

Helping the insurance industry to press reset



It's not an exaggeration to say that we're in unprecedented times. For many insurers the pandemic is a once in a lifetime economic, political and societal event that is going to require significant readjustment.

The economy has been hit hard. In many industries, such as travel, leisure, retail and hospitality, demand for goods and services has experienced unimaginable shocks. UK unemployment has risen at its fastest rate in living memory. Public debt has soared in order to protect the country from collapse.

The impact of the crisis has had diverse implications for the various P&C lines. Carriers that are unable to reduce costs in line with reductions in premiums will see expense ratios deteriorate. Above all, insurers will confront disrupted operations, the same business-continuity and operational challenges faced by all industries. From frontline sales, to underwriting, to back-end policy administration and claims management.

In the short term we have seen disruption to IT stability and remote working, customer and intermediary disruption.

The need for automation in digital engagement processes will become increasingly important as the industry generally remains reliant on manual processing and face-to-face interaction.

New business in most segments will be lower during the crisis. And the likelihood of second-order challenges, such as fraud and early policy cancellation, will be heightened.

We will see reductions in revenue from travel, auto, shipping and logistics insurance due to global social distancing and isolation measures. Reduced travel and auto usage is reducing the number of claims.

Increased inquiries regarding medical professional liability and business interruption and workers' compensation claims, and increases in the reallocation of staff e.g. away from auto claims towards business interruption and medical liability are changing priorities for insurers, and challenging their normal business models and call centre priorities.

How does the industry move forward and respond to delivering their service in this new strange worldwide situation?

How can insurers deal with business continuity disruption and model a plan for the future? There will be customer and intermediary disruption. There will be reduced solvency due to lower interest rates and share prices and higher credit spreads, so businesses will need to adapt.

The risk incurred by many employees from the sudden shift to remote working represents not only a fundamental change in work environment but a challenge in both mental and operational models employees operate in. Some functions such as claims adjusting, typically require employee presence in the field. Most carriers do not yet have the digital tools and platforms to enable those employees to work entirely remotely. Remote-working environments may stretch technology bandwidth, impede capability building and collaboration, and decrease the workforce's productivity. Equally it can increase the security risk exposure incurred.

Many organisations if they aren't already, will need fight to survive and those who are able to adjust to new technologies, organisational models and ways of working will be better placed to thrive in the 'new normal'. As a result, the basis of competition will shift for insurers and pension providers.

Undoubtedly there will also be changes in what constitutes competitive advantage.

For example, local or regional value chains may become more appealing to some, versus those who have built highly globalised models. We may see a swing back to onshoring or near shoring as offshore models are exposed to the new challenges of remote working, and to also address widespread unemployment in our home markets.

Customers and clients will think differently about what insurance and pension products they invest in and re-evaluate their needs and wants. Traditional models will need to be overhauled as their fragility to significant shocks is exposed and we could see a shift back to near-sourcing to mitigate future risks as business continuity planning becomes more critical than ever.

Public and corporate attitudes towards risk will shift, and we could see the types of regulation familiar to the banking sector extend across the insurance and pensions sector (for example, enforced capital and liquidity requirements.)

Speed matters: it will not be enough for companies to recover revenues gradually as the crisis abates. Insurers will need to fundamentally rethink their revenue profile, to position themselves for the long term and to get ahead of the competition. To do this insurers must shape up. Adopting a start up mindset, favouring action over research, and testing over analysis, and establishing a brisk cadence to encourage agility and accountability if even more important than ever.

Equally putting Human at the core. Companies will need to rethink their operating model based on how their people work best. Sixty percent of businesses in a survey conducted by McKinsey in early April said that their new remote sales models were proving as much (29 percent) or more effective (31 percent) than traditional channels.

How we work is also going to change. Corporate and employee attitudes towards working and learning remotely are undergoing a cultural revolution. The acceleration towards digitally enabled models will continue to be the top priority and use of data could change attitudes towards data privacy.

