

Increase your Customers' Experience through Intelligent Automation – why Chatbots are not enough



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The insurer of tomorrow will (need to) be less insurer but rather a tech company that sells insurance policies. In order to meet changing customer needs and to keep up with current technological advancements, it will be inevitable to transform existing business models and the corresponding insurance products. This article sheds light on the status quo of the insurance landscape, identifies areas of improvement and underlines the steadily growing importance of creating a holistic and positive customer experience for insurance providers. In this context, the versatile potentials of integrated automation as well as end-to-end systems powered by Artificial Intelligence (AI), which offer insurers the opportunity to keep up with the needs of digital natives, are discussed.



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Customer experience – a must for the future success ...

Nowadays, many companies acknowledge the importance of providing excellent customer experience which has become a guiding principle for customer attraction as well as retention. According to Gartner, customer experience can be defined «as the customer's perceptions and related feelings caused by the on-off and cumulative effect of interactions with a supplier's employees, systems, channels or products».¹ So, what is the hallmark of an excellent customer experience? The answer is simple: It is no longer enough to only meet consumer expectations, but exceeding them is what sets a company apart. Exceeded expectations and positive experiences should accumulate during multiple interactions along the customer journey.

In the insurance context, clients expect their insurance providers to offer a range of understandable products at competitive prices which can be tailored to their

individual needs. Moreover, buying an insurance product as well as handling claims should be a simple, efficient and seamless experience which minimizes efforts for customers.

Leading digital companies such as Amazon, Uber or Apple have led revolutionary innovations in creating unique customer experiences. This raised the bar such that consumers' mindsets and expectations have changed. If they can effortlessly search, order and return physical products on Amazon, why not purchasing an insurance product in a similar way? And why can consumers not access related information through any kind of interaction channel conveniently and at any time?

...but today's reality for insurance customers looks different

The focus of incumbent insurers is to deliver a high customer service level in the personal contact between the agent (or broker) and the client. However, the current online experience of most insurance companies offers room for improvement. More specifically, a seamless omnichannel transition is often not given, leaving digital-savvy customers unsatisfied. Even though most insurers have a client portal or offer online interaction possibilities (e.g., apps, chats), just a few provide online options to generate offers or purchase online. In fact, the end-to-end experience is often limited because, for example, the online payment is not integrated or the contract is still sent by paper. As soon as the customer demands are more complex or require customization, the available online options are rather limited. For the customer it is time-consuming and challenging to compare products and services from different insurance companies overall. This is

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mainly due to historically grown complex and rigid product structures.

A study of BearingPoint has found that insurers overall have realized the importance of digital transformation.² More than 80 percent of the participants indicated that they are explicitly dealing with related topics and try to digitize customer-oriented processes. But in reality, a large portion of the capital which the companies spend on their digital transformation is used for legacy transformation, efficient improvement initiatives or projects which aim at strengthening the internal innovation culture. Most of these projects are driven with an inside-out perspective.

Nevertheless, there are also some good examples where incumbent insurance companies start to improve and digitize customer experience for selected touchpoints or services. For instance, Generali has created a more customer centric and intuitive digital pension product (3a) in their «Innovation Garage» which has significantly improved the customer experience in connection with this type of contract.³ Likewise, AXA has set up a chatbot which enables customers to report glass damage conveniently in real-time via a messenger which is as simple and fast as WhatsApp.⁴ Also, Allianz is offering a new innovative flat share product called «Splitsurance» which runs on the cloud-based insurance lifecycle platform of its cooperating partner KASKO.⁵ Despite these positive examples of digital innovation on the insurer side, the vast majority of insurers struggles with adjusting their businesses and products according to changed customer demands.

How should the optimal insurance experience look like?

The insurance business is characterized by a vast variety of products and divergent customer groups, such as corporates, small and medium-sized enterprises (SME) and private customers. Therefore, the optimal customer experience might differ depending on the specific

use case. In any case, the experience should be convenient, fast and transparent.

When looking at the generic insurance customer journey, customers usually start with the search for information and a comparison of different offers. At this point, it is crucial that product descriptions are simple, easy to read and comparable. When requesting offers or signing an insurance contract, the customer only wants to answer a few questions and potentially gives the permission for using his publicly available data (e.g., from previous customer interaction processes or social media), which can facilitate and shorten the overall process. For instance, the digital life insurer «Blue» in Hong Kong – a joint venture of Aviva and Tencent – managed to transform the complicated paperwork process to a fully digital experience consisting of just a few simple questions.⁶ Indeed, many customers nowadays expect a neutral product comparison and a simple explanation on different pricing and configuration options. The insurance industry can take a large stake by learning from some CPQ (configure, price, quote) leading practices from industrial companies like car manufacturers which provide the possibility to customize a car according to a specific taste. Also, tech companies like Netflix or Spotify can act as role models as they excel in suggesting their customers content before they even know that they want it. Insurance providers could do the same by using AI to predict client needs in changing life circumstances.

