Inspiring Customer Connections.™

InsurTech and Communicating in the New Age of Industry 4.0

A Whitepaper from SPLICE Software

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Millennials: The Largest Living Generation

Who Are They, and What Do They Want?

In 1981 the very first DeLorean DMC-12 rolled off the production lines in Northern Ireland, soon to be immortalized as the quintessential time machine in *Back to the Future*. The television show *Dynasty* made its debut on US networks, Rupert Murdoch bought *The Times*, as well as *The Sunday Times*, and one of the most famous weddings took place when Prince Charles and Lady Diana exchanged their vows.

1981 was also the year when one of the most influential and disruptive socioeconomic waves began as a mere ruffling on the surface of the water. It won't reach its proverbial shores for another 34 years, but by the time it arrives it will have grown into a tsunami.

"Generation Y," more affectionately known as the "Millennial Generation," is widely accepted to have its origins well-rooted in 1981. According to Jonathan Rauch, American author and journalist for The Economist, "generations are squishy concepts", but the 1981 to 1996 birth cohort is a widely-accepted definition for Millennials. The term "Millennial" was coined in 1987 when two American authors—Neil Howe and William Strauss—started writing a book called *Generations: The History of America's Future, 1584 to 2069*. In simpler terms, Millennials are the children of the Baby Boomer generation.

Since the early eighties, the Millennial generation has been steadily growing, adding to their numbers through the late nineties. As of 2015, the population of Baby Boomers was 74.9 million while Generation Y reached 75.4 million. Millennials have now outpaced the Baby Boomer generation and, in fact, replaced them as the preeminent and most influential social and economic force the world has seen in over 70 years.

The upper end of the millennial wave is now reaching their late thirties, but their attitudes towards everything from home ownership to career paths is drastically different than that of their parents' generation. When it comes to consumer spending, they have popularized the attitude of access, not ownership. Millennials are reluctant to buy luxury items, cars, and homes, and instead prefer to rent the products and services they need, when they need them. Immediate examples would include Uber, Lyft, Airbnb, DoorDash, Instacart, Drizly, and many more.

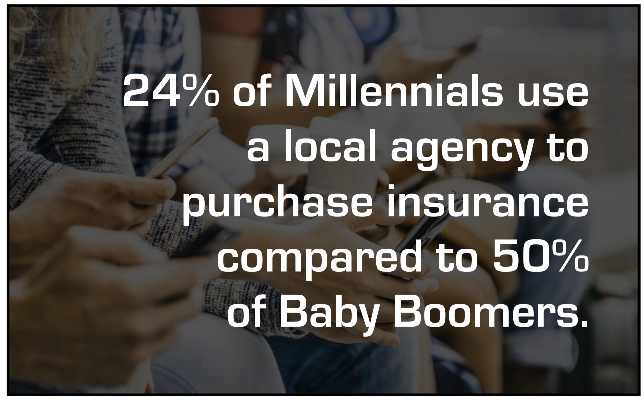
Millennials have been raised in a digital world where many conveniences are placed at their fingertips, or—at the very most—a few clicks or taps away. According to the US Chamber of Commerce, a work/life balance is of the highest priority for them: "Gen Xers tried to achieve work-life balance; Millennials demand it."

Buying Practices

The average age of the oldest Millennials at the time of publication is somewhere in their mid-thirties. That means they are on the cusp of hitting their prime spending years as Baby Boomers are transitioning to lighter, modified work schedules, downsizing their homes, and otherwise simplifying their lifestyles.

According to Sarbjit Nahal, head of Thematic Investing at Bank of America Merrill Lynch, Millennials will have an estimated $8 Trillion in spending power by 2025. That said, Millennials are not looking towards the conventional purchases of homes and cars as was the traditional consumer path of their parents and grandparents. With the shift towards an "access, not ownership" mindset, they are renting instead of buying the larger "milestone" purchases in their lives. This includes cars, vacation properties, homes, office spaces, bikes, tools, and even pets.

Another ripple effect associated with the Millennial shift in buying trends is the noticeable decline in weddings. Millennials are getting married later in life, or not at all. Pew Research reports that only 21% of Millennials are married. When compared to previous generations within a similar age bracket as Millennials, 36% of Gen Xers, 48% of Baby Boomers, and 65% of the Silent Generation were married. This isn't to suggest that Millennials don't want to get married. In fact 69% of Millennials have said they want to get married but lack the solid financial footing required for nuptials. In a report released by the US Census Bureau, US home ownership rates have hit their lowest levels since 1965.



Millennials are gaining a strong reputation as the "Boomerang Generation" due to a large percentage of them moving home again after college. Harvard's Joint Center for Housing Studies found that home ownership among Millennials younger than 35 years fell by 12 percent between 2006 and 2011, with an additional 2 million living with their parents. Further to that, the median age of first-time homebuyers reached 35 years old between 2010 and 2015 according to PwC. That number is the highest it's been since the firm started tracking the metric back in 1970.

