



Motor insurance: Shift into High Gear to Drive Customer Engagement

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IDC #EUR149089122

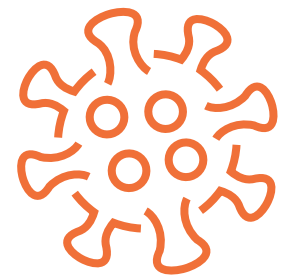
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World events are disrupting motor insurance, and insurers need to shift gears to maintain a profitable and sustainable business

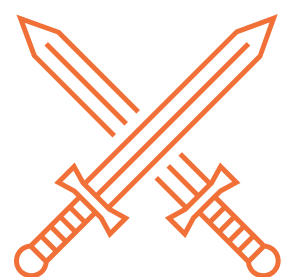
As vehicles become more technologically sophisticated and secure (electric vehicles, advanced driver assistance systems, self-driving cars, etc.), claims frequency will take a steady dip, but replacement costs are bound to take off.



During the pandemic, private vehicle usage dropped, as did auto premium revenues.



The rising frequency of weather-related events will further stress auto technical combined ratios.



The Russia-Ukraine war has created great uncertainty. It has disrupted supply chains, labor markets, and the cost of replacement parts.



Regulations such as Solvency II and IFRS17 are pushing stricter risk-based capital allocations for insurers, hitting profitability margins. Data protection laws (e.g., CCPA, GDPR) and the Digital Operational Resilience Act exacerbate the compliance burden.



Competitive market inhibits premium rate increases.



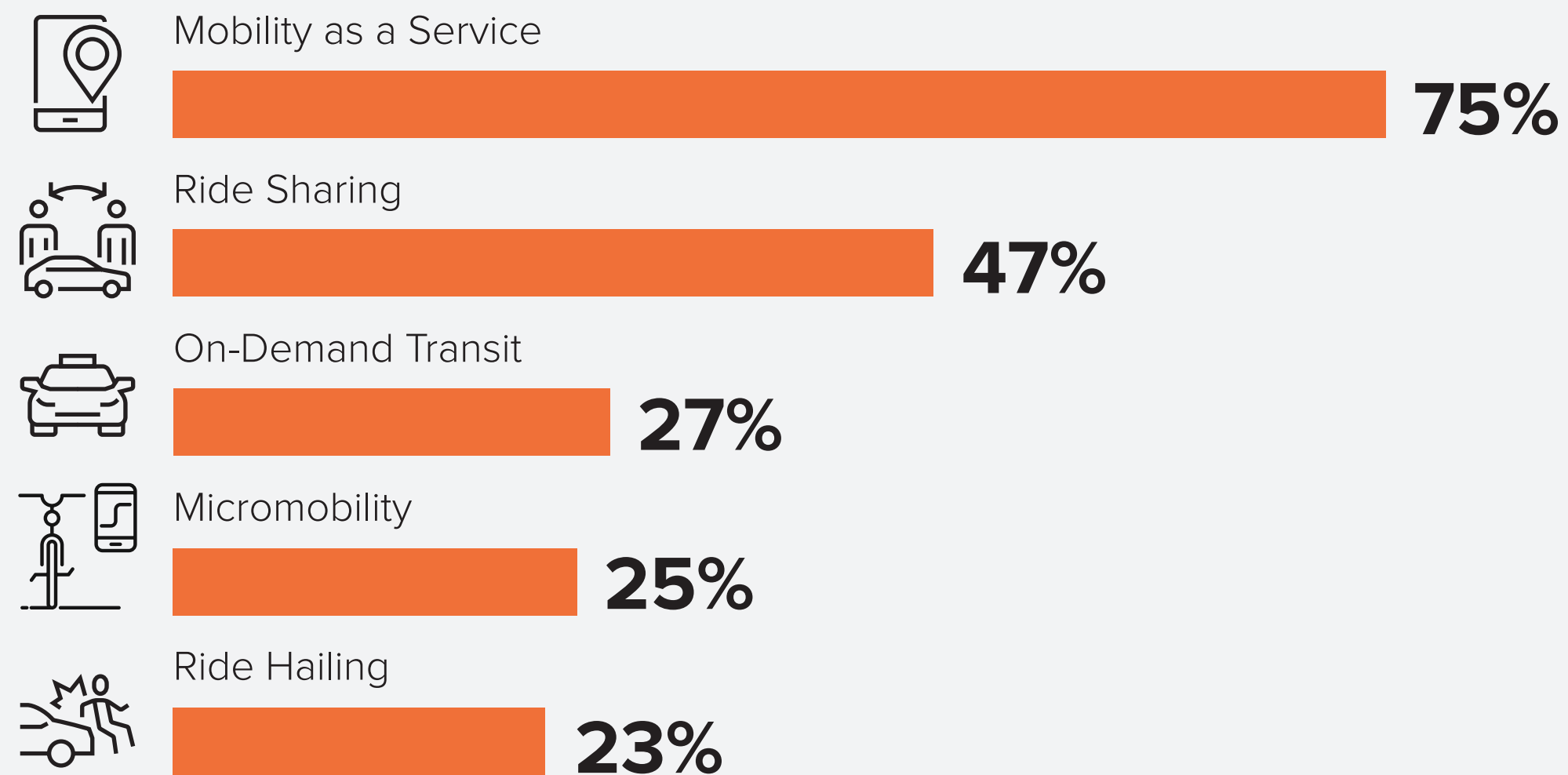
Rising interest rates impact fixed-income portfolios.