As soon as the customer has found the right insurance product and service the signing of the corresponding contract should be as easy as to order a product on Galaxus or Amazon including a fully paperless experience and the payment by credit card.

During the customer journey, the claims process represents the «moment of truth» for customers because it strongly influences the overall experience. Since claims often happen under stressful circumstances (e.g., after an accident, a loss or

a theft), clients desire for effective tools and clear guidance during the claims process. Transparent communication and the required time to process claims are crucial factors during this journey.

In the entire customer journey, the client also expects full flexibility regarding the communication channels which allows him to switch between the different means of communication during the process. In the product search step, it might be useful to chat with an expert or even meet the agent in person. During the claims process, it might be more pleasant and reassuring to talk to someone directly after the claims event. For the further communication WhatsApp, emails or apps could be more convenient channels to provide information or to upload photos and videos.

Solution space

According to research from BearingPoint, most incumbent insurance companies find themselves restricted by the siloed nature of their business, where each department is taking care of their «own» customer journeys – losing sight of the big picture. Hence, they are acting on an automation level which we call «Isolated Automation» (Figure 1), where technologies such as Robotic Process Automation (RPA) and Machine Learning are deployed to optimize isolated business procedures such as the claims handling process instead of aligning their initiatives across the company or between departments. By doing so, routine transactions and manual procedures are automated using rule-based RPA. However, an integrated optimum is not achieved. Many inputs remain non-digital, requiring human manual work to reconcile data across business functions and systems, making it almost impossible to offer a frictionless customer experience from customer facing applications to backend systems. The results are incoherent customer journeys which are optimized from an inside-out perspective rather than focusing on consistent end-to-end customer experience (outside-in).

To provide frictionless customer experience, several well-connected technical building blocks need to be in place. Not only slick and well-designed frontends, such as mobile-friendly customer portals or apps for agents, are needed, but also a seamless information flow connecting them with insurance core systems is necessary. In addition, a well-designed IT architecture and a holistic master data management are the cornerstones of such systems.

Intelligent automation to increase customer experience

Aligning cumulative experiences across touchpoints sounds simple but remains challenging for traditional insurers since their IT and business systems have grown into a non-trivial jungle of legacy systems. But there are ways to overcome these obstacles. Namely, the two approaches called greenfield and upgrade.

The greenfield approach is the path taken by both startups and more established players alike, thereby creating separate business entities or services called spinoffs. These greenfield businesses are

enabled by the newest cloud-centric and Application Programming Interface (API)-enabled architectures, with data and analytics at the core.⁷ Successful examples include «IPTIQ» from Swiss Re, «Lings» from Generali or «Friday» from Baloise.⁸

The upgrade approach has two flavors. First, upgrading backend legacy systems to a single state-of-the-art technology which, however, is a long, cumbersome and costly process. Second, the current IT systems can be boosted by leveraging the latest intelligent integration technologies to reach the next level called «Integrated Automation» (Figure 1).

For insurance companies this means a combination of AI-enabled frontend apps (e.g., to handle claims prevention and automatic claims management), business applications which use data virtualization to access underlying data sources and a microservice architecture which links the relevant backend systems together. Furthermore, AI-enabled RPA allows to automate standard processes providing fast and accurate responses to customers. A combination of these more mature technologies not only increases

insurers' efficiency levels in handling customer requests but also boosts the overall customer experience as depicted in Figure 1.

To illustrate, let us focus on three promising AI-enabled apps:

- *AI-enabled product recommendation:* AI is leveraged to get a better understanding of the customer and its needs. Based on information indicating a life event or a change in the customer's life circumstances, the client receives relevant and customized information and offerings. This could be an offer for new products and services such as a life insurance for new parents or an interesting newsletter about the changing requirements for the home when children were born.
- *AI-enabled claims prevention:* Intelligent automation provides benefits along the entire claims process. Starting with intelligent solutions which prevent the creation of claims in the first place. For instance, car insurers can make use of cars' Internet of Things (IoT) sensors to identify and avoid high risk driving behavior by engaging their clients with push no-

