

# Insurance 2020 – Seizing the Opportunity of Digitalisation



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*Joe Chapman, TAL*

Digitalisation will be the key differentiator for insurance organisations seeking to serve today’s technology-savvy consumers, according to Australian insurance executives. FST Media and Fuji Xerox hosted an exclusive luncheon in Sydney with senior executives from leading Australian insurance organisations to discuss how the digital revolution is changing the game for insurers, creating opportunities as well as challenges.

Executives emphasised the need for insurers to become more agile in order to survive and thrive in an era of disruptive technology.

## Defining Digital

Many executives noted the challenge for insurance organisations to clearly define what ‘digital’ strategy entails, and whether it can help enable business or customer strategy. Keynote speaker, Aaron Fuller, Head of Data and Digital, MetLife, outlined his mandate to support the MetLife team to establish and grow the Australian business, helping it create digital-enabling assets to become more relevant for its members and customers.

Fuller highlighted the importance of the ‘Three Ds – digitise; differentiate; and disrupt’. “Digital has an opportunity to take people from apathy to action,” said Fuller, adding that digital is also about ‘convergence’, bringing together digital media, technology/platforms and creative. Fuller cautioned, “If your business strategy

is not your digital strategy and vice versa, then your business is in trouble because customers’ virtual lives and physical lives have merged and warped.”

According to Fuller, businesses that do not have direct relationships with customers may find it difficult to digitalise. Partnering with intermediaries to create digital-enabling assets could help solve that challenge.

Fuller also noted the importance of having the right environment for innovation. “It comes down to business approaches and culture,” said Fuller. “A big focus in driving change is how we think.” Fuller pointed to MetLife’s innovation efforts, particularly, the setting up of an APAC-based innovation lab, and hosting incubator sessions to help test and launch new initiatives that solve customer problems.

Murray Howe, Executive Manager, Group Digital and Media, Suncorp Group, added that Suncorp has asked similar questions of itself over the past 12 months. “The question we pose to ourselves is, ‘Do we have a business strategy for a digital age or do we have a digital strategy for our business?’” said Howe, adding that it is important for digital strategies to be customer-focused.

Joe Chapman, Head of CRM and Analytics, TAL, noted that for many insurers, digital has always been a ‘push’ channel, akin to phones, which are still the dominant channel for life insurance products. According to

Chapman, the biggest opportunity for insurers in utilising digital is to improve relationships with existing customers, while capturing new customers by creating differentiated experiences.

“Change from push to pull, bringing information back, and building an ongoing dialogue with customers,” said Chapman.

## Changing Game

The landscape for insurance organisations is changing rapidly, and the new rules of engagement call for a better understanding of the relationship between funds, businesses and customers, noted executives. That is where data and predictive analytics and customised pricing will play a key role, according to Fuller. “What will change the game in life insurance is third-party data relationships and securing permission to leverage those,” said Fuller, adding that MetLife, for example, is in talks with data providers to reverse engineer score-based mechanisms to help create ‘one-click’ insurance estimates.

Data that helps determine relationships between consumers’ buying behaviour and risk will be key to personalising insurance products, noted Fuller. “[Personalised] experience is the differentiator and digital is an enabler to create that differentiation,” said Fuller. “Our digital vision is to be the least imperfect digital enablers in the marketplace.”

According to John Clark, Head of Product and Pricing, Direct Life, CommInsure, insurers are still lagging in their engagement level with customers. One challenge that insurers face when designing new products is to make products simple and easy to both understand and buy whilst also providing sufficient information and guidance to the customer to help with their decision, noted Clark.

“As a customer, what information do I need to make my decision, is a challenge,” said Clark.

Tony Nguyen, Head of Digital Engagement, AMP, noted that customers often engage with their insurers given the right capability and utility. However many organisations still need to gain a better understanding of their customers’ needs, said Nguyen. “We may have the data, but do we understand what the customer wants?” said Nguyen.