Combined with the rise of the shared economy, Millennials are reshaping how services are delivered. This has a direct impact on most major consumer service and retail markets including, and perhaps most importantly, the insurance industry.

An article published on agencynation.com stated in 2016 that "...[the] Millennial consumer mindset will dictate the insurance customer experience for at least the next three decades." Another study by Effective Coverage notes that only 24% of Millennials use a local agency to purchase insurance compared to 50% of Baby Boomers. That means Millennials are more than 50% less likely to purchase insurance products from a local agency compared to their parents. Instead, Millennials are prone to purchase directly from the insurance companies using their preferred channels of choice for communication. The insurance journey for Millennials starts with a search engine, not a call to their local agent. To add salt to the wound, if your brand doesn't show up in their search results or has poor reviews, 55% of them will ignore you completely.

The Ripple Effect

Multi-Generational Adaptation

It would be remiss, and potentially harmful, to ignore the evidence of change and technological adaptation taking hold in generations outside Millennials. Baby Boomers, Generation X, and even some of the Silent Generation have been influenced substantially by the advent of technology in general. Adoption rates for mediums such as texting and social media across all three cohorts has been profound. According to an article written by Elias Parker, Managing Partner and Blogger at OneReach, "If you think Baby Boomers are technology averse, you're dead wrong."

The article goes on to say that "...over 85% of Boomers have a cell phone, and 68% of younger Boomers (ages 47-56) use their phone for texting (a number that's undoubtedly increased since the 2011 Pew survey)."

Chris Bradshaw of BOOMbox Network, a marketing agency focused especially on Boomers, says "There's an assumption that because current seniors are technologically averse, Baby Boomers will be the same way." She goes on to say that Boomers are really into texting: "They love texting and the efficiency of it."

The same article goes on to show some sobering statistics around Baby Boomers and texting:

- 57% would have a positive view of a company that offers texting
- 42% agree it would be convenient if a company offered text for customer service
- 41% would feel the company understands their time is important
- 39% would use text for any customer service task
- 37% would prefer to press start to speak with an agent immediately
- 33% would prefer to use text over options currently available

Many of these attitudes can be traced back to the influences of their upbringing and social convention. According to a research study released in 2014 by Dr. Donna L. Haegar, a Lecturer at Cornell University, Dyson School of Applied Economics and Management, and Dr. Tony Lingham, Associate Professor of Organizational Behavior at the Weatherhead School of Management, Case Western Reserve University, the team "...uncovered a significant trend in generational differences related to Work–Life Fusion. The most interesting discovery is the clear trend or normative shift toward Work–Life Fusion as a cohort becomes younger."

The study goes on to identify an interesting commonality between generations:

> ***"Additionally, we found that the only element that all three cohorts seem to agree upon is the diminished need for physical face-to-face interaction."***

The overall results were surprising:

> ***"Initially we expected to surface the differences in how different generations might use technology, but were surprised to see how distinct each generation truly characterized and how a clear chronology of the shift to fusion was illustrated by the data. It is clear there is a significant and positive relationship between Virtual Expectations and both Work–Life Balance Satisfaction and Job Satisfaction when mediated by Psychological Job Control.***

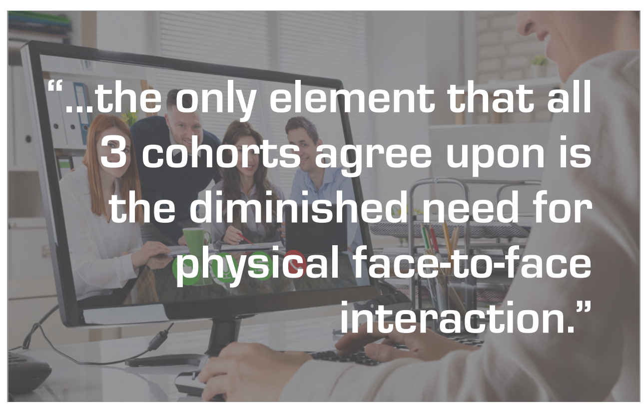
This relationship exists only for Boomers and GenXers. It is also clear that the two older generations are still becoming comfortable operating in the virtual world, but do see it as beneficial to managing work and life. Millennials do not register Virtual Expectations as a tool since they have grown up as the "Always On" generation. They are not cognizant of a world without this space. Virtual is their norm for work and life management. They are already a fused cohort, which was confirmed in both Hypotheses... Interestingly, none of the generations considered face-to-face interaction as salient to Work–Life Balance Satisfaction or Job Satisfaction, which is a testament to the fact that most people are becoming comfortable with virtual exchanges, collaboration, and communication to accomplish work and life tasks. For this, there is agreement across generations."

The study concludes that Work-Life fusion has become a significant factor in adoption and management of technology:

"Based on our findings that work and life is going to become managed concurrently (what we label as Work–Life Fusion) we put forward that organizations need to consider the importance of remaining current with how technology is leveraged by workers to manage their lives and strike a balance between concern for productivity and concern for employee well-being. Our findings uncover a trend toward Work–Life Fusion which is salient and significant not only to the Millennials but also to GenXers as they transition toward this shift."

