



Future of Insurance: Wrapped Up in CX and EX

Reuters Events and Medallia have partnered to take a closer look at the future of customer experience in Canada and the U.S., featuring high-level speaker insights from Allianz, Aviva Canada, Manulife, Transamerica, Canadian Automobile Association and more

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CHAAAY_TEE/SHUTTERSTOCK

Contents

- 3** Introduction
- 4** A new dawn for CX
- 5** U.S. & Canada: a tale of two markets
- 6** Lessons from other industries
- 7** Five ways to wrap arms around customers and employees
- 11** Conclusion



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Introduction

The customer experience (CX) revolution is not new to North American insurers, and nor is the drive to digitization. In fact, across industries, a digital, customer-first approach had already been identified as a strategic growth driver in 2019. Spend on CX technologies is forecast to reach \$641bn by 2022, according to global market-intelligence firm, IDC. Yet the perception of insurance as an industry that trailed others in the digitization and digital experience stakes has remained one that is tricky to shake.

Now, nearly two years after the outbreak of the coronavirus pandemic that swept the world, and a raft of extreme catastrophes later, times are changing. In a keynote address at Reuters Events: Future of Insurance Canada 2021, Mike Doughty, the CEO of Canadian multinational Manulife, indicated that insurers are reflecting on the past and taking stock. "Over many years our products were bought and sold on product features and price. That has really changed. Now customer experience is one of the critical deciding factors," he said.

The question, however, remains: are insurers going far enough to transform the online customer experience? Recent research from [Gartner](#)¹ indicates there is still some way to



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GREG OSBORNE

General Manager and VP Insurance, Medallia

go, with 58% of customers saying that most of their digital experiences are so undifferentiated that they "have little to no impact on what they end up buying".

This is a missed opportunity, as Greg Osborne, General Manager and Vice President of insurance at Medallia, a global cross-industry experience management platform, explains: "Across all industries, and this is also true for insurance, most consumers are willing to pay a premium for a superior customer service." ●



A new dawn for CX

People may not wake up to buy insurance but, as Medallia's Osborne points out, "policyholders are recognizing that insurance no longer has to be a contract they simply set and forget about".

Driving this trend are household names in retail, entertainment and travel which, even before the pandemic, were upping the ante with their data-driven, personalized and differentiated business-to-consumer experiences.

As Covid-19 thrust virtual engagements onto almost every aspect of life, people began to demand a similar experience from the brands and companies they do business with, including their insurer. At the same time, pandemic-related claims surged, along with extreme weather events including devastating floods in Europe and raging wildfires in North America and elsewhere.

As call centers strained and agents were stretched to breaking point, for once policyholders began to embrace the advantages of online self-service claims processing.

That was progress, says Osborne, but the problem was that at the same time, "customer experience took a hit, especially for the more complex claims".

As research from [LexisNexis](#)² confirms, while overall claims satisfaction remains high, those customers who were "very satisfied" have fallen by 11% since 2019, likely driven by increased consumer expectations for ease of use.

More evidence comes from a 2021 J.D. Power study of U.S. property and casualty insurers, which finds that "despite industry-wide improvements in best-practice competency", the digital experience remains stagnant – stuck at "good enough". ●

U.S. & Canada: a tale of two markets

While there may be similarities between the U.S. and Canada, in a session exploring the possibilities of [open insurance](#)³, Allianz Chief Marketing Officer (CMO) Gino Riola was clear that no uniform blueprint can be applied across markets. This can be illustrated by the healthcare markets of the U.S. and Canada. In the fiercely competitive U.S., for example, there is a mix of public and private, for-profit and non-profit insurers and healthcare providers. Private insurance is the dominant healthcare coverage, and just 8.5% of the population is [uninsured](#)⁴.

By contrast, Canada has a universal, publicly funded health system. It is devolved to, and administered primarily by, local authorities in the country's 13 provinces and territories, but its 'single payer system' means that healthcare for hospitals and mostly for [doctors](#)⁵ is paid centrally.



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MIKE DOUGHTY
CEO, Manulife

With its focus on primary care, everybody in Canada has some insurance, but 30% still lack extended health insurance, and 40% are without life insurance, according to EY's [2020 Canada Insurance Outlook](#)⁶. Other challenges facing Canada include more stringent regulatory and reporting requirements, not least proposals for new federal privacy legislation. If adopted, which will bring the law into line with some of the strictest in the world, any future solution would have to be "ironclad", warns Riola.

