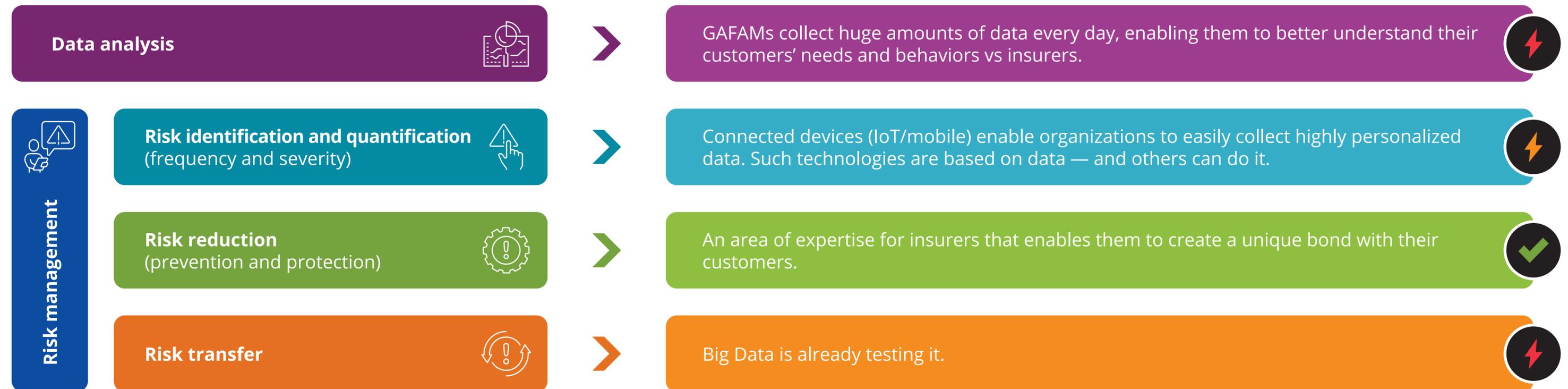
Examples of such an approach have been in use for years now in various markets and lines of business, demonstrating the added value for insurers and customers.



The technologies involved are now all readily accessible and have reached a level of maturity that guarantees their reliability (IoT AI-powered devices, Big Data analytics, machine learning, NLP, cloud computing, edge computing). Insurers have the means to be proactive and empathetic to protect their customers.

# Risk Prediction and Prevention Are the Ultimate Competitive Advantages

Big Data and insurtech carriers challenge insurers on data analytics and risk transfer



Insurers must invest to industrialize this advantage in risk reduction and provide a unique customer-friendly set of services across all lines of business and market segments.

# Risk Prediction and Risk Prevention Require a Cultural Change Across the Whole Organization

New technologies enable real-time mass treatment of highly personalized services

## Risk prediction and prevention require being on the watch 24 x 7



### COLLECT REAL-TIME DATA ON POTENTIAL RISK

Use connected devices to capture data related to behaviors (when, where, how, how much) or environment (machines, weather, etc.)



### ANALYZE DATA IN REAL TIME

Use cloud and edge computing to process data in real time and generate tailor-made contextual outputs



### PROVIDE FEEDBACK

Suggest changes in behaviors, environment, or protections to reduce the potential frequency and severity of specific risks; teach and coach



### ISSUE WARNINGS

Real-time information on imminent risks and requiring immediate avoidance or reduction actions (e.g., slow down, stop texting, turn machine off, etc.)



### SEND ALARMS

When risks have materialized, require/activate immediate actions from the client and/or third parties to limit/contain the extent of the damages

AI in cloud and edge computing enables the personalization of analysis and real-time feedback procurement for mass market risks. This calls for a new approach in product management.

