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The New Customer Service Model in Insurance

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The Value of End-to-End Customer Service

Think about the following important objectives in managing an insurance business: increasing sales, managing expenses, enhancing customer service, and reducing loss costs. Which is the most challenging in terms of setting goals and measuring success? If you answered "customer service," you'd be on the right track. All of the others involve specific metrics that can be easily quantified to indicate the health of the business. For example, the expense ratio provides an instant picture of how well or how poorly an insurer is managing overhead costs. Sales volumes are easily measured in terms of units and premium volume. On the other hand, customer service is more difficult to quantify. Many would say that the financial impact that improved customer service has on an organization cannot be translated directly into dollars. Is that truth or myth?

Most insurers understand that positive and negative customer experiences have a direct impact on several, if not all, parts of their business — among them sales, underwriting profitability, and claims. A leading annual study of insurance customer satisfaction in the U.S. consistently ranks USAA and Amica as the top companies for customer service. Not surprisingly, both are recognized leaders with strong financial results[1]. Many insurers are able to calculate a direct relationship between customer satisfaction ratings, retention, and ultimately, profitability. While all elements of an insurer's strategy are important, a strong case can be made that exemplary customer service is the most pervasive and meaningful component of all.

Business drivers for a unified organization

The question insurers should be asking is, "How can I best achieve great customer service?" Some insurers are able to achieve excellence in one line of business or in one functional area such as their agent channel, billing, or claims. But, very few insurers have been able to deliver highly effective customer service across the organization. In fact, very few insurers have been able to unify (across their entire business) the communications that take place between their organization and policyholders.

The business implications of consistent, timely, effective communications are indeed impressive. The potential for a profound impact on the bottom line presents a weighty reason for insurers to look seriously at finding a way to develop a truly unified organization. Business drivers include the following high-impact factors:

- **Retention** – Small increases in the retention ratio yield large increases in profitability. Customers stay with insurers when they are satisfied, and customer service is the largest contributing element in the customer satisfaction equation. In a recent study, only 28% of the customer satisfaction score was related to price, while the rest related directly to components of customer service[2].
- **Cross/up-sell** – Adding new coverage to an existing policy or selling additional products to an existing customer is typically highly profitable and further

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[1] JD Power and Associates. (2010). 2010 National Auto Insurance Study, and 2010 National Homeowners Insurance Study.
[2] JD Power and Associates. (2010). 2010 U.S. Insurance Shopping Study.

cements customer loyalty. A unified approach to the customer opens the door to more opportunities to up-sell and cross-sell with an increased rate of success.

- **Claims efficiency and effectiveness** – Rapid settlement of claims has been shown to decrease payouts and increase adjuster productivity. The claims handling process typically involves many different customer service transactions with multiple insurance company employees, agents, and third parties. Acting in concert means better customer service and improved efficiency and effectiveness.

- **Market opportunities** – Spotting new market opportunities is one thing — executing them rapidly is quite another. Insurers often find it difficult to enter a new market, launch a new product, or support sales through a new channel because they cannot bring customer service capabilities online in a timely manner. A unified customer service capability readies the organization to capitalize on burgeoning opportunities.

These business drivers have one thing in common. They all require that multiple parts of the enterprise interact with customers in a seamless way in order to provide timely and accurate information and service. This means that insurers need to be able to take an outside-in view of their organization, thinking of all interactions from the customer's viewpoint. To accomplish this, insurers must consciously build a unified organization.

