The Missing Piece

INVOSYS

Insurance brokers: Boost sales and retention by putting customer experience at the heart of your processes.

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To protect market share and profitability from growing threats, new competitors, increased regulations, evolving customer expectations and digital disruption, insurance brokers and agents need to own more of the customer relationship and compete on service rather than price.

Summary

Even though the insurance broker and agent market is predicted to grow by up to 4% in revenues and 1.5% in number of players, there are growing business threats on the horizon.

To deal with these, leading brokers and pretenders alike need to adopt new technologies to implement more customer-centric strategies that enable them to own more of the customer relationship. In this report we analyse the threats and challenges the insurance sector is facing, and look at how leading players are addressing them by:

- Creating deeper relationships with customers by owning the important moments,

- Creating new products and revenue streams with added value advisory services,

- Making available a wider range of products from more providers,

- Streamlining the application and sales process to increase throughput

It is only using new digital technologies designed to manage customer interactions more effectively that brokers and agents will be able to achieve these objectives at scale and meet customers' expectations.

The Insurance Broker Market

In an age where companies of all sizes have any number of direct routes into customers' minds and – quite literally, via the smartphone – pockets, it is astonishing that the vast majority of insurance business still passes through brokers and agents.

This is despite decades of financial institutions courting customers directly first with postal and phone offers and recently with online and mobile products. Thirty years after the likes of Direct Line started the direct selling revolution in insurance, 72% of general insurance and 93% of commercial insurance is still sold through insurance brokers.

In the age of direct selling, why is the insurance market different?

From shoes to mortgages, furniture to holidays, we can find whatever we want and buy it almost instantly. In many cases we don't even have to look for it, as advanced, seemingly clairvoyant, algorithms predict what we want and put it right in front of us.

One of the promises of this new way of doing business was that markets would break down into smaller and smaller niches, and the playing field between small and large companies would be levelled. What we see instead in multiple markets is domination by a few large sellers: Amazon accounts for most of the online retail spend; there are only a few social media companies; YouTube is online video.

While more traditional and commoditised markets do still have a lot of competition – for example clothing, financial services, travel, tourism, utilities – we have seen the rise of digital intermediary platforms through which much of an industry's business gets channelled.

Platforms like Alibaba, Airbnb, Uber, and the various comparison websites all purport to bring together buyers and sellers. In some sectors these types of platforms have become so powerful that most businesses in the sector must use them.

This has happened in sector after sector but not, yet, to the insurance industry. Yes, it is possible to compare policies and prices on comparison sites, however most policies are still sold through brokers and agents.

For complex products we turn to experts

Despite Michael Gove's assertion that the public is "fed up of experts", the truth is that when it comes to their wallets and bottom line, both consumers and businesses like relying on experts to get the best deals.

This is particularly true when products are complex, and needs are not immediately apparent, as is often the case with insurance. It often takes an expert to understand what liabilities a company may be open to, and what combination of policies from which providers will give it the coverage it needs at the best price.

In markets where products are less complex, platforms such as comparison sites, or major players selling directly have replaced traditional intermediaries such as Independent Financial Advisors.

This traditional intermediary was generally an expert in their field who not only gave information but also advice and built personal relationships with their customers often face-to-face.

Rather than having your financial advisor pop round for tea, today you're more likely to see a product manager at your bank for any specific needs, or even just phone the contact centre.

So, it is important for insurance brokers and agents to remind themselves just why consumers and businesses use their services.

Broadly speaking, there are three reasons:

- Insurance needs and products are complex, and it is difficult for customers to understand their risks and legal obligations. Brokers minimise the risk of fraud and ensure customers understand what they're buying.

- Insurance brokers are independent and provide customers with impartial advice and access to a whole range of insurance products from different providers to best meet their needs.

- Brokers and agents also provide risk management consulting and other advisory services to their customers, helping them to not only minimise their liabilities but also the insurance premiums they need to pay.

The Business Challenges

While the figures currently look very strong for the insurance broker market, through interactions with our insurance broker clients and our own research, we see digital disruption bringing two major challenges to market share and profitability.

These are new competition brought about by digital disruption, and evolving customer expectations brought about by the proliferation of digital customer interaction channels.

