



# The New Insurance Experience: Digital trends, technologies, and strategies redefining the industry

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*In this report, we discuss the current state of digitalization in insurance - including how we got here, and the potential impact of current events on the digital future of the industry.*

## Introduction

Rapidly changing consumer demands and market conditions have reshaped the entire industry. The new insurance experience is marked by a sleeker, more efficient business model and a hyper-personalized approach to the customer relationship.

Streamlined digital processes allow insurers to deliver secure, convenient, omnichannel experiences to their policyholders. No longer a luxury, digital enablement is critical for modern providers to retain their competitive advantage moving forward.

## From Retail Roots to Universal Expectation

Financial institutions have finally responded to the technology explosion that has been transforming other industries for decades, and not a moment too soon. Over the past couple of decades, customers have grown accustomed to the personal empowerment they receive from online retailers such as Amazon, where they receive a consistent, personalized experience from search to checkout and beyond.

It isn't only retailers who have been blazing trails and raising customer expectations. Service providers also are realizing they must adapt. Health care facilities, for example, now make it possible for patients to schedule appointments, send messages to their doctors, check test results, access health records, and even have remote visits via telehealth software.

Whether looking for products, services, subscriptions, or even social connections, today's consumers are flocking to brands that offer increased self-service, transparency, rapid response, security, real-time payments, and other modern efficiencies. And insurance is no exception. Insurance providers that avoid the inevitable move to integrated digital processes will continue to suffer from expensive, time-consuming, error-prone manual operations. The net result is delayed payments, incomplete regulatory compliance, reconciliation challenges, and other pain points.

## The New Policyholder

With changing policyholder demographics, modernization has become even more urgent. Millennials (born 1981-1996) are well-versed in digital interfaces, and Gen Z (born 1997-2012) is often referred to as the “digital native” generation. Now in their 20s, 30s, and entering their 40s, this age-group requires insurance coverage for their homes, vehicles, and growing families. These generations naturally expect online self-service, transparency, smooth transactions, identity protection, simple processes, and other digital conveniences.

However, younger customers do not own the patent on digital preference. Policyholders of all ages are embracing self-service technology, taking advantage of the increased speed, accuracy, and **personal control over each transaction**.

## Urgent Adaptation

Recently, the COVID-19 crisis forced insurers to move quickly to a remote work force. With many routine functions still requiring office-based equipment and processes (such as printing checks), insurers have had to take a close look at their digital strategies and plans. According to an SMA 2020 Market Pulse Survey, the critical arena of outbound payments showed that 81% of personal lines insurers and 57% of commercial lines insurers are either maintaining or actually accelerating their outbound payment digital plans.<sup>1</sup> Customers also face new challenges around social distancing and changing

## Add stat

work arrangements. To maintain their policies, these customers rely on their providers’ ability to support remote communications, payments, and other essential functions.

The conflicting needs for remote functionality and on-site procedures has slowed processes and risked enterprise controls. If we consider other disasters- floods, fires, hurricanes- it becomes readily apparent that manual systems are often a carrier’s weakest link, especially when a facility or its mechanical infrastructure is unusable.

## Caveat Emptor

Most insurers have embraced the idea that digitalization and automation are essential for business continuity and success into the future. However, not all are going about it in the most efficient and productive way. Too often, companies will cobble together different software packages and adopt multiple in-house solutions to try and address individual sticking points. The problem becomes painfully apparent when these systems fail to interface properly, leaving insurers to answer all the questions that inevitably arise with uncoordinated upgrades.

1 SMA; P&C Tech Plans In The COVID-19 ERA: SMA Market Pulse Insights, May 2020, <https://strategymeetsaction.com/our-research/p-and-c-tech-plans-in-the-covid-19-era-sma-market-pulse-insights/>

How are cross-functional reconciliations handled? Will payments be routed to the proper accounts? Who oversees security compliance for the conglomerate of new technologies? Can one process be outsourced without compromising another? Will the solutions integrate into legacy core systems? Are they compatible with each other? The list goes on.

