THIS TIME IT’S PERSONAL
A human approach to profitable growth for insurers
As customers, we expect our interactions with our insurer to be personalised, mirroring the individually-tailored digital experiences we’re now used to enjoying in other areas of our lives.
However, as insurers try to meet this expectation, they face a challenge: how to adapt at pace to changing market conditions and address customers’ needs in an ever more personalised way, while also managing the burden of high operating costs, a legacy systems infrastructure and traditional distribution models.

An opportunity to achieve this goal lies with the harvesting of tech-driven interactions, to create a tech identity for every customer, and the deployment of individual recommendations, powered by artificial intelligence, to create individualised relationships. With this, insurers and brokers can create and deliver the hyper-relevant propositions and experiences needed to demonstrate they truly know their customers, and can meet their needs at the speed of now.

A clear path to profitable customer growth using data

We’ve identified a clear path for insurers to achieve profitable customer growth through the effective use of data. It consists of three steps and takes a test and learn approach.

STEP 1 PRIORITYSE
Identify the greatest opportunities for growth in terms of customer and business value

STEP 2 EXPERIMENT
Begin experimenting with new customer propositions and experiences (‘treatments’) to capture those opportunities

STEP 3 OPTIMISE
Select the best-performing treatments and roll them out to a wider customer base

All data points referred to in this report are from the UK Financial Services Customer Survey 2018, except when otherwise noted.
Today, creating the right customer experience is increasingly vital. Insurance carriers and brokers in the UK are struggling to stay abreast of the fast-changing expectations and attitudes of their customers. But while it’s difficult, keeping pace with customers is something they must achieve. Why?

In the past, insurers were able to rely on building customer loyalty slowly and steadily, benefiting from customer inertia and competing on attributes such as efficient claims processing or attentive customer service.

Now, with the ongoing success of price comparison websites, the sector risks becoming heavily commoditised and price-driven as customers are encouraged to seek the lowest price for what is increasingly perceived as a generic, undifferentiated product. As a result, customer loyalty is low—and switching is on the rise.

Alongside declining loyalty, another vital attribute is also low: customers’ trust in insurers. As Figure 1 shows, only 29 percent of UK customers say they trust insurers, and an even smaller 21 percent say the same about insurance brokers. This is significantly lower than trust in banks, at 40 percent. Equally worrying, knowing and trusting the brand remains the single biggest buying trigger for insurance products, with 45 percent of customers ranking this as the biggest factor when deciding on a purchase.

Whilst high-quality customer service is still important in growing and retaining the customer base, relying on human insight is no longer enough to attract and keep the modern insurance customer. Today’s front-line staff should be supported by machine intelligence, which elevates their skills and experience to do new kinds of work in new ways and ultimately deliver better customer outcomes.

To rebuild trust and retain customers, it’s clear that insurers must take a customer-centric and data-driven approach to better understand their needs.

**Figure 1: Customer Trust in UK Industry Sectors**

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Trust Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>High street retailers</td>
<td>43%</td>
</tr>
<tr>
<td>Banks</td>
<td>40%</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>40%</td>
</tr>
<tr>
<td>Online retailers</td>
<td>33%</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>29%</td>
</tr>
<tr>
<td>IFAs</td>
<td>27%</td>
</tr>
<tr>
<td>Price comparison websites</td>
<td>26%</td>
</tr>
<tr>
<td>Technology companies</td>
<td>23%</td>
</tr>
<tr>
<td>Utilities companies</td>
<td>22%</td>
</tr>
<tr>
<td>Car manufacturers</td>
<td>21%</td>
</tr>
<tr>
<td>Insurance brokers</td>
<td>21%</td>
</tr>
<tr>
<td>Telecom firms</td>
<td>20%</td>
</tr>
<tr>
<td>Web and social media firms</td>
<td>17%</td>
</tr>
</tbody>
</table>
GETTING IN TOUCH WITH CHANGING MINDSETS

What will a customer-centric and data-driven approach look like? In simple terms, it will be one that enables UK insurers to get in touch with their customers’ changing mindsets.

This means going beyond traditional methods of segmenting the market and identifying the real factors that lie behind customer loyalty. It may also mean adopting new business models that can tap into previously unexploited sources of revenue. And it almost certainly means making changes in response to the disruptive forces that are appearing across the UK insurance landscape. We’ve found that doing these things can add as much as 5 to 15 percentage points to insurers’ revenue growth rates.²

Realising this opportunity will require new products and new ways of adding value for the customer—both of which raise challenges for the insurance industry’s traditional approaches to doing business. In our view, the successful UK insurance company of the future will need to become what we call a ‘Living Business’—an organisation that can unlock sustained growth by continuously adapting to the evolving needs of its customers to achieve and maintain total relevance.
As Figure 2 shows, Accenture has identified five capability sets that an insurer needs in order to become a Living Business. Together, these five capability sets mean Living Businesses are more adaptable to changing market conditions, better able to address customer needs on a personalised basis, and have greater agility to pivot to pursue new growth opportunities. The result? As a Living Business, your insurance organisation will be able to outpace your less responsive competitors in terms of both revenue growth and market-share gains. It will have acquired a differentiated ability to do many things—such as penetrating traditionally hard-to-reach segments via new digital channels; developing innovative products to address new risks (ranging from cyber security to rising longevity); and offering value-added solutions, including advisory services, that help your customers manage and reduce their risks.