Ever-multiplying competitors

Established insurance brokers and agents are facing increased competition from three areas:

- Other brokers as new entrants crowd into a still growing market,

- Disruptors like price comparison websites and web marketplaces, aggregators and platforms,

- Insurance companies and financial institutions selling directly to customers.

The growing threat of disintermediation

It doesn't take much to change a well-established market almost overnight. Just ask a taxi cab firm what a simple app has done to their business. The fact that nobody has come along and "Uberised" the insurance market is no guarantee that it won't happen.

Digital communications technologies are making it easier to provide on a mass scale the kind of personalised, advice-focussed service that is the broker's major USP.

The time is coming when some future advanced version of today's chatbots, fed with real-time data from a customer's bank account, credit card transactions, and online plus offline activities will be able to make more accurate risk assessments, access a wider portfolio of products, and provide better advice than a human insurance broker.

Whether customers interact with these AIs directly, or the technology is just used to inform the humans who interact with customers is besides the point; a lot of the added value experience and knowledge of insurance brokers will become systemised into algorithms that rely on extensive knowledge bases and data sets.

Rather than wait to be disrupted by a couple of smart Harvard drop-outs, insurance brokers should instead focus on disrupting themselves by starting down the path to inventing these new services now.

Commoditisation brings everyone down to the same level

At the same time as opening the market to new competition, digital disruption also plays a role in commoditising products and services. After all, if most players have access to roughly the same market and risk data, are selling to the same customers all of whom have similar problems, and are under the same regulatory regime, their products are likely to converge.

This can make it difficult for established companies with nothing new or exciting to bring to the table to stand out. Business as usual is always good enough for a time, until suddenly it isn't.

While established brokers and agents can play on the trust they have built up over the years with customers and can also count on simple inertia to stop their customers from leaving too quickly, without some means of differentiation it will become necessary to compete on price and erode margins.

Specialise, advise, and disrupt

Insurance brokers can differentiate themselves from their competitors (both new and old) by becoming specialists who focus on solving one or two (preferably big and important) problems for clients.

While this inevitably shrinks the size of the market they can sell to, positioning themselves as experts in a particular field can enable them to become a leader in that space and convert more prospects into customers.

While products might be getting more commoditised, individual customers' lives and businesses are getting more complex, which means there is a growing demand for expert advice.

Insurance brokers should be expanding their advisory and risk management services, along with the portfolio of insurance products they are able to offer, to be in a position to design personalised insurance solutions to meet clients' exact needs and budgets.

Delivering all the above through modern digital channels in a way that meets customers' evolving expectations of how they interact with companies is what we will look at next.

Keeping up with digital customers

In nearly all industries customer expectations are evolving as digital technologies have led them to be able to interact with companies in new ways which are generally faster, richer in information and more convenient.

Any company that is unable to meet these expectations is likely to see customer satisfaction and loyalty decline. Managers responsible for improving customer experience are often most concerned with making changes to front-end, customer-facing applications and services -

improving dashboards and self-service capabilities or opening new customer service channels via social media and chatbots. But this is only part of the story. Changes must be made across the organisation.

Brokers face several barriers to achieving this, including:

- Disjointed customer service capabilities across different channels,

- The incompatibility of legacy systems

- The siloing of product and customer data in different systems

- The difficulty of integrating with insurance company partners' systems

All of these can make it a challenge to control costs and ensure customer satisfaction. In addition, a lack of business agility, fragmented processes and complex infrastructure make it difficult to provide a seamless customer experience.

Technology can now allow brokers to offer new services and improve the efficiency of their current business models.

Insurance broker customer experience goals

A commitment to digital customer experience improvement does not mean simply adding a few new channels to the existing customer journey.

It means redesigning your customer journeys to be as efficient as possible, and then effectively reorganising your business, reimagining your processes, and rebuilding your technology infrastructure with the primary purpose of delivering those journeys.

The objectives of this fundamental reorganisation of the business should be to:

- Create new products and services that match the needs of highly targeted customer segments,

- Convert more of those prospects more quickly and efficiently,

- Create more regular touchpoints to build deeper relationships with customers,

- Ensure the experience of doing business with you (discovery, sales, claims, renewals) is as efficient and pleasurable as possible.