## The Future-Proof Digital Strategy

*The most effective digital strategies begin with software solutions that are built to fit the entire enterprise.*

The process is made exponentially more efficient by outsourcing to insurance-specific providers (insurtechs) and leveraging APIs and cloud technology.

Many of these insurtech solutions are constructed on an expandable platform with flexible architecture that can integrate with older systems and support future upgrades as needed. Automated updates remove the need for insurance companies to manage new versions and installations. Strategic outsourcing also lifts the maintenance and compliance burden off the insurer.

## Security Is Critical

Data security is a prime concern in an era fraught with high-profile stories of identity theft, check fraud, and other exposures that have resulted in substantial damage, both financial and reputational. Providers must therefore ensure full compliance with strict safety protocols to minimize risk and liability.

**Dual-factor Authentication:** Rather than simply relying on passwords alone, which can be hacked easily, dual-factor authentication (2FA) verifies an individual's identity by using two factors. These are typically something they know (password, PIN, etc.), have (bank card, key, etc.), or are (fingerprint, facial recognition, etc.). A third-party authenticator (TPA) generates a random code sent to the user via SMS or other means, which they must input into the system to gain access.

**Tokenization:** Tokenization refers to the process of turning meaningful data (such as a credit card number) into a randomly generated string of characters, often encrypted, broken up and stored in multiple locations. Even if breached, the token itself contains no value so information cannot be stolen.

**PCI Compliance:** The Payment Card Industry (PCI) established a set of security standards by which any company that accepts, stores, transmits, or otherwise processes payment card transactions must adhere. The major card issuers (Visa, Mastercard, etc.) and the PCI Security Standards Council administer and manage the standards, and businesses must meet different levels of security, depending on their annual credit card volume processed.

**SOC Reports:** Systems and Organization Controls (SOC) are necessary for companies that touch, store, process, or impact a customer's financial or sensitive personal information. Periodic reviews are conducted by third-party auditors to ensure compliance with security, confidentiality, privacy, and other factors. An SOC report verifies the findings.

Maintaining security and compliance is an ongoing, resource-intensive process. However, specialized third-party service providers can take on the security burden, allowing insurers to protect customer data while offloading the bulk of the time-consuming compliance requirements.

## The New Digital Normal

**AI:** Many of today's insurtech solutions involve some degree of automation and/or machine learning. Artificial Intelligence (AI) - or more specifically, machine learning - systems are learning how to "think" and to amalgamate large amounts of data from a wide range of sources, helping to streamline vital processes, from risk assessment and underwriting, to claims adjustment and customer service.

**CPA:** Conversational Process Automation (CPA) solutions include Robotic Process Automation (RPA) and chatbots, allowing a system to imitate human input as it automatically processes routine communications and transactions. This greatly reduces the chance of human error while increasing the speed and efficiency of a particular series of operations. CPA is often used to respond to basic customer service requests and inquiries. Insurers also leverage the technology to deliver event-based, personalized messaging to facilitate important processes, such as payments, authorizations, and policy renewals.

**XaaS:** After the advent of Software as a Service (SaaS), it was inevitable that other cloud-based services would emerge. Now we are seeing Payments as a Service (PaaS), Infrastructure as a Service (IaaS) and many other "as a service" specializations. Collectively referred to as Anything as a Service (XaaS), this business model is greatly expanding the options for insurers to leverage a wide range of hardware and software solutions that would otherwise be resource-prohibitive for the average insurance company to adopt internally. XaaS reduces capital expenses and turns them into operating expenses because companies are no longer required to purchase individual products. Maintenance and upgrades are generally automated and often included in a subscription-style fee.

