Cognizant

Insurance at the Intersection: Reinventing the Model, Repositioning the Brand

Insurers that can embrace the changing environment by redesigning their operating models and reinventing their business will be the most successful industry players of the future.

EXECUTIVE SUMMARY

The insurance industry is at a crossroads. Data, algorithms and artificial intelligence (AI) are redefining the business model. And they are changing human behaviour: the way we interact with brands, with one another, with our surroundings — and the way we consume products and services.

At intersections, we are confronted with an important choice about how to move forward. This is where today's insurers find themselves: confronting perhaps their most significant strategic decision for decades. Their businesses will look very different five to ten years from now. The vision they set out today – and their ability to execute that vision effectively – will determine their future competitiveness.

This is not business as usual, and there are multiple paths to success, but one guiding formula: insurers' strategies must shift the role that insurance companies play, and provide their customers with new types of value. Those insurers that can embrace the changing environment by redesigning their operating models and reinventing their business will be the most successful industry players of the future. The stakes are high — insurers that fail to embrace a digital mindset risk missing out on the $1.6 trillion of value that the new generation of digital is set to create in the next three years.[1]

This paper aims to set out a course of action for incumbent insurers as they respond to a raft of pressures: their customers' ever-changing expectations, dynamic disruptors transforming elements of the value chain, new technologies evolving at pace, and their own seemingly monolithic business models. First, we identify and demystify these challenges; then, we outline ways for insurers to respond strategically; finally, we outline how to follow-through on that strategic response.

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8 KEY TAKEAWAYS

8 strategic imperatives insurers need to consider in response to a challenging and rapidly changing business environment

01

INSURERS MUST MOVE FROM "DOING" DIGITAL TO "BEING" DIGITAL

Until now, most insurers' approaches to going digital have amounted to a digital veneer placed on top of legacy systems, processes and products. However, the growing impact of the Internet of Things (IoT), big data insights, and the advancement of machine learning and automation, signals a step-change in how insurers must apply digital technology. And as digital promotes transformation of their customers' business models, insurers must also evolve their products and risk management processes to meet new demands. A recent Cognizant study identified what is at stake: 61% of insurers felt that digitally-driven transformation is the key to their organization's commercial future. [2]

02

INSURERS FACE A BATTLE TO REMAIN RELEVANT

Insurers are struggling to keep pace as digital opens up new ways for retail and commercial consumers to access services – and heightens their expectations. For personal lines, new entrants are focusing on new insurance models and targeting specific failings in the current insurance customer experience, while life insurers are struggling to attract new business: a 2016 study by the Association of British Insurers found that 8.5 million UK adults with dependants do not have a policy.[3] Commercial customers, meanwhile, are striving for deeper insights from big data. Finding new ways to add value through data will be key to insurers' differentiation and growth in commercial and personal lines.

03

EXCITING OPPORTUNITIES ARE ARISING FOR INSURERS THAT CAN DELIVER NEW VALUE BEYOND THE PREVENTATIVE MODEL

Big-data advances can unlock new revenue streams for insurers. To capture opportunities, insurers must shift from the traditional reactive insurance model, to a new IoT-driven preventative model and ultimatly develop new value propositions. For instance, commercial property insurers can use data captured by connected buildings not only to help their customers reduce the risk of fire or water damage, but potentially to add further value by generating insights about building-use patterns and worker behaviour.

04

UNDERSTANDING HUMAN BEHAVIOUR WILL ENABLE NEW SERVICE MODELS TO SUCCEED

As growing volumes of real-time data become available, insurers can become more than indemnifiers of risk; by understanding how to drive positive behaviours, they can coach businesses and individuals to avoid risk by acting on insights from data. However, they will need deeper human behavioural expertise to embed new services and interactions with customers in a way that makes them take action.

05

INSURERS STAND TO MAKE SIGNIFICANT FINANCIAL GAINS BY MOVING TO THE NEW MODEL

If insurers successfully shift their models from reactive to preventative, it will disrupt the economics of their businesses: customers will make fewer claims, and premiums will fall. Insurers will therefore need to convince customers to pay for the new types of value they can deliver. However, by going a step beyond the preventative model, to one that adds value beyond risk, insurers can generate new revenue streams which are much more capital efficient. If the revenue is not specific to risk, insurers will be able to free-up capital previously tied up for liquidity compliance – opening up huge opportunities.

06

NEW ENGAGEMENT CAPABILITIES WILL BE KEY TO SUCCEEDING WITH INTERACTIVE BUSINESS MODELS

While insurers' traditional business models involve limited customer interaction, new models will require multiple client interactions and proactive engagement. This presents a potential threat if not done well, but for those that can adapt, there is a clear opportunity to increase interactions with customers. By automating processes and implementing intelligent digital technologies, insurers can become hyper-efficient in areas such as claims handling and underwriting, and devote greater resource to more meaningful, higher value interactions with customers.

07

THE RIGHT ENTERPRISE STRATEGY IS THE KEY TO GROWTH

As the insurance industry is disrupted, insurers must assess their strengths and identify the model that they can compete with in future. That might be as a master of omnichannel delivery that owns the customer relationship, the orchestrator of an ecosystem of partners, or a super-efficient, data-savvy supplier that offers its services through third-party providers. The key to future success is charting the right course, sharing a clear vision across the organisation, and empowering the workforce to get behind and carry out that change.