Own more of the customer relationship

For a broker who is essentially an intermediary between a final customer and a company providing a product, there is a danger of getting muscled out of the picture once the customer is on board. After all, if the broker is only involved during the sales process and then leaves the servicing of the customers to the provider, there are few opportunities to build a relationship.

The broker might come back into the picture to help with a claim if the customer makes one, but it's unlikely that the customer will hear from the broker again until renewal time.

The opportunity to act as a backstop in case the provider isn't doing its job, to be another channel to, for example make a claim in those cases, and to verify customers' satisfaction with the service they are getting, all offer new avenues of possibility for richer customer relationships.

With more data on customers and with more information about their needs and usage, upsell and cross-sell opportunities could also present themselves. Having visibility of this data would enable brokers to understand what actions they need to undertake to ensure they have the right portfolio of policies for their target markets.

Access to historical quotes would mean they don't have to restart a pitch every time they are in contact with the same prospect, which will cut down an otherwise time-consuming process.

How are insurance brokers doing with digital innovation?

Some recent research into digital innovation in the insurance broker market conducted by the British Insurance Brokers' Association (BIBA) makes for some very interesting reading.

What it suggests is that there exists ample opportunity for forward-thinking brokers to take a lead on the competition with even minimal smart investment in the right technology.
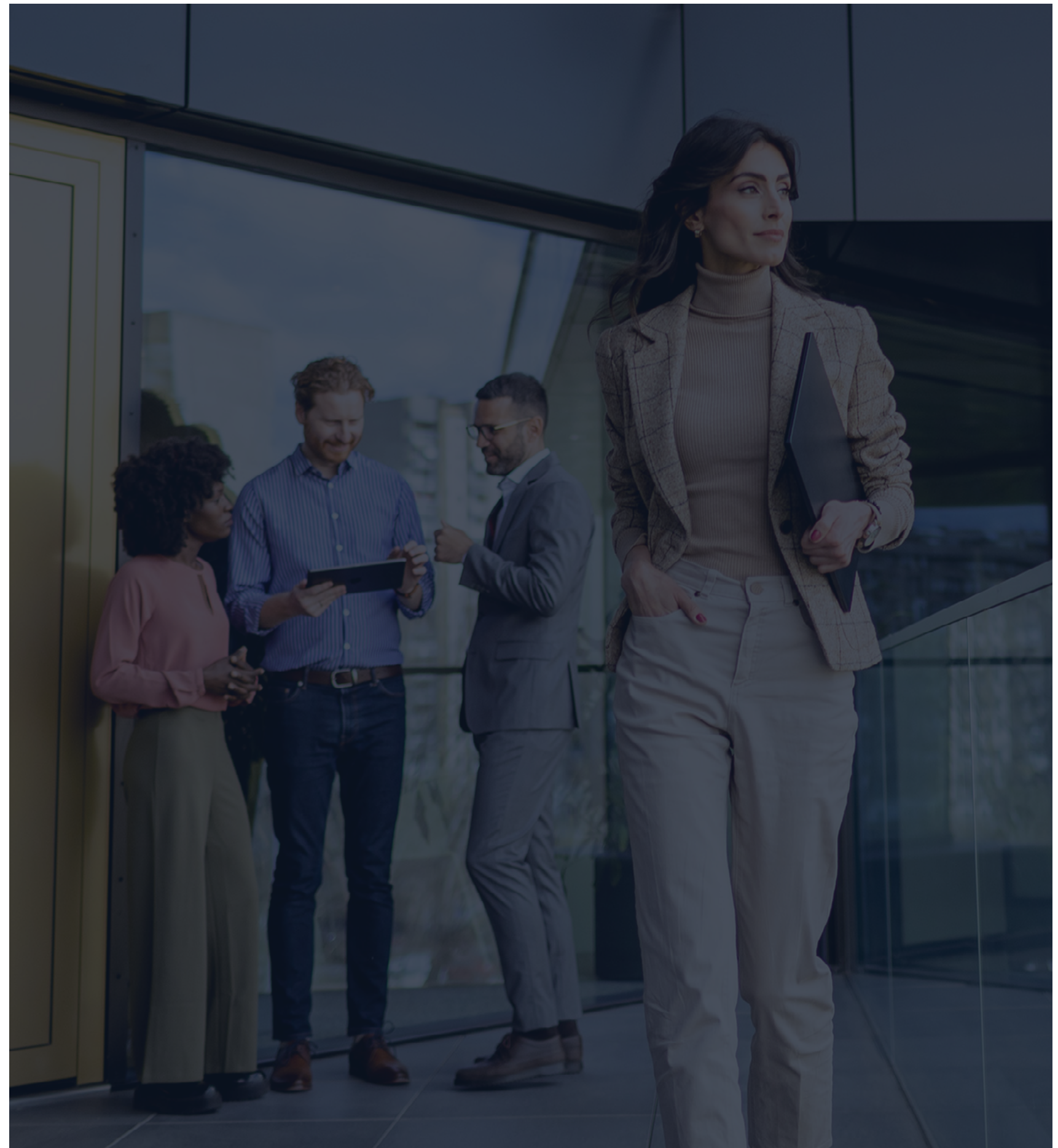
Reported in Insurance Age, the key figures are:

- 40% of brokers believe the sector has not embraced innovation very well

- 42% said the same thing about insurance companies

- 44% think software houses supplying the industry have not done enough to innovate

- 21% believed technology could help them have better customer interactions

- 77% said cost innovation was the main barrier

To us, these figures suggest an industry undecided on how – indeed in some cases, whether to – move forward.

In the next section we will look at the technology challenges insurance brokers are facing, and some possible solutions.

Technology Challenges

IT can be both a blessing and a curse depending on what you're currently getting out of it.

When it works, it's a source of innovation, agility, new revenue streams, richer data, and deeper customer relationships.

On the other hand, it can also be a huge time and cost sink, a cause of poor margins and customer attrition, and poor service.

As we have seen, insurance brokers and agents should be leveraging digital communications technologies to put customer experience at the heart of their businesses and deepen their relationships with customers.

This means investing in the technologies that enable customer-facing personnel to efficiently handle those meaningful interactions which define any customer relationship, specifically:

- Agent desktop and workflow software to provide agents with access to the data and systems they need when they need them

- Automation technology to make key repeatable processes – application processing, FNOL lodging – run efficiently and cost effectively

- Use of digital channels such as email, chat, and messaging, as well as self-service, to target and acquire new customers

- Analytics to understand the needs of customer segments, develop better product solutions, and improve the speed and accuracy of claims