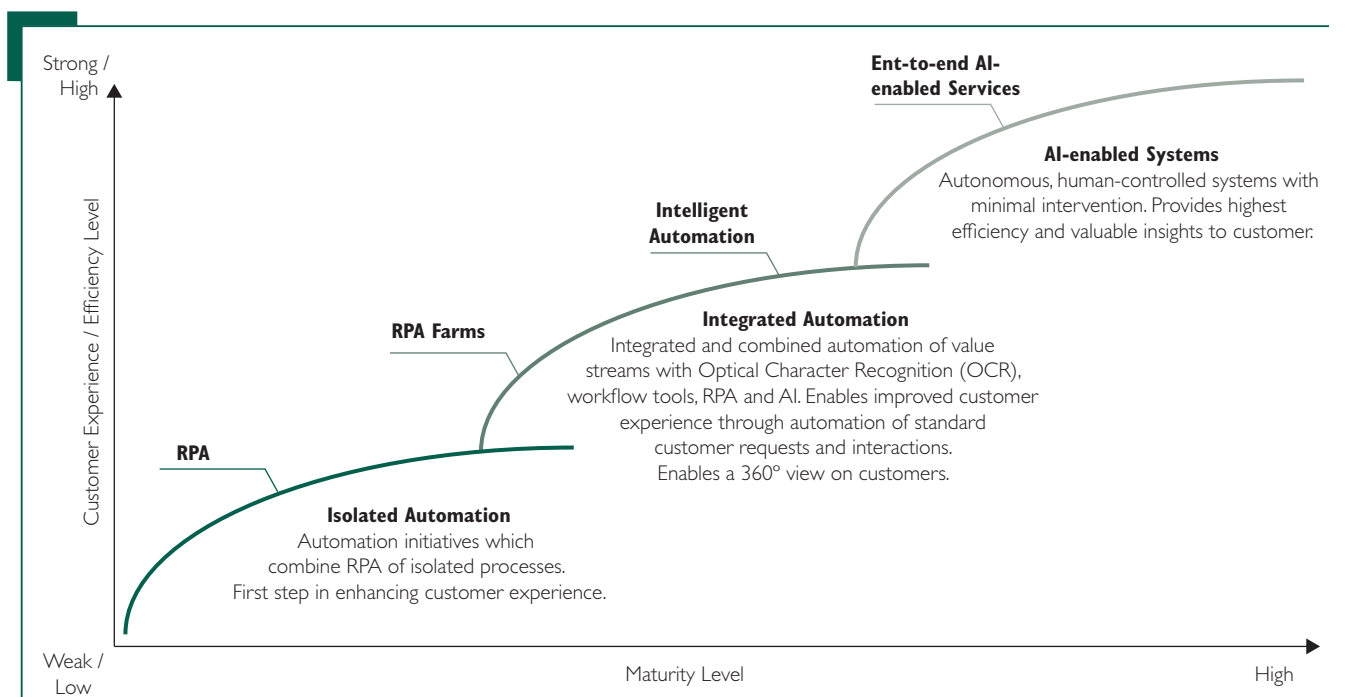


Figure 1: From Isolated Automation to AI-enabled Systems (Source: BearingPoint)

tifications. Medical and life insurers can leverage wearables to incentivize customers to follow healthy practices, thereby reducing the number of claims as well as their severity.

- *AI-enabled automated claims management:* AI can significantly improve the processing of claims and automate the entire claim procedure for simple cases, but also for more complex ones such as assessing car damages through image analysis. Moreover, AI offers the potential to detect fraudulent cases, such as fake bills, duplicate claims and other anomalies including the charging for unnecessary medical interventions.

Are you ready for the AI revolution?

As customers expect a steadily improving digital experience, intelligent automation

provides insurance companies with the opportunity to significantly enhance their offerings. This encompasses the entire customer journey ranging from receiving personalized products and services, requesting a quote in order to buy the right policy and receiving first-class customer support. Furthermore, it provides opportunities to offer added value services which mitigate negative experiences in case of incidents.

In this context, AI can play a crucial role in automating processes or even preventing high risk situations from occurring in the first place. Consequently, insurance products will become more intuitive and transparent for customers while a broader range of smart and attractive services can be offered. The AI revolution only started a few years ago, is your organization ready to grasp the opportunities it offers?

Notes

- 1 See Gartner IT Glossary.
- 2 See Branchenspezifische Auswertung der Business Process Management-Studie 2017, Versicherungsbranche, Juni 2017.
- 3 See <https://3a.general.ch/en-gb/customer/public>.
- 4 See <https://www.handelszeitung.ch/vorhaben-2019-vom-reiten-auf-trendwellen>.
- 5 See <https://www.splitsurance.ch/>.
- 6 See <https://www.blue.com.hk>.
- 7 See <https://www.bankingtech.com/2019/06/the-greenfield-approach-accelerating-a-new-era-of-growth-and-innovation-in-insurance/>.
- 8 See <https://www.iptiq.com/>; <https://www.lings.ch/>; <https://www.friday.de/>.

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