Customer Centricity in Insurance

How 'Insurtech' and digital disruption is driving more focus on Customer Success

Andrew Land, Partner at Hg

At Hg, a major trend we're seeing in the insurance sector is the need for both brokers and underwriters to be far more customer centric.

Across both personal and business sectors, this trend can partly be attributed to the industry's increasing adoption of new technology. Rather than only using technology to achieve cost efficiencies, the insurance industry is instead embracing technology in a more effective way.

Today, new technology trends such as cloud computing and data science are both enabling better customer service and customer choice, whilst also helping providers understand the needs and behaviour of their customers better - leading to higher value creation and a better customer experience.

Insurance the old way

Historically the provision of insurance has been very manual, opaque and bureaucratic. Customers have been used to a lot of legal language and complex descriptions of cover. This has typically led to poor customer experiences.

The industry's first adoption of technology did little to address this. Instead, the insurance sector rode the first technology wave and embraced process innovation, mostly to drive cost efficiencies. Examples include large call centres replacing local branches, or online self-service replacing agent-led selection, purchase and administration of insurance policies.

This drove a price-led race to the bottom, whilst also contributing to customers mis-buying products, an increase in fraud, and frustrated customers bouncing between providers. Customer and shareholder value leaked away as a result.

Until quite recently the insurance sector was able to operate this way because there were no drivers for change. Low customer satisfaction resulted in higher customer 'churn' and all the frictional costs that this creates.

Today, however, players embracing the latest technology waves are creating a significant competitive edge.

'Insurtech' and digital disruption creating Customer Centricity

The industry is changing. New 'insurtech' and digital disruption have exploded into the insurance industry over the last few years, partly driven by technological advancement of cloud-based software and data science, combined with increasingly demanding consumer behaviours. A lot of this has now converged around Customer Centricity and, at Hg, we are focusing on this theme when looking at the insurance sector, noting three key trends:

1. Online customer experiences
All of us have seen and enjoyed how the quality of online customer experiences has been transformed by the global tech players, whether for consumer or for businesses. Customers now expect these standards in all their online interactions and key purchase decisions, and that includes insurance.

2. Omnichannel
Customers also now demand an omnichannel experience – the ability to engage in person, by phone, by email, by web, and on mobiles devices, at their option and whenever they want. Companies need to offer this in a robust way in order to compete.

3. Data Analytics
Harnessing data and data science is an important strategic enabler for insurance companies. The use of data can streamline the underwriting process, but also make the insurance purchase much more bespoke and personal for the customer in question. We are seeing some incredible progress in AI, where insurance product design can be done in real-time as the customer provides information, whether on or offline.

Defensive and Offensive Characteristics

We see this trend as having both defensive and offensive characteristics for brokers and underwriters.

Defensively, Customer Centricity improves retention and also the overall quality of the customer base as they understand their customers better.

Offensively, the insurance industry can start offering better products to new customers, have a better understanding of their propensity to buy and renew, and also increase conversion of new business vs competitors.

This, in turn, leads to higher rates of cross-selling. For example, cyber insurance for business customers cross-sold with general liability cover. For consumers, cross-selling home, travel and gadget insurance alongside traditional motor cover.

For Hg, this Customer Centricity is something we've backed with our insurance investments in A-Plan, Relay and Sequel – all of which focus on improving the customer experience – and drives our thinking on new investment, where Customer-Centricity is top of the list.

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Andrew Land

Andrew is a Partner at Hg, chairs the Hg Realisation Committee and is a member of the Operating Committee. He leads investments in Financial Services and serves on the boards of A-Plan and CogitalGroup, having previously been a director of Zenith, NetNames, Voyage Care, Kinapse and Atlas Knowledge.

a-plan
A Case Study for Data Transformation

Cloud data platforms enable mass data storage and processing power that's now quick, cheap and secure – enabling new data transformation tools to join up disparate legacy IT systems and AI tools to be injected into core business processes.

Hg's Data Analytics team has helped to demonstrate some interesting applications in data projects that they have recently undertaken with companies within Hg's portfolio, including insurance broker A-Plan.

A-Plan is one of the largest independent high-street insurance brokers in the UK. Hg partnered with the company in 2015, recognising A-Plan's best-in-class customer success model - a personal, service-oriented approach leading to very high levels of customer satisfaction, driving high retention rates and, therefore, low customer acquisition costs.

Data transformation at A-Plan has driven commercial value in the business, derived from three core projects:

1. Through machine learning techniques we've been able to engineer a single customer view, allowing A-Plan to personalise (at scale) how they engage with their customers, resulting in increased cross-selling capabilities and retention activity.

2. A-Plan branch managers now have an end-to-end view of their branch through cloud MI (Management Information) dashboards, including live tracking of sales rep discounting behaviour, giving more control to the team.

3. Data science can now guide A-Plan staff when specific clients are ready to engage with their policy renewal. As a result, resource is now allocated far more efficiently - giving management information on how best to optimise an agent's time, including the best day, and time of day, to interact with the customer - increasing greater capabilities and retention activity.

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> Today, A-Plan is using technology to maintain strong customer relationships, with a service-oriented approach, leading to 'best-in-class' levels of customer satisfaction. This means high customer retention rates and low customer acquisition costs, due to the resulting high referral rate.
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> Carl Shuker, Group CEO of A-Plan
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