In Canada, how auto insurance is regulated varies from province to province, unlike the highly competitive U.S. market where innovations such as telematics have helped to streamline underwriting and pricing processes. While in some provinces such as Alberta, Ontario and New Brunswick, private insurance is available, in others like British Columbia, Saskatchewan, Manitoba and Quebec it takes the form of a state monopoly. "This makes for a very



SOMKID THONGDEE/SHUTTERSTOCK

different competitive and customer experience landscape," Medallia's Osborne says.

Manulife CEO Doughty believes that when it comes to insurance, the industry can do better. "We don't make insurance a very compelling product to own, and historically we haven't made it easy to purchase," he said, in his recent keynote address.

Meanwhile, [Deloitte's](#)⁷ 2021 mid-year industry outlook indicates that U.S. insurers are poised to shift up a gear. Respondents to a survey of U.S. insurers found that enhanced efficiency (70%) and customer experience (68%) are viewed as the top two actions to support financial and operational stability. ●

Lessons from other industries

While some Canadian insurers may lag the U.S. on the digital CX front, Daniel Brousseau, Medallia's CX Leader for financial services, says insurers need look no further for inspiration than the country's biggest banks.

"They are ahead of most in the U.S. when it comes to thinking of banking as a platform and a gateway to other services," he says.

Spurred on by amendments to the Bank Act in 2018, Canada's banks can now collaborate with "innovative fintechs to the benefit of both parties and, importantly, their customers," says the Canadian Bankers Association (CBA).

Both banks and technology companies have recognized how artificial intelligence (AI) can rapidly "improve the speed and accessibility of services and provide more customized, personalized experiences".



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BRYANT VERNON

Chief Claims Officer, Aviva Canada

The insurance industry could also take lessons from manufacturers, according to Bryant Vernon, Chief Claims Officer of Aviva Canada. "Operations research and process engineering are quite common in manufacturing business, but they are difficult to find in most insurance businesses," he said, in a keynote address at the Canadian event. ●



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Five ways to wrap arms around customers and employees

In 2021, as North American insurers look ahead to the future, there is every reason to wrap arms around the customer – as well as the employees and agents that deliver their experience.

1

ENABLE REAL CONVERSATIONS, DEMOCRATIZE DATA AND BUILD TRUST



STUDIO ROMANTIC/SHUTTERSTOCK

Trust is at the heart of every positive, long-standing insurance relationship, and today it stands on three pillars: effective communication; the agility to respond to the rapidly changing needs of the customer; and access to accurate data in order to evaluate risk and reward. In the insurance industry, data today comes from a wide range of sources – from electronic health data to biometric data from wearables, voice communications and more. Indeed, the days of companies relying on a small minority of customers for feedback on service, which only industry leaders had access to, are over.

Explaining how things have changed at Reuters Events: Future of Insurance USA 2021, Allstate Chief Executive Tom Wilson said the agents of the future would no longer

be a “human modem” punching data into a computer to find a quote. Instead, rich, customer data would enable “a real conversation”.

With access to pervasive, easily accessible operational data, Aviva Canada’s Vernon believes “everybody can be a problem solver”. In addition, by democratizing data and empowering employees, it becomes possible to experiment, test and learn, and apply those lessons quickly.

Looking to the future, Medallia’s Osborne believes insurers should be going above and beyond the ordinary to “solve for problems that don’t have to be there”. However, this will only be possible “when the best of human meets the best of digital”.

2 REDUCE FRICTION, GO WITH THE FLOW

Today, insurance carriers have the opportunity to improve productivity and cut operational expenses by 40%, according to McKinsey, while also improving the customer experience. However, this can only be brought about by taking a truly transformative approach.

To begin with, Vernon of Aviva Canada believes insurers should start by reducing friction, which is “a major drag on employee performance and, as a consequence, business performance”. Friction, which is anything that slows a business down without benefit, includes everything from failing to meet customer demand

McKinsey finds that knowledge workers in flow states are **500% more productive** than those regularly interrupted

to repetitive data entry, manual processes or poorly designed technology systems.

Inefficient processes that cause friction can dramatically slow down a business and are costly. But, as Vernon explained, by optimizing throughput of operations and allowing employees to be “in the zone” and work more efficiently and effectively, a state also known as flow, friction points can be reduced. There are also clear benefits – a 10-year study by McKinsey finds that knowledge workers in flow states are 500% more productive than those regularly interrupted.

