Customers forcing insurers to challenge the status quo

BY ANDREW STARKE

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Andrew Hellard: From the outside, a lot of people question how insurance can be changing. It's still a fairly basic product but as we all know, it's changing very, very rapidly. As I go out globally and talk to people inside the industry, both in insurance and financial services as a whole, there are really three things I hear. The first one is digital transformation. The second is customer experience. The third is efficiency. And we're under an incredible amount of stress on the profit side with the low interest rates worldwide. So how can we transform our business when we have legacy processes, procedures and technology? As we look at some of the strategies people are taking worldwide, we see a move towards loss avoidance, as opposed to indemnification. Traditionally in insurance, something bad happens and then we take care of you. Your house burns down or you get in a car wreck, then we write you a cheque. Well, the big change we're starting to see with new devices is, how can we change your behaviour? How can we detect a risk before it turns into a loss? How can we create a good experience for the customer, taking advantage of these technologies, so that not only can we offer them a better experience and a better product, but how can we do it in a way that actually captures value and provides value back to the customer?

Andrew Jordan: Obviously trying to become more customer centric is something that everyone is focused on at the moment. Industry convergence is playing out. It's not just insurance, this is all categories, right? Everyone is trying to build out a greater customer experience to create relevancy with the customer. It's something we're quite focused on, to grow relevancy, and looking at that both in online and offline environments.

Nathalie Cartwright: At Suncorp we've definitely made a shift from value from our customers to value for our customers, and that value creation and value capture is definitely something we've been looking at more recently. As you know, Michael Cameron has been talking a lot about the market place and what that means but if the answer was simple, we'd all be doing it! So the fact that it's hard, the fact that we don't all have a simple response, means that it's the right way forward, because it's pushing us to think about things differently and really try and create that value for our customers.

Alvin Nand: From a QBE standpoint, we are very focused on the customer and giving the customer confidence to succeed. I guess we feel that data is quite important. Using data and analytics as a combination to have a better understanding of the customer, and as you alluded to, we're very much moving into the proactive side of business, which is about risk management as opposed to always focused on 'after the fact' and working with customers when a claim has happened.

So the direction, at least for our commercial insurance business, is very much moving towards more proactive risk management and partnering with the various broker networks that we have around the world.

Andrew Stabback: Pieter, does that resonate with your CBA experience as well?

Pieter Breytenbach: Yes. I'm from the claims area but for me, customer experience is about the whole experience end to end, and I think that's sometimes what we

proposition for the customer during that journey, when all they've got is a promise that got sold to them 20 years ago. These are the kinds of interesting factors we need to take into account.

Andrew Stabback: Isabella, you've worked across many industries and spent a lot of time in the financial services sector. Is what you're hearing today a typical response?

Isabella Villani: I'm hearing a lot of organisations talking about putting the customer at the centre of everything they do. I'm seeing a lot of forward-thinking companies thinking about: what do they know about their customers? Where they are in the lifecycle / life stage in the customer journey?

But there's another element around eliminating white noise. If you want to look at the retention of your customer base then you tend to talk about customer satisfaction. I wouldn't really worry about making sure they are satisfied. I'd just make sure that they find it really easy to do business with you. If you make it really easy for them, they are more likely to stay. You should also consider that they see your organisation as an entire entity, not as a claims department and a new business department and a retention team. So from their perspective, you are one entity. When you make it difficult - you need to send a form, sign it, print it, fax it back - for example, or you don't take ownership, that really annoys customers. They see you as one entity and there's the perception as well that insurers are "quick to take my money, but when I want to act on it, they make it really hard".

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> *Isabella Villani - Exceed Global - CX Expert, Strategist and Author*

Andrew Hellard: They do and I think it's important to make that point that no digital strategy or customer experience strategy is going to change the kind of company that you are. You are already very good at something or you wouldn't have been in business for as long as you have been. So what you have to consider - as we start to implement some of these strategies that we're talking about – is are we complementing what we already do well? Or are we trying to transform into a different kind of business? Now sometimes you do need to transform, but that's an organisational-wide sort of process. So what you need to focus on is: what am I trying to do? Am I trying to improve a process I'm working on now? Or am I trying to transform the entire organisation? Those are two very different conversations. In either case, we need to consider the things that Isabella is talking about. In some cases, customers don't want a lot more touch points. In other cases, they do. We need to take a step back and think about ultimately what our goal is and the steps we are taking in getting us closer to that goal. Or, once again, are we just trying to do something for the sake of doing something.

Andrew Stabback: David and Caroline, I might ask you to respond to Andy's point. Are we trying to change the company, or are we trying to streamline the customer experience, or is it a bit of both?