08

INSURERS MUST NOW LEARN TO RUN

While insurers' existing business models hold significant value, both in their vast experience and knowledge, and their strong capital base, there are many areas where insurers are not performing well, or that will not offer value in future. The next step forward is to assess where value can be generated a decade from now, and to embrace strategies that will accelerate the path to get there – whether it's collaborating with industry disruptors or establishing new ventures. Whichever route they choose, insurers must make the most of their heritage advantages to ensure that they are the chief beneficiaries of industry change – and they need to move fast.

01 THE INTERSECTION: Identifying the challenges ahead

Three key trends are combining to uproot conventional models in the insurance industry: digital technologies are evolving at fever pitch, consumer behaviours and expectations are shifting, and new business models are emerging.

Three Key Trends Driving Change in the Insurance Industry

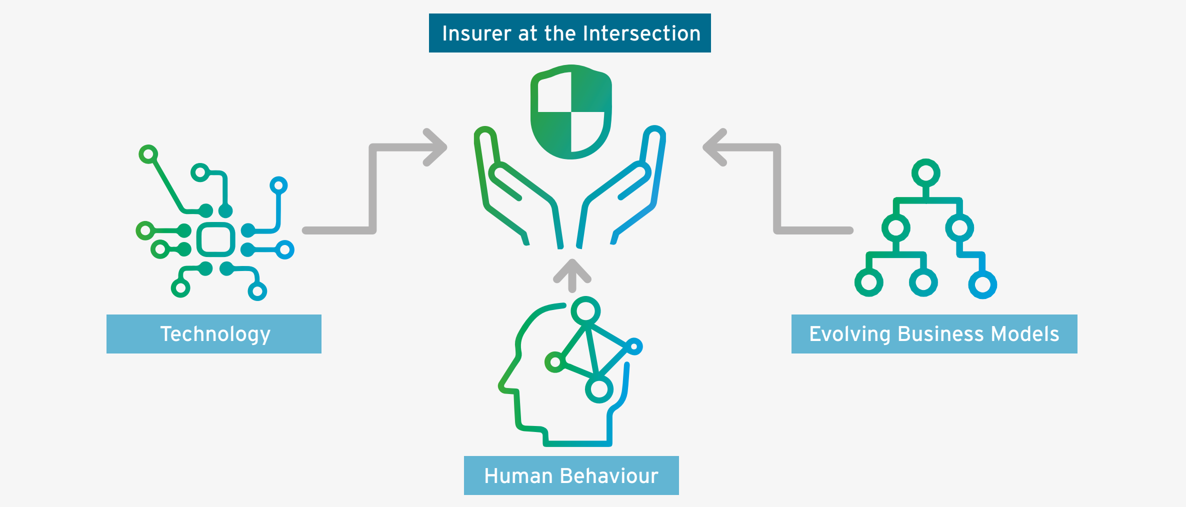


Figure 1

TECHNOLOGY

The rapid advancement of cloud, artificial intelligence (AI), big data and Internet of Things (IoT) technologies is changing how we understand the insurable environment. According to CB Insights, AI start-ups globally raised more than $5 billion in venture funding in 2016 as business applications of the technology proliferate and spur innovation activity.[4]

No organisation can afford to bury its head in the sand. Our Work Ahead research found that 98% of 2,000 surveyed executives expect the rise of the new machines – robotics, analytics and AI – to have a moderate or strong impact on work.[5]

Hyperconnection is a big deal. As the IoT comes to life, almost everything in our environment will become even more technology-infused and intelligent, with the potential for process innovation and efficiencies. As more commercial buildings are fitted with smart sensors, vehicles are fitted with telematics devices, and wearables become more commonplace, the real-time data available to insurers explodes. This gives insurers the opportunity to assess how risks are evolving in real time, and more importantly opens up new ways to engage and create fresh value propositions for customers.

Hyperconnection is a big deal. As the IoT comes to life, almost everything in our environment will become even more technology-infused and intelligent.

HUMAN BEHAVIOUR

Adoption of new consumer technologies is accelerating at pace. Statista estimates that more than 325 million wearable devices were sold globally last year – almost triple the number sold in 2015. [6]

This increased digital adoption and "always on" connectivity is shifting how consumers want to engage with insurers. Research from global customer loyalty specialist Aimia has found that 80% of consumers across 11 countries are willing to share more personal data with brands in exchange for rewards. [7] Vitality is one insurer that is starting to capitalise on this trend: it is offering health and life insurance packages that provide consumers with wearables to track their physical activity, with rewards available to those who meet certain targets.

This is only the beginning, however. The real shift is for such insurers to move beyond rewarding physical activity, towards offering customers insights about how they can train more efficiently, or identifying early warning signs to help them avoid health problems further down the line. Researchers are already experimenting with AI to identify potential signs of depression early on, for instance.[8]

This is a big shift in traditional insurance thinking, however, and the skills required to maintain high-touch, digitally-driven relationships with customers are not prevalent across the industry today. Insurers will need to take decisive action to accelerate development of these new capabilities: whether recruiting more digital-savvy customer relationship managers, partnering with third parties to access behavioral expertise and digital innovation, or acquiring firms with the skills and technology solutions they need.