Realities of customer service today
Today, most insurers are unable to support seamless customer sales and service communications across the enterprise — they simply do not have the business and technology capabilities in place to enable that level of service. The typical customer service delivery environment in most insurance companies is depicted in Figure 1.
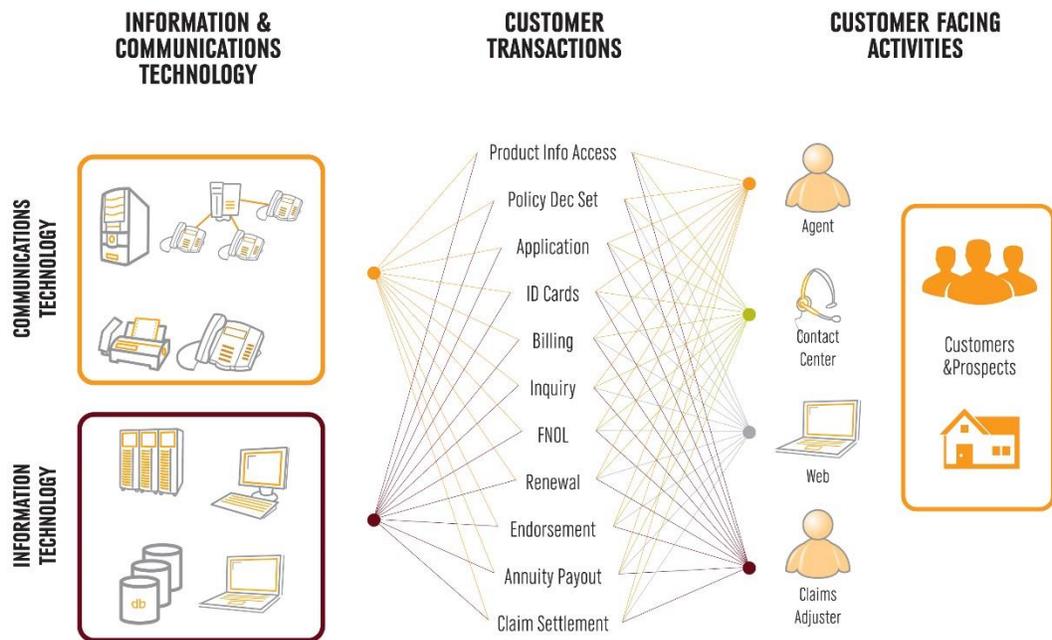
Figure 1: Today's customer service delivery

Customers connect through many types of devices to many channels in order to conduct a wide variety of insurance transactions. Most frequently, insurance prospects and customers interact with insurers via agents, call centers, claim adjusters, or directly via the web. Some commercial customers might also interact directly with underwriters and loss control specialists. The primary challenge for insurers is coordination of the multiple channels involved in customer communications. In this complex environment, it is not always easy to make certain that the information resulting from a transaction initiated via one channel is available to another channel or area of the business in a timely manner.

The Unified Solutions Imperative

Current infrastructure realities in insurance
The business transactions described in this paper, and in many others, are all serviced through the technology infrastructure that the insurance company has in place. This infrastructure typically consists of multiple siloed systems that rarely operate in concert. Legacy systems and databases supporting distribution, underwriting, policy administration, and claims are distinct and are often loosely connected. In addition, the communications technology and information technology worlds tend to be separate islands, with one exception — in the confines of the contact center. Within the contact center environment, computer-telephony integration (CTI) has been evolving for many years, enabling tight linkage between the voice and data worlds. Once outside the walls of the contact center, though, the systems and the management of voice-based communications and data-based information technology are completely separate. The result is a complex network of connections that are not well integrated — and an environment that generates customer frustration, a perception of wasted time, and a negative view of the insurance company.

Enabling integration and workflow
Proactive insurers are leading the way with coordinated, multichannel sales and service, with up-to-the-second information and warm transfers. The unified solutions that enable this capability are rapidly becoming an imperative for insurers that seek a competitive advantage. Two main technology attributes are required to achieve this: full integration of technology across the enterprise, and advanced workflow.

Integration challenges and solutions
Systems integration sounds deceptively simple. As one would expect, the systems for sales, underwriting, policy servicing, billing, and claims should all be linked together. They all share information and should work in unison to support customers and more effectively manage the overall needs of the insurance business. Typically, the reality is that these systems were implemented at different points in time. They were developed to support the most pressing business needs, and used the technology platforms currently in vogue. The original version of the personal lines auto policy administration may have been installed in 1975 as a custom-built solution on a mainframe, while the homeowners policy systems was implemented in 1998 on a Linux platform. A claims system to support auto and homeowners alike might have been implemented just last year — managed in BPO mode by a business partner. This

scenario is not uncommon. It is exactly this hodgepodge of solutions and approaches that make it such a challenge to achieve effective integration and information flow between systems.

In spite of the challenges, some leading insurers have been highly successful at tight integration, and automatic, timely information flows across the enterprise. A few have accomplished this feat by installing new integrated software suites based on modern architectures. Others have achieved good integration through a disciplined development approach based on a service oriented architecture (SOA).

