

IBM Institute for Business Value



Overview

The world is going digital, but in the insurance industry, people still want to trust people. And today's customers want to interact with providers in multiple ways for a consistent, integrated experience. Based on analyzing the findings from surveys of more than 10,000 agents, brokers and their customers, we believe insurers need to allow their customers broad access to information while keeping the special relationship with intermediaries alive. Only then will the industry be able to recapture lost trust.

Insurers, intermediaries and interactions

From channels to networks

Insurance is a peculiar product. While it is generally defined as “the equitable transfer of the risk of a loss,” the reality perceived by customers is much simpler.¹ They buy a promise that when the negative event they insured against happens, their provider will replace the loss.

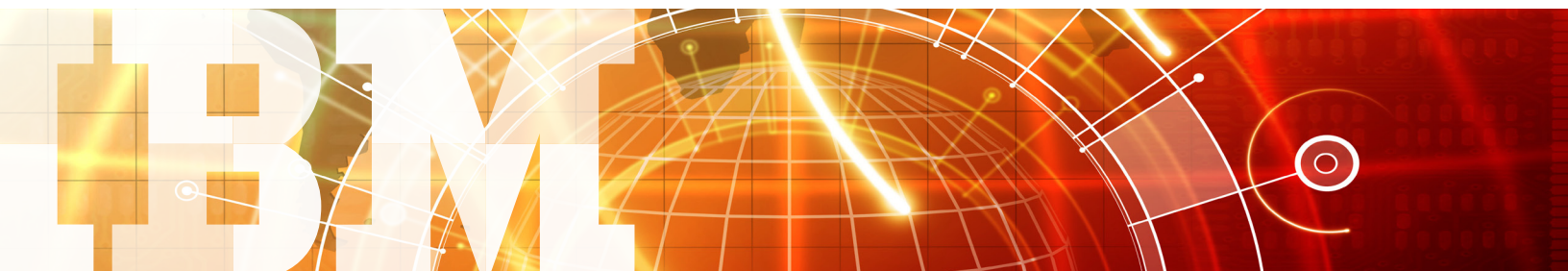
Purchasing a promise requires trust. Today's customers have instant access to almost unlimited information, and are willing and able to share facts, opinions and experiences with their peers. This imposed transparency changes expectations toward insurers, and makes it more difficult for them to be perceived as trustworthy providers of the security promise.

How can insurers serve their customers personally while coping with the broad information and interaction demands of the digital age? How do they make sure it is their intermediaries that matter? How should the connections among insurer, intermediary and customer be constructed? To find out, we surveyed consumers and intermediaries, and interviewed insurers in 17 countries.

The interaction triangle

In the past few years, newer tools and technologies have enabled the Web to become truly interactive. Customers use multiple interaction points at the same time to interface with a provider – what we call multi-modality. In 2010, consumers used three different interaction points, on average, when shopping for insurance and 20 percent used five or more.²

When customers are multi-modal, they expect the same from their service providers. When they move from one interaction point to the next, they want the information they shared to move as well. Customers expect insurers to be informed about them and their needs; insurers cannot afford to have any part of their sales channels keep relationships exclusive anymore.



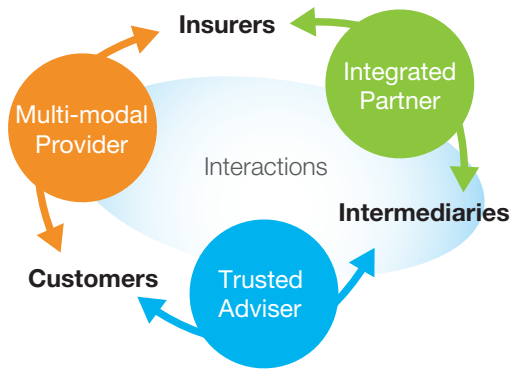


Figure 1: The interaction triangle.

