



Holistic Customer Communications Management:

Building Profitable Relationships in Insurance

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Table of Contents

Executive Summary 3

Insurance Landscape..... 3

Role of CCM 5

Relationship to CRM 6

Required Technology Capabilities 7

Insurance Vignettes..... 8

Capability Area Vignettes 8

Holistic (Cross-Enterprise) Vignette 10

Conclusion 11

About SMA: Strategy Meets Action 12

About Interactive Intelligence, Inc. 12

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Executive Summary

Insurers in today's challenging economic environment are focusing on growth through existing products, lines, channels, and geographic areas. A better understanding of customer needs and improved customer service increases sales and improves retention rates, which drives profitable growth. Customer communications management (CCM) plays a critical role in maximizing every customer interaction to capture more information about customer needs, make timely offers, and enhance customer service.

SMA believes that CCM is most valuable when considered holistically as the integration of all forms of communication and all types of information across the enterprise. A comprehensive CCM vision is essential in today's ever-changing landscape with the advent of new customer demands, shifting demographics, and the expansion of the various devices and channels that policyholders, agents, and third-party partners use to interact with insurers. Insurers should choose an approach that creates seamless flows of information from all voice and data communications, generating both structured and unstructured data, via a wide range of channels. Such an approach is essential for selling, servicing, and ultimately driving growth through new business and retention.

CCM is already providing significant value and good ROI to insurers for specific customer interactions in specific parts of the business. Insurers that can implement an integrated CCM approach across the enterprise will gain a competitive advantage through a more complete understanding of their customers and the ability to capitalize on interactions in real-time.

Insurance Landscape

The global economic downturn has resulted in a soft market, volatile investment returns, and a tempering of demand from customers. In addition, new risks have been introduced and governments are bent on increasing regulatory oversight of the industry. Fortunately, the insurance industry is relatively stable and resilient — most insurers have been managing reasonably well through this crisis period. Many insurers are anticipating the eventual upturn and have been positioning to ride the wave of recovery. In a recent SMA survey, 58% of property and casualty insurers in North America were positioning for growth or transforming their business.

Most insurers are focused on organic growth through existing lines, products, channels, and geographic areas. Successful market penetration strategies require companies to increase cross-selling and up-selling and to improve retention rates. On the sales side, insurers must continue to better understand customer needs, develop flexible products to address those needs, and be savvy enough to offer the right product at the right time and the right price. Retention is driven by excellent customer service (including timely and fair claims service) and a perception of value; that is, the premium related to the coverage in the context of competition.

The ability to further penetrate existing markets requires an intense focus on the customer. Every customer interaction is precious from three perspectives. First, and perhaps most important, each interaction is a potential moment of truth that influences the customer's perception of the value received from the insurer. Second, each contact provides more information about the customer, and may present the opportunity to make new or revised offers, either through a related product/feature (cross-sell) or through an enhancement/add-on that is more profitable (up-sell). Third, information captured via customer interactions often constitutes good input to improve products or services.

Although the current focus is on existing structures, insurers still must deal with the explosion in the number of channels and the increasing expectations of customers. A channel may be anything that moves information or product between point A and point B — in this case, between the customer and the insurer or the insurers' partner. Customers recognize the power and potential for communications using many types of devices and many kinds of automated environments, including interactive voice response, mobile web self-service, text messaging, and even social media such as Facebook and Twitter. Other industries are setting the standards and expectations in this space; retail and travel are leading in web sales and service, banking is taking the lead in mobile financial services, and media/entertainment is blazing new trails in information delivery.

Although other industries are influencing customer expectations about communication, the insurance industry must understand and capitalize on those expectations. After all, insurance is fundamentally a digital, information-intensive business. The items *covered* by the insurance contract are rooted in the physical world of people, vehicles, vessels, buildings, building contents, and other tangible items. The repair or replacement of damaged or lost physical items and health care provision to individuals also take place in the physical world, but third parties provide the actual services. The insurance role is to offer risk management advice, financial indemnification, and investment advice and management. All of these rely on data and the application of special expertise and knowledge to that data.

As a result, insurers have been pioneers in the use of information technology to capture, store, and manage data about customers — especially structured data. Throughout the history of IT, insurers have played a prominent role in the usage of new file/database formats, data storage devices, data management software, and transaction processing systems. However, other industries have been more prominent in using IT for unstructured data.