## "TRADITIONAL"

- Insurers drive product changes
- Closed development project
- Inert, stable product content
- One-size-fits-all
- Few touch points
- Low-speed product evolution
- Insurance-only content
- Product
- Low-speed technological evolution

## "INSURTECH"

- Insurers are driven by customers' expectations
- Rolling product development
- Living, frequent upgrades
- Mass customization
- Multiple daily interactions
- Rapidly evolving expectations
- Non-insurance services
- Ecosystem
- Constant technological evolution

As the technology becomes the main vector to create and develop relationships with customers, insurers must consider the diversity of human behavior and cognitive profiles while developing customer interfaces. There is no more room for apps that do not account for customers' specific requirements.



**59%** of insurers plan to further invest in contextual customer engagement.



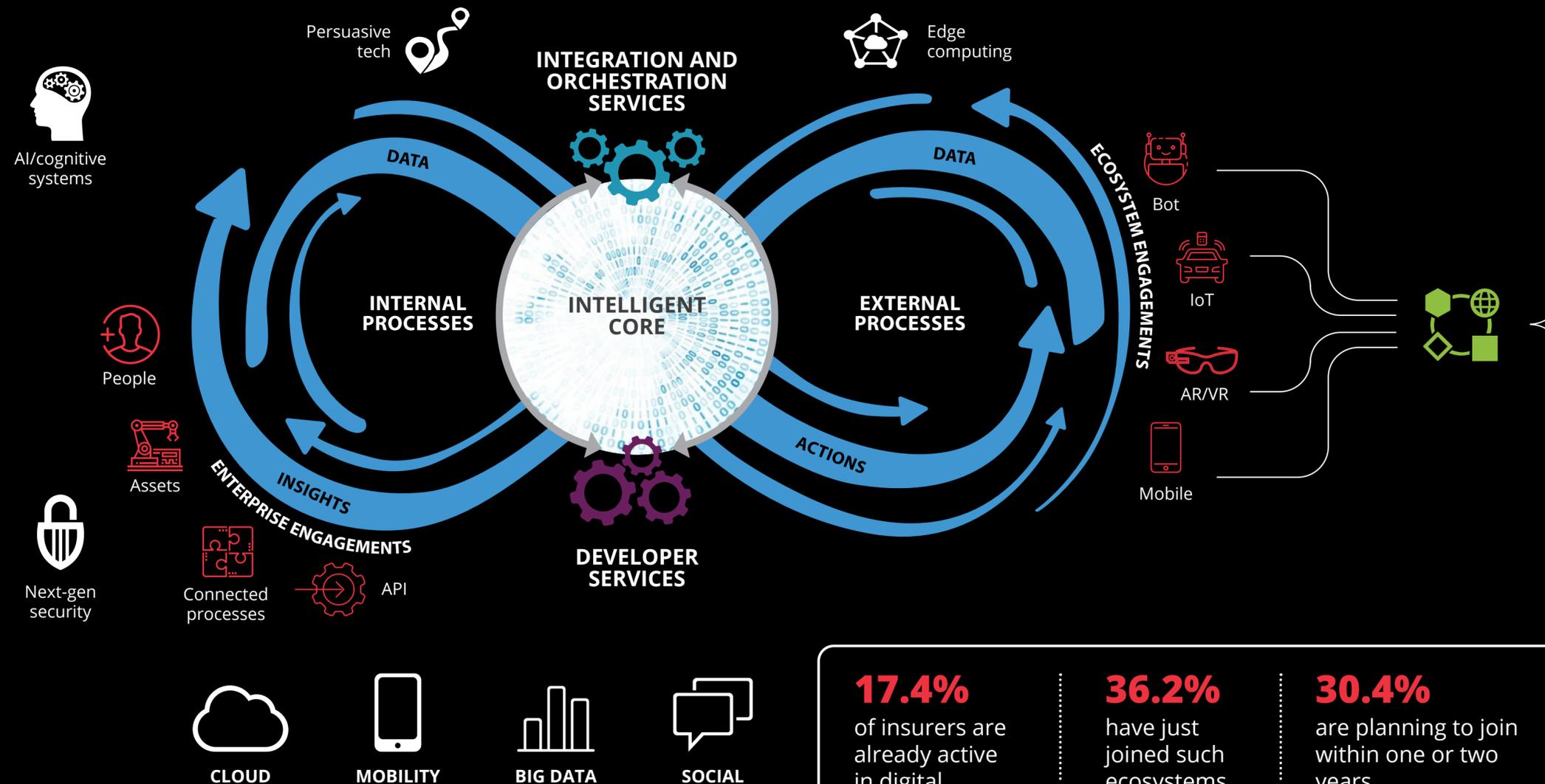
**38%** of insurers see AI in CX interactions as a major area for IT investment.



