# ensono®

# Strategies for winning the battle for the policyholder

## Executive summary

How can insurance companies ensure their policyholders have a seamless and efficient insurance experience throughout the customer journey, from initial sales and onboarding to claims?

Conducted across 500 senior tech decision makers (TDMs) from UK insurance companies with revenues exceeding £250M and 500 consumers across the UK who have taken out insurance before, this research provides insight into the most relevant challenges, priorities, and opportunities for the insurance sector. It explores consumer experiences and expectations and the role of digital and cloud technologies in driving much-needed business outcomes such as revenue growth, loyalty and retention, reducing churn, and operational efficiencies.

## Key findings

### Policyholder experience brought to the fore

**Ensono point of view:** Today's consumers have become accustomed to extremely tailored experiences and receiving personalised services from the companies they regularly interact with. Insurers must keep up with evolving consumer expectations with new approaches to customer engagement and provide hyper-personalised policy offerings and digital-first experiences that prioritise accessibility for the omnichannel experience. Doing so will bring the insurance experience into the 21st century spaces where customers spend their time each day.

With challenger brands starting to shake up the way policyholders buy and remain loyal to providers, insurers cannot rest on their laurels and the need remains to create truly differentiated and frictionless policyholder experiences. Customers still cite room for improvement from their providers and are looking for insurers to be as transparent as possible – providing them with easy access to critical information like personalised pricing, outstanding customer service, and ease when submitting a claim.

Technology strategies in the insurance sector should be geared towards secure, data-led personalised policyholder experiences to pinpoint areas of friction wherever possible, highlighting the value of investment in tools like customer self-service, identity and access management, and big-data management platforms to iterate on experience and unlock new revenue streams with their existing customer base.

At a time when the costs of customer acquisition are higher than ever, TDMs are keen to use data to strategically connect with customers and personalise the experience to their individual needs, but many are held back with monolithic platforms that lack the agility needed to innovate and stay ahead. The brands that are able to modernise will be well placed to turn today's policyholder into tomorrow's customer advocate; individuals who are motivated to recommend an insurer to others and help efficiently grow the business.

For insurers to retain customers they must invest in making customers feel valued across their entire journey with the insurer.

- Of those who are not satisfied with the customer experience provided by their current insurance company, **22%** pointed to **multiple touchpoints** being required to resolve issues, **22%** said there was an **inability to manage** their insurance policy across digital channels, while **17%** said there were too many **friction points** within the website or app.

- It is clear there are areas where there is room for improvement in the policyholder experience across key areas of the insurance lifecycle. Just **51%** said they were satisfied with **making adjustments** like address updates, and **31%** were satisfied with **making a claim.**

**Only 11% of people strongly agreed that insurance providers had improved the customer experience over the last three years.**

- A significant cohort is unconvinced about any change from insurers: **32%** said it had **neither improved nor worsened.** This indicates that there is still more to be done to improve the service delivered to policyholders.

- Insurers were clear that **technology has already played an important role** in improving several areas of customer experience: buying a policy **(62%),** making adjustments such as an address update **(58%),** and making a claim **(60%).**

> By delivering for customers right across the value chain, from initial sale through to support and claims, insurers are put in a better place for higher customer retention and open the opportunity to cross-sell additional coverage – especially when 'Improve customer loyalty and retention' was one of the top priorities for insurers.

**Easy access to policy documents and information is very important to 64% of customers, while a frictionless experience is very important to 54% of customers.**

- A **personalised experience** is ranked as less important, with only **43%** of respondents rating it very important.

- Convenience is king: **60%** of respondents said "the ability to purchase policies in a **smooth and accessible way**" was important in their recent insurance purchase.

- These figures show that insurance customers expect a high standard of service. What they value above all is a seamless experience from insurers, characterised by **efficiency and speed of access.** Customers are willing to forgo the feel of a more personalised service if it means their requests are actioned swiftly.

**73%** of consumers said the price of the product was very important in their last insurance purchase.

- It is important for businesses not to ignore the role that value for money plays in driving customer opinion.

- Efficiency and passing on cost-savings to customers should be the highest priority.

**Customers have a range of common frustrations with insurers:**

| | |
|---|---|
| Lack of transparency in terms of pricing and policy information | **25%** |
| The complicated process for submitting claims | **24%** |
| Limited communication from the insurer | **23%** |

TDMs recognise that their priorities need to be built around customer experience, streamlining processes, and generally making their company into a trusted brand to attract new customers and keep existing ones returning again and again. When asked about their top business mandate for 2023, TDMs top responses included:

1. Improve customer loyalty and retention
2. Develop a frictionless experience for prospective customers and existing policyholders
3. Improve the identification and validation of a customer (KYC)
4. Improve operational agility and speed to market
5. Improve customer acquisition

Developing a **frictionless experience** for prospective and existing policyholders' is the most critical business mandate amongst Chief Information Officers and IT Directors, viewed as such by **34.46%** of respondents.