How we live and govern will be different. Our daily lives have been disrupted by lockdown and social distancing and people's livelihoods are likely to change for the foreseeable future as a result of job losses. We are starting to see both mental and physical health impacts emerge across families too.

The big question is how can we help organisations in the insurance and pensions sector to move beyond reacting to the current situation, towards reassessing their organisations and boldly reimagining what their futures look like?

One word perhaps more than most seems to characterise the organisations that are faring better than others – agility.

We've seen insurers pivot facilities in days from scaling up call centres in a matter of days, leveraging automation and conversational messaging and AI tools to deal with surges in demand, including first notification of loss and claims calls. We've seen previously bureaucratic procurement processes transform into rapid digitally-enabled decision-making over the course of hours. On a wider scale, we've seen communities of strangers join together to develop mass grass roots movements supplying essential goods, services and volunteers in the fight against the pandemic. All amazing examples of nimbleness and resilience in the face of adversity.

Although there are presently no reliable statistics, it is our understanding, from talking to our contact centre partner network and clients, that hundreds of thousands of contact centre based agents are now handling customer contacts from home.

Amidst all the uncertainty, distress and economic damage that COVID-19 is causing, there have been some positive outcomes. One of these is the impressive way in which the planning and implementation of large technology projects, like the mass shift to home working, has been achieved in only a few short weeks. However, contact centres that have moved quickly to wholly distribute their workforce are still faced with massive operational challenges including erratic levels of demand, huge changes to channel usage and how to engage, motivate and support staff without a physical connection.

There are also key and often pressing regulatory and compliance questions to be understood and addressed.

Having the responsibility for maintaining customer experience and engagement in the new 'virtual' contact centre is a particularly tough task. So, who has the time to ponder what the contact centre homeworking compliance issues are?

Dealing with the increased risk exposure In these times of rapid change, meeting compliance and regulatory needs must be underpinned by a focus on prioritisation. Many areas need to be reviewed and changes made, but while some can wait, others really cannot.

Although many brands and customer management service providers have responded very quickly to Covid-19, criminals and fraudsters have been quicker still.

Home based workers, remote from their usual support and information sources, are potentially vulnerable to fraudsters. To add to this risk, many customers are being faced with new personal and financial challenges. Whilst, organisations are having to handle an increased level of demanding and emotional contacts. Criminals will exploit this emotionally charged time, by emulating stressed customers to gain leverage and access to sensitive information.

If data and payment management systems and processes are already insufficiently secure, there is the additional danger that employees may be persuaded or threatened to copy and share data. Data security flaws in a traditional contact centre environment will be just amplified in a home-based environment.

Agents need to operate using Self-Service and Lower Costs will form a central part of the insurers new world as we come out of the COVID 19 Pandemic. Today's insurance policyholders, brokers and agents place a high premium on service, and they increasingly expect to be able to interact with your business via multiple channels—whether applying for a policy or initiating a claim. In fact, 82% of customers expect to interact via a combination of in-person and mobile. Requiring customers to visit an office, enter data repeatedly or wait days for claims status which negatively impacts your organisation's ability to attract and retain business. There is a need improve customer onboarding processes, with the ability to interact with customers anytime and anywhere. For example allowing customers to use their mobile device to snap a photo of an ID or document accompanying a policy application, or a photo of damage to initiate a first notification of loss (FNOL). Keeping customers informed throughout the process via the communication channel of choice is paramount. Equally embracing a digital self service/ assisted service model via a single, open platform to build customer loyalty while driving business efficiencies.

In whatever future we face, insurers will also place more and more value on resilience. It will come to trump efficiency in the battle to stay relevant, to stay open. Part of this will come from changing what we measure – resilience will be more valuable for instance in our supply chains and critical technology infrastructure.

As a whirlwind of incoming calls and contacts start to overwhelm your contact centre as worried consumers seek the latest information on their policies. Can your operation cope? Your reputation and your bottom line are at risk if it can't.