**29%** of insurers already dynamically optimize and personalize CX journeys in real time.

# Risk Prediction and Risk Prevention Are Enabled by the New Digital Platform and Augmented by Digital Partnership Ecosystems

Real-time data integration is more accessible and enables reliable personalized risk prevention



As digital (B2)B2C partnership ecosystems grow, insurers must develop their technological capacity to join such ecosystems and/or create their own platforms to access the data generated by connected devices across market segments in retail and commercial lines. Once integrated into such ecosystems, insurers can offer their products and services in an integrated way to all stakeholders (partners and final customers), including risk prediction and risk prevention related services.

**17.4%** of insurers are already active in digital

**36.2%** have just joined such ecosystems

**30.4%** are planning to join within one or two years

### Why are they joining digital ecosystems?

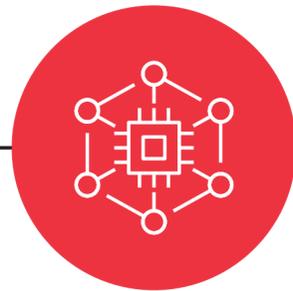
**32.3%** to facilitate a cloud marketplace

**30.8%** to develop new digital products and services

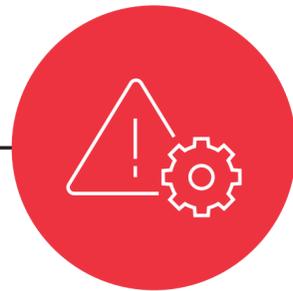
# Key Takeaways



The future is now. There is no time to procrastinate. Consumer behavior and new technologies are feeding off each other and yesterday's ways are already outdated.



Insurers must go beyond marginally adapting their business models and grasp the opportunities created by new technologies that converge as they reach maturity.



Insurers must redefine the nature of their relationships with their end customers by fully exploiting one of their most specific and differentiating fields of expertise — risk management.



Achieving this requires a change in attitude in managing the risks of their customers — proactivity versus reactivity.



Inaction is not an option as the technology now enables other industries to offer similar services.



Insurers have a unique opportunity to tighten their relationships with their clients by fully exploiting one of their few exclusive competitive advantages across all types of ecosystems.

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## Driving a trusted future for purpose-driven financial services organizations

Today, digital transformation is critical to business success, and through the introduction of new digitalization technologies and processes, the financial services and insurance industry is firmly at the forefront of innovation. Fujitsu helps to execute your digital transformation so that you can make your vision and purpose a reality at speed and at scale. We work with a broad partner ecosystem to constantly help you to improve how your business operates and how your people work. It's the foundation of a trusted future for Insurance organizations powered by truly human-centric technologies and digital capabilities

### We believe there are three key objectives for a trusted future:



#### Improve your customer experience

Ensure that you're a trusted and easily accessible source of the insurance services and products your customers need in their daily lives. Embrace digital channels and mobile while also making your branches a source of human support when they need and want it.



#### Deepen your employee engagement

Digital workforce transformation is important - to attract, retain, and empower talent within a truly agile culture. After all, your people are your brand's promise, enabling them to better engage with customers will help further gain their trust.



#### Accelerate your digital ambition

Digital innovation is key to keeping ahead of both customer and employee demands. It provides the secure tools they need to make life easier, more efficient, productive and enjoyable.



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