For us and the insurance broker clients we work with, that means putting the customer-facing agent (or the automated systems with which customers interact) at the centre of the operation and building out from there.
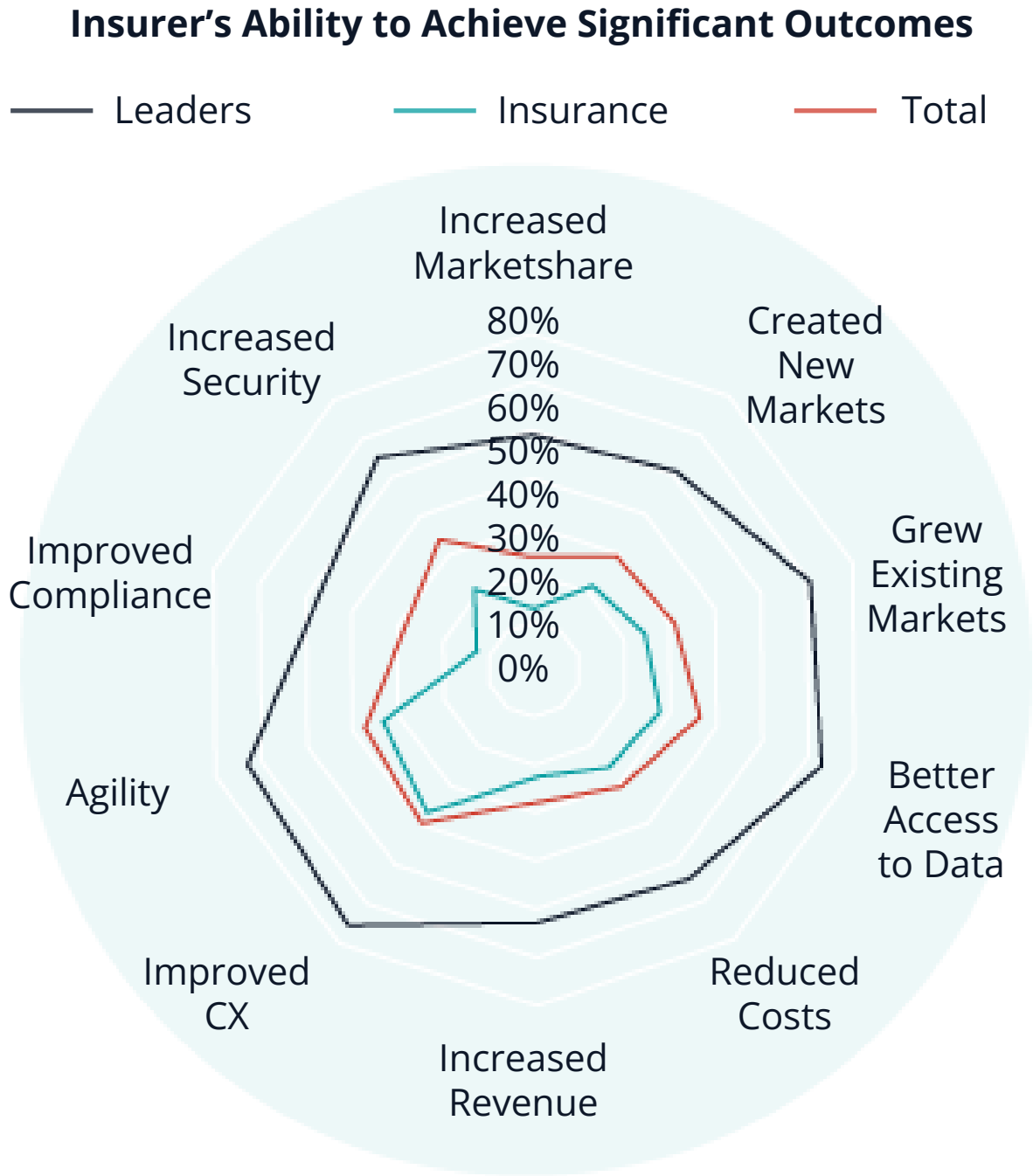
What is holding insurance brokers back?

Insurance broker CIOs are concerned with a lot more than customer interaction technology. Their primary objective, as always, is business as usual or 'keeping the lights on' which means making sure everything from the website to the phone system to the servers to the PCs on everyone's desks don't break down.

In addition, they are concerned with cyber security, reducing costs across the company's whole IT estate, and helping the various business units they work with use technology to be more efficient and cost-effective.

