

A WNS PERSPECTIVE

THE DIGITAL QUOTIENT: TOP PERSONALIZATION TRENDS IN INSURANCE



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For an industry that's seen as slow in adopting digital technologies, insurance has experienced its share of fast-paced innovation over the last few years. After the first wave of change that saw the digitization of products, services and distribution, InsurTech is now re-defining insurance's core risk and distribution models to enable customer-centric business

strategies. Leveraging the latest in digital technologies, the industry is seeing a shift from fixed product definitions and group risk assessments to personalized insurance covers. Insurers are moving away from expensive and push-based distribution pipelines to more organic, customer-driven distribution models with minimal friction and costs.

We track some of the key trends across risk assessment, product definition, distribution and claims management that are placing customers at the center of insurance operations. Within each of these areas, we also discuss the technologies at play to highlight how they are enabling efficiencies and scale across the insurance value chain.



Wearable Tech: Connecting the Personalization Dots

Like most other industries, the availability of extensive customer-level data is driving personalization in insurance too. Actuaries and underwriters are moving from broad groupings and representational data to real, individual customer data sets. Demographics, claims history, specific lifestyle risks as gleaned through telematics devices, wearables and smart home sensors, are all being leveraged to assess risks.

Customer engagement has now become a critical driver for the insurance business model.

Constant monitoring of customer behavior and interactions to enable dynamic pricing, gamifying expected behaviors to minimize risks and offering value-added advisory and services for loss prevention – these are all cogs of personalization that move only through constant and relevant customer engagement.

Vitality,¹ a U.K.-based insurance provider, offers health and life insurance covers wherein customers have the chance to control their premiums and earn rewards with their Wellness Optimizer program. Direct Assurance² offers YouDrive that uses telematics to gather information on the driver and car, and deliver daily personalized driving advice as well as a monthly score that impacts the premium amount.

¹ <https://www.vitality.co.uk/life-insurance/optimiser/>

² <https://www.direct-assurance.fr/nos-assurances/assurance-auto-connectee>

Technologies at Play:

While big data and advanced analytics enable churning and processing of customer data, personalization is driven largely by connected devices that allow

constant tracking of and engagement with customers. Dynamic risk modeling, intelligent automation and integration with partner networks through Application Program Interfaces

(APIs) are critical back-end enablers for risk assessment, premium discounts, value-added services, as well as real-time, personalized customer interactions.



New Products for the New Economy

Perhaps the biggest disruption in insurance products is the introduction of the 'all in one' policy. By offering the customer a single policy to cover health, home, car, wealth, pets and travel, as well as the flexibility to adjust the cover as required across assets, insurers are moving away from the traditional model of fixed products with exclusions.

Other innovative models explored today include usage-based insurance, on-demand insurance, microinsurance and peer-to-peer insurance – all driven by the core ethic of offering customers straightforward, relevant and flexible coverage.

These innovations are placing customers firmly in the driver's seat, and encouraging them to

actively think of 'buying' an insurance cover instead of waiting to be sold one.

With personalization, customers may no longer need specialized guidance on policies, thus impacting the role of intermediaries in insurance distribution. The simplification of products is also expected to bring in transparency and speed, thus improving customer trust in insurers and possibly reducing fraudulent claims as well.

Metromile,³ a U.S.-based auto insurer, offers pay-per-mile insurance driven by a free device (the Metromile Pulse) that can be plugged into the user's car. GetSafe,⁴ a German InsurTech company, offers one overarching

insurance product covering life, non-life and health allowing customers to define their personalized insurance requirements.

Technologies at Play:

With big data, analytics and Internet of Things (IoT) enabling personalized risk assessment, insurers are using Robotic Process Automation (RPA) and Artificial Intelligence (AI) to manage sales and policy servicing at scale.

Chatbots and intelligent automation enable self-service across the policy lifecycle, offering customers real-time and personalized guidance. AI, automation and IoT are combined to support the more parametric forms of insurance.