Another challenge, particularly for life insurance products, is the time it takes for

people to buy products. Fuller noted that people take much longer to shop for life insurance compared to other insurance products. “From when they first start searching, 55 per cent of the people spend more than six months before buying, after first realising they need life insurance,” Fuller said. “And only about 13 per cent of people globally buy life insurance online.”

According to Jason Gracanic, Head of Digital Services (Group), TAL Life, a sound digital strategy comes down to relevance and amplifying the value proposition for customers. “You have to view it holistically making sure you melt the physical and the online world,” said Gracanic, emphasising the need for superior customer experience when they need and want you most.

For business partners, the strategy should also include taking out inefficiencies and avoidable costs, allowing partners to focus on what adds value to their clients, members and customers, said Gracanic.

“You don’t want to be the insurer that creates inefficiency for your network, but to be the one that streamlines a partners and their customer’s engagement with you,” said Gracanic.

Boru Kagho, Head of Channel Applications, IAG, noted the challenge of innovation with scale. According to Kagho, organisations will never be able to conduct all innovation internally. “It is important to be a part of an ecosystem,” said Kagho. “The whole landscape is shifting. Digital strategy and the business strategy have to be one.”

Daniel Rademeyer, Head of Architecture and Systems, Hollard Insurance, noted that the increasing use of wearable devices will be game-changing for the industry. However, the current upload speeds from internet service providers pose a hurdle.

“Internet service providers cater for customers to consume data with quick download speeds, but as soon as customers start pushing information up, it just stops there with restrictive upload speeds,” said Rademeyer.

According to Rademeyer, it is key to first understand how the market is evolving to effectively position insurance business and digital strategies – either through partnerships or as individual businesses.



Leah Hitchings, Head of Advice Transformation, AMP, noted that even with the strides in digital, human interaction will remain important. “With so many companies making big bets on data and technology, in the future the ultimate luxury will be human interaction. Of course great digital experiences are important. However, it is the combination of all things a company has to offer that creates differentiation” said Hitchings.

Executives also noted the rise of human-centred design (HCD), which squarely focuses on customer experience as opposed to the designs that organisations deem ideal. Many organisations, as a result, are moving from user experience to customer experience, to human experience. Simon Partridge of Fuji Xerox noted that in today’s world, the ability to respond to customer demand and for customers to tell organisations how they feel, is paramount.

“The day is coming where we will no longer be able to sit in an ivory tower and say this is the product we are going to sell. The digital revolution enables this consumer-led demand,” said Partridge

Rachel Ashley, Head of Operations Transformation, Zurich Financial Services, said that ultimately a successful digital strategy will be about creating consistent customer experience or human experience across the organisation. “It is about how you service and nurture the customer. The challenge is to harmonise customer experience across different touchpoints (online and offline) and across your different business units, so its seamless,” said Ashley, adding that many organisations are struggling with this at the moment.

According to Fuller, as the insurance industry evolves, the traditional role of the insurance product is not likely to change.

“The benefit will not change,” said Fuller. “There may be some bells and whistles; and the distribution will change.”

In the new paradigm, even a competitor could become a distributor and a customer, according to Gracanic. “You have to move away from thinking of businesses traditionally and focus on where value can be delivered and harnessed in the new landscape,” said Gracanic. \*

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### Dealing with Disruption

Executives cautioned against the coming tide of disruption, particularly from technology companies. “Financial services, more specifically, insurance within financial services are most ripe for disruption,” said Fuller. “Ultimately, you can be Sony or a Kodak, or a Blockbuster and watch new startups take your space.”

According to Simone Dossetor, Head of Calliden Insurance, Munich Re (Group), the traditional business model for insurance, particularly the value chains where a number of players have a vested interest, often throw up challenges for innovation. “[Disruptors] will likely say, ‘I am going to throw that [value chain] out’, said Dossetor. “I will start with your Facebook account and price it at such a rate that you are never going to be able to compete.”

According to Gracanic, disruption is about giving customers the experience they value and solving a problem. “Everyone talks about disruption as something new,” said Gracanic. “Fundamentally, it is just supply and demand.” Gracanic added that start-ups tend to play where consumers demand easy and convenient services, where existing providers aren’t meeting those needs.