Ultimately it doesn't matter if an insurer is working with existing systems or installing a new suite of core systems that offer some degree of built-in integration. The imperative is to end up with an infrastructure that's flexible and customizable, and that does not require long cycles for setup, handling changes, or accommodating new lines of business. As the business environment changes, insurers must be able to respond. They must be able to make changes in their internal infrastructures and, most importantly, in their outward facing presentation to customers — and must be able to do it in a timely manner.

Historically, insurers built integrations directly between individual systems. As the number of systems increased to support multiple products, channels and capabilities, the number of integrations increased exponentially. Building and maintaining each individual connection became a hindrance to executing important business strategies.

Given this reality, the best way to manage connectivity and integration issues is to deploy a connection-savvy infrastructure. The infrastructure must reach into a wide variety of policy, billing, and claims systems. It must support aggregation of information for use in a variety of presentation formats depending on the particular needs of the customer, agent, or carrier. This connection-savvy infrastructure treats each connection in small, easy to maintain, and discrete components. Old and new systems can be readily accommodated. New lines of business can be added when appropriate. A new synergy between business and IT can be initiated, leading to innovation, especially in customer service delivery.

A multi-faceted, full featured, fulfilling customer experience
Another related dimension to integration is the linkage between voice and data applications. Technology solutions in the marketplace have grown increasingly sophisticated in their ability to connect voice and data applications and to support transactions that include both types of information content.

The current level of service in other industries has shown customers that faster responses, more ways to get information and more personalized care is not only possible but also desirable. Just as insurance companies are looking for more channels to sell their products through to reach untapped markets, customers are looking for increased channels to get the service they want.

Advanced workflow solutions

Characterized by a stream of interactions with customers over time, insurance is different from many other industries. Other industries, such as retail, may have a single, simple transaction with a customer and never hear from them again. In the insurance industry, a distinct business transaction often takes place over a period of days, weeks, or months. During the processing of this business transaction (such as new business, an endorsement, or a claim), information is passed to different automated systems and used by multiple insurance company representatives such as agents, underwriters, and customer service reps.

In this environment, advanced workflow management systems are mandatory. The underlying integration of the systems must be in place, but it is the workflow system that ensures information flows to the right person, at the right time, in the right format.

Figure 2 shows a unified solutions environment to support integrated customer service. This diagram illustrates the concepts of integration between communications and IT, integration with core systems, and advanced workflow for customer transactions.
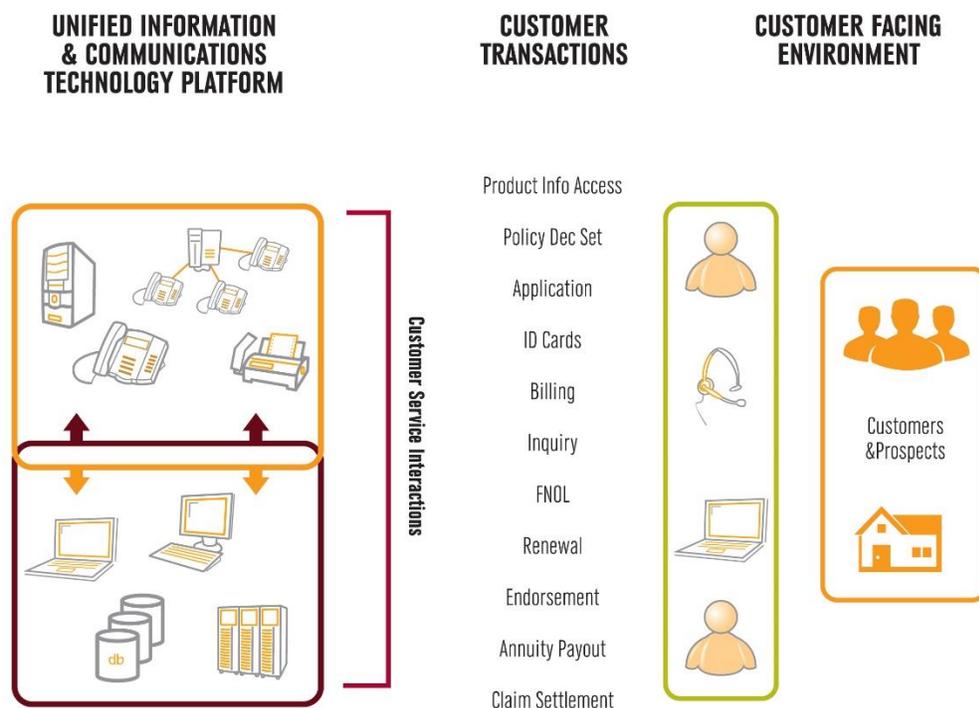