**Digital Payments:** Checks are among the least used and least secure of all payment methods, constituting 74% of all payment fraud cases in 2019.<sup>2</sup> And although the insurance industry has been steadily adopting digital inbound payments for several years, the COVID-19 crisis prompted a renewed urgency to adopt contactless payment methods at a record pace, for both inbound and outbound. A recent MasterCard study revealed 79% of all participants worldwide were using touchless payments in the first quarter of 2020, and 74% indicated they would continue using contactless payments methods post-pandemic.<sup>3</sup>



Nearly 8 in 10 consumers turned to contactless payments since the onset of the COVID-19 pandemic.

2 - 2020 AFP Payments Fraud and Control Survey, April 2020, <https://www.afponline.org/docs/default-source/registered/2020paymentsfraudandcontrolreport-highlights-finalfinal.pdf>  
3 - April 2020, <https://mastercardcontentexchange.com/newsroom/press-releases/2020/april/mastercard-study-shows-consumers-globally-make-the-move-to-contactless-payments-for-everyday-purchases-seeking-touch-free-payment-experiences/>

## Communication Is Key

In the age of online aggregators and two-minute applications, insurers must be proactive in maintaining the customer relationship if they wish to remain competitive. This is where automation and digital communication make a difference.

For example, an insurer might set up a system that prompts an SMS (text message) to remind a customer about an impending lapse in coverage, providing the convenient option for the policyholder to pay and renew via that same text exchange.

As another example of effective digital communications, an insurer may choose to reach out to policyholders, alerting them about severe weather warnings in their areas, helping mitigate undue surprises, stress, and loss, while also building trust and brand loyalty.

## Strategic Variation

The pace, order, and magnitude of an organization's digital strategy can vary greatly depending on a number of factors, such as company size and current technology. Larger, more established providers with complex legacy systems often need to prioritize solutions based upon flexibility and compatibility. Smaller companies with resource limitations may require more economic solutions with a razor-sharp focus on their most impactful functions.

Newer insurance companies tend to be more agile than their more established counterparts. Because they're not typically tied to the older systems, these insurers

have an easier time making large-scale upgrades in a single installation. However, some established enterprises have been heavily investing in technology for years and continue to stay on the forefront of digital innovation, even beyond the digitally nimble market newcomers.

Most digital strategies begin by identifying the company's top goals and pain points, and then searching for compatible solutions, which are then carried out in phases. The roadmap is developed based upon the priorities and challenges of each organization. These may include considerations such as urgency, budget, customer culture, competitive landscape, current infrastructure, and more. There is no one-size-fits-all formula for a successful modernization plan. The key lies in a forward-thinking, flexible, strategic approach, applied with purpose and momentum.

(create graphic that illustrates four common insurance company scenarios?)

**SCENARIO 1** Large companies with complex legacy systems

**SOLUTION 1** Focus on flexibility and compatibility

**SCENARIO 2** Small company with limited resources

**SOLUTION 2** Sharp focus on digitizing most impactful functions first

**SCENARIO 3** New, agile company

**SOLUTION 3** Easier to make large-scale upgrades in single installation

**SCENARIO 4** Established enterprise with vast resources, that have kept up with technology

**SOLUTION 4** Review & adapt digital strategy to stay on the forefront of innovation

## Opportunities and Benefits for Insurers

This isn't technology just for the sake of technology. A short- and long-term digital strategy is vital for maintaining a competitive foothold in the insurance industry.

- **Competitive Edge:** Insurers can differentiate their businesses by delivering products and services using the methods and channels that their customers already prefer. Most customers know intuitively how to use digital interfaces, and many are more comfortable with the convenience and flexibility of self-service options. Laggards who hesitate or postpone their digital strategies will be losing valuable market share to providers who are stepping up their digital game.
- **Faster Time to Close:** Carriers with end-to-end digital claims processing accelerate their time to closure for even the most complex claims. According a recent McKinsey report, digital efficiency can reduce claim expenses by as much as 30% and increase customer satisfaction scores by approximately 20%.<sup>4</sup> When policyholders suffer through a loss, they want their claims resolved quickly. Insurers who can help make them whole and return to normal life as soon as possible will retain more customers
- **Increased Margins:** The purpose of operating a business is to make a profit, and the most effective way for insurers to increase their margins is to reduce administrative expenses. Digital systems are created to eliminate manual processes and paperwork while reducing errors and automating routine work. This allows office staff to work more quickly, efficiently, and productively. With reduced expenses, improved accuracy, and greater customer loyalty, carriers can improve their combined ratios.
- **Regulatory Compliance:** Insurance is not an industry for the faint of heart. Keeping up with the ever-changing rules and regulations is a full-time job in itself. Simple human errors can expose a company to expensive liabilities. Inaccurate information, even delivered by phone or text messages, can bring lawsuits. Digital response systems help standardize responses that are already vetted for accuracy and compliance, reducing the chance of customer service agent error. Because digital XaaS systems update automatically, carriers will be in continual regulatory compliance, with a greater chance of exclusion from liability.