3 TACKLE CLAIMS, BEAT THE CLUNKY BITS

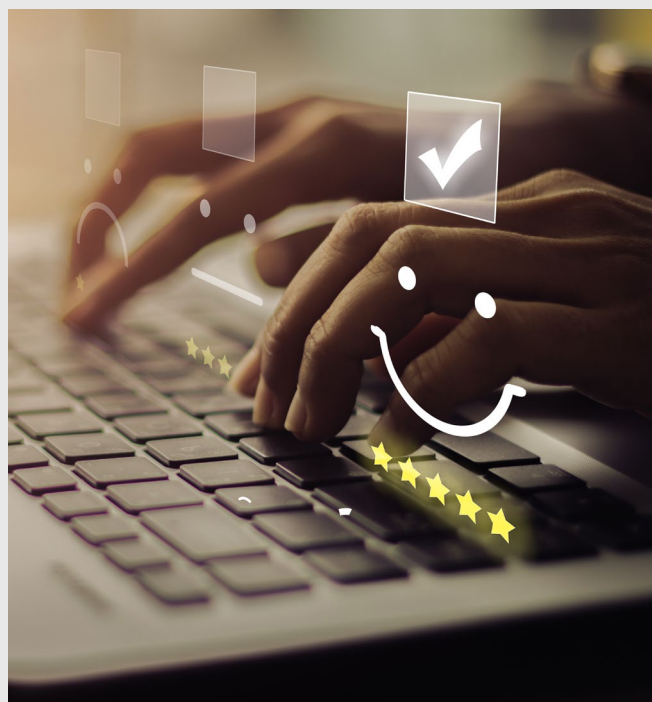
Unlike customer-centric industries such as travel, hospitality, retail and even banking, in the low-touch environment of insurance there are limited opportunities to make an impact. But it is the claims process and its associated expenses, which account for around 70%⁸ or more of insurance carriers’ costs, that present the greatest opportunity for driving operational efficiency.

“The most sensitive time for the insurance company is the point at which they must fulfil their promise and restore the policyholder back to their pre-loss situation,” says Medallia’s Osborne.

Get the claims process wrong and the customer is eight times more likely to shop for new insurance, according to a J.D. Power⁹ Insurance Shopping Survey.

Osborne is quick to stress that between the first notice of loss and settlement of a claim, there are numerous opportunities to deliver value, and it is incumbent on carriers to, “find out where clunky bits are in the process, and move between digital and live channels without missing a beat”.

In short, the insured should not have to tell their story twice.



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CASE STUDY

[Read the full case study](#)

How standout service scored with CAA customers

High customer satisfaction scores sometimes do not always add up. This was the experience of the Canadian Automobile Association (CAA), a non-profit federation of eight clubs that offers everything from emergency roadside services to comprehensive insurance and special savings to its 6.4 million members. Although the organization was already focused on and delivering consistently high net promoter scores (NPS), insights into what drove those were in short supply. As an example, it was difficult to fathom why rapid response times were still leading to low customer scores. To better understand its customer data, improve decision-making and identify areas for continuous improvement, CAA turned to Medallia for help, and with measurable results.

Describing the Software as a Service (SaaS) implementation, which included deploying Medallia Experience Cloud, closed loop processes and text analytics, Jeff Walker, President and CEO, CAA North & East Ontario, said it was the “most seamless in my career”.

**46%**

rise in response rates

87%

overall satisfaction in response time

5 points

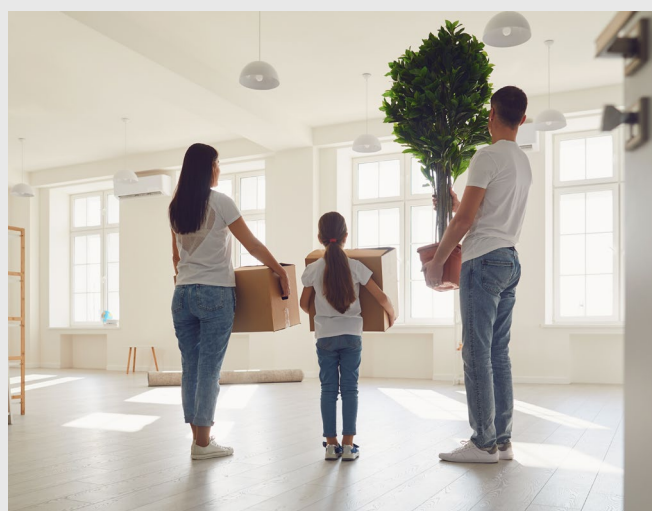
increase in roadside NPS during Covid-19

4

USE APIs AND LET CUSTOMER DATA DO THE TALKING

With a large percentage of Canada's population uninsured, the drive to make insurance products more inclusive and accessible is accelerating. This requires a closer look at every stage of the value chain – from sales and marketing through to underwriting, claims and renewal.

