

Digitalization in insurance

Customer insights that matter

# Introduction

Customer centricity is rapidly becoming one of the key drivers in the modern age for long-term sustainable growth. External forces, such as the COVID-19 pandemic, has drastically influenced the lifestyle demands and expectations of customers. Furthermore, the advent of technology has disrupted the field of information: consumers have access to overwhelming amounts of information and choices. Companies across industries are challenged to develop dynamic and novel methods of interacting, attracting and retaining customers within the market.

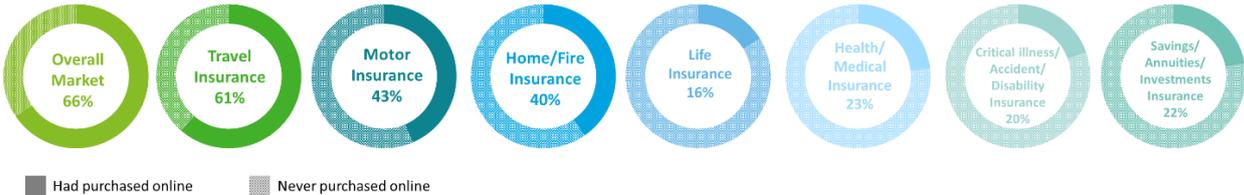
The insurance industry is no exception to this.

Though many insurers have accelerated recent digital adoption, it is worth posing the question: are insurers able to meet the ever-changing demands from customers? By leveraging consumer insights from the Hong Kong Insurance Perception and Behaviour Survey conducted by OneDegree, this report provides an overview of emerging consumer behaviour trends, what market pioneers are doing to shape the industry and the call to action for insurers.

## Customer Behavior Survey

Among 535 respondents who had previously purchased an insurance product, 66% of the respondents had experience purchasing insurance online. In which, travel insurance is the most popular product type that customers purchased online. Second most popular is motor insurance with 43% of respondents purchased online.

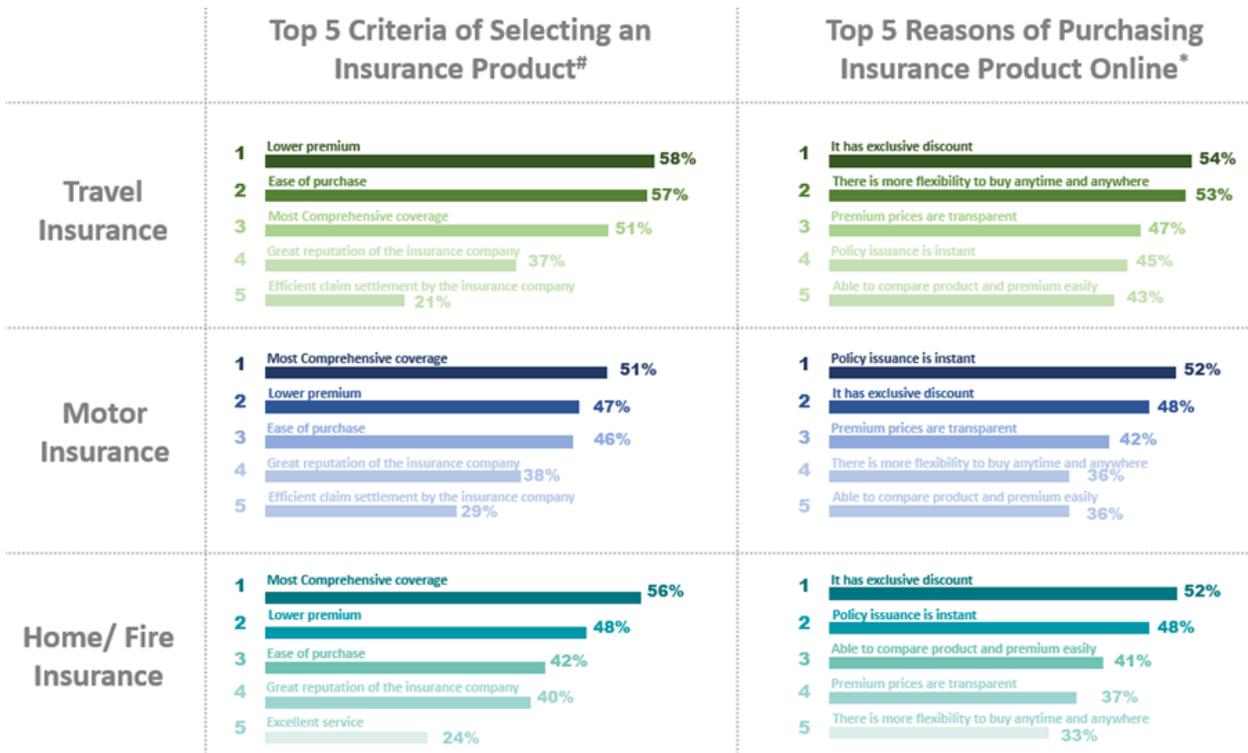
Percentage of insurance consumers who purchased online