Consider your capabilities: Rapid and unexpected pivots in operations, product and services development, and customer engagement are increasingly a business requirement. For most insurance leaders, the hardest part is determining what to pursue and how to choose and monitor your sources of facts.

How people move around is radically changing. Emerging patterns of customer mobility present a great opportunity for auto insurers to expand their reach with products that can aggregate and analyse evidence from multiple sources.

Governments are encouraging change. For instance, they are prioritising innovation by investing in the following key actions:



Insurance companies are jumping on board, but doing so inconsistently.

61% of European insurance companies are investing in developing usage-based insurance for motor/auto **BUT ...**

... ONLY 33% are developing products for the sharing economy more generally.

Consider your capabilities: Forward-looking insurers worldwide are investing in real-time information integration capabilities to offer on-demand insurance plans that enable customers to flexibly exploit the opportunities from mobility as a service.

Customers expect everything to be connected and to be about them. Forward-looking insurers that can tap information from offices, kiosks, apps, email, IMs, forms, calls, and cars will be equipped to create empathy and solidify customer bonding and long-term loyalty.

Insurance companies are progressing. But they are also conservative and could be doing more.

Insights for serving customers

Thanks to the rising adoption of OEMs' web-connected and mobile-enabled sensors, insurers can now capitalise on a continuous inflow of data unlocking new propositions centred on proactive, usage-based and value-oriented offerings.



Communicating on preferred channels

47% of insurance companies have invested or are investing in omni-channel solutions. **But less than one-third** can provide personalised journeys across all channels.



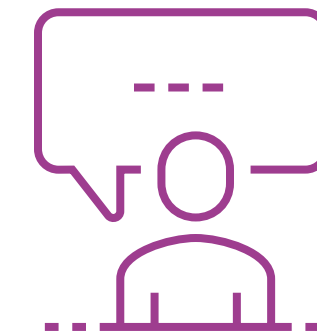
Offering real-time experiences

Just 37% of insurers have prioritised the creation of real-time contextual experiences to solidify customer loyalty and relationships.