> The real shift is for insurers to move beyond rewarding physical activity, towards offering customers insights.

Hyper-connection Unlocks New Opportunities

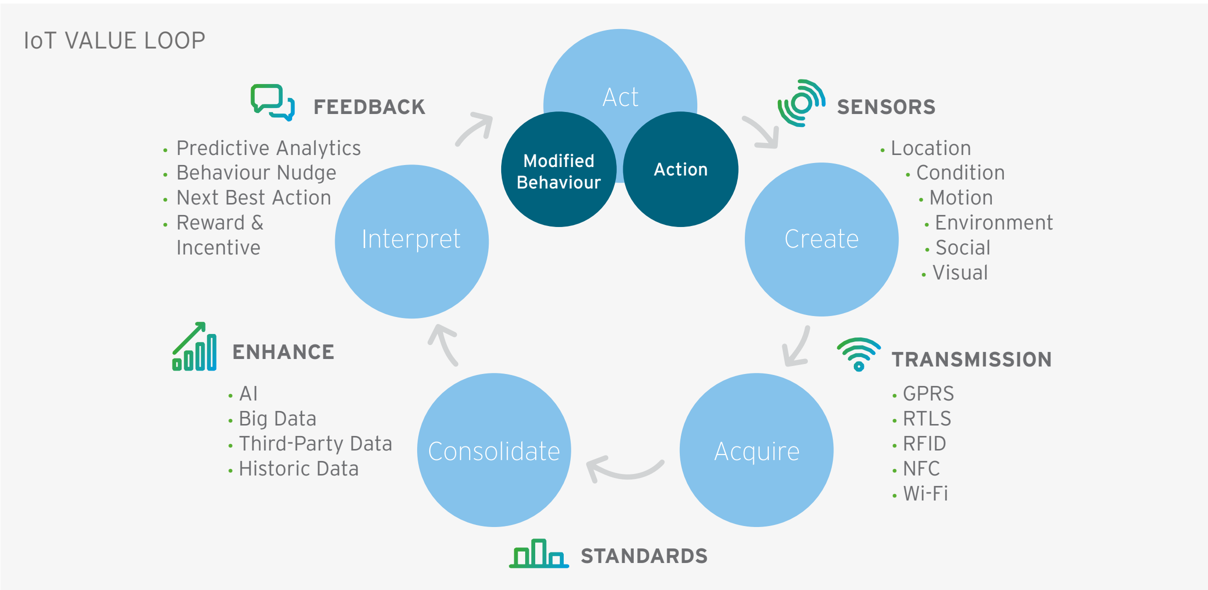


Figure 2

EVOLVING BUSINESS MODELS

Insurers are struggling to make sure that their existing business models remain relevant in the changing environment.

Sharing economy businesses such as Airbnb and Zipcar are giving rise to new customer demands, such as shared ownership models and on-demand insurance. At the same time, a host of online platforms are springing up to give consumers easy access to peer-to-peer (P2P) insurance propositions.

On the whole, traditional insurers have been slow to react, while innovative industry start-ups – or insurtechs are seeking to disrupt elements of the value chain. CB Insights recorded more than $1 billion of investment in insurtech start-ups in the first half of 2016,[9] which illustrates the strength of innovation in the sector.

In April, Allianz announced a strategic investment in Lemonade Insurance Company, a New York start-up powered by AI and behavioural economics. It uses algorithms to speed up its processes – approving claims in minutes rather than days – and automates its service to keep costs down.

And in a nod to the sharing economy's effects on customers' expectations, Lemonade aims to be transparent with its customers about how it spends premiums: it keeps a flat fee of 20%; uses 40% to cover major claims by buying reinsurance and adding to what it calls its "rainy day fund"; and uses the remaining 40% to pay claims. If there is money left over after claims are paid, Lemonade gives it to a charity of the customer's choice.[10]

Silicon Valley start-up Trov, meanwhile, has raised about $85 million in funding to date, as its on-demand personal insurance captures investor interest.[11]
In the commercial space, open data specialist Doorda works with insurers to help drive competitive advantage with fresh data insights. For example, by combining Land Registry and historical flood data with property insurers' existing datasets, to generate new insights around property risk.[12] And New York-based Tyche has created a platform that blends open data and machine learning to help casualty underwriters better price risk.[13]

The complexity of the regulatory environment and the need for large capital reserves to protect against unexpected losses may be significant barriers to start-ups hoping to steal market share from incumbents in the short term. But incumbents cannot take this for granted. The exponential rate of technological change, as illustrated by Figure 3 below, will drastically shorten the shelf life of insurers' existing models, if they fail to adapt them.

In this new digital landscape, where products and services can rapidly become outdated, and emerging technologies create urgent new demands from customers, insurers' five-year strategic planning cycles are no longer fit for purpose. If they are to adapt their strategies in a timely manner, insurers will need to convert to much shorter planning cycles.