In particular, application programming interfaces (APIs) are essential to shifting industry distribution patterns, and hold the key to delivering novel experiences such as embedded products (for example, homeowners or auto insurance bundled with the sale of a house or car). They will also underpin any move to open insurance, the concept of accessing and sharing insurance-related personal and non-personal data, which could aid new and emerging threats such as cyber attacks and climate change.



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5

CONNECT CX & EX, SIMPLIFY COMMUNICATION AND BUILD A LOYAL FOLLOWING

PROSTOCK-STUDIO/SHUTTERSTOCK



To really move the needle on CX, it is vital that employees can take action on feedback, to close the loop with customers and resolve issues in a timely fashion. For a company like Transamerica, which is in the business of managing the financial assets of people's retirement plans, there are hundreds of core respondent touchpoints or interactions. By getting the right message to the right people at the right time, "we can be the bridge to connect the dots", says Sean Connaughty, Senior Director Customer Experience & Insights at Transamerica. His advice is to break communication down into steps. "Think: here is what you need to know, this is what you need to do now, here is what you need to do next."

This chimes with the simplified messaging of successful insurtechs. Lemonade, which writes personal lines for a million-strong customer base, is one that promises

"to surprise customers with a level of experience that is out of this world". Clearcover, an auto insurtech that lets you "file claims instantly, pay bills easily and view proof of insurance anywhere" and boasts 90% customer satisfaction rates, is another.

While not all lines of business are as straightforward as auto, says Medallia's Osborne, the bottom line is this: "If the front-end journey is difficult, customers will drop out for something easier. If the claims experience is testing, they will shop around for something different on renewal."

Like banks, what insurers want to avoid, adds Medallia's Brousseau, is soft attrition – where customers may keep an account open, for example, but move significant business elsewhere. To avoid this, a rethink of the end-to-end customer journey will be vital.



Conclusion

If digital transformation and streamlining the digital experience was a priority for insurers in 2019, the global pandemic made it a necessity. This wake-up call saw insurers rise to the challenge and join the ranks of the 89% of companies that, according to Gartner research, have prioritized customer-facing digital experiences in 2021.

However, with the knowledge that customer expectations are no longer set by other insurance companies, the industry is now recognizing that it is time to go further.

While focusing on finding the pain points and moments

of truth remain important, true innovators will be looking for ways to move to the next level of customer experience – to find ways to reduce friction, build trust and drive loyalty. Having a 360-degree view of the customer and understanding their journey at both macro and micro level will be vital to competitive advantage.

Looking ahead, the main value-chain elements will remain. But there can be little doubt that successful insurers of the future, on which people and economies depend, will be more streamlined, fuelled by data insight and, most importantly, led by the customer. ●

Medallia

About Medallia

Medallia (NYSE: MDLA) is the pioneer and market leader in customer, employee, citizen and patient experience. The company's award-winning SaaS platform, Medallia Experience Cloud, is becoming the experience system of record that makes all other applications customer and employee aware. The platform captures billions of experience signals across interactions including all voice, video, digital, IoT, social media and corporate messaging

tools. Medallia uses proprietary artificial intelligence and machine learning technology to automatically reveal predictive insights that drive powerful business actions and outcomes. Medallia customers reduce churn, turn detractors into promoters and buyers, create in-the-moment cross-sell and up-sell opportunities and drive revenue-impacting business decisions, providing clear and potent returns on investment. For more information visit www.medallia.com.

Footnotes

¹ <https://www.gartner.com/en/newsroom/press-releases/2021-05-26-gartner-marketing-research-shows-58--of-customers-bel>

² <https://risk.lexisnexis.com/insights-resources/white-paper/2021-future-of-claims-study>

³ <https://www.eiopa.europa.eu/sites/default/files/publications/consultations/open-insurance-discussion-paper-28-01-2021.pdf>

⁴ <https://www.commonwealthfund.org/international-health-policy-center/countries/united-states>

⁵ <https://knowledge.wharton.upenn.edu/article/lessons-can-u-s-learn-canadian-health-care-system/>

⁶ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/insurance/insurance-outlook-pdfs/ey-global-insurance-outlook-canada.pdf

⁷ <https://www2.deloitte.com/us/en/insights/industry/financial-services/impact-of-pandemic-insurance-industry.html>

⁸ <https://home.kpmg/xx/en/home/insights/2020/01/the-new-claims-organization-customer-experience-and-operational-efficiency-together.html>

⁹ <https://www.jdpower.com/business/press-releases/2020-us-insurance-shopping-study>