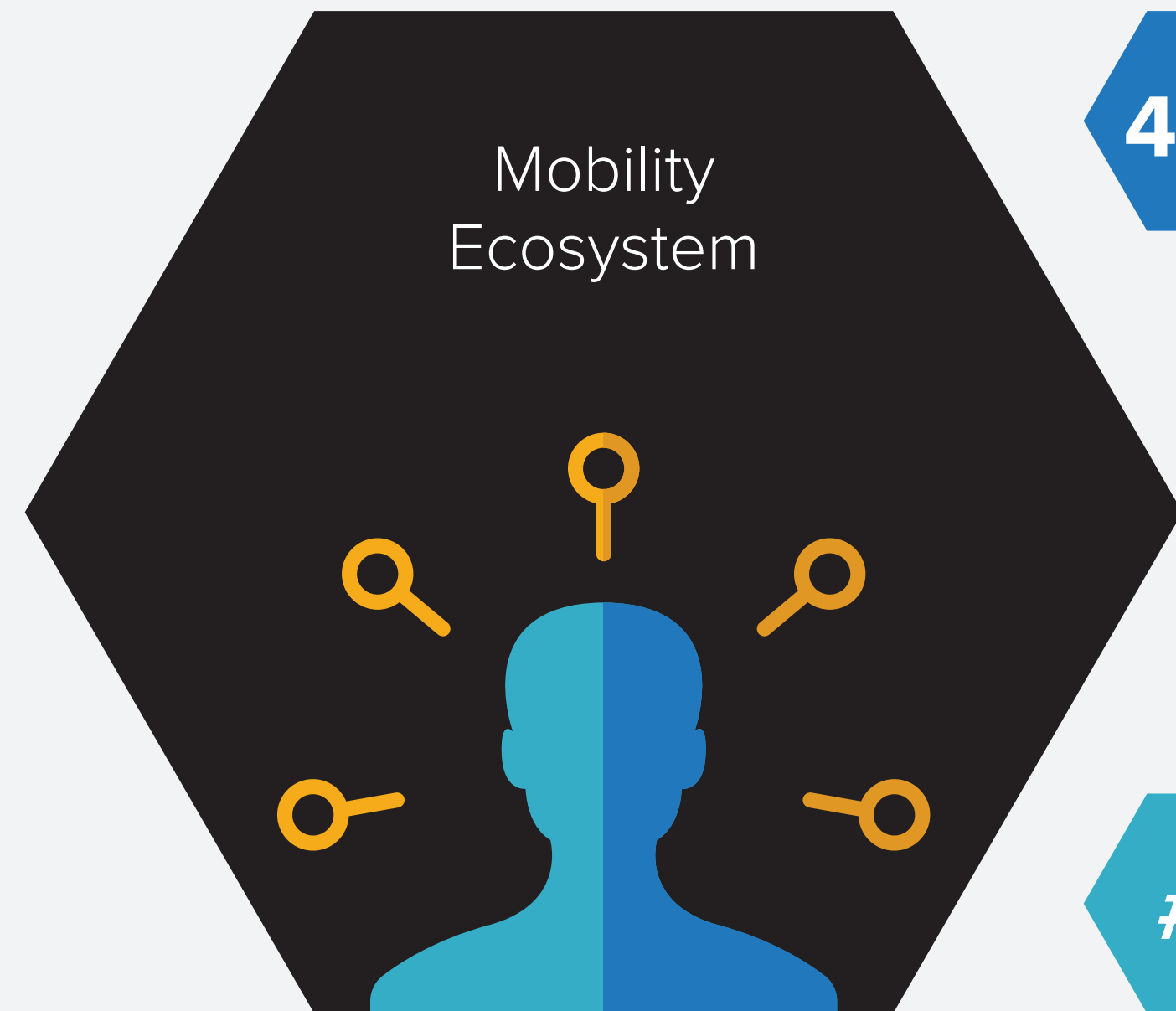
Providing guidance when needed

Active advisory is a core way to demonstrate empathy. **But only 32% of insurance companies** have prioritised the automation of advisory services.