³ <https://www.metromile.com/>

⁴ <http://www.digitalinsuranceagenda.com/188/getsafe-europes-first-digital-multi-line-insurance-health-pc-life-for-the-mobile-generation/>



Distribution Chains Go Digital

The insurance distribution chain is a key focus area for most InsurTech firms, with two emerging distribution trends: the membership model and the affinity ecosystem. In the membership model, companies charge a flat membership fee and use the entire premium for risk coverage. These companies use their digital distribution platforms for direct sales and service to customers, completely eliminating commission fees.

In the affinity ecosystem, companies tie up with retail businesses with large customer bases (for example, e-commerce, wellness or personal finance companies) and integrate insurance covers in the relevant purchase flows of the customer.

InsurTech disruptors are positioning these trends as an advantage to customers as they save on commission expenses and thus

premiums. Also, by riding on established retail customer bases, insurers do away with market-making costs.

While these distribution chains may be effective for the more straightforward, shorter term-based covers, it is too early to comment on whether customers would be willing to forego the advisory and claims processing support of agents when buying more complex annuity or life products.

China-based Zhong An, an online-only insurer, is a leading example of the affinity ecosystem model. Within three years of operation, the company has acquired a customer base of over 400 million customers through 300+ partners across health, travel, auto and e-commerce.⁵ Lemonade, a U.S.-based renters' and homeowners' insurance provider, charges a fixed

fee from the premium for operational expenses, and has been able to charge significantly lower premiums than the market average.⁶

Technologies at Play:

Fully integrated digital platforms, encompassing the complete product and customer lifecycle, are a mandate for insurers if they want to own and service almost the entire insurance value chain. This will require the highest degree of process automation, AI and analytics to ensure that the necessary customer experience is at scale.

APIs are critical to developing partner ecosystems. Blockchain holds great potential in this context for allowing secure and transparent data sharing across stakeholders for large customer bases, automating policy execution via smart contracts and identity management.

⁵ <https://medium.com/@mlcwong/lessons-from-the-front-lines-of-insurance-tech-innovation-in-china-a1568b69bfb7>

⁶ <https://www.lemonade.com/faq#service>



Claiming What's Right

Insurers universally are working toward making claims processes more efficient and fraud-proof by leveraging IoT, big data and automation. InsurTech companies are looking at behavioral economics to tackle fraudulent claims, while aiming to use technology to bring in transparency and trust to the process.

Companies are achieving this by restructuring their profit models to separate operational capital from risk capital, thus doing away with any profit motive to withhold claims payouts.

Products like peer-to-peer insurance (where a group of peers reviews claims) and offers to return (or donate) unclaimed premiums are other ways in which customers are being incentivized to claim only what's right.

There is growing acceptance among insurers that the time and rate of claims clearance are perhaps the most important competitive metrics today. Companies are using high degree of automation to put the customer in control of the claims process, wherein data and supporting images or videos are

submitted on digital interfaces. Claims reviews are automated and if all is in order, the amount is paid out promptly. While experts are watching closely to see whether the bet on behavioral economics to reduce fraud pays off, the march toward faster and more transparent claims processes continues.

GetSafe and Lemonade both promise to make donations to causes selected by customers from unclaimed premiums and have almost completely automated the claims processes. One U.K.-based InsurTech company offers insurers cloud-based claims management software to drive digitization and self-service in claims.⁷

Technologies at Play:

Machine-learning and intelligent analytics algorithms continue to be critical for detecting fraudulent patterns in claims. APIs connecting insurers with IoT and partner networks enable almost real-time fact-checking and prompt triaging of claims. Chatbots offer a personalized interface to guide customers through the digital process of claims backed by intelligent automation.

Blockchain is being explored for automated execution of claims via smart contracts.

While a lot of the concepts and models proposed by InsurTech still need to be tested for scale and feasibility with the more complex, longer term insurance products, the shift toward customer-centric strategies is no longer just a trend.

Gartner predicts that at least 25 percent of current InsurTech companies will be acquired by insurers or go out of business by the end of 2019.⁸ For traditional insurance companies, the time looks ripe to firm up their incubation, collaboration or acquisition strategies to gain a foothold in the digital insurance stream.

Boosting Trust

Digital technologies enable real-time fact-checking to combat fraudulent claims

⁷ <https://www.claimable.com/how-it-works>

⁸ <https://www.gartner.com/smarterwithgartner/6-options-for-collaborating-with-insurtechs/>



About WNS

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