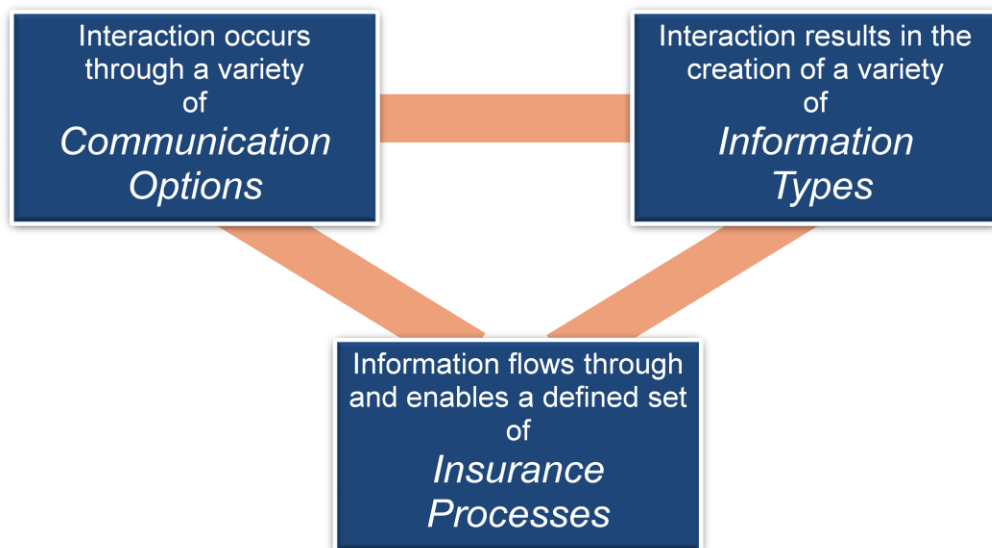
Insurers continue to invest in technology and even increase investments in strategic areas near the front of the value chain (especially marketing and product development, distribution, and underwriting). Although insurers will still spend large sums on maintaining policy and claim systems, our research shows over 50% of them plan to increase spending for these capability areas over the next three years. This spending pattern holds across all tiers of insurers.

Role of CCM

Since the insurance business is information-intensive and customer interactions are critical, the area of customer communications management has become vital. Much of the discussion in insurance today concerns selecting the right technology and telephony tools to automate the business and improve the workflows. However, this focus tends to mask the true scope and value to the business.

CCM is about seamlessly linking all touch points and all interaction methods to respond more rapidly and with relevant information and solutions so that customer satisfaction increases and relationships with agents and partners become stronger. The result is more business, reduced loss severities, and increased profitability. In addition, using holistic CCM will lower operational costs because processes are streamlined and information is managed efficiently. The value of CCM increases exponentially when insurers take a holistic approach across the enterprise and the extended enterprise — the entire ecosystem of agents, partners, providers, and other third parties involved in sales and service to customers. The blurring of lines between channels, devices, and information calls for a different approach to understanding customer communications management (Figure 1).

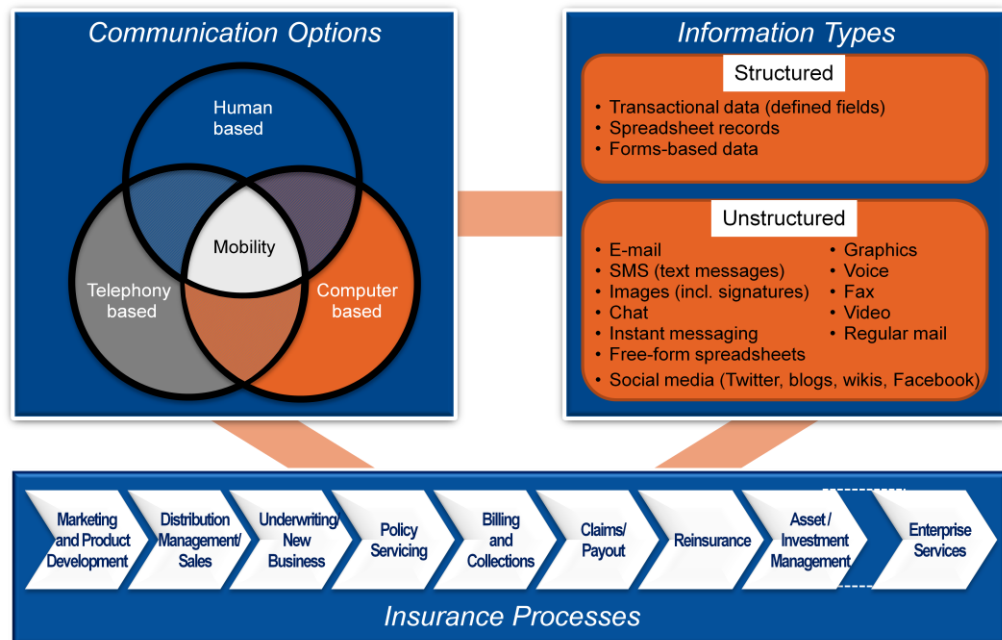
Figure 1. Managing Communications, Information, and Processes