An Unforeseen Rate of Change

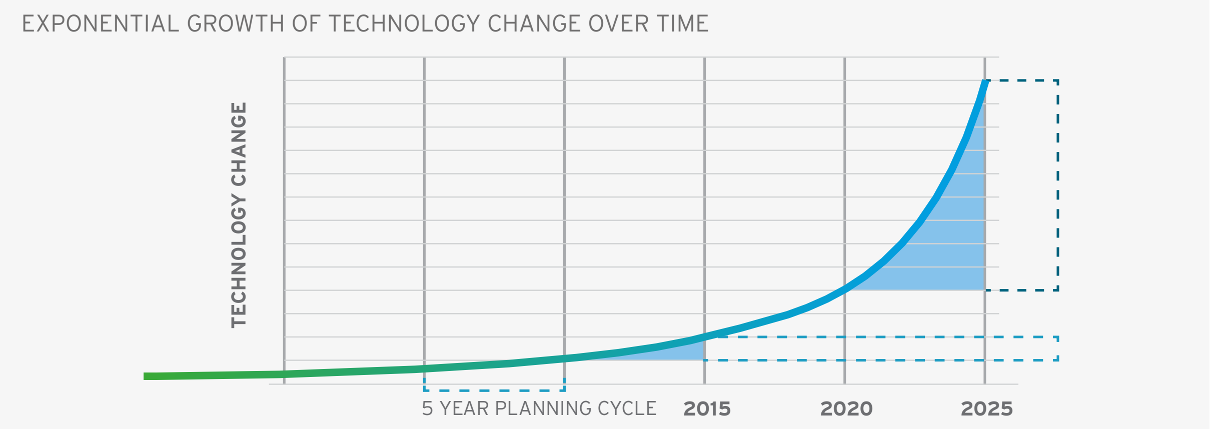


Figure 3

THE RISK:
THREATS AT THE INTERSECTION

For those insurers that are slow to respond to the changing realities of the industry, the threats are both real and immediate:

- **Squeezed out of customer interactions:** Agile competitors will increasingly oust insurers from the customer engagement layer of the value chain unless insurers can create innovative offerings that add value. The process is already underway. For instance, in the property insurance sector, Google's smart home solution, Nest, is now acting as an intermediary between homeowners and insurance firm Liberty Mutual, offering the customer a 5% discount if it allows Nest to relay data back to the insurer.

- **Losing access to data:** As non-insurers respond to IoT adoption by introducing their own innovative solutions to customers, insurers risk losing access to valuable data that enables them to better understand and price risk. As one example, BMW is now fitting telematics as standard in certain car models to offer drivers insurance premiums based on their usage. The German auto manufacturer is currently working in partnership with Allianz, but as increasing volumes of real-time data become available, insurance risks will be reduced, and there is little to prevent auto giants from cutting insurers out altogether.

- **Disintermediated by platforms:** As we have seen with the meteoric rise of platforms such as Uber and AirBnB, innovative environments that recombine services present a significant threat to incumbents, as customers' reliance on such intermediaries is reduced. Emerging platforms such as Friendsurance and Guevara are already threatening to steal market share from incumbents by offering customers more cost effective peer-to-peer (P2P) insurance solutions.

In this new digital landscape, where products and services can rapidly become outdated, and emerging technologies create urgent new demands from customers, traditional five-year strategic planning cycles are no longer fit for purpose.

02 THE RESPONSE: Rethinking enterprise strategy

The insurance industry is primed for an evolutionary leap over the next decade, and extinction beckons for those providers that fail to place digital at the heart of their strategy and reinvent their model.

No single model will define success. There are three core areas where incumbents could differentiate themselves by playing to existing strengths and upgrading their capabilities – a minority of institutions may even feel they can differentiate themselves in all three.

01 MASTERING THE RELATIONSHIP

The Strategy

- Insurers own the customer relationship and maintain brand premium.
- They take customer engagement to new levels, differentiating the brand by adding new types of value aligned to customer needs.

What Success Looks Like

- Insurers develop omnichannel capability, engaging clients seamlessly across mobile, online and physical channels.
- Advanced data analytics capability and new interfaces enable insurers to deliver timely, relevant notifications to help clients make better decisions and avoid risks. Insurers have more frequent interaction with customers.
- Insurers use their position as a data aggregator across many customers to strategic advantage, identifying new areas of value for customers.
- Anthropological insights enable insurers to embed "nudges" at the right point in work processes and everyday routines to drive new behaviours.

Leading the Charge

- Swiss Life's Nordic partner Danica Pension is working with anthropologists at ReD Associates (a Cognizant partner) to get an in-depth understanding of how life events impact its consumers' behaviour. Danica used ethnography and anthropology to study what really goes on when customers make decisions about their life insurance policies.
- This deeper understanding of customer decision making led Danica to shift from having product-centric conversations around the right insurance coverage to a holistic service that looks at how customers are performing with their finances more broadly. The company has now created a new interface that helps customers understand their financial health against a wide range of long-term goals beyond pension objectives, enabling better financial planning. [14]

The onus is on existing players to develop a fresh and compelling proposition for customers.

02
DRIVING THE ECOSYSTEM

The Strategy

- Insurers serve wide-ranging consumer needs by teaming up with an ecosystem of third parties, including non-insurance companies and innovative start-ups.

What Success Looks Like

- Insurers open up their systems and share organisational data with third parties to give customers an integrated experience. For example, property insurers might partner with security specialists and manufacturers of smart products to provide a combined solution for managing risk.
- Insurers can present a compelling new proposition to customers.
- Insurers create an architecture that supports quick and efficient introduction of new partners and services, while being able to securely share and consume data across organisational boundaries.