Baby Boomers sought job satisfaction by defining and segregating their work life and their personal life. They didn't deal with personal issues during traditional work hours. GenXers blurred the lines as more and more tech forced its way into the workplace. Coupled with the influx of portable and accessible information through phones, tablets, and social media, access to information has never been easier or more convenient. Most notably, as the study suggests, the majority of people are becoming more comfortable with virtual exchanges to accomplish tasks and goals thus exacerbating, and arguably obliterating, the lines that separated work-life.

Marketing Methodologies and the Buying Process



Bricks and mortar. 9 to 5. "I'll get back to you on that." Terms and phrases like these will soon be eliminated from conventional conversation, if they have not been already. Generation Y has inspired a new norm for acceptable service levels and they expect companies, even insurance companies, to conform to the new standard. According to an article written by Phil Ratcliff, General Manager of Insurance at DXC Technology, "... there are at least four major forces in play within the insurance sector—and this time, I believe we really are on the cusp of something very substantial and very fundamental. It will change the way the entire insurance industry looks and works, and may even change a lot of the players in the sector."

The article alludes to the fact that insurers will need to adapt in 4 key areas if they want to capture the attention of the Millennial generation:

1. Agility

Insurance companies need to be more responsive to the needs of their clients. New digital-only competitors like Lemonade, Root, Trov, Kin, and SmartInsure are joining the market at an ever-increasing rate, and they offer flexibility previously unseen in the market. These companies have made the purchasing experience fun, light, and fast, allowing people to get back to their lives without ever having to talk to an agent or set foot in an agency.

2. Efficiency

Traditionally reliable and profitable insurance markets, like home and auto, are shifting to align with the changing tastes of Millennials. Car ownership, for example, is on the decline as they opt for more flexible solutions offered by the shared-economy like Uber, Lyft, Car-2-Go, and Turo. This translates into traditional insurers needing to find better and more efficient ways to operate their two most common lines of business. Insurers with heavily-staffed call centers reaching out to remind policyholders of late payments, managing FNOL, and dealing with CAT claims will need to find better, more manageable, automated ways of connecting with policyholders without sacrificing client-centric, personalized and relevant experiences.

3. Customer-Centric Focus

Ratcliff, in his article, goes on to suggest that “The convenience and efficiency of online and mobile channels, coupled with the commoditization of the core insurance product, has led insurance customers to seek a new experience.”

Millennials will not venture down to the office of their local agent to purchase a “commoditized” product. “The digital insurance trend, then, is really about the way consumers will choose to interact with an insurance company, as opposed to the way today’s insurance companies try to dictate interactions with consumers. Going forward, insurers will need to focus far more on the consumer as an individual. In this environment, an effective omnichannel strategy will be key, as will an insurer’s capabilities around self-service.”

4. Advanced Data and Analytics

Ratcliff highlights one of the most fundamental changes to the insurance industry that taking place today: the shift from actuarial-based risk assessment and premium calculation to IoT, telematics, data analytics, and managing risks on an individual level.

> ***“Historically, insurance has been about pricing a risk. Going forward though, the industry might be moving into a new realm that places more value on managing a risk. For example, telematics can be leveraged to give people driving scores—getting them to drive more slowly, brake more effectively, corner less aggressively, leave more distance between the car in front of them. On the life side, wearable technology and analytics can combine to create compelling wellness programs for clients. These programs are, in effect, enabling insurers to manage the risks they are writing—by rewarding good behavior and penalizing bad behavior,” says Ratcliff.***

Ratcliff continues:

> *"...these challenges are best met through a technology-agnostic approach supported by strong partnerships. A partner with deep industry expertise and knowledge of back-office systems can help guide the move to a service-enabled environment, which brings new capabilities while significantly lowering costs. With these updates, insurers can invest more heavily in building for the future, while paying special attention to evolving cybersecurity and regulatory compliance requirements, as well as big data and analytics opportunities, and capitalizing on new and emerging channels."*

As Ratcliff concludes in the article:

> *"Addressing these four business imperatives is a complex effort that will require insurers to both transform their legacy operations and build out new operations. As insurers consider their next move, they'll need to ask themselves: How do we reduce our "run and maintain" costs in order to build the kinds of new capabilities necessary to stay competitive? How do we enable or evolve our legacy systems to support today's digital imperatives? How do we accept new sources of data and analyze that data properly? And, perhaps most importantly, how do we do it all simultaneously?"*

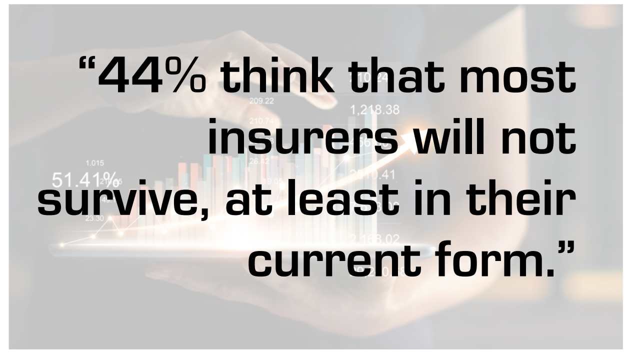
Insurers will be faced with making rapid decisions that keep them in pace with not only the changes to technology and data capture, but to the shifting core demands of their clients. Failing to keep pace with the cadence of new customer demands will be detrimental in capturing new business and staying competitive, as well as relevant, in the market.