Figure 2: The Five Capability Sets for Becoming a Living Business

1. TARGET NEW OPPORTUNITIES
   Target core and disruptive growth initiatives to fuel responsive innovation.

2. DESIGN FOR CUSTOMERS
   Design products and services as hyper-relevant platforms.

3. BUILD ENGAGEMENT
   Build intelligent marketing and sales experiences.

4. SCALE WITH PARTNERS
   Scale with a broad and new set of ecosystem alliances.

5. REWIRE CULTURE
   Rewire your workforce with a customer-first mindset.
DIGITAL DISRUPTION IS COMING

However, while we believe the Living Business will be the future of insurance, the present is very different. UK insurers remain strongly attached to their existing business models, and the current low level of disruption has created a sense of complacency in the industry.

As Figure 3 illustrates, disruption has not yet hit insurance hard: indeed, it’s the second least disrupted industry out of the 20 in our Disruptability Index. But this is no reason to relax—because insurance is ranked as the third most likely industry to experience disruption in the future.4

Figure 3: Insurance is vulnerable to disruption

Today’s lightly disrupted industries... ...may be tomorrow’s disruption targets

<table>
<thead>
<tr>
<th>Industry</th>
<th>Current level of disruption (Score 0-1)</th>
<th>Susceptibility to future disruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTILITIES</td>
<td>0.51</td>
<td>0.70</td>
</tr>
<tr>
<td>BANKING</td>
<td>0.46</td>
<td>0.70</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>0.35</td>
<td>0.68</td>
</tr>
<tr>
<td>TRAVEL</td>
<td>0.51</td>
<td>0.66</td>
</tr>
<tr>
<td>HEALTH</td>
<td>0.27</td>
<td>0.63</td>
</tr>
<tr>
<td>ELECTRONICS &amp; HIGH TECH</td>
<td>0.71</td>
<td>0.53</td>
</tr>
<tr>
<td>RETAIL</td>
<td>0.65</td>
<td>0.53</td>
</tr>
<tr>
<td>SOFTWARE &amp; PLATFORMS</td>
<td>0.89</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Of insurance executives agree AI will disrupt their industry over the next 3 years and change the nature of competition.

Of insurance executives believe they will be at a severe competitive disadvantage if they do not implement AI.
What will this disruption look like? Currently, high barriers to entry are favouring the industry incumbents. But embedded inefficiencies and growing threats from innovative business models are making their position increasingly vulnerable. What’s more, factors including low brand prominence, increasing fragmentation and high levels of trapped value suggest that the barriers to entry that have protected existing players to date are now weakening. Added to this is the fact that incumbent insurers are burdened by high operating costs, and by legacy infrastructure and systems that are complex and difficult to change.

On top of these challenges, the difficulty of achieving real change may be increased by a lack of the organisation, skills, capabilities and tools needed to do things differently. This could create barriers to change in many areas—ranging from difficulties in exploring the value of rich internal and external data to create new revenue streams, to a lack of agility that slows down the shift to new lower-cost operating models, to challenges in building more direct connections with current and potential customers.

As we all know, nearly everybody needs insurance. But the fact is that the way consumers live their lives and the way they feel about risk are very different today from 10 or 20 years ago. To catch up, insurers need to find the ‘sweet spot’ where the offerings and the experience they deliver to consumers match consumers’ evolving expectations—and meet their desire to do business with a company they value and respect.

**Insurers need to find the ‘sweet spot’ where the offerings and the experience they deliver match consumers’ evolving expectations**
CUSTOMER SATISFACTION HAS DECOUPLED FROM LOYALTY

As insurers look to reconnect with their customers’ mindset and catch up with their expectations, they face a paradox: high satisfaction is coexisting with low loyalty.

In general, customers are happy with their insurers—some 70 percent of respondents in Accenture’s 2018 UK Financial Services Customer Survey agreed they’re satisfied with their current insurance provider. But customer loyalty is low, with 32 percent having switched to a new provider for their most recent insurance purchase. In our view, this divergence of the traditional link between satisfaction and loyalty shows that insurers need to make significant changes—both in how they engage with customers, and in the products and services they offer to those customers.