As a company at the heart of customer management operations, we see organisations increasingly concerned about how to manage BAU and maintain revenue when disruptive trigger events hit. And it seems there has rarely been a time when our lives have been so disrupted. As if coping with floods, fires and storms wasn't hard enough, people are being affected by the fallout from the Coronavirus outbreak, collapsing travel companies, cancelled flights and more, and specifically reviewing their cover. Such events can throw an enormous burden on contact centres as they struggle to sustain high standards of customer service while the numbers of calls from worried customers soar.

Worried consumers expect immediate answers. All of these disruptive events, be they through weather, health, business or more, will impact UK consumers in some way or another. They want answers from the brands they trust, and they expect to get them immediately. It's human nature to want rapid responses in worrying situations, and consumers are increasingly quick to criticise organisations that cannot provide them. No one wants to be the organisation that couldn't rise to the challenge when the pressure was on (a painful lesson for many travel companies and airlines that have had to catch up in exceptional events).

It's a situation for which very few organisations and their contact centres are truly prepared. As the latest headlines cause enquiries to surge, your agents can become overwhelmed, your day-to-day business struggles and your customers can lose patience. Vital transactional enquiries can slip through the net as you focus all your resources on stemming the tide of urgent enquiries. And if you fail to respond quickly enough to the questions that are vitally important to your customers, your reputation could be damaged.

Automation beats the information bottleneck for customers

If conversational artificial intelligence didn't already exist, this is exactly the situation for which it might have been invented. Smart chatbots that can be pre-loaded with relevant information and use it to answer people's questions are the ideal first line of urgent enquiry when disruption hits, and can play a key role in helping your organisation to maintain its essential functions during testing times.

Quick and easy to both deploy and keep updated, conversational messaging and AI can give your customers critical information, supporting your human customer service advisers and preventing them from becoming so overwhelmed that BAU grinds to a halt.

With a few lines of code and the right content from trusted sources, conversational messaging tools can be up and running on your website within a day, creating better business outcomes for you by maintaining your good reputation, reducing your people's stress and improving your customers' experience when they call you.

As well as helping you to deal with the surge in enquiries during a disruptive event, conversational AI can also help you to keep running when your own employees can't get to work, whether it's because their journey into the office has been disrupted or because they're having to self-quarantine due to potential illness. Having conversational AI available to shoulder part of the burden means that the staff who do make it in are free to concentrate on the most important calls.

The insurance industry was going through its biggest transformation before the COVID-19 crisis. In the longer term it is expected that there will be lower profitability, reduced demand during a sustained recession, increased demand where there is higher risk awareness and faster acceleration to digital, lower cost channels and bolder more transformational moves, as unemployment rises, payroll will decrease—reducing the need for workers' compensation products.

Identifying the primary sources of opportunity and revenue will become critical and, on that basis, make the "now or never" moves that need to happen before the recovery fully starts. This may include launching targeted campaigns to win back loyal customers; developing customer experiences focused on increased health and safety; adjusting pricing and promotions based on new data; reallocating spending to proven growth sources, and reskilling the sales force to support remote selling.

To remain agile, insurers need to look to new approaches to rapidly deploy contact centres in line with the realigned growth strategy. These can be set up quickly and built around agile teams who are able to become experts in customer messaging quickly and can also handle outbound communications. Cloud-based telephony can boost capacity, and at the same time analytics can drive decisions. In turn this will ease the burden on teams, increase flexibility, reduce overheads and can be up to 80% more cost efficient.

Cyber insurance will face increased losses given the heightened vulnerability introduced by an expanded remote workforce, including fearware and increased insurance fraud. Directors and insurance officers will see increased claims activity when the economy moves into a recession.

Capita are here to help

Across the insurance industry we have an opportunity to galvanise this newfound appetite for collaboration and innovation, to find solutions rather than looking for more problems, and to rebuild with renewed confidence as we emerge from the chaos of the crisis. Let's not waste this opportunity.

How individual companies respond to these challenges will to some extent determine their success.

At Capita, we're here to help Insurance Associations support insurers operations, their people and customers. To find out more about the services and solutions we have designed to help the insurance industry respond please **get in touch**