For firms with revenue over **£750 million,** better agility in the market was the most critical mandate.

> Turning customers into advocates will be crucial in delivering on this business mandate. 90% of consumers said that good customer ratings and reviews were important to them in their last insurance purchase. There is a clear opportunity for firms who deliver top-notch service to their customers to turn them into future advocates, ready to recommend their brand and connect the insurer with future customers.

Data is a core part of businesses plans for 2023. 'Enabling real-time business insights from customer data' is the most critical business mandate amongst Chief Technology Officers.

> Maximising the value of customer data is critical for success. Insurance companies need deep insight into their policyholders and should arm their sellers (whether internally or through agents and brokers) for success with this insight.

Customer data is also a highly effective way for the insurer to create a competitive advantage, improve engagement, and enhance their offering of products and services.

Insurers are clear that the acquisition of new customers is not the only answer to success. Improvements in the existing policyholder experience will help ensure sustained growth.

- **31%** TDMs said their priority over the next two years was **increasing sales/revenue** from existing customers.
- Companies with large turnover **(£750 million+)** prioritise increasing sales from existing customers more than average **(38% compared to 31%).**

## Getting the basics right

**Ensono point of view:** Discussion about insurance technology can sometimes become disconnected from the realities of the modern insurance consumer. When they do have to contact their insurance provider, the majority of customers today still prefer the reassurance offered by direct human-human contact over the phone. And these preferences show no significant sign of changing going forward.

Communication with insurers can be one of the most difficult points of a person's life. It is incumbent on insurers to ensure these basics deliver for customers, providing them with a reliable and trusted service to handle any communication. And a user preference for human contact does not count out the use of technology. There is an opportunity for insurers to use technology to more accurately identify customers who require human contact, triage people who need to speak to them the most, and identify new ways technology can help elevate the experience for customers.

Insurers also need to target tech investment on steadily growing new and innovative solutions for customers and educating them on their value. One opportunity here might be – for instance – tapping into big data and analytics to build up an in-depth picture of the customer's needs and tailor their experience to match that profile.

Customers still favour traditional forms of contact when speaking to their insurance provider. 56% of consumers said they would prefer to speak to a person on the phone about insurance services – the top response.

- The next preferred means of communication was **email (41%),** then **online chat** with a person **(34%).**

- Only **27%** of respondents put a **mobile app** as one of their preferred methods of communication, and **10%** put **chatbot.**
- Contact via **phone** was the top response across all age groups, **except for 45-54.**

These preferences remain fairly unchanged when customers are asked to think ahead to their future preferences. Going forward, customers think they will primarily favour (in order of preference):

| | |
|---|---|
| Speaking with a person by phone | 51% |
| Email | 42% |
| Online chat with a person | 34% |
| A mobile app | 27% |
| Self-service customer website | 20% |
| AI chatbot/virtual assistant | 11% |
| By phone with automated voice response | 9% |

Overall, there is no significant appetite yet for the innovative solutions that are often talked about in media commentary - people want reliable and trustworthy services.

There are, however, the first seeds of growth for different ways of interacting with insurers, right across generations.

- **38% of consumers aged 25-34** view a **mobile app** as their current preferred means of communicating with an insurer; **38% of those aged 45-54** as well.

- Thinking ahead to the future, now **45% of consumers aged 45-54** think a **mobile app** will be their preferred means of communication. Making sure these apps are easy-to-use will be important, delivering hassle-free digital interactions so users can effortlessly complete tasks such as purchasing or updating policies, filing claims, or paying premiums.

**These trends don't tally with what TDMs expect to see, with 37% expecting to see less demand from customers for human advisors over the phone or in person.** There is a clear gap between TDMs and customers here.

## A clear strategy for tech investment

**Ensono point of view:** Insurers are searching for direction in their approach to tech investment. The sector is focused on overcoming inefficiencies, meeting security and regulatory challenges, and generally continuing to grow the business. Building an impactful technology strategy in the face of such a multi-faceted set of obstacles is far from straightforward. There are a range of areas to prioritise.

Mainframe modernisation will be invaluable to ensure the 'workhorses of IT' can continue to process the vast quantities of data at the heart of the insurance industry, and also start to be a platform for future innovation.

Equally, anti-fraud technology is a key linchpin of insurers' security efforts and enables a business to quickly triage issues when they come up, cutting down on risk and ensuring continued compliance with increasingly rigorous anti-money laundering and KYC regulation worldwide.