Key to this will be creating a personalised service experience of the type that customers have grown to expect. Adopting innovative technologies such as artificial intelligence (AI) will help insurers to do this—as will developing actionable customer insights by making better use of both internal and external data sources. But technology alone won’t re-establish the connection between satisfaction and loyalty. The real answer to the loyalty problem lies in embracing a customer-centric mindset: one that enables insurers to identify customers’ changing needs and circumstances, and act quickly to address them.

70 percent of respondents in Accenture’s 2018 UK Financial Services Customer Survey agreed they’re satisfied with their current insurance provider.
THE HUGE OPPORTUNITY FOR UK INSURERS...

For UK insurers that can succeed in adopting and embedding a customer-centric mindset to become a Living Business, the prize on offer is huge. In our view, a massive amount of value is trapped within the current framework of the insurance industry.

According to our calculations, new technologies and business models—combined with ongoing shifts in the consumer and commercial insurance markets—can add as much as US$375 billion to the global growth potential of the insurance industry over the next five years. The UK accounts for 8 percent of that value, or around £22.5 billion.5

All of this value is now up for grabs. We estimate that insurers who adopt a data-driven and human-centric approach to their customers can unlock as much as 5 to 15 percent of trapped value,6 across areas of the business ranging from lead generation to cross- and up-selling to customer retention. Significant cost savings are available too—because insurers taking this path can enhance operational efficiency, boost the returns on marketing investments, and reduce both claims leakage and fraud losses.
Overall, it’s an opportunity that’s simply too big to ignore. To realise it, UK insurers need to follow a rapid path to value, using data and analytics, coupled with human insight techniques, to create and deliver hyper-personalised experiences that will increase customer retention and growth.

Key elements of this approach include:

- Using AI to augment the capabilities of human insurance professionals, embedding this into the customer experience to provide the ‘human touch’ where it’s most needed and a relevant, personalised yet automated experience everywhere else;
- Combining rapidly-executed pilot programmes and other experiments with business and customer data, to create acquisition and retention approaches that are tailored to the individual customer; and
- Using insights and providing recommendations throughout the customer experience to win, grow and retain high-value customers.

By incorporating these elements and more into a comprehensive roadmap, insurers will be able to unlock previously untapped sources of value, while also building the strategic ability to optimise, scale and sustain advances such as new business models, new products and services, and more streamlined operations.
THE 3 STEPS IN THE PATH TO VALUE

As we highlighted earlier, the path to realise the value on offer consists of three steps. Here they are:

**Step 1: Prioritise**

Understand your organisation’s current capabilities (alongside the market and customer needs) to reinforce its data foundations, and apply insights to pinpoint and prioritise new sources of value. As Figure 4 shows, there are distinct elements in the Prioritise step—Identify Value, Seize Initial Opportunities, and Strengthen Foundations.

The elements in this step enable the business to bypass the limitations of legacy infrastructure and gain the flexibility needed to address evolving customer needs. This approach also starts to release value almost immediately, within weeks rather than months. And, critically, it puts in place key skills in areas such as data science, along with the technological capability and scalable platform required for rapid progress.

**Figure 4: Prioritise – The First Step in the Path to Value**

- **IDENTIFY VALUE**
  To get started, pinpoint value-creating actions and interventions across the value chain, ranging from initial web-based quote to customer renewal periods, and prioritise these based on their value and complexity to build a strategic roadmap.

- **SEIZE INITIAL OPPORTUNITIES**
  Then, focus on low-complexity initiatives with high potential value, such as optimising digital marketing by decoupling it from the legacy estate, or improving the sharing of information in the contact centre to improve collaboration. Successfully delivering a series of ‘no regrets’ projects like these releases value quickly and frees up capital for investment.

- **STRENGTHEN FOUNDATIONS**
  Finally, ensure the organisation is fully prepared for cultural and technical change by improving employees’ understanding of the operational environment—including both customer and colleague pain points—and building decoupled intelligent platforms.
After completing the Prioritise step, the organisation moves on to developing analytics models and solutions. This involves testing out business hypotheses through measurable experiments. The impact of these experiments is tracked against key performance indicators (KPIs) and by feeding machine learning models through iterative ‘closed-loop’ analytics.

A key element of the Experiment step is using data analytics to design the customer experience and adapting the way colleagues interact with customers to reflect these new experiences.

Figure 5 shows how the Experiment step tests hypotheses, gathers data and establishes cause-and-effect.

To undertake the Experiment step successfully, the insurer will need to establish analytics-specific, cloud-based platforms that enable rapid data ingestion, input and analysis. Self-organising teams with business-line owners ensure the focus stays on delivering business value. The overall objective throughout is to optimise the experience for the customer – and balance the customer’s needs with those of the business.
In this step, initiatives and solutions that have emerged as successful from the first two steps are optimised and scaled to deliver the greatest possible benefits. Some of these solutions can be embedded throughout the business to help foster cultural change and support the move to a customer-centric mindset. As Figure 6 illustrates, the Optimise step calls not only for scaling of successful initiatives but also for clear communication of the value created, with the results tracked and reported across the organisation.