*INSERT GRAPHIC*  
*Automation of the claims process can reduce the costs by as much as 30%.*  
*- 2018 McKinsey Report*

<sup>4</sup> Claims in the digital age: How insurers can get started, April 2018, <https://www.mckinsey.com/industries/financial-services/our-insights/claims-in-the-digital-age>

- **Better Resource Allocation:** Many inquiries coming into call centers are from different policyholders asking the same questions, requiring repetitive responses from customer service agents. With robotic and AI systems, insurers can provide accurate, consistent information while allocating staff resources for more profitable use. The most routine claims can be managed largely with self-service options, so claims adjusters can focus their time on more complex cases that require human expertise and attention. Ultimately, this leads to improved financial outcomes. These savings can then be passed along to customers in the form of reduced premiums, attracting more business.
- **Increased Retention:** According to a recent study 88% of US consumers expect organizations to have self-service options, such as a website or mobile app. Customers already value automation because they can actively engage in the process, access their accounts, track their claim's progress, and have their questions addressed immediately. In addition to increased retention and persistency, satisfied customers deliver more positive evaluation scores and references, encouraging new customers to come on board.
- **Increase Recruitment:** Overall, organizations are experiencing an acceleration in retirements that will not only directly impact the customer experience, but will force an evolution in the workforce. Attracting young professionals is essential, but how do you spark interest in an insurance career? Digital systems are a key element. Recent college graduates and early- to mid-career professionals tend to prefer affiliating with innovative companies. They often choose to work remotely, they want plenty of technology interface, and they like to move quickly from desire to fulfillment. Insurance companies that offer modern work arrangements will become magnets for the next generation of insurance professionals.
- **Positive Claims Experience:** After a loss, the claims adjuster typically becomes a primary contact for the insured. The claim is a delicate time in the customer journey, and insureds usually need their adjusters to be advocates who make the process easy, transparent, and fair. Omnichannel digital processes enable adjusters to provide more attention to the policyholder while the automated system manages the claim in the background. It's a win-win!

- **Simplified Payment Process:**

Insurance claims disbursements are among the most complex payment functions, and the most critical to the customer experience. Multiple processes and payment methods can turn a simple claim into an intricate undertaking. It can involve multiple codes, split payments, multiple payees, and other complexities such as lienholder and mortgagee payments. Payment as a Service can manage the entire process with less cost, faster settlement, and more efficiency, helping both the insurer and the claimant.

## Opportunities and Benefits for Insureds

Not only is taking care of insureds the primary mission for insurers, nurturing customer relationships also leads to brand loyalty, expanded lines, enthusiastic recommendations, and other rewards. Let's look at how digital technology can help improve the customer experience for policyholders.

**Positive Claims Experience:** As a primary factor in customer satisfaction, the claims process can heavily influence a policyholder's choice to stay with a particular carrier or agency. By enabling First Notice of Loss (FNOL), approvals, and real-time payments through digital and mobile channels, insurers can accelerate and simplify the entire process, increasing customer retention and persistency. Insurers that solve problems effortlessly, accurately, and rapidly will lead the market.

**Brand Affinity:** With a great digital strategy, insurers can deliver the "Four C's" of a memorable customer experience, helping build trust and earn loyalty.