David Ralph: I think it's changing a bit of the culture, particularly in the claim space. As a life insurer, we've probably been guilty of being a little bit technical in the way we approach claims. The relationship is quite strange; you go from a usually passive relationship, where a lot of our customers don't even realise they are customers of ours. They will have insurance with us through their superannuation fund, and we'll never talk to them until they claim. So you go from completely passive to hugely emotional and trying to understand how you deal with those customers at that point in time is really key for us.

Caroline Ferris: The question is who is delivering the experience? We have a product that sits behind very different interfaces, and I'm really just talking about who they

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Andrew Stabback: Be interesting to hear from BT as well on some of those issues. Have you had any triggers from the conversation so far on the change programme you are going through?

Felicity Rowcliff-Dean: I think they're all very relevant, and the challenge we've got is how engaged are people going to be about their insurance? Of course, they're very engaged at claim time. We do research on what customers actually want and, to your point Isabelle, you've just sent something to them and they've actually cancelled it because you've reminded them. I'd really like to know what everyone is doing in terms of creating value for their customers from insurance. I think that is the challenge, how we as an insurance group better re-enforce the value to the customer and their life – when they may never use it.

Andrew Stabback: So what then do you do first? Where are your priorities, and what is the culture that you need to start taking on given that, in most cases, this is going to be a very significant transformation program?

David Ralph: I think the back-end and the technology world is a bit of a minefield. One area I was interested in with TAL is that they haven't jumped on the bandwagon of the last 10-15 years, in terms of the massive single warehouse, single view of customer, data-lake type world. I think a lot of organisations have gone down that path and I'm yet to see an organisation that's been completely successful. So for me, it was a good opportunity at TAL to learn from what had gone on in the past and understand how we play in the new space. I think it's important having the business

outcome for the customer. I think there's been a bit of change in that dynamic. It's also around trying to avoid the large-scale projects that take multiple years to deliver, because by the time you get to the end of that project - if you ever get there - there's already something better and faster and newer out there.

Nathalie Cartwright: There's a lot of work going on in terms of the digital opportunity, particularly around how we partner. As a traditional insurer, we're very slow in the way that we move and transform, so how do we leverage the partners that exist out there in the global market to potentially fill or optimise some of these gaps that we just can't manufacture ourselves? So that's a very exciting space for us at the moment. Ultimately, it's culture. We have to take this company on a journey. The other missing piece of the puzzle for me that I've seen time and time again is we need to make a decision and we need to stick to it. There are trade-offs but we can't continue to go away and start to divert because that's where I find we run into trouble. We say that we want one thing, and then in practice, we start to see all these little pockets cropping up, and all it does is distract us from the delivery.

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Andrew Stabback: Marjorie, how is AMP taking on these challenges? You've got some new products and some simplified life insurance product. How did that come about given that you're going through your own digital transformation programme?

Marjorie Potgieter: In the last 24 months, data aggregation has really been the key term for AMP and the banking arm. There are four key words we apply to both our digital customer value proposition and on the advice side as well: help that is expert,

we have also done a lot of segmentation. We all understand that different customer segments have different needs. Ultimately, it's the same financial goal, but how they get there in the end is quite different. So goals-based platforms is very much the area we're focussing on.

Andrew Stabback: How can the insurance sector compete with some of the huge customer-centric platforms like Amazon and Alibaba being built globally? How do you compete with big technology players and insurtechs at the same time?

Andrew Hellard: What we've started to see globally is not that these start-ups are going to displace traditional insurance companies, but rather that they are disassembling the value chain that we had inside insurance. So they are taking a piece of the value chain, whether it's distribution, marketing, product and they are focusing on just that piece. I've seen a response to that in a couple of different ways. Some are looking to be an expert on product, on claims, on operations, and they are going to use these insurtechs to focus on excellence in some other areas that they are not particularly good at. I've also other companies that are trying to bring in new talent, new experiences into the insurance organisation and build those things internally. Both of those are big challenges. I don't think we know which one of those is going to win out, but in terms of the platforms, those are the two major approaches I've seen organisations undertake.