Source: SMA

All forms of communication and interaction need to be incorporated (Figure 2). Managing documents that go directly to customers is important, but so is the phone call to the agent or call center or the e-mail to the customer service representative (CSR). And now insurers must consider text messages, instant messages, and social media such as Facebook and Twitter. Today, the data created from these communications is stored in a myriad of unconnected systems, and much of the unstructured data is not even stored or retained. The amount of information generated from these various communications options continues to explode and is expected to increase at a 60% compound annual growth rate over the next 10 years¹. This means that the quantity of information stored in the world in 2020 will be 100 times that stored in 2010. Only about 5% of this data is currently structured, meaning that it is well organized, stored in databases, and easily accessible via computer programs.

Figure 2: Holistic Customer Communications Management



Source: SMA

Relationship to CRM

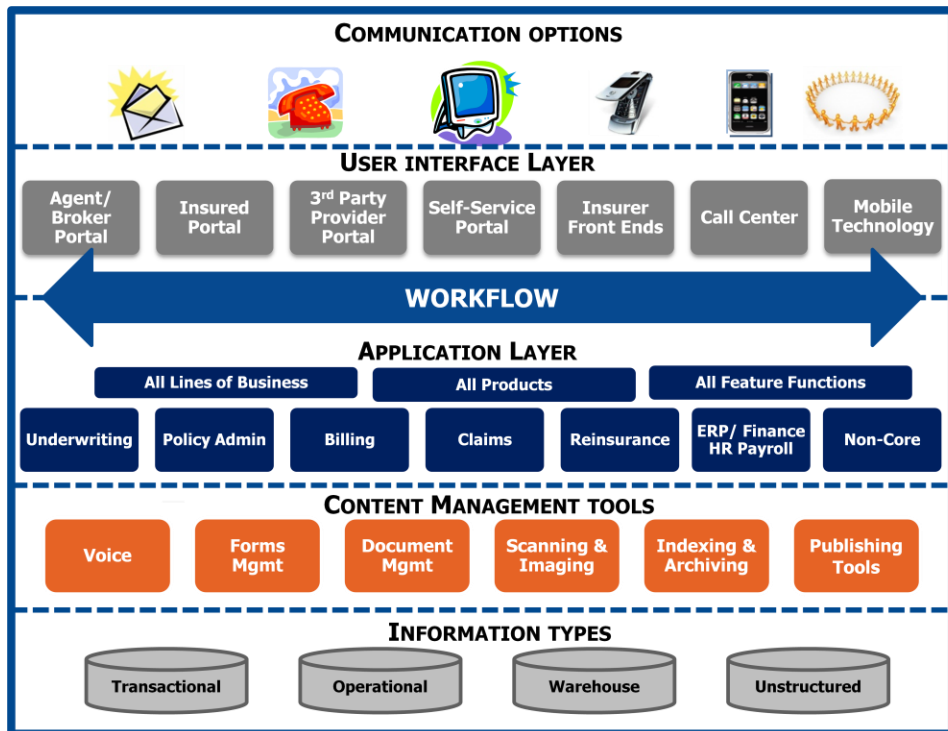
Customer relationship management (CRM) was all the rage in the 1990s and still is an essential element of every business and IT strategy, although it has evolved considerably over the last decade. So how does CRM relate to CCM? Good customer communications management must be at the heart of a successful CRM strategy. CRM requires intelligent analysis of data, proper training of front-line employees, policies for dealing with customers, and products and services that meet and exceed customer demands. None of these areas will be successful unless the information from all customer interactions is captured and leveraged in real-time, which is the essence of CCM.

¹ All too much. *The Economist*. Feb. 27 – Mar. 10, 2010

Required Technology Capabilities

Achieving the business vision of holistic customer communications management requires a robust, flexible set of technology capabilities. A comprehensive technology blueprint or architecture is a mandatory starting point. The architecture must span the insurance enterprise so that the IT infrastructure and capabilities provide consistent, unified support for all lines of business, all organizational groups, and all functional areas of the business. Holistic CCM will not be fully realizable if the architecture for the property and casualty division is different from that for life and annuities or if the IT architecture supporting auto insurance is not the same as the one supporting homeowners. A comprehensive architecture should consider four main areas: a user interface layer, an application layer, content management tools, and information types (Figure 3).