Leading the Charge

- Vitality is partnering with Apple, Amazon and Cineworld to enhance its healthcare and life insurance offering. The UK health insurance provider uses smart watches to gauge customers' activity, assigning reward tokens for the likes of Amazon and Cineworld to those who meet their targets. [15]

03
HYPER-EFFICIENT SUPPLIERS

The Strategy

- Insurers identify proficiencies that competitors or new market entrants would struggle to replicate with the same cost effectiveness and efficiency. For instance, the ability to manage complex regulatory and compliance requirements, fraud detection and risk management experience, expansive network for distribution and claims management.
- Insurers create products and services that can be plugged into any platform, and embed unparalleled efficiencies.

What Success Looks Like

- Technology infrastructure is streamlined, using technologies such as open API and blockchain to allow data to flow quickly across boundaries.
- Labour-intensive processes such as claims management are automated using emerging technologies such as AI and video collaboration.
- Cloud and AI technology enable increasingly sophisticated approaches to big data analysis, leading to more tailored cover and development of new propositions.

Leading the Charge

- WeGoLook, part of Crawfords loss adjustors, utilise a network of independent "Lookers" who respond to on-demand requests to perform local inspections for insurance clients, matching the agent by location and skill set. Efficiencies are driven by using independent agents who are able to selectively respond to inspection requests and use consumer mobile technology to complete a visual inspection, rather than employing a full time workforce.

There is no one-size-fits-all strategy for insurers to pursue, but with the rapid rate of change besetting the industry, it is becoming apparent that few incumbents will survive if they fail to change course. The onus is on existing players to hone their strengths, become more specialised, and build on existing competitive advantages – such as brand prestige, deep risk modelling expertise, and large pools of capital – as they develop a fresh and compelling proposition for customers.

03 THE FOLLOW-THROUGH: Executing the vision

Having nimble processes, a forward-thinking business model and dynamic leadership will mean little if the IT infrastructure itself has been left behind.

Once insurers have established the right vision for how they will differentiate their offering in the years ahead, they will have to embed the right operating model to support it.

To execute their strategies successfully, all insurers will need to address their traditional failings and new skills.

The major capabilities they must develop are:

- Moving towards an agile IT architecture and digital development.
- Adapting to the new economics of the industry.
- Working within more complex ecosystems.
- Mastering human-centric design of products and services.

TOWARDS AN AGILE IT ARCHITECTURE

Insurers won't be able to keep up with today's rapid pace of change – in their customers' expectations, in emerging technologies, and in the competitior landscape – unless they transition from out-dated legacy systems to an agile IT architecture. Having nimble processes, a forward-thinking business model and dynamic leadership will mean little if the IT infrastructure itself has been left behind. Insurers must achieve several important objectives as they rethink their technology:

Engage Consumers in New Ways

Insurers will need user-friendly interfaces that enable customer interactions across multiple new channels and services, such as voice assistants and chatbots, as well as through new devices such as wearables or smart home devices.

How To Get There: Implement future-facing customer relationship management (CRM) systems that can aggregate customer data in real time, enabling more valuable interactions. Emerging technologies such as AI can then enhance front-end engagement. For instance, insurtech firm SPIXII is developing AI-based chatbot software that will be able to "nudge" customers about their potential insurance needs; it will make recommendations by combining customers' existing information with real-time data such as travel plans.[16]

Add Value Through Actionable Insights

Insurers must be able to constantly integrate and consume new data from multiple sources in real time and extract meaningful insights that can be served to customers. This will add value by allowing risk to be continuously and immediately engaged and managed.

How To Get There: Migrate IT mainframe data to a big-data platform that is fit for purpose. The Guardian Life Insurance Company of America has created a data lake – a huge central storage repository and processing engine – that will enable it to extract greater insight from organisational data and increase its use of cloud solutions in order to speed product development.[17]

Leverage Ecosystems

Insurers will need to work closely with other partners in the value chain to combine business processes and exchange data. For example, property insurers may need to access systems run by building management companies, IoT vendors and telecommunications infrastructure providers to find out how to help commercial tenants cut costs and mitigate risks.

How To Get There: Create secure open integration platforms to plug into shared networks to exchange data with an increasingly sophisticated supply chain. Security will be a core capability in this more open world, in order to track and protect customer data.

Speed Up Product and Service Development

In the new economy, the traditional model of slowly building and releasing complete end-to-end services is no longer fit for purpose. In order to combine existing services into new models, to serve new customer demands, insurers will need to adapt traditional systems and processes to be more modular.

How To Get There: Move to an agile IT model that incorporates as-a-service and cloud-based approaches to acquiring IT capabilities. This asset-light approach will enable insurers to develop, test and implement new services in response to shifting market demands, without exposing themselves to large costs and high risks.

Reduce Costs to Serve

The new IT architecture will need to significantly reduce costs by automating and streamlining processes.

How To Get There: Implement AI and machin e-learning technologies. For example, Liverpool Victoria has taken a majority stake in automated advice firm Wealth Wizards,[18] while Japan's Fukoku Mutual Life Insurance is using IBM's Watson to reduce human labour in the claims process. [19]

NEW INDUSTRY ECONOMICS

The old, reactive insurance model is on its way out. Leading insurers that can master preventative models, and go a step further, to create new value propositions, will be able to drive down claims costs and generate more capital efficient revenue streams.