(% of respondents who purchased corresponding type of insurance)

Source: OneDegree

The survey suggests that key reasons for respondents to purchase insurance online are price transparency, exclusive online discount and instant policy issuance. On the contrary, offline customers identified the reasons against purchasing insurance online as low trustworthiness and the need for dedicated customer service. For choice of policy, customers identified price, ease of purchase and benefits coverage as the top deciding factors.



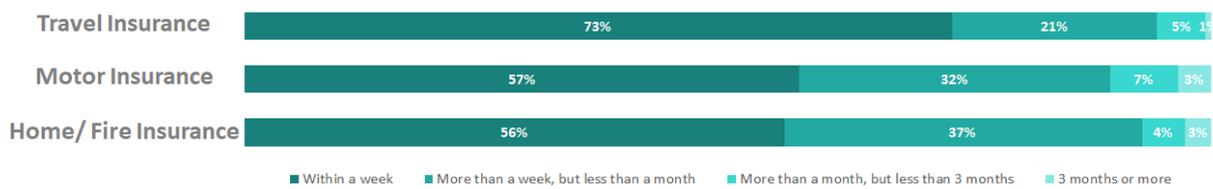
#(% of respondents who purchased corresponding type of insurance)

\*(% of respondents who purchased corresponding type of insurance online)

Source: OneDegree

Over 50% of respondents have completed their purchase for travel, home (fire) and motor insurance is within a week. Of which, 73% of the travel insurance purchase decisions are made within a week.

**Time Spent on Consideration of purchasing an insurance product**



(% of respondents who purchased corresponding type of insurance)

Source: OneDegree



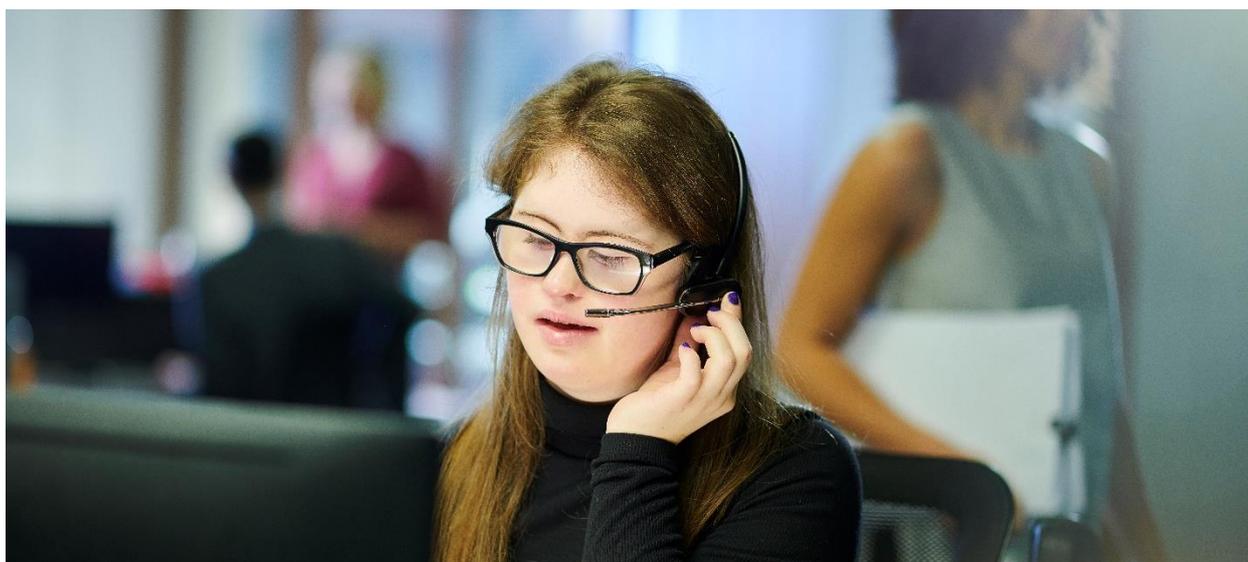
# Products

The survey results indicate that having comprehensive coverage is a top consideration in choosing insurance products. The demand for flexible products are on the rise, and accelerated by COVID-19, with travel plans hindered, working from home becomes the norm, and unstable income due to job loss. Products with flexible coverage and payment terms are gaining prominence. For example, flexibility in changing itinerary and coverage periods are becoming must-have features to travel insurance, rather than nice-to-have add-ons as previously viewed.