1. Control – Customers expect choice, flexibility, helpful insights, and easy to use self-service portals that give them added control.
2. Convenience – Providing customers with robust mobile apps to report claims, upload photos, digitally attach documents, and issue instant payments delivers not only convenience, but a superior customer experience.
3. Consistency – Consistency builds trust and mutual accountability that contributes to customer retention.
4. Continuity – Digital solutions help keep insureds engaged and connected throughout the customer journey, allowing them an uninterrupted digital experience.

**Personalized Experience:** Insureds can leverage digital technology to perform a variety of functions, such as account management, payments, and accessing real-time claims updates. Giving customers control with integrated technology and preference management options makes them feel like the center of attention and allows them to create the experience they want.

**Efficiency:** Especially when it comes to obligatory products and services such as insurance, customers want the experience to be as easy, convenient, and efficient as possible. They don't want to sift through pages of irrelevant material or wait hours or days for a response. They want to know their insurer can anticipate and understand their needs avoiding as many hoops as possible to achieve their goals.

**Expedited Claims Resolution:** Claims reimbursement is a key issue for insurance customers. Nobody wants to be out-of-pocket any longer than necessary, especially after a loss. Following a claim, policyholders want to put their lives back together as soon—and as painlessly—as possible. According to a recent study by Strategy Meets Action, the speed of claims resolution is a key differentiator in the customer experience. Having the ability to issue digital claim payments that allow insurers to pay anyone (i.e. policyholders, claimants, vendors, etc.) from anywhere at any time is critical to meeting customer expectations.

**Payment Data Security:** Identity theft and payment data breach are major concerns for most 21st century customers. Digital payment processing minimizes fraud, errors, and other issues that obstruct an otherwise routine process. Mailed checks have consistently been the highest area of payment fraud. Employing digital security measures such as two-factor authentication and tokenization, the threat of fraud is significantly lower than with traditional checks.

## In Summary

Over the past decade, insurance providers have had to catch up to the digital standards customers now expect in all their brand interactions. The industry response has been mixed, ranging from technology laggards to fully digital insurance companies, with most organizations falling somewhere in the middle. While the strategies may differ among small, large, new, and established insurance companies, the opportunity window for digitalization is rapidly closing.

In less than a decade, digital solutions such as online account management, automated payment options, omnichannel communications, and digital claims processing have evolved from novelty features to become basic industry expectations. Now this digital drive has been pushed into high gear.

The increased need for remote access, touchless payments, flexible coverage options, and other digital functionalities to support the “new normal” was dramatically spurred by the COVID-19 pandemic. But let’s not assume it will go away once we are back in our offices. This exponential change most certainly will have ongoing implications for the future.

## How One Inc Can Help Solve Your Digitalization Needs

Future-focused insurers who had invested in more robust digital payment platforms have been able to provide an uninterrupted and superior experience to their customers, as well as to vendors and other third parties. Insurers who have not yet implemented a digital claim payments solution have been struggling with paper-based workflows and paper checks, working extremely hard just to get claim payments out to recipients at all. The changes in consumer behavior toward digital demand will persist and grow. Now is definitely the time for carriers to switch to a digital payments platform that allows for instant money transfer, real-time reconciliation, and an uninterrupted customer experience.

**Built by insurers**, One Inc provides a digital payments platform exclusively developed for the insurance industry. We deliver a full-stack inbound-outbound payment solution that includes customer engagement functionality, integrated reporting with real-time data, and flexible integration with insurer core systems – be they legacy or modern. One Inc offers expanded payment methods and channels, easy-to-use portals, and established vendor/financial institution partnerships for claims payments. Our fully hosted, scalable, and PCI compliant platform increases data security by completely removing payment data from insurer networks and processes. The One Inc comprehensive solution enables insurers to deliver on their brand promise to provide a secure and superior customer experience in ANY situation. It provides carriers with the ability to give their customers what they want and expect: control, convenience, consistency, and continuity.

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