Once the Optimise step is completed, the organisation should ensure it can sustain the changes, by establishing a data and analytics capability to enable interactions to be personalised across all channels.
CASE STUDY – UK GENERAL INSURANCE BROKER

Achieving profitable growth through data-driven marketing and enhanced journey experiences for customers and colleagues.

Challenge
Rising levels of customer churn, with most home (60 percent) and motor (70 percent) customers spending less than two years with their insurer before switching elsewhere.

Strategy
An end-to-end closed-loop solution, linking data analytics and insights iteratively to customer interactions.

Deployed analytics app into operations call centres

Ran tests across pricing, channel and retention

Applied prescriptive machine learning to estimate the individual treatment effect

Optimised the process through champion/challenger strategy

Delivered results and value at pace

Loaded data into customer timeline

Built customer lifetime value (CLTV) models

THIS TIME IT’S PERSONAL A HUMAN APPROACH TO PROFITABLE GROWTH FOR INSURERS
Value delivered

- Income uplift of 5 percent to 10 percent in less than 3 months, through improvements in retention, cross-sell and up-sell.
- Personalised inbound customer journeys and tailored outbound communications using intelligence on the ‘next best action’.
- Changes to ways of working through training, coaching and guided conversations.

Based on our experience, we have developed five principles to guide insurers on their path to profitable growth:

1. Gain C-suite support
   The ambition for profitable growth and data-driven transformation is a prerequisite for success and begins in the C-suite.

2. Perform as one team
   Build multi-organisational, multi-disciplinary teams that act as one, driven by mutual KPIs that align their interests.

3. Become storytellers
   Continuously tell the story to celebrate success and learn from failures. Open and transparent communications at all levels of the organisation promote the value of iterative learning.

4. Change ways of working
   The organisation will fully embrace change when time is invested in understanding colleague pain points and prioritising journey enhancements, especially when aligned with strategic objectives.

5. Provide continuous support for teams
   As you first pilot, scale and eventually embed change, provide designated change management and business readiness support for teams.
Accenture has extensive experience and expertise in helping UK insurers and brokers tackle the challenges raised by their customers’ changing needs in an increasingly disrupted environment. We work closely with a large ecosystem of technology partners to develop vendor-agnostic solutions tailored to each client’s specific needs.

To support our solutions, Accenture invests in the development of proprietary assets and accelerators—practical tools that help insurers develop a path to value. Figure 7 shows some examples available to insurers in the UK.
We bring experience, assets and lessons learned from successfully applying the three-step path to value with a number of insurers in the UK.

**Relevant and timely customer targeting**

Life Cloud is a life-event prediction model that uses social and external data sources to better understand customer needs and enable insurers to target new and existing customers in a more relevant and timely manner.

**Customer Data Architecture**

This asset is an ’over-the-top’ architecture that aims to increase digital marketing performance and efficiency by aggregating client-owned data with proprietary Google opt-in data to deliver better segment and audience insights. This enables an increased understanding of customer journeys and behaviour to improve target marketing and the efficiency of marketing investments.

**Personalised insights at the front line**

The Retain & Grow app has been designed and built to improve customer interactions and colleague experiences in the contact centre, by delivering personalised insights to the front line.

**Selection of individual treatments**

Our Contextual Treatment Selection machine learning algorithm, developed in partnership with the world-leading Massachusetts Institute of Technology (MIT), is used to predict outcomes and prescribe the next best individual action.

**Accelerating knowledge**

We have a comprehensive fact base that captures and combines market trends, competitor actions, and Accenture project experience and lessons learned about how to deliver a successful analytics project.

**Understanding potential customer interventions**

Our treatment backlog catalogues potential customer interventions—both proven and unproven—and experiences of value created across the insurance value chain.

**Enhancing ways of working**

We have documented ways of working across a data and analytics project, incorporating key roles from across business strategy, data science, platform, and change management.
CONCLUSION

As our research indicates—and our own experience across the insurance industry confirms—there is a huge opportunity available to those insurers that can make the transition to a Living Business: a new type of insurer with a highly adaptable, customer-centric approach and a willingness to try new operating models and new, data-driven product offerings.

Realising this opportunity requires sophisticated capabilities in data and technology and—above all—a mindset open to innovation, experimentation and change. Faced with rapidly evolving customer attitudes and near-certain disruption from digital competitors, no insurer can afford to stand still. Transformation is the only option—and the key question is not whether or when to change, but which growth opportunities to pursue without abandoning the core business.
References


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