Figure 2: Customer service delivery – unified solutions

Policyholders do not think about integration, but they do expect the interactions and information exchanges with their insurer to be timely and accurate. If a policyholder has made a payment online or via an SMS text message, and follow with a call to their agent or customer service rep, they expect the information about that payment to be immediately available. An advanced communications system could dynamically change the menu of the phone IVR system, so that a customer calling after making a payment is asked if they have a question related to the recent payment. In addition, if the call were transferred to an agent, all the current policy, payment, and claims information would appear on his or her screen.

Flexible Delivery Options

Delivery options and approaches

Insurers are looking for real financial, technical, and operational flexibility — the kind that will give them significantly improved agility and the ability to respond to the uncertain environment and future opportunities. Fortunately, options for delivering top-notch customer service have evolved, making it possible for insurers to achieve more flexibility. Those insurance companies that have already achieved a unified solutions environment are afforded more opportunities to deploy some of the newer delivery options. In terms of their approaches to building and maintaining a set of unified technology solutions to support integrated customer service, insurers thus have two fundamental decisions to make. The first decision is whether to use a best-of-breed or an integrated suite approach to developing their technology infrastructure. The second inter-related decision concerns what portion of the infrastructure is managed on-premises and what portion is managed offsite via a hosted model, using Software as a Service (SaaS) and Communications as a Service (CaaS) approaches.

Best-of-breed vs. integrated solution approaches

While a few large insurers custom build all their IT solutions, most insurers leverage the offerings available through IT solution providers in the marketplace. A debate has existed in the industry for the last decade about whether to select a provider with a broad set of integrated offerings, or whether it's better to select the best provider for each specific functional capability and then work to integrate those systems. Best-of-breed has been a preferred approach by many insurers since the early 2000s, since it enables each department or business area to select the technology solutions that best address their specific business capabilities. The downside of this approach is the difficulty in creating an enterprise view, the significant, skilled resources required for creating the initial integrations and the increasing overhead to maintain the environment as changes occur. Even so, the pure best-of-breed approach is right for insurers who have specific business needs, resources, and the talent to successfully implement and manage the required integration and multiple vendor relationships.

In recent years, the integrated solution approach has increased in popularity. This approach provides a broad set of pre-integrated features, eliminates the need for duplicate data entry, and results in simpler maintenance and lower overhead. Selected IT solution providers now have capabilities across the full breadth of the communications and IT spectrum, as well as capabilities that enable advanced workflow and integrated customer services across the enterprise.

On-premises and SaaS/CaaS delivery models

Advances in technology now enable the delivery of most IT and communications services from remote locations, with the SaaS model recently garnering significant press attention and gaining traction in the marketplace. In addition to SaaS, some providers are now offering communications capabilities via the same model labeled as CaaS, Communications as a Service, with the same level of security and predictability provided by on-premises solutions.

Decisions about delivery options do not have to be binary. Insurers are not obligated to choose one or the other. While some insurers may opt for an environment with 100% of the technology infrastructure on-premises and others may choose a 100% hosted environment, many insurers will prefer a combination of the two.

As insurers seek to reach out to new markets or deliver new services, CaaS and SaaS offer them the flexibility and integration to test out and refine products, offerings, and channels with much less exposure than before. With the right level of communication, even outsourcing product development and management might be a viable option, allowing new options for expansion and partnership.