Consider your capabilities: IDC estimates **2/3rds of insurers have yet to develop** digital-bonding experiences with clients and unleash the value of telematics-based services, largely because they are still working on critical early steps, such as breaking down silos and getting their data management in order.

Delivering integrated mobility experiences requires a team effort. Insurance companies know they must embrace connected platforms to lay best-in-class functional and digital foundations.



43%

of insurance firms see their main ecosystem role to be that of an orchestrator. 36% see themselves as participants. Either way, they **will be engaging in the ecosystem because they must.**

73%

of insurance firms see IT suppliers as essential to **ecosystem collaboration.**

#1

Cyber security is the top barrier to ecosystem participation. Insurers are concerned with securing systems and data as traditional business perimeters become more permeable.

#2

Sharing data & insights is the second major hurdle to participation in the ecosystem. While regulations, compliance, ethics, and trust are wound up in this resistance, they can all be overcome with the right planning.

HOW TO EMBRACE THE ECOSYSTEM

HURDLES TO OVERCOME



Consider your capabilities: Joining a connected mobility ecosystem is a big step for a conservative industry. The ambitious should benefit. The goal must be to leverage shared operations, expertise, applications, and insights from data providers, distribution providers, Insuretechs, telematics firms, and tech companies to better meet customer needs.

Mobility customer experience depends on a common vision, cooperation, and information across functions. But only **1 in 5 insurers** have well-developed long-term plans to cooperate and share data across functions.

Insurance Customer Life Cycle

Creating contextual engagements that enhance business value across policy life cycles requires internal collaboration and information sharing cross-functionally.

Prospecting:
Product Design & Distribution



Quote Application:
Risk Assessment & Underwriting



Onboarding:
Billing & Channel Management



Claims:
Customer Service



Policy Update:
Policy Operations



Renewal:
Marketing & Policy Administration



47%
have invested or will invest in contextual customer engagement across the policy life cycle

72%
of insurers prioritise product digitalisation

The Challenge: Product digitalisation may be a priority, and nearly half of insurers are investing in contextual engagement.

But in IDC's experience, the great majority of insurers are not yet delivering consistent CX across the multiple touchpoints.

Consider your capabilities: Insurers must ascertain that all organisational functional units, such as marketing, sales, operations, service, and product management are aligned on enterprisewide customer engagement goals and quality metrics.

This multidepartment alignment can boost business value and create opportunity by determining the systems, processes, and analytics that need to be shared.

Ambitious insurers already benefit from enhanced customer experiences. Half of those that have created hyper relevant and convenient experiences have increased interactions, spending per customer, and loyalty.

1/3 of insurers prioritise dynamic customer segmentation. But just as in retail, this is losing ground as a differentiator.

Only 1 in 5 mobility insurers are investing in dynamic persona marketing, where messages and products are matched to demographics and context.

Just 10% of insurers are prioritising the Segment of One. IDC believes it is the future. Insurers can **track the activity and preferences of a single customer** and tailor products and outreach to them.

Dynamic Customer Segmentation

Dynamic Personas

Segment of One

Mobility insurance companies are making their offerings increasingly tailored to the specific needs of the individual.



Conservative



Forerunners



Rationalists



Professional

Middle aged

Urban

Buying a house



“Barry”