The insurer's value to customers will increasingly be in preventing business disruption or individual loss, and adding insights from data. For instance, commercial trucking and heavy equipment manufacturers such as Caterpillar are using telematics to help them use assets more effectively, reduce costs, and enhance customer service, but data insights being captured also enable the company to avoid failure through optimising driving techniques and maintenance cycles, thus reducing insurance claims.

Commercially, claims represent by far the largest single cost to insurers: up to 80% of all insurance premiums are spent on claims payment and associated handling charges, according to PwC.[20] With these costs largely stripped out, market pressures will eventually drive down premiums and increase the pressure on those insurers that are unable to adapt their business, cost and price models to the new market norms.

There are several steps that insurers can take to adapt their financial models in response to this shift.

Redefine Value

Advanced data capabilities enable insurers to pass on significant financial benefits to customers. For example, by mitigating business losses through predictive fault maintenance, and enabling loss prevention through better warning systems. By linking human-centric design with interactive technology, insurers can create the necessary engagement models to reduce potential losses.

Rethink Risk Pools

As risk segmentation increases in sophistication and becomes more specific, the traditional risk pooling approach comes under pressure. This will require new approaches to shared risk for large events, while increasing pressure on getting risk modelling and data analysis right.

Target Claims Risk

Data and analytics to better understand the human and system factors driving certain risks and use the human centred design linked with interactive technology to build preventative engagement models to reduce potential losses.

Dynamic Pricing Revisions

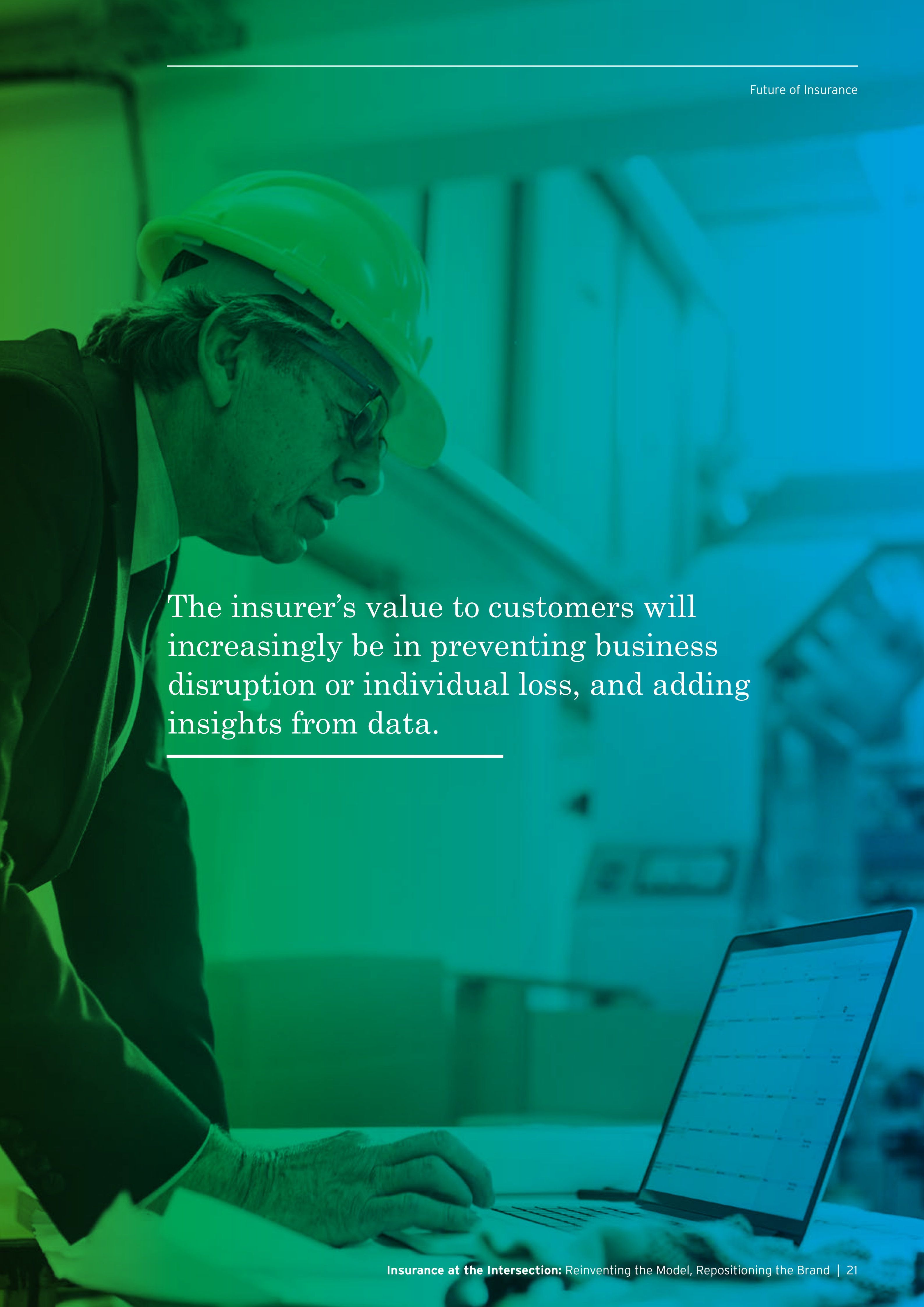
Throughout the term of a policy, insurers can revise premium prices with greater accuracy as they gather more data from customers and properties. Where premium prices can be revised down, new opportunities may arise for cross-selling. In addition, commercial insurers may increasingly be able to replicate the pay-as-you-go models that are becoming more prevalent for personal lines.