Industry 4.0: Communications in the New Age of Insurance

The New Normal: Insurance CX Now, and in the Future

Anyone could be easily forgiven for not predicting the changes seen over the past several years in the insurance space, such as advancements in telematics, automation, advanced analytics, personalized coverage, on-demand solutions, and the erosion of traditional markets like home and auto.

These concepts were nothing more than pipe dreams a mere 6 years ago, and now companies are scrambling to stay ahead of the storm. Innovation and technology discussions are now leading the weekly meeting agenda instead of ending them, while teams anxiously try to adapt and refocus their communications on not just one, but rather on three generational fronts. It's an unenviable position for any industry.



If there were to be any good news, it would be that insurance carriers and agencies already have access to one of the most important tools in their arsenal: information. Years of writing risks combined with historical client data have given them a tremendous advantage over other industries in the rush to adaptation, for the simple reason that the tools to analyze the data are already designed and built. Once leveraged, insurers will be able to quickly respond to client demands and gain insight on how to target products.

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According to an article published last year by international financial consulting firm PwC, "...a higher percentage of insurance CEOs than those in any other industry are extremely concerned about the threats to their growth prospects from over-regulation, the speed of technological change, changing customer behavior and competition from new market entrants." The article continues:

> ***"In short, the entire insurance business model is being disrupted. At PwC's Financial Services Audit and Risk Committee Forum (FSARCF), one-third of insurance attendees cited technology—including the new market entrants that are often behind technological change—and customers' expectations for 24-hour service as the most disruptive forces on the insurance business."***

Two rather sobering statistics also came from this article:

- 35% of the insurer directors in attendance said they think the industry landscape "will stay the same, but the players will change substantially in five to 10 years."
- 44% think that most existing insurers "will not survive, at least in their current form."

Andrew G. Simpson, Chief Content Officer for *Insurance Journal*, wrote about the coming digital revolution in an October 2018 article, stating: "Products will have a starring role in the second act. Advanced technology and data will be used to design simpler products that better serve people's real needs, according to experts at the third annual InsureTech Connect Conference in Las Vegas. The tools and data will also be used to more precisely assess and price risk."

The same article contains an interview with Daniel Schreiber, founder and CEO of Lemonade where he stated, "Insurance is about using statistics to price risk, which is why data, properly collected and used, will transform the core of the product." Simpson goes on to highlight Schreiber's use of chatbots "to sell coverage and manage claims, resulting in the company having about 2,500 customers per human versus much lower numbers for traditional carriers: State Farm (500), Geico (400), Allstate (246) and Farmers (143)." These types of adaptations are allowing digital-first insurers to be highly competitive in the marketplace, and aligning communications in a way that customers have now become accustomed to. "Technology and data, however, will change the insurance product because at its core, insurance is data," Simpson asserts.

Automation Impact on CX

Part of the transition to The New Normal will include the automation of communications with customers to help manage costs and provide a more fluid client experience. In a report entitled Automating the Insurance Industry released in January 2016 by McKinsey & Company, they found that "...up to 45 percent of all work activities in the United States, where MGI performed its analysis, can be automated right now with current technology."

Considering the number and context of most conversations between agents and their policyholders, there seems to be an opportunity for automation, primarily around the post-claims process. This would typically include updates on vehicle repairs, car rental bookings, payment statuses, and updates on general claims progress:

> ***"Our most probable outcome for insurers sees up to 25 percent of full-time positions consolidated or reduced as a net aggregate, occurring at different rates for different roles over a period of about a decade. That's neither a negligible amount of job loss nor an unimaginably distant time frame. On the contrary, given the magnitude of these changes and the looming future, it's important that insurers begin to rethink their priorities right now. These should include retraining and redeploying the talent they currently have, identifying critical new skills to insource, and returning value propositions in the war for new talent and capabilities. That competition will almost certainly increase as the digital transformation takes hold. The first waves are already hitting the beach."***