Only after those priorities are taken care of will CIOs be looking at how they can help the business use IT for product and service innovation, revenue generating activities, and insight from analytics.
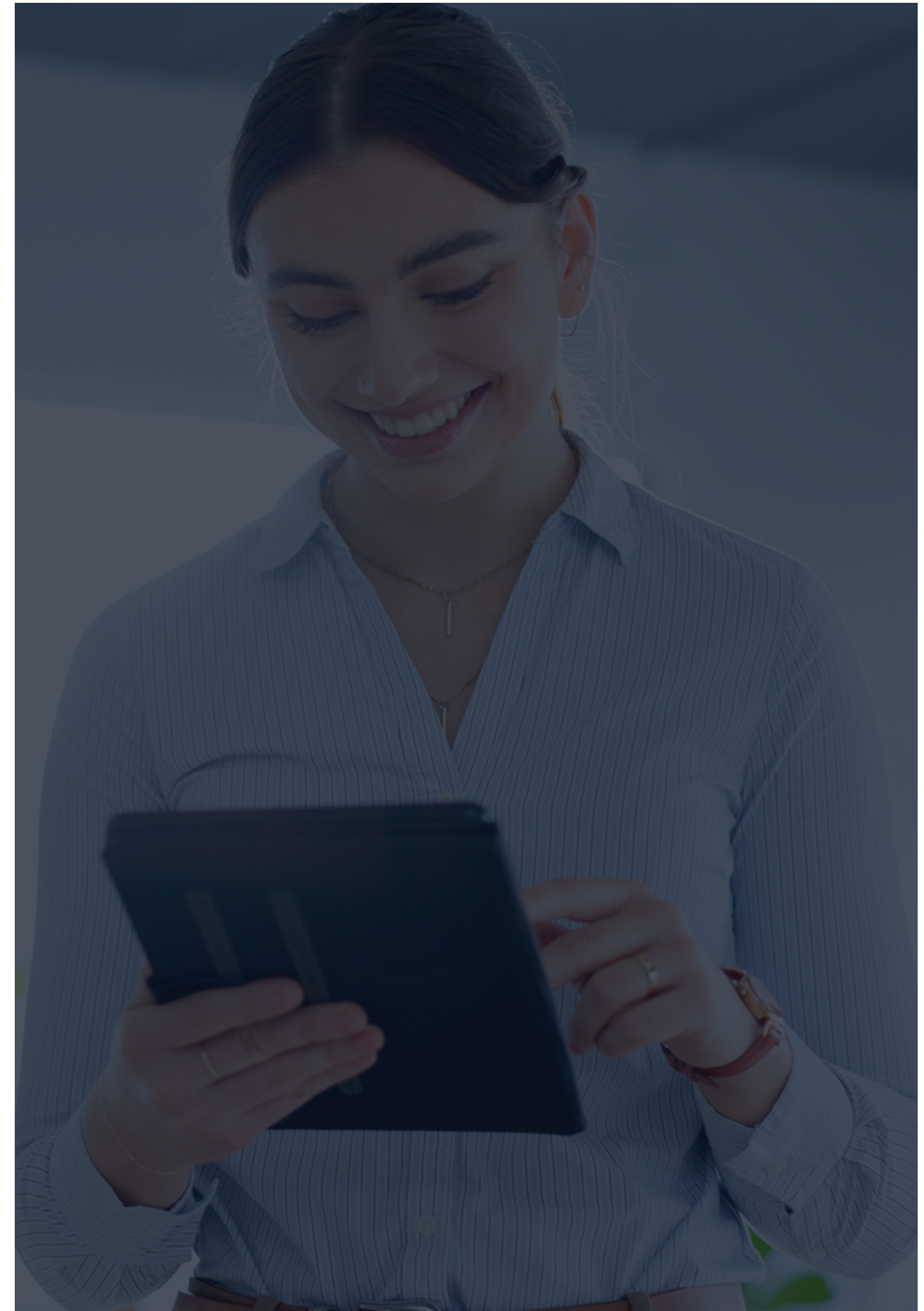
For example, only about 20% of insurance companies claim to be increasing market share or creating new markets with digital initiatives, and only 30% claim to be improving customer experience. Digital leaders (in all sectors, not just insurance) report significantly better outcomes.

Insurer's Ability to Achieve Significant Outcomes

Leaders — Insurance — Total

Radar chart axes: Increased Marketshare, Created New Markets, Grew Existing Markets, Better Access to Data, Reduced Costs, Increased Revenue, Improved CX, Agility, Improved Compliance, Increased Security. Scale 0% to 80%.

Reasons for failure

The most common causes of failure cited by the insurance companies in the EXL report were around culture and internal resources. Either there was insufficient buy-in from senior management, failure to communicate objectives and priorities to the front line, or too many internal siloes or a lack of skills and expertise.

Issues around legacy technology and data access and usability scored much lower on the scale, which suggests that at least for the insurance companies surveyed it's not IT itself that is the problem but the way the company organises itself and operates.

This suggests that the type of technology investments that might fix the issues are more to do with helping the company's people and processes work more effectively than with deploying cutting-edge digital channels.

Placing digital customer experience at the centre of business

Most insurance brokers and agents use a combination of proprietary software; off-the-shelf insurance broker software for managing quotes, claims and policies; and other off-the-shelf or legacy software for CRM, marketing, invoicing and other back office processes.

Adding digital channels – in a seamless manner that eliminates data and process siloes – adds another layer of complexity to this picture. However, by far the most difficult part of being able to leverage all this technology across the business is getting it all to work together.