Across all this technology change, the key to success will be delivering it in small, iterative changes to enable innovation, increase product speed to market and drive long-term growth.

**Businesses need to do better at educating customers about innovation but also need to make sure the channels customers prefer are properly serviced and operational.**

**39%** of TDMs expect an increase in tech investment in the next two years.

- TDMs expect an average percentage **increase in tech investment** of **35%** over the next two years.

- It is important for firms to use this investment effectively, supporting the success of existing services – whilst at the same time scoping out and bringing to market new and innovative solutions.

**Insurers also need to get the fundamentals right in their internal approach to technology.**

- **Poor frontline user adoption** of new technologies is preventing **23%** of TDMs from delivering their technical strategy, and **37%** are prioritising **improving internal productivity.**

**A truly successful tech strategy for insurance is focused on gearing itself up for rapid speed to market, a commoditised business differentiated at the front end by customer experience and behind that, an innovative pipeline to launch products super-fast.**

**Insurers are focused over the next two years on addressing inefficiencies internally, addressing security issues, and continuing to grow the business.**

- **37%** are prioritising improving internal productivity
- **36%** are prioritising growing the number of new customers
- **34%** are focused on improving fraudulent claim detection
- **32%** on improving customer satisfaction and experience

**No one area of technology is a stand-out priority for TDMs. Nevertheless, respondents prioritise several key areas to supercharge innovation:**

- Mainframe modernisation **(54%)**
- New commerce platforms **(54%)**
- Anti-fraud technology **(53%)**
- Employee identity and access management **(53%)**
- Big Data & Analytics **(51%)**

Insurers face a range of top blockers to delivering technical strategy.

- **29%** Inefficient or broken processes
- **29%** Data security concerns
- **26%** Compliance with security, privacy and cloud regulations
- **26%** Legacy systems/mainframe technology

Insurers are taking steps to invest in cloud technology to improve their operations. However, they remain held back by structural issues with their approach to cloud, and can be left behind by their competitors. The dominance of legacy infrastructure in the industry means that many firms have a long way to go on their journey with cloud.

- When asked about Systems of Record, **21%** of respondents said they **keep pace with cloud technology** before most of their competitors for it. This compares to **18%** who said the same when asked about Systems of Collaboration, and **19%** for Systems of Engagement.

- The Technology/digital product **skills gap** was insurers' **top concern** regarding the success of investment in cloud technologies.
- Insurers are split on the biggest barrier to investment in cloud technology over the next two years:

| | |
|---|---|
| Difficulty getting to value fast enough | **20%** |
| Vendor lock-in with existing systems and technology | **20%** |
| Lack of knowledge and experience related to cloud innovations | **20%** |
| Budget restrictions are impacting cloud transformation timelines | **20%** |
| Complexity of transitioning from legacy systems to the cloud | **19%** |

## Data transparency

**Ensono point of view:** The effective and trusted handling of data has built the reputation of the insurance industry across its history, whether it was data stored on paper in the past or, more recently, digitally. Preserving and burnishing this reputation will be crucial if the industry is to keep adopting more data-intensive technologies going forward. Transparency will be crucial.

Data sharing is a two-way process. Customers need a clear view on the purpose of giving up their data, and understand the safeguards over how it will be safely handled. These governance standards on data handling are absolutely essential for the insurance industry, with whom customers must trust some of their most sensitive information on areas like medical history and financial records. For insurers, the onus will be on building systems that safely and responsibly leverage customer data to deliver value for the business, helping shape policy pricing, identifying opportunities for new products, and ensuring a personalised experience for all customers.

Customers are cautious about insurers handling their personal data but are willing to hand it over for several key purposes. The most popular statement consumers responded to were:

- **33%** "I only want to share more personal data if I know how this information will help them calculate my premium or respond to a claim"
- **21%** "I'm willing to share more personal data in exchange for more personalised offerings e.g., pricing, offers, discounts and loyalty schemes"
- **21%** "I'm reluctant to part with more personal data because I'm concerned about it being sold or shared with other organisations without my permission"
- **20%** "I'm reluctant to give up additional personal data because I consider it too intrusive"

**29% of TDMs identified data security concerns as a block to delivering technical strategy.**

- There is clearly a mutual understanding of the value and importance of data and data processes between customers and TDMs.

**50%** of customers said that a company's reputation for data protection and privacy was very important in their recent insurance purchase.

- **But this figure differed across ages groups:**
  **aged 55+ it was 55%; 25-34 it was 36%**

## For more information, please get in touch:

**Visit ensono.com**