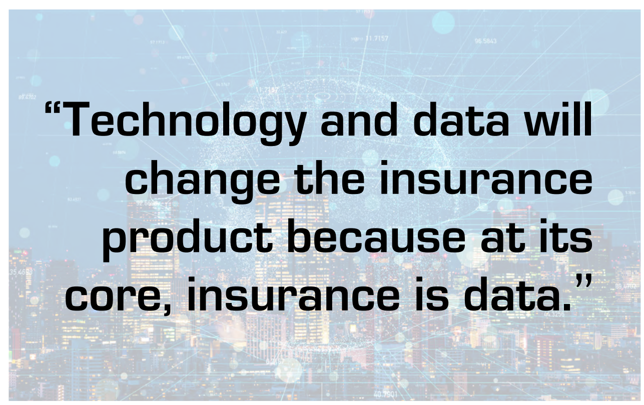
Aside from the streamlining of certain communications for customer benefit, underlying reasons for a shift to automation could potentially be a result of losses in some carrier's books, particularly in commercial auto. An article published in *Digital Insurance* by Larry McLean, VP for Insurance Office of America, recently wrote about the impact of these losses:

> ***"The commercial auto line (liability and physical damage coverage combined) has generated seven consecutive years of underwriting losses, with the industry statutory combined ratio rising to a 16-year high of 111.1% in 2017. For insurers struggling to maintain portfolio profitability in commercial auto liability lines, it's a state of crisis. Two major contributing factors to mounting losses in commercial auto are the growth of larger loss incidents and an increase in damage awards. The acceleration claims frequency can be attributed to factors such as the attrition of experienced drivers, more vehicles on the roadways due to an expanding economy and lower unemployment, and an increase in distracted driving. Poor loss ratio also is connected to the increasing severity of accidents resulting from higher speed limits, more expensive repair or replacement costs of vehicles with advanced technology, and increasing litigation and settlement costs."***

In addition to communications automation, the use of telematics once again plays a role in helping to provide a more accurate picture of risk. The author continues:

> *"Next-generation telematics technologies provide insurers with an effective strategy to better manage commercial vehicle risk. The use of telematics is growing rapidly as implementation costs go down and insurers look to this technology to better understand how drivers perform. Currently, there are approximately 13 million GPS fleet management and driver behavior management devices used in commercial vehicles in the U.S., according to C.J. Driscoll & Associates' 2019-20 U.S. Mobile Resource Management Systems Market Study. By 2022, that number will increase to over 20 million."*
>
> *"Cloud-based, onboard diagnostic port plug-ins allow insurers to gain insight into key driving behaviors, including hard braking, rapid acceleration, speeding, and hard cornering. By actively monitoring these and other driving practices, insurers can incentivize better habits and more accurately assess risk. Some companies are even using gamification with telematics—where drivers compete to determine who demonstrates the best driving habits—to help change driving behaviors and foster positive engagement with customers."*
>
> *"Commercial auto insurers also are partnering with telematics service providers to help establish monitoring systems and oversight of the technology and data analytics processes involved in capturing and evaluating vehicle operation information."*

The eventual move from using proxy data to source data as part of a client's assessment allows insurers to better understand current habits, and potentially trends, across several risk verticals. This will also help insurers to determine which clients may be receptive to certain types of automated communication and allow them to select channels that are best suited to their *modus vivendi*. Lastly, source data will give additional insight into products best suited for a clients' particular lifestyle and inspire customized, relevant cross-selling of product lines - home, auto, small business, recreational, life, A&S, and the list goes on.



Technology aside, it's important to remember that the CX related to the claims process is the benchmark to watch. Quoted from the same article, Alex Polyakov, CEO of InsurTech company Livegenic, says that the most important metric in insurance "is customer satisfaction of the customer post claim. Keeping track of this metric is the key ingredient in securing and growing the insurance business market share, producing higher margins, and growing the business."

Ask the Experts: Interviews with Industry Leaders

In an effort to better understand the overall magnitude of the changes currently playing out in insurance, CX, and communications, we invited several industry thought leaders to speak with us about the current and future impact of the Millennial wave, technology, communications, and how to prepare for consumers' changing appetites for how business gets done.

Abel Travis

VP, Underwriting & Innovation, AF Group

Insurance companies need to focus on strategic development centric to innovation. The demands of the customer are moving towards real-time and on-demand services across several industries, not just insurance.

> ***"I wholeheartedly believe that the way in which organizations grew and got to the point they are at today isn't going to be the same way that they can grow and serve the customers in the future. That goes all the way from the discipline of underwriting... up through the disciplines of innovation."***

Abel talks about melding the two functions of underwriting and innovation, along with a product management discipline, "...so we can really put ourselves in a position to drive change and transformation for our organization and for the insurance industry."

Looking at the customer journey, Travis is a firm believer that the trend leans toward a digital experience. "A study that was been done by Gartner and McKinsey predicted that by 2018, 13% of customers were going to start their insurance journey digitally and also end it digitally. Meanwhile, when 2018 hit it was actually 18%; five percentage points more than was originally forecasted."