Role of New Models in Enabling Transition

The real value of establishing an integrated environment and leveraging new delivery models resides in the resulting flexibility that enables insurers to significantly improve their ability to address future business challenges and opportunities. Figure 3 illustrates that insurers have the option to move in either direction — pulling more of their information and communications infrastructure back in-house, or scaling back on their on-premises capabilities with a move to a hosted model. In addition, those choices can be dynamic, enabling insurers to shift the balance of on-premises and hosted capabilities to meet the demands of a changing marketplace and evolving business strategies. Choice leads to the opportunity for enhanced profitability and service.
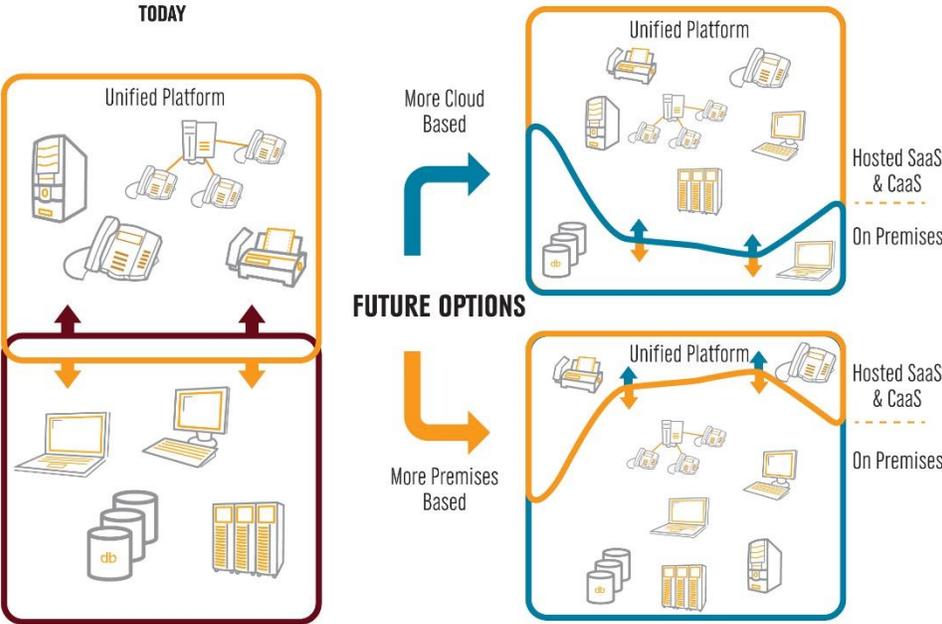

Figure 3: Flexible transition examples

Financial and operational flexibility

In the past, insurers were reluctant to move to a more dynamic, off-premises delivery model because of concerns about the security and privacy of customer data and the predictability of service delivery. Today, the primary factors that guide the mix of delivery modes for a specific company can be more business oriented than technology oriented. Advances in network bandwidth, computing speeds, virtualization software, security, and other technologies enable providers to offer solutions that allow insurers to make their decisions based on financial and operational considerations.

Financial considerations

Building and maintaining a technology environment that is able to fully support the needs of customer service requires a major investment for most insurers. Usually, significant capital is required up-front for on-premises solutions, during the "build" phase, even though no services are yet available for use. Partnering with a provider of SaaS/CaaS-based solutions can mitigate the initial capital outflow, smooth out the costs over time, and calibrate the actual expenses for customer service to fluctuating business volumes.

Operational considerations

For insurers, the pressure for increased speed and flexibility is relentless. The ability to rapidly scale up or scale down the customer service technology infrastructure offers significant advantages. Insurers face a multitude of operational challenges that determine how well they are able to support their business strategies. Examples include acquiring a new book of business, deciding to close a book and run-off business in a certain state, distributing products through a new channel, handling a huge spike in claims resulting from a catastrophic event, and responding to a flood of calls from a marketing promotion. All of these and many more require fast, reliable, scalable capabilities for integrated customer service — across the contact center, agent locations, claims branches, print/mailroom centers, and other departments.

The New Customer Service Model

Bringing it all together for customer service excellence

The considerations and decisions around integrating solutions, enabling advanced workflows, and choosing from multiple delivery options are very important for insurers. Insurers that are able to bring it all together for excellence are able to route call, email, social media, SMS, chat, fax, and callback communications to the appropriately skilled resource. They should also provide flexible scripts, integrate readily with web services or external APIs for custom applications, deploy post-call questionnaires with a wizard-driven configuration, and manage the workforce with sophisticated forecasting, scheduling, and real-time adherence. Customer service applications are easily integrated with core systems and commonly used CRM/customer contact systems such as Salesforce and Microsoft Dynamics CRM.