Integration is what delivers the digital customer experience

The real key to unlocking all the benefits of the digital customer experience revolution is that everything must appear seamless from the customer's point of view. In a multichannel or omni-channel environment this means that when a customer switches channels – say from self-service to chat to phone – they should not have to repeat themselves or be transferred between departments or find that certain products and services are unavailable.

The ability to take a process – generating a custom quote for example – which has to run through numerous customer-facing, back office, and partner integrated systems and have it run seamlessly, is not just a boon for customer experience, it is also a great cost saver.

At the heart of it all sits the agent desktop and workflow

If one of the major issues with delivering digital customer experience is that frontline personnel are unable to do it, then the fault must partly lie with the systems they are given to do their jobs.

Ultimately all processes the company has in place are delivered by staff or automated system, and whichever is the case, each process should be capable of being systemised in a workflow.

For human agents, the place to bring together all the data and systems they are going to access is in their desktop application, which provides them with a single user interface for almost anything they need to be able to do.

The ideal insurance broker digital customer experience environment.

All applications used in fulfilling the broker's various business processes are integrated with the agent desktop and workflow software. This means that, using a single interface, agents are able to do the following and more:

- **Generate quotes** – manage documentation

- **Follow up and close sales** – appointment setting, cold calling, CRM

- **Manage the onboarding process** – document submission and sign off

- **Manage customer relationships** – CRM, customer history

- **Upsell and renewals** – CRM, customer history

The desktop, workflow and CRM systems we have built for insurance broker clients bring together a range of modules –

including billing, supply, usage and meter, faults, along with historical customer records – so that all data relating to a given customer is accessible from a central user interface.

The use of workflow tools as a front-end ensures that any process can be carried out quickly and easily just by following on-screen prompts. Whatever data is needed for that task is pulled from whichever database or system stores it and presented to the staff member on screen.

The ability to give customer-facing personnel a single user interface for accessing data and workflow processes has a huge pay off in terms of time and efficiency. As there is no longer any need to log into multiple systems, each of which must be learned, and look up and find information, it speeds up customer interactions and even facilitates cross-sales and up-sales as the agent has a full view of the customer.

Ideally the system should be able to share information with insurance companies' CRM, policy, claims and billing systems to give an independent record of each customer's service issues, if any. Although there would likely be restrictions placed on what could be accessed, very few of these limitations need come from the software itself. Modern software, whether on-premise, hosted, or cloud can make API calls to other modern systems to fetch and send almost any data that can be stored in a database.

SALES & CRM

CRM databases, email marketing, outbound dialling management

DIGITAL CHANNELS

CTI, telephony, social media, chat, messaging, self-service

RISK SERVICES

crime databases, credit checks, electoral roll, maps, vehicle lookups, flood databases

AGENT DESKTOP / WORKFLOW

BACK OFFICE APPS

central database, accounting, BI, insurance software, applications and contracts

AGGREGATORS

compare policies & prices

INSURANCE COMPANIES

quote generator, policy documents, FNOL lodging, claims management, reporting / bordereaux

Invosys's Insurance Broker Solutions

Using our proprietary desktop, workflow, CRM, analytics and telephony solutions, Invosys CCS builds bespoke systems for contact centre, customer service, sales and back office teams.

In the financial and insurance sector, we have worked with Union Insurance, Post Office Life, Sainsbury's Bank and AIG, to name a few. We have an end-to-end Insurance Broker agent desktop and workflow solution that allows brokers to quote, facilitate, manage and deliver a more transparent service to their customers from one end of the lifecycle to the other.

Our solutions are:

- **Bespoke**: custom built using our platform to meet your exact business needs

- **Integrated**: with your legacy systems, suppliers' systems and databases, pricing platforms, etc.

- **Scalable**: we can deploy on-premise or in a hosted environment and you can increase or reduce capacity at will

- **Flexibly priced**: we have several payment options including capex and opex, and even a 100% risk-free pay-as-you-go model

- **Tested**: we have been building software for contact centres for decades and our workflow is even trusted in 911 emergency centres

To arrange a demo of our Insurance Broker solution, and discuss how we can adapt it to your needs, please get in touch.

✉ sales@invosys.com

📞 0161 444 3333

🌐 invosys.com

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