Figure 3: Enterprise Architecture to Enable Holistic CCM



Source: SMA

A wide variety of information is generated by users and flows in through the user interface layer. It is analyzed and acted upon by the application layer, leveraging customer communications and content tools. Ultimately, it is stored and retrieved from different types of databases. Guiding this sequence are workflow tools, which manage the flow of information and processes through the system.

Most insurers utilize a variety of solutions developed and/or acquired over time for specific purposes. A typical insurer will have hundreds or even thousands of applications, tools, engines, and special-purpose solutions that are loosely knitted together with custom interfaces, data extracts, and temporary bridges. As service-oriented architectures have become more prominent, many insurers have made progress in improving this environment, but there is still a long way to go. Although tools to manage workflow, processes, and content have become more sophisticated and more visible, seldom is one set of tools used across the entire enterprise.

Planning and implementing holistic CCM across the insurance enterprise requires that the communications, content management, workflow, and process automation tools be standardized and unified. The same workflow system should be used as the process flow is passed from a call center to a claim system or from an agent system to a policy servicing system. Content captured via an interactive voice response (IVR) session should be managed by the same content management tool as information flowing in through the web or being uploaded from an adjuster's digital camera.

Managing content this way may seem like a challenge because many insurers have old technology, complex IT environments, and legacy constraints. Fortunately, mature CCM solutions are readily available and proven. It is imminently possible to leverage information collected in real time, link with core systems, and drive intelligent interactions.

Insurance Vignettes

Capability Area Vignettes

The kinds of intelligent interactions that drive real value and enable true CCM are best illustrated by insurance vignettes. Often, CCM solutions provide high value in well-defined situations in a particular area of the business. In scores of individual scenarios, insurers are already using CCM to improve sales and retention. Examples include:

Adjuster notes. When claims adjusters in the field gather information as part of an investigation, it is critical to capture their impressions and notes. One insurer has established a direct phone number for adjusters to call and record all the relevant information via voice. The date and type of loss and information from the claimant interview are all recorded and automatically attached to the claim file (based on the claim number given). Any authorized person investigating or managing the claim has immediate access to this information along with all other information in the claim file.

Application web chat. An insurer that processes flood insurance has set up a real-time web chat to assist agents with filling out applications on behalf of customers. Flood insurance applications are unusual for most agents, and they may be unfamiliar with the process. The flood insurance processor has embedded web chat capabilities in the agent point of sale system. As agents complete an application, they can ask questions of any expert to finish the form. This capability results in much higher-quality applications and the capture of more structured data — and the contents of the web chat are passed along to underwriters as supplemental data for their evaluation.

Auto insurance applications. When insurance applications are submitted, the insurer typically needs to retrieve additional information from external data providers before underwriters can evaluate the application. Holistic customer communications management enables insurers to reduce the time for this activity through straight-through processing. In one scenario, when an auto insurance application is submitted online, web services calls are initiated in real-time to multiple data providers to retrieve credit scores, motor vehicle records, and comprehensive loss underwriting exchange (CLUE) reports (to determine the accident history of the applicant). A complete package of information can be delivered electronically to the underwriting system and/or an underwriter's workstation to enable rapid decisions to accept or reject the application.

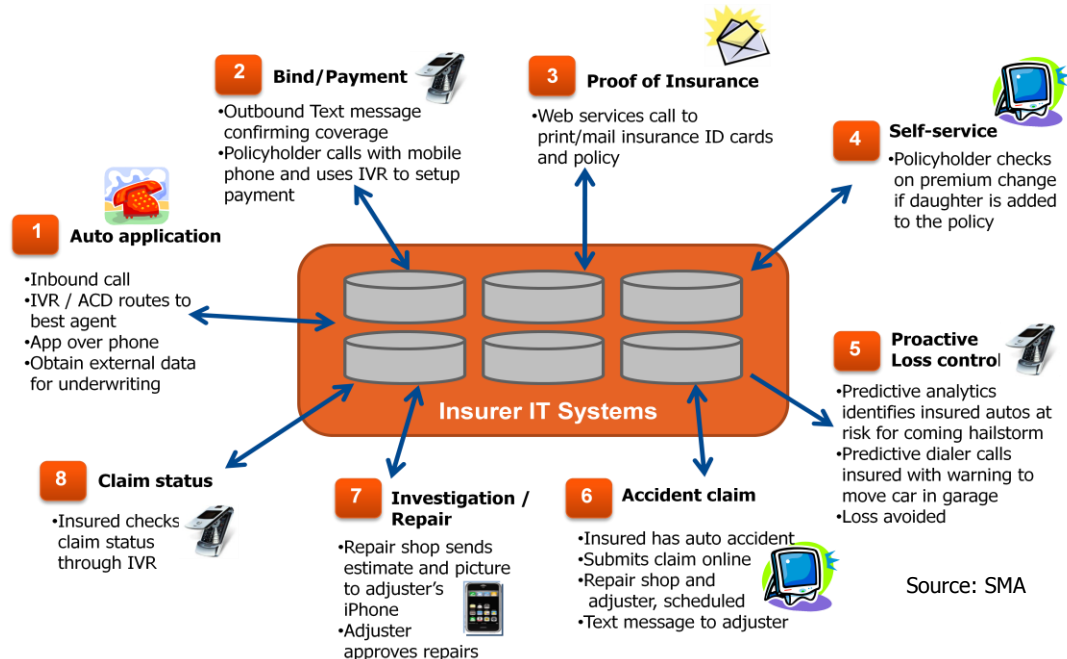
Insurers have leveraged CCM solutions in many other areas, including:

- Proof (certificate) of insurance (ID cards) Premium payments
- Claims self-service
- Life billing
- Claims submission
- Recorded statements
- Business process outsourcing (BPO) annuity process
- Canadian homeowners; proactive actions triggered by predictive analytics
- Screen pop; customer calls; CSR screen populated based on phone number instead of requiring customer to enter policy/claim number via IVR
- Claim information notification
- Recording of user workflows as video (screen capture)

Holistic (Cross-Enterprise) Vignette

Investments in customer communications management solutions are often justified based on these individual scenarios. When insurers implement an integrated CCM approach across the enterprise, the resulting capabilities have the potential to create a powerful competitive advantage. It's great that the individual implementations are successful, but the ability to integrate the information and communications from multiple customer interactions over time moves an insurer to the next level. Figure 4 illustrates a new auto insurance scenario that ultimately has eight interrelated customer interactions, aided by CCM solutions.

Figure 4: Auto Insurance – Holistic CCM Example



In this scenario, a customer interacts with the insurer using several different communication options for a variety of situations throughout the lifecycle of the policy. For every interaction, the insurer captures the information generated from the exchange and stores it in company databases. Whether the information is the result of a voice conversation, IVR transaction, web self-service, iPhone or other means, the information is captured, stored, routed and analyzed as appropriate. All authorized insurance company representatives, including agents and service providers, have access to relevant information from prior interactions to enhance their service to the customer.

Conclusion

Insurers need solutions that simplify and integrate communications with customers, agents, and third-party service providers. Such information flows from all sources — including human interaction, telephony, and computers — generates many types of information (unstructured and structured), and is relevant to all functional areas across the business. This grand vision may seem unattainable given the sheer volume of interactions, the wide variety of information types, and the plethora of systems in a typical insurance company. Fortunately, sophisticated solutions are now available that enable insurers to integrate customer communications management across voice and data for all functional areas (distribution, underwriting, claims, etc.).

Insurers have an outstanding opportunity to gain competitive advantages by implementing holistic CCM. Solutions on the market today provide the capabilities to begin leveraging CCM in very specific high-impact areas of the business, while providing the base to integrate these interactions across the whole value chain. Customers will appreciate the enhanced service and rapid responses to address their needs. For insurers, use of CCM will ultimately lead to increased retention and greater share of wallet, producing a winning combination that drives not just growth, but profitable growth.

About SMA: Strategy Meets Action

Exclusively servicing the insurance industry, SMA is a strategic advisory firm offering a unique blend of research, advisory, and consulting services to insurance companies and to solution providers. By leveraging best practices from both management consulting and research advisory disciplines, SMA's advisory service offerings are actionable, business driven, and research based where strategy meets action.

This white paper is based on SMA's experience, research, and insights. Interactive Intelligence has purchased the distribution rights to this research and white paper. This is not paid-for research.

Additional information on SMA can be found at www.strategymeetsaction.com.

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About Interactive Intelligence, Inc.

Interactive Intelligence Inc. (Nasdaq: ININ) is a global provider of unified business communications solutions for contact center automation, enterprise IP telephony, and business process automation.

The company has developed an all-in-one IP communications software suite that's scalable and standards-based, offering single-platform architecture with inherent multichannel processing to deliver comprehensive applications minus the cost and complexity introduced by multipoint products.

Founded in 1994 and backed by more than 3,500 customers worldwide, Interactive Intelligence is an experienced leader delivering a comprehensive solution-set composed of premise-based and on-demand Communications as a Service (CaaS) offerings, including software, hardware, consulting, support, education and implementation