In the age of the active and informed customer, intermediaries cannot simply be a selling channel anymore. They need to become trusted advisers – and insurers have to enable them to reach this goal. Indeed, all relationships in the triangle – insurer, intermediary and customer – need to adapt (see Figure 1).

Building new relationships

Insurer and intermediary as integrated partners. Many people, even insurers, believe incentives and compensation structures are most important for intermediaries. The reality is more complex. The question is: what does the most preferred insurer do to earn that higher preference?

In short: they are better partners. They help their intermediaries more in their daily business, enabling them to work better, advise their clients more effectively and ultimately sell more. How else can insurers positively influence their intermediaries' performance? Besides the partner benefits, three other factors had a measurable impact: cost of coordination with the insurer; how constructive the conflicts with the insurer are; and communication density and frequency.

The intermediary as trusted adviser to customers. Since insurance is a product strongly based on trust, customers believe that when a claim is submitted, the provider will indemnify the claimant. Some contracts, mostly in life insurance, are extremely long term; without a minimum of trust, customers will not sign these contracts in the first place.

Our data show that personalizing the insurance shopping experience is good for all parties in the triangle. When customers are treated personally, insurers are rewarded with higher loyalty. In fact, the personal side of being a trusted adviser is the easy part. Maintaining professionalism, knowing customers personally and treating them personally is something the vast majority of intermediaries have been doing for as long as they have existed. But intermediaries cannot act alone here – insurers have to provide support.

The insurer as multi-modal provider to customers. When customer multi-modality increases, insurers have to adapt. Becoming a multi-modal insurance provider is about being flexible technologically, organizationally and culturally. It also requires a strong strategic commitment. Often, organizations and systems supporting various channels have grown more or less randomly and can be understood only from a historical perspective. These entities have to be streamlined and aligned to each other to be consistent and provide the integration that customers expect.

Providing customer value

For today's empowered customers, good products at a reasonable price are a given. However, when customers buy a promise, like in insurance, providers need to do more to differentiate themselves. Where and how should insurers invest in the interaction triangle? In our experience, many insurers around the world could improve in these areas:

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- Integrated partner: Improve speed and flexibility of systems and processes
- Trusted adviser: Focus on quality and reliability of data and analytics, and improved transparency
- Multi-modal provider: Integrate existing information and be open to new avenues of interaction, both within the organization and through internal and external social channels.

Underlying all these actions, many insurers need a cultural shift. Customer centricity can't be implemented by a change in incentives or even in departments – it has to be the mindset of the whole organization. Now that insurance customers can easily find each other, and exchange experiences and ideas, the tides are changing. To create customer value, insurers need to adapt. The most successful will still emphasize intermediaries, but above all, they must offer integrated, consistent customer experiences – and move away from channels to interaction networks.

How can IBM help?

Strategy and Transformation: Define your channel strategy and implementation steps with overall branding and access consistency.

Business Analytics and Optimization (BAO): Improved customer analytics through tools and processes that allow the translation of knowledge into data and its productive use.

Selected Insurance Sector Solutions: Strategy and Advanced Customer Analytics, Information on Demand, Connect with Customers in New Ways (IBM Smarter Planet) and Front Office Solutions.

IBM Institute for Business Value

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Institute for Insurance Economics at the University of St. Gallen

I.VW (Institute for Insurance Economics) is the leading European university research center for risk management and insurance topics. For over 60 years, its activities have focused on monitoring trends and strategic challenges of the insurance industry.

In addition to scientific research and teaching, I.VW regularly performs top executive education programs on an international level.

Notes and references

- 1 Definition of “insurance.” Businessdictionary.com. Accessed on November 30, 2012. <http://www.businessdictionary.com/definition/insurance.html>
- 2 Bieck, Christian, Mareike Bodderas, Peter Maas and Tobias Schlager. “Powerful interaction points: Saying goodbye to the channel.” IBM Institute for Business Value. December 2010. <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-gbs-insurance-interaction.html>



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