Isabella Villani: Technology and these platforms should be an enabler. So we tend to look at what I call "shiny ball syndrome", that is everyone wants a shiny new thing and they are sold this euphoric state of completely integrated systems that work to deliver great CX. I often encourage clients to take a step back. You can't get great customer experience without a great employee experience, so that's a key foundation. Then it's your people, your process and technology. Get your foundations right. Work out what you are very good at. Look at what quick wins you've got and you can achieve. Whereas people tend to look for these big transformational pieces, you just get left behind or you'll lose your way and you'll

Tonia Berglund: It's about understanding what you're good at and understanding what you're not so great at, and outsourcing or partnering or white labelling. I know at Westpac, that's something that we did very consciously. We said, "You know what? We're just not good at this. So we're more than happy to outsource that." I think what happens in banking particularly is that they want to be everything to everyone. They end up being nothing to no-one. I think if you don't understand what your pathway is and stick to what you are good at, you end up in this convoluted, watery world. So I think from a platform perspective too, it's about understanding your strategy. I know we talk about customer experience, but we've got to make some hard decisions on: is it cost effective? Does it actually deliver tangible benefit to the organisation? We all have business cases we're trying to get through with projects, and we have to deliver on that too. So there's some hard trade-offs sometimes you have to make.

Pieter Breytenbach: A key word in all of this is segmentation. If you think about the product range you've got, and I'll talk about life insurance, which can actually be quite simplistic all the way through to very complex. When you look at a digital solution, it's not about trying to cover all of it at once. If you think about the customer experience again, how they acquired the product, which may have been really easy and simple and at claim time, you can actually service digitally. It becomes a different story when we have a complex product with a complex situation and, as an industry, we haven't been great at asking our customers about the claims experience. So if we're going to really get into developing what is customer centric, we really need to ask our customers' for feedback all the way through. If you're doing something for claims, talk to customers that have been through the claims experience. Don't shy away from it.

Edward Yeun: In pockets, we do ask customers for feedback when we have been successful in paying the claim, but as an industry what we can get better at understanding the end to end process from a customer's perspective. Focusing on improving the way we communicate to our customer set across the value chain. As an industry, we have an obligation to make sure that the customers are walking away knowing and understanding the decisions that have been made along the way.

business going and buying business insurance. Given I'm running a micro-business or small business down the road, there's a fair bit of learning I'm bringing to the business as an individual as well. I think you can learn from data and markets as opposed to touch the customer every single time. One of the things we're learning is that trying to get feedback at every single point in time is actually not as important as actually delivering the value proposition consistently.

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> *Pieter Breytenbach, Head of Claims Customer Service, Life Customer Solutions, CBA*

Andrew Stabback: So what are the core strengths that the insurance sector can build on to keep the customers they've got and also attract new customers?

Andrew Jordan: I suppose if you're going to partner for collaboration it has to be in line with your objectives. It brings us back to the purpose of the company. Also, understanding what you're actually partnering for. Making sure that you're not actually giving away your relationship with the customer through partnering. I think as an insurance industry we actually sit on a lot of rich assets that we probably don't necessarily recognise and we take for granted. We probably have more data than most and should be able to use that to affect change. We talk a lot about the customer but there's also the issue of under insurance or Australians with no insurance. That's how you can affect change in the community.

Pieter Breytenbach: We need to do the basics, so let's go back to basics. What I mean by that is make sure we are we capturing the right data, quality data, data that can be used. We need to collaborate better on data and what we're actually

do a lot more. I think our biggest challenge as an industry is the way products are being driven to add more components that don't add value to our end customer because that's the way they get sold.

David Ralph: What I am seeing is almost a generational shift in the last five years in terms of products that are coming through and the democratisation of information from a central provision out into the business. So the challenge we really face is how do you get IT out of the way of where the data exists and where the data needs to be. You should have a culture of having open access and only locking down information where you need to rather than opening up where you're asked to. You've got tools now that enable you to deliver information to the business in a way that they can ask questions rather than giving them an answer. That's transformative in terms of the way your business can ask questions, can make decisions, and make decisions with confidence that they'll get the right outcome.

Andrew Stabback: I might ask you Andy what you're seeing offshore and to wrap up the discussion.

Andrew Hellard: In my opinion, the single biggest problem that you have with data is not that you don't have enough of it, it's that you can't get at it and it's locked in too many systems. What we've seen a lot of people focused on is just democratising that data not only so that they can get it out but that they can make use of it. Not only to make internal decisions better, but to actually target and personalise messages out to the customer in a more effective way. The single view of the customer has been a huge topic for a number of years. What I've seen is that customers of ours have done that effectively and can access that data not only to make better underwriting decisions or better product decisions, but to craft a message to their customer in the right channel, at the right time. That's a really huge advantage over people that are still struggling with "where is my data happening?". Now I worked in insurance technology and technology management for a number of years so I recognise that's much easier to say than do, but that really is the key point with data: can I get at it and can I use it effectively.

problem in most insurance companies on the technology side.

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