To fully address their insurance needs, customers are looking for the most comprehensive coverage. Trends suggest that more holistic product designs are gaining traction to meet the well-rounded needs of the customers. Personalization can be accomplished by mixing different product types and benefits that respond dynamically to each customer's needs.

## Implication

To respond to a rapidly changing market, the time from product ideation to launch must be minimized for insurers. Under existing process, new product launches can take at least six months from design to launch, with more than a month for IT implementation and at least another month of User Acceptance Testing (UAT). However, there are now modern core insurance solutions in the market that can reduce the time-to-market by half. These solutions accelerate product launch and offer no code/low code configuration, robotic process automation (RPA), and data analytics.



# Distribution Channel

Hong Kong consumers are embracing digital channels for convenience and value transparency. As product catalogues are shifting online, this empowers customers to perform premium comparisons with ease, facilitating more stringent product selection. Instant response and flexibility in policy issuance are key capabilities to accommodate the fast-paced nature of the city.

Apart from price transparency and instant policy issuance, digital interaction is also key.

Businesses are developing online channels and targeting to reduce in-person services under the new normal. However, human interaction will continue to be an asset in driving customer engagement, hence real-time response and interaction capabilities must be considered and integrated in digital platforms to enhance the user experience.

Furthermore, ecosystems and insurer partnerships in embedded insurance are gaining traction to increase customer penetration with cross-platform marketing and distribution and to enable insurers to tap into the micro-moments and better match products to customer needs.

## Implication

Digital channels are enhanced with analytics solutions for rapid delivery of business insights by channeling APIs. Expansion of external data sources and Internet of Things (IoT) are providing insurers with more data on defining risk profiles and behaviors of new and existing customers. Leveraging this data could fuel price optimization solutions, accelerate underwriting process and support data-driven marketing activities.



# Customer Engagement

Customer engagement has been one of the most difficult challenges many insurers face in Hong Kong. With improved customer engagement, it can strengthen the brand image and trustworthiness. The customer stickiness to an insurer is commonly affected by premium driven behavior and level of price transparency.

A good customer experience at point of sale is only a starting point. The entire customer journey and UX/UI design must be considered. It is also necessary to deliver great customer service by modernizing the value chain and explore how automation or artificial intelligence can streamline the end-to-end process. Feedback loops should be implemented in the framework to ingest customer feedback and capture actions to improve the customer engagement.

Also, bundling and accessing non-insurance offerings enhances the customer value propositions, expanding the other field of interests to improve the customer engagement. Omni-channel interaction and communication with customers increase the potential customer touchpoints and interactions.

## Implication

The digital bar for insurers is high and ever rising. Insurance customers' expectations have been shaped by their digital experiences with social media and e-commerce such as Facebook, YouTube, and Amazon etc. It is an imperative to provide real-time, on-demand experiences that allows customers to research, purchase and make claims. This includes allowing customers to decide when, where, and how they wish to participate in the omni-channel network.



# Operational Efficiency

Achieving operational efficiency is the key to unlock lower premiums. Insurers should prepare for business sustainability and continuity by automating simple processes in order to eliminate manual work and reduce resource cost. This can be achieved by digitalizing operations from front-end to back-end. Good data architecture can enable insurers to generate insights and assist in business decision-making, reducing errors and manual checkpoints.

As data collection is ever expanding, it is paramount for insurers to form new data strategy to utilize their data to truly understand their customers and business. With potential use cases in underwriting and claims automation - through analyzing internal and external customer data and behaviors, insurers can achieve a high percentage of straight-through processing and effectively triage and identify potential frauds and trends for further investigation.

## Implication

Equipping the platform with advanced analytics and automated customer services like underwriting, policy and claims management help to achieve the goal of operational efficiency. Certain insurers have implemented the e-claim service through their web or mobile applications with a fully-automated review process, streamlining the claims process. While there have been concerns that the ease of claims process would drive increased number of claims, testing has shown no significant difference in total claims before and after the implementation. However, the time and resource savings are notable.

## Conclusion

In summary, digitalisation is the modern zeitgeist. Whilst it is easy to dismiss it as a gimmick or a temporary band aid for the pandemic situation, its value delivered thus far and impact across industries are real. Insurance companies are at Darwinian crossroads, "adapt or die", to accommodate to the changing market landscape. Strategic investment in digitalisation can help insurers better meet customer needs, eliminate manual processes, and enhance customer experience, which would translate to improved growth, profitability, and customer retention. A win-win proposition for both the insurers and their customers.



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