High Risk Segments

Use of data and analytics may open the opportunity to insure lines of business that were once considered too high risk to be of commercial value. Through better data and customer engagement systems, these previously high risk categories could become viable.

Menu-based Pricing

As insurers better understand risk areas through data, they can offer their customers more targeted packages.



The insurer's value to customers will increasingly be in preventing business disruption or individual loss, and adding insights from data.

A PARTNERING MENTALITY

Insurers will not be able to seize the new market opportunities on offer and develop new sources of value for clients on their own; they will need to become highly effective at a new partnering model. This model will entail embedding more partners into the insurance value chain, including more innovative start-ups, and an ability to share vast volumes of data quickly and securely across ecosystems. The wealth of capabilities that insurers can bring to such networks include highly respected brands, large volumes of historical risk and claims data, a deep understanding of risk modelling, and large pools of capital.

Other participants that could help insurers to innovate, develop new propositions, and generate new revenue streams include the following.

Technology Hardware Manufacturers

Insurers can team up with vendors that produce smart devices and sensors. Allianz and Panasonic, for example, are creating an integrated solution that provides both smart-home technologies and assistance with protecting against damage from break-ins and water leaks.[21]

Open-Data Providers

Insurers will generate new value by harnessing third-party big-data sets in addition to the data they collect themselves. For instance, the Climate Corporation uses data captured by the National Weather Service to develop its precipitation maps.

Behavioural Scientists

Insurers will need a deeper understanding of what drives human behaviours in order to ensure that businesses and individuals make the most of the preventative value they are offering. As we have seen in "Mastering the relationship", above, Danica Pension has teamed up with behavioural science consultancy ReD Associates to develop this capability