Travis goes on to warn other insurance industry leaders that they need to meet customers relative to where they are on the journey:

> ***"...when I hear CEOs of large insurance carriers talking about not having to worry about this, I think that they're kidding themselves in regards to where they should be focusing their attention."***

> ***"Chubb CEO [stated] last year that their Ulysses contract with the industry was, 'We're going to provide you with the ability to quote our policies and to communicate with us as a company, [by] providing us with four points of data.' Traditionally they would need sometimes 30 or 40 different points of data just to get a quote, even on a low complexity policy." For a $32 billion dollar company like Chubb to make such a commitment should make other carriers sit up and take notice."***

Travis admits to not having a crystal ball, but also suggested that the expectations of a fluid CX are very much a reality:

"Four years down the line, I don't know if Lemonade will be here. I don't know if Pie, Cake and Slice are going to be here in the insurance industry, but the lasting legacy that they are going to leave is the way that they changed the customer experience and the expectation of customers in terms of data, communication and claims management.

"So my advice would be to not discount the transformations that we're seeing. [We need] to ensure that as an industry, especially with the incumbents on both the agent and the carrier side, we take the customer transformation seriously. Otherwise, we are going to see companies like Amazon and Google, who are most likely going to redo their entrance into the insurance base, come in and completely overhaul the customer experience like we're already seeing them do in retail, media, and in other segments."

About Abel Travis

Abel Travis is currently the Vice President, Underwriting & Product Innovation at AF Group, a multiline carrier located in Lansing MI. Abel Travis has deep subject matter expertise in the Insurance Industry, with over 15 years of experience. Travis is an expert in Innovation, designing new products and business models to drive growth and transformation. Travis, no stranger to the startup world, also built and sold an Insurance Technology company before the "InsureTech" phenomenon. Travis has provided leadership and guidance in all aspects of the Insurance Industry from Technology, Underwriting, Product Management, Innovation, Strategy and Product Development. Travis has a deep affinity for Insurance Innovation and seeing the proliferation of innovation change this Industry. He hosts the Insurance Innovators Unscripted podcast to provide and engage in thought leadership with Innovators, Influencers, and Executives in Insurance. Travis serves as an advisor to regional technology startups, provides consultation for private equity firms investing in the insurance sector and mentors future industry leaders and innovators.

Daniel Turgel

CEO & Co-Founder, SmartInsure

Daniel Turgel understands the impact of a digital-only insurance company because he owns one. Being a purely digital solution, SmartInsure understands that customers want to connect with service providers, including insurance companies, through their channels of choice. By creating an omnichannel experience, customers can communicate in ways that are meaningful to them.

"First of all, the word that always comes to mind is omnichannel, so [customers] want to be able to connect in multiple ways; a trend in commerce in general," Turgel says.

He also discusses the need for other platforms that can be leveraged for client communications:

"Secondly, for digital-first customers they continue to push for 'the app', because that is the MO of that generation, but also just in general as users of Android and Apple products."

Turgel continues to emphasize the need for clear communication:

"...getting messages that are useful with timely and relevant content. For example, homeowner's insurance: how to protect their home and how to care for their home. You'll see the same across auto and other property and casualty lines, life, and health by extension."

"The insurer and the agent through their use of third-party data is able to start crafting a more personalized experience for each individual customer and that plays right back into the delivery of timely and relevant content."

When asked about the implications of social media and voice-first platforms like Google Assistant and Amazon Alexa, Turgel sees them as windows into how we change our level of interaction:

"Social media has taught us a lot of things. One is that most people love to talk about themselves or other people, their friends, family—just to be social. If we're connecting homes in ways that we haven't in the past, people can go out and create social relationships in ways that we haven't in the past, and that is literally how culture changes, shifts, and improves."

Turgel believes this will fundamentally change the way people interact with their insurer inside the next 5 to 10 years.

About Daniel Turgel

Daniel is CEO and co-founder of SmartInsure, a company leveraging smart home technology in proactive home protection. Daniel previously spent six years at Arch Reinsurance in a variety of underwriting and marketing roles including the establishment of the Lloyd's China Arch Syndicate branch. Daniel is fluent in Mandarin and holds an MBA in Insurance from the Wharton School and an MA in International Management from the Lauder School at the University of Pennsylvania. He currently serves as secretary of the board for Congregation Bonai Shalom in Boulder, Colorado. Daniel lives with his wife and two children in Louisville, Colorado and enjoys hiking, skiing, biking and reading.

Grafton Robinson

Head of Marketing, Kin Insurance

Grafton Robinson has spent many years marketing to insurance customers, investing time to understand what they want and how to connect with them. When discussing platforms and methods of communication with clients, the preferred channel was quite surprising based on the older demographic they service: "I would have to pull the exact numbers but the most surprising... is the number of texts that we get every day."

Grafton says they handle approximately one-thousand SMS messages every day from customers. These include people applying for coverage as well as existing customers that are looking for an update on a claim, asking questions about something they received in the mail, or looking for a copy of a document.

Grafton says they don't just receive a lot of text messages; they also send them to their clients as part of regular client outreach:

"We did have a fair number of claims filed, but the far more common response was, 'Wow, I've never like had someone ask me if everything was okay, or if we needed anything, or just how we were doing.'"

Grafton believes in communicating with clients on their terms.