42 years old

Scared of driving

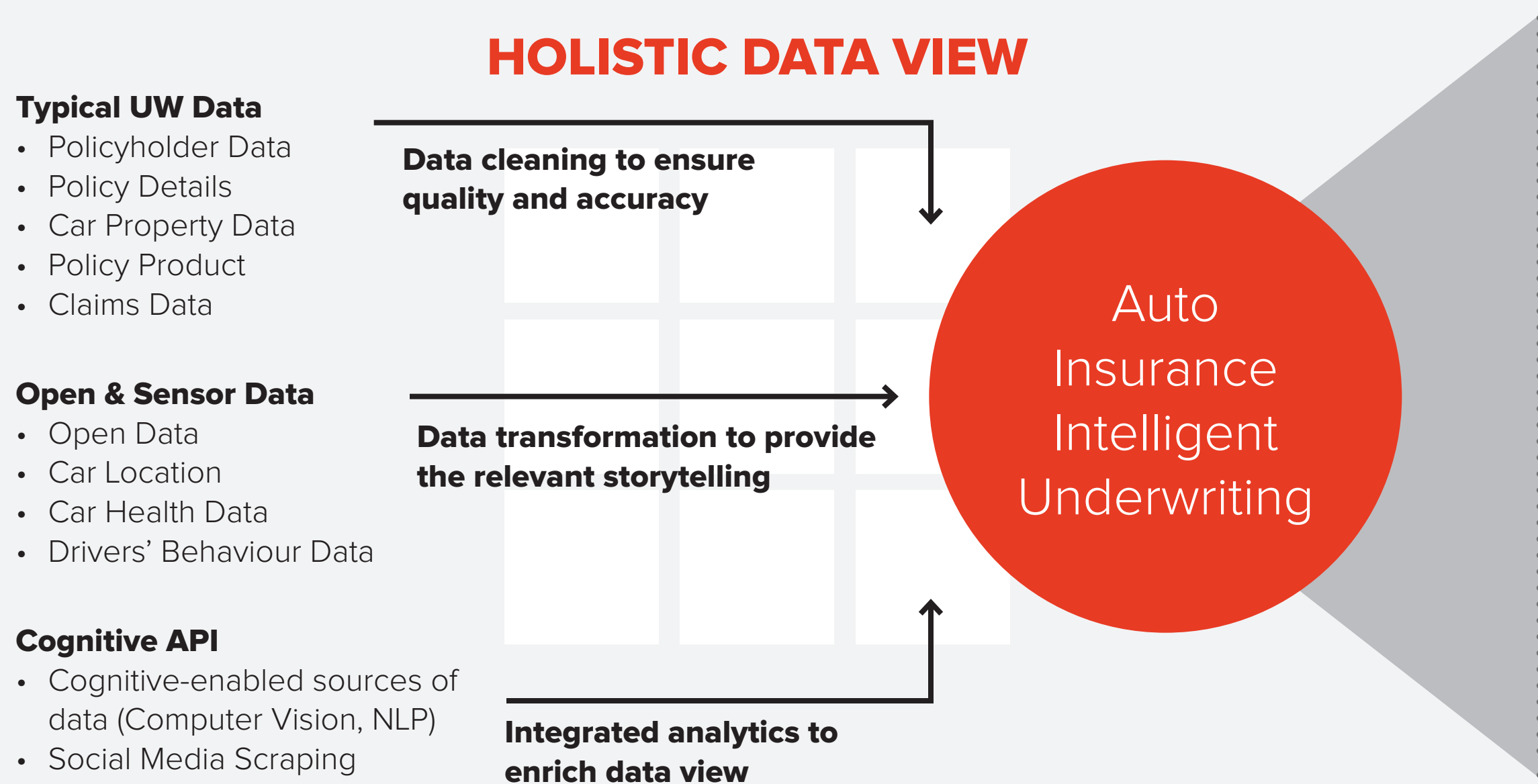
Wants an EV

Must drive to visit parents

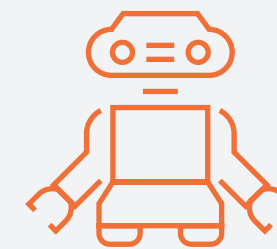


Consider your capabilities: Clustering, look-alike, and propensity modelling techniques are essential building blocks of the analytics toolset, driving product design transition towards the “dynamic personas” and “segment-of-one” approaches. Uniting static information with contextual behavioural information powers hyper-relevant and empathic interactions that can boost value per customer via greater engagement and increased loyalty.