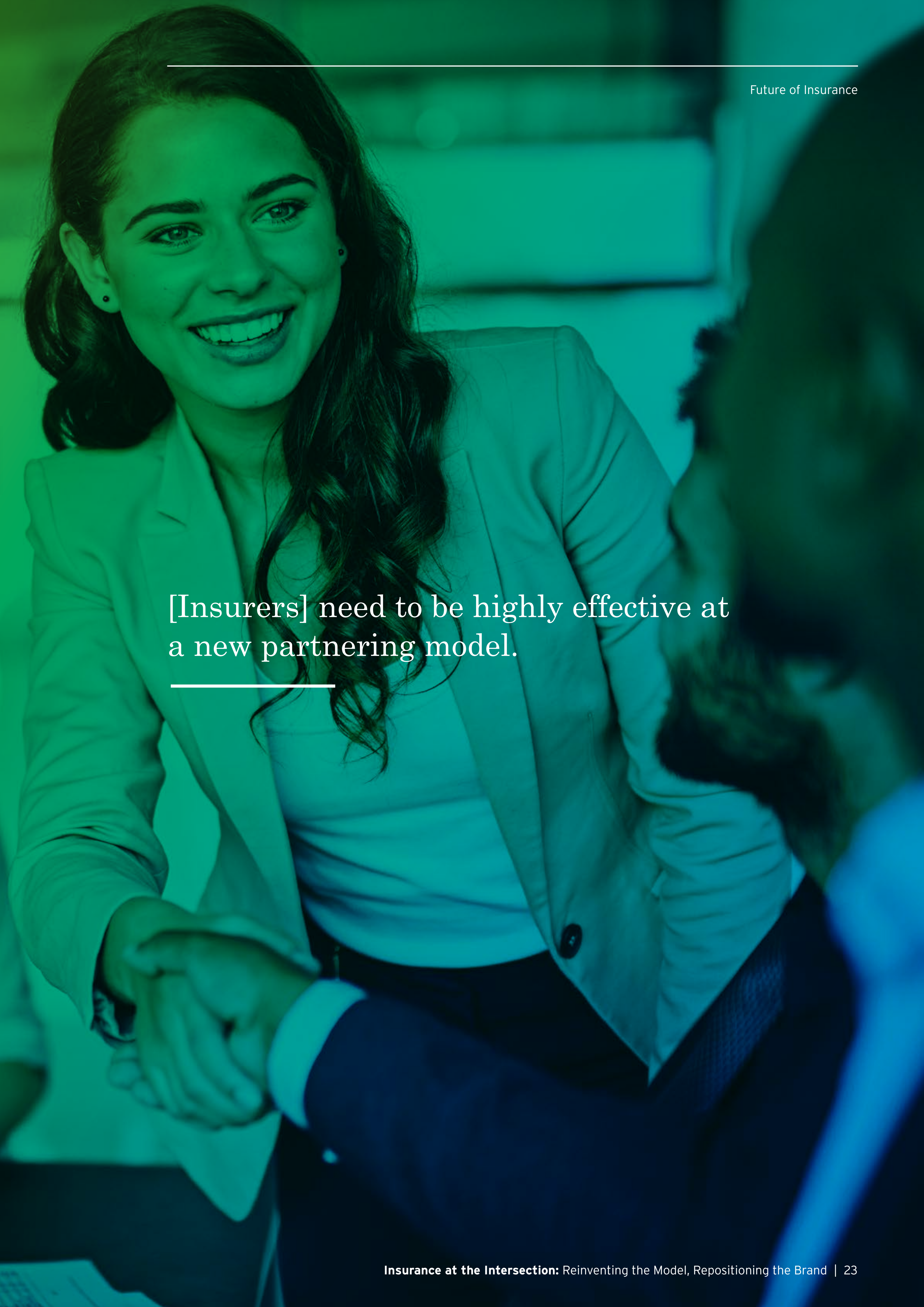
Insurtech Insurgents

Innovative start-ups will be important collaborators for incumbent insurers seeking to accelerate their development of new technologies and propositions. AXA, for example, has established a "Strategic Ventures" unit for this purpose. Its portfolio includes companies such as Neura, a machine-learning specialist that creates a digital identity map of individuals.[22]

Telecommunications / Infrastructure Providers

Insurers will need strong relationships with the companies that own the infrastructure that carries data, if they are to access valuable information across transport systems, property estates and mobile networks.

Mastering this new partnering model will require insurers to move towards an open IT architecture, component-based processes, faster in-take of data, and more effective onboarding of partners and collaborators. To function effectively within such ecosystems, it will also be critical to strengthen cybersecurity capabilities.



[Insurers] need to be highly effective at a new partnering model.

Insurers will need a deeper understanding of what drives human behaviours in order to ensure that businesses and individuals make the most of the preventative value they are offering.

HUMAN-CENTRIC DESIGN

As insurers look to shape new value propositions based on coaching customers to mitigate risk and positively influencing their behaviour, they need to take a human-centric approach to designing services.

Behavioural nudges and helpful information need to be integrated into people's routines at the relevant time, and via the right channels. Jayar La Fontaine from experience-design firm Idea Couture – a Cognizant Digital Business – (next page) compares this approach with the transformation of personal banking, whereby the shift to mobile means that customers are more actively involved in decisions that affect them — and their relationship with their provider benefits from more regular interaction.

In commercial property insurance, for example, IoT solutions can capture data from building management systems that delivers early warnings about issues such as electrical cable deterioration, water leakage and machinery failure. But then this information has to be acted upon, which means the data must be accessible to the right employee, it may need to be flagged in relation to the type of risk it creates, and it must be communicated in a way that is relevant to their role. In addition, insurers will need to understand if and why employees may not be taking appropriate actions already. Without this, early warnings may go unheeded, and the benefits of the system will be limited.

ANTHROPOLOGY AND INSURANCE: WHY INSURERS NEED DEEPER HUMAN UNDERSTANDING

Dr. Eitan Buchalter is the Senior Resident Anthropologist and Jayar La Fontaine is Co-Head Futures at experience-design firm Idea Couture. In an interview for this paper they explain why an understanding of human behaviour must be at the core of insurers' preventative proposition.

Why is anthropology so important for insurers' future success?

EB Insurers are experimenting with new digital solutions to attract customers, whether it's helping people become healthier or reducing the risks they face in their daily lives. But the solutions need to be based on human behavioural insights to integrate change that people will truly engage with.

How can this understanding be applied to change behaviours?

EB We don't want to force a wholesale change in behaviour, which is very difficult to achieve, but rather integrate a solution into existing behaviours or routines. For instance, if you want to curb unhealthy eating habits, you need to understand any underlying reasons, such as comfort eating or depression, and triggers for the behaviour. If you can communicate with the individual in that language at the relevant moments, it's more likely to promote change.

How should these considerations be factored in when designing the technology interface?

EB The way information is articulated visually is important because people respond better to certain imagery. For example, health insurers' apps may make use of some form of gamification, so customers can access dashboards of their exercise achievements, and how any rewards are building.

JLF The user interface can help insurers establish more dynamic relationships with their customers. If a customer has multiple policies, then in a similar way to mobile banking, insurers can enable the customer to rebalance their portfolio and adjust payments dynamically in response to changing circumstances. This type of approach will encourage more regular interactions with insurers, as it ties the customers' activity back to what's happening in their everyday lives.

CONCLUSION: Repositioning the brand

The next decade is set to be a decisive one for insurers, as digital technologies, shifting business models and customer demands reset industry norms. The chance to take the right path at the intersection, and to get on the right side of these changes is now, but if insurers don't move fast to respond they will lose market share — potentially forever.

Traditional insurers are already feeling significant pressure on their models, and this is only set to intensify. Those that don't react will become increasingly irrelevant and commoditized, as others take ownership of customer experience, understanding and engagement.

For industry leaders, that are already recognising the importance of developing new value propositions for customers, and of shifting their brand positioning, the potential rewards are huge: a share of the $1.6 trillion of value created by digital in the next three years[1], a millennial customer base that is fast-growing its wealth, and the ability to open new revenue streams outside of risk indemnification.

FOOTNOTES

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ABOUT COGNIZANT

Cognizant (NASDAQ-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 205 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

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