"After Hurricane Irma happened in September of 2017 we just sent out a text. We got almost as many texts back as we had customers because we just asked, 'Is everything okay?'"

"We would send a [message]: 'Hey, we think you got the worst of it. Even if you're not at home, do you want us to start preparing the paperwork to file a claim?'"

Grafton says the response they got was unexpected:

"Whatever channel the homeowner would be using to consume anything, meet them where they are."

When asked about the future of communications, Grafton sees automation as being a major part of it:

"I think if [insurers] are not already preparing for the change that has happened—even if you're not prepared to accept text messages in a semi-organized way from your customers—then you're already losing out on the biggest communication channel. If you're already two steps behind. What's going to happen in a couple years when people will be asking their Alexa to call you or to file a claim?"

Grafton urges insurers to take an active role in connecting with customers.

"There needs to be some acknowledgment that [communications] won't be what it is now. And if you don't have someone in your organization that is looking at that and preparing for it on an ongoing basis, then you're just getting one step further behind every day. The insurance industry is not going to be on the forefront of the communications revolution, but it needs to be able to ride a wave, for sure."

About Grafton Robinson

Grafton is a digital marketing director with 15 years of experience in paid and organic marketing. He has grown marketing teams at two Chicago-based InsureTech startups, and is dedicated to helping small and grassroots organizations that contribute to the social good.

Marti Ryan

Futurist, Innovator & Digital Strategist, MartiRyan.com

Marti Ryan has spent the last several years speaking to enthusiastic crowds about insurance technology. She has been featured on the stages of the University of Wisconsin-Madison Fluno Center for Professional Development, the American Marketing Association, World Future

Society, and the ACCORD Challenge. When asked about communication and what is now expected from the client, Marti was passionate with her response. “Companies need to be ready to communicate and be able to make really nice hand-offs. I want to text with them, then I want them to capture that information. And when I’m ready to call you better have it.”

With the migration of work schedules from the old school nine-to-five work week to a more dynamic, flexible schedule Marti is adamant that insurers will need to be available at all hours of the day in order to connect with clients looking for information—including quotes:

> ***“I would say from nine to midnight most nights, or on the weekends, is when people actually have time to take care of insurance needs. Being able to serve customers 24/7 is also really important.”***

So, what is the major driving force behind this shift in the industry? Marti agrees that Millennials have been major champions of change, but also believes that there are additional outside influences:

> ***“I think it’s easy to say that this is driven by millennials and that millennials want this,” Marti says. “But I would say that companies like Amazon, Uber and Netflix set the bar for us to be able to conduct business seamlessly either online or however we want to [connect].”***

In addition, the change in attitude towards ownership with Millennials has been a massive influencer:

> ***“Millennials don’t want to own. They don’t want a driver’s license. They don’t want to own a car. They have Uber and public transportation and friends.’”***

These changes go deeper than just a cohort, according to Marti:

> ***“I don’t think it’s just the Millennials. I think it’s easy to say Millennials are the ones that are driving it. But I believe we as consumers of all ages connect with consumer brands who are doing a great job of digitizing the process, then the expectations with other brands are just, there... companies are setting the bar.”***

The impact of social media has been felt throughout almost every corner of business, but Marti debates on whether these platforms are effective for certain industries to use:

> ***“I think insurance does not understand social media. Point blank—I think that they want to communicate with their consumers using social media, but there’s nothing sexy about social media and insurance.”***

About Marti Ryan

Marti’s career portfolio began as an actuary, includes assisting entrepreneurs launch over 35 start-ups, and co-founding Telematic, an InsureTech start-up providing personalized risk profiles from a cloud based platform.

Marti is a strategist and has most recently led multiple innovation efforts across IoT hardware/software builds and VC investments within the insurance and financial services industries. She is a creative problem solver with a futuristic perspective who seeks to understand why before creating innovation road maps with solutions that blow consumer’s hair back.

Jonathan Spinner

AVP, Claims Transformation & Strategy, Aviva Canada

Jonathan Spinner knows insurance and finance, dedicating the last 18 years of his career across both industries. Jonathan provided some insight on the general current state of CX and communications within insurance:

> ***"My perspective on where we are as an industry, relevant to customer expectations—I think we're pretty far behind. If you want to understand where insurance is, look where banking was 5-10 years ago and where retail was 5 years before that."***

This lag in CX is partly attributed to communications, which is an ongoing and increasingly difficult challenge for insurers to overcome:

> ***"I see there is also a need for keeping the customer informed of what's happening. We've done a whole bunch of analysis that points to, depending on location, anywhere from 30% to 50% of the inbound demand hitting our call center as inquiries [on claims]."***

Jonathan understands the increased demand in communications is an effort, on the client's behalf, to alleviate the stress of the claims process:

> ***"It's a horrible experience for the customer because they feel like they're on their own, and unless they are chasing us, they're not getting the information that they need."***

Part of the solution implemented by Jonathan and his team involved streamlining through automation:

> ***"What we implemented, as a starting point for our personal lines auto, is a series of automated notifications that go out to the customer at key events through the life of the claim. Examples included updating a customer's claim number, assigning adjuster contact info, status updates on repairs, rental car information, and sharing body shop contact information. We send all these notifications to the customer either through SMS or through email— or both— and it's customer choice as to which channels they want to subscribe to."***

When asked about the value of adding automated voice communication to the available channels to connect with customers, Jonathan explained:

> ***"I see great value in potentially extending [notifications] to a voice channel because not all of our customers are technologically savvy. We have a fair number of [clients] with no internet connectivity, but they have telephones, so why can we not extend the same courtesy around claim notifications to these customers who might prefer a voice channel?"***

In addition, Jonathan said a voice channel may also serve customers with disabilities:

"We also have visually-impaired customers who are not able to read emails or text messages in a highly usable way. Perhaps something that is voice-based would be a huge benefit... we shouldn't be limiting ourselves to channels if we don't have to."

Jonathan's summation of what the future holds for the industry was truly encapsulating:

"We will win or lose business on the basis of how convenient we make the access, how proactive and intuitive we make the service, and how we embrace customer centricity as a fundamental underpinning of our business."

About Jonathan Spinner

Whether it's business transformation & strategy, analytics & big data, cognitive computing & AI, customer experience & digital innovation, or project management & delivery, Jonathan loves engaging in discussion, sharing his thoughts, and hearing those of others, especially in an insurance context. Managing teams, leading people, engaging stakeholders, and generally getting stuff done all rely on the ability to bring people along on the journey. Jonathan is a listener and a storyteller, and is not afraid to be decisive and take calculated risks in order to innovate.

Conclusion

Often referred to as "The Perfect Storm" within the insurance sector, the combination of shifting attitudes with Generation Y, proliferation of technology through IoT, using source data instead of proxy data, and the adaptational bleed that has occurred across cohorts has led insurers around the globe to completely reimagine how they connect with customers.

For Millennials, the local agent is no longer the preferred source for the purchase of insurance. The knowledge barriers that once existed, requiring customers to have face-to-face conversations with insurers, have been obliterated by the Internet. The product of insurance has become commoditized in an ever-more competitive landscape rife with traditionally-profitable and reliable markets like home and auto being disrupted, and in some cases, facing significant decline.

Consumers no longer want to be constrained by typical business hours, or even the work week. They demand the freedom and flexibility to purchase new car insurance while waiting to pick the kids up kids from soccer, price out new home coverage while watching TV on a Saturday evening, or check on the status of a claim at 3 am on a Monday morning while they're getting ready to catch a business flight. They want to be informed using channels that are relevant and meaningful to them, with content that is personalized.

Dr. Michael Naylor, a Senior Lecturer at Massey University in New Zealand, released a book entitled *Insurance Transformed: Technological Disruption* which states, "Insurance has traditionally been a very conservative industry, and this includes conservatism in the way it has used information technology." Dr. Naylor continues, "Coping with this challenge will be the key insurance management issue for the next few decades, and success at adapting to technological disruption will be the defining characteristic of industry survivors."

According to Dr. Naylor, "While these technologies will disrupt all industrial and service sectors, PWC and the World Economic Forum argue that in the next decade insurance will be the most disrupted of all the major service sectors. This disruption will not be a once-off; it will be continuous and geometrically increasing challenge, that is, the rate of change will increase, so disruption will increase."

How insurance agencies and carriers decide to adapt to the New Normal is a choice that requires deep insight and understanding into their business lines, their clients, and their growth strategy. Each organization will need to analyze this information and develop a plan of action that is customized to suit their needs, and the needs of their customers; however, time is of the essence.

Dr. Naylor highlights a key challenge: "There is no question that the insurance industry is far behind technology. Millennials find that frustrating. We live in a world where if you want something you go on your phone and get it instantly. The insurance industry currently just is not like that."

"What the insurance sector is facing now is a collection of technologies, which when combined, creates a perfect storm of technological disruption. This cannot be handled by incremental adjustments, but needs a transformative change," Dr. Naylor explains.

Regardless of how one interprets the information, the gentle ripples that started in 1981 have grown into the tsunami that we are facing today. It has arrived at the shores of the industry and they must decide: will they allow themselves to be overcome by the water and cast adrift at sea, or catch the waves and ride them to epic new heights?

About the Author

Ryan Dowson

Business Solutions Specialist, SPLICE Software

Ryan Dowson spent seven years as a producer in the insurance business—two years in general, and another five years in personal lines. Ryan sold P&C, Commercial Insurance for Manufacturing & Food Service, Life Insurance, and A&S coverage. Ryan previously worked with one of the largest insurance brokerages in Canada servicing commercial clients throughout southern Alberta, Canada. Ryan was also a member of the Aboriginal Insurance Services (AIS) program, which offers comprehensive coverage to native bands throughout Canada, including commercial property, liability, emergency services, and personal property.