Customer service excellence is dependent on the full integration of technology across the enterprise and advanced workflows. Of course, technology alone does not make excellent customer service — the people and culture of an organization play a vital role. But, one thing is certain. Without a unified platform and the integration of technology across the enterprise, it is virtually impossible to deliver the level of customer service that makes one insurance company more appealing than the others.

Although it might be difficult to put a number on the value of a full-function customer service platform, it's clear that the value for insurers is significant. The winners over the next decade will be those who have agile platforms to support rapid expansion, contraction, or adjustment to the business.

Recommendations for Insurers

Insurers have a tremendous opportunity in front of them — the opportunity to win with customer service and to capitalize on customer loyalty as a differentiator. Although not always fully quantifiable, everyone understands what the difference is between individual attention and being treated as "just another customer." Even when a company makes a mistake, it's their response and actions afterwards that define them. It is earning trusted advisor status, not just the lowest cost vendor on a web site search site.

Some insurers have already started down the path, but few have arrived at the level of customer service they ultimately desire. The business continues to change and requires a constant evolution in the technology infrastructure underpinning the business. Insurers should take the following actions to enhance their customer service technology:

- **Assess current communications and IT platforms**
  - Are communications managed separately?
  - Are voice and data integrated beyond the contact center?
  - How many different vendors are involved in your systems?
- **Identify key customer service transactions**
  - Are multiple individuals involved in servicing the request?
  - What transactions cross department boundaries?
  - Do multiple systems and databases need to be accessed to provide a response?
  - Do workflow systems facilitate timely and accurate servicing of transactions?
- **Evaluate solution providers that offer integrated solutions**
  - Do your current providers offer integration of communications and IT solutions?
  - What solution provides the best opportunity to integrate workflows across the enterprise?
  - Do your solution providers and those you might consider offer flexible delivery models — on-premises and SaaS/CaaS?

- **Build a roadmap to world-class customer service**
    - Do you have a future state defined for your customer service environment — complete with specific objectives and goals?
    - Do you have an achievable, affordable plan to move toward that future state?
    - Have you identified the strategic partner(s) that will enable you to make a successful journey to the desired future state?

Every insurer wants to provide customers with excellent customer service. Mapping out the objectives and goals to a world-class environment is not difficult. The differentiator is the ability to execute — especially in unifying solutions for managing interactions with core business systems across the enterprise. This enables insurers to take advantage of growth opportunities, streamline operations, reduce costs, increase agent productivity, and provide excellent customer service.

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Interactive Intelligence offers integrated contact center, content management, and business process automation solutions that increase customer service and satisfaction. With the ability to integrate with existing administration systems, the company's standards-based all-in-one communications software suite eliminates the cost and complexity of multiple systems and provides a single view of all customer interactions across your organization. Almost 200 insurance companies and over 6,000 organizations worldwide back the company's open, standards-based, all-in-one IP communications software suite which can be deployed as an on-premises or cloud-based solution that improves agent and policyholder service.

The Author
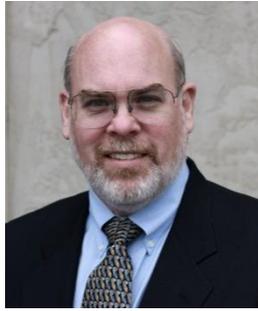
Mark Breading, a Partner at SMA, has more than 28 years of insurance and information technology experience in a variety of leadership roles. He has had both technical and business roles in sales, consulting, marketing, and business strategy, including roles as IBM's Global Insurance Strategist, Global Insurance Marketing Leader, and Director of Global Executive Conferences for insurance and banking. In these roles, he has advised C-level executives around the world.

Strategic account planning and partnership strategies are two specialty areas for Mark. He developed and implemented a methodology for strategic account planning for IT solution providers to increase penetration in key accounts. Mark has also led the development of joint partner strategies for insurance IT solution providers.

In addition, Mark founded Strategy & Marketing LLC, a firm providing strategic consulting services to the insurance, banking, and information technology industries. As an independent consultant, he has advised IT companies serving the insurance industry.

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