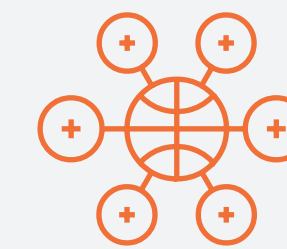
Relevant and flexible pricing are critical to customer experience. They depend on individualised risk assessments. Yet 58% of insurers have yet to prioritise Intelligent Underwriting Applications, which could undermine their short- and long-term profitability and ability to entice customers.



Insurance companies need to pick up the pace to meet customer expectations and create opportunities



Robotic Process Automation: Only 36% of insurers are investing in modern underwriting applications that can apply advanced automation to data, saving time and improving accuracy.



Insurance of Things: Less than a third of insurers are investing in IoT smart technologies to enhance and reshape auto products and roll out real-time services.



Application Programming Interfaces: APIs are also underutilised, with less than half of insurers using them for faster quotations and less than a third for better customer reach.

Consider your capabilities: Accurate automated real-time or near-real-time quotations depend on standardised tariff books ingestions, commercial options implementation, comparative market analysis, and AI-centred behavioural assumptions. Building a best-in-class ratemaking brain also requires API-led openness; i.e., continually accessing “new” information sources that can add nuance to pricing decisions.

IDC expects half of all auto insurance policies to be sold via digital channels by 2024. Yet only 40% of insurers are investing in innovation with digital distribution partners to improve financial performance and loyalty.

The future of insurance distribution is broadening to meet customer expectations.



62% of insurers empower agents with mobile tools

Agents equipped with AI-enabled support and whisper agents can better access systems and engage with consumers.



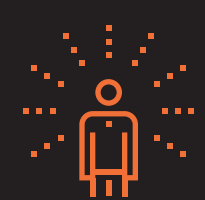
46% of carriers are enhancing mobile channels

Given nearly everyone one has a smart phone, insurers must have a mobile presence as part of a seamless experience.



46% are integrating with digital marketplaces to present offerings

Digital-intermediated distribution is on the rise in proprietary marketplaces (e.g., Zhong AN), 3rd party digital channels (e.g., Interparking and BlablaSure), and via white label offerings (e.g., Qover).



Consider your capabilities: Mobile-led agent productivity empowerment, digital-first virtual journeys, and proprietary marketplaces and third-party digital channels are increasingly shaping the way forward-looking insurers distribute products. They require investments into customer data portals, cognitive concierge services, and digital infrastructure interoperability, portability, security, and scalability.

Saturated markets and rising expectations mean customer empathy is now essential. Best-in-class Customer Onboarding and Roadside Assistance are now crucial for creating business value and attracting and keeping customers. But around three-quarters of insurers have yet to systematically track customer perception of their services.

Human service is getting better as insurers spend to catch up ...

40% of insurers are piloting or deploying frictionless virtual customer onboarding

47% of insurers are investing in upskilling or new staff to improve Help Desk Support for high-touch roadside assistance



... But automation and self-service are in early days

20% are investing in digital assistants to deliver better support

56% are investing in self-service tools to automatically retrieve info and reduce the frustration of in-person meeting

Empathy Is Becoming a Crucial Differentiator Across Industries:

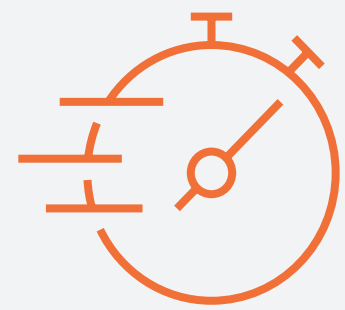
For example, a European utility saw its NPS soar when it implemented an empathy program in its communications. After extensive analysis of customer interactions, it found that satisfaction rose significantly when keywords and phrases were used; it was almost as important as price but had a longer lasting effect. It used the insights to train staff to introduce those words and phrases, lifting overall value per customer (e.g., NPV).



Consider your capabilities: A shared-platform approach to information management greatly enhances hassle-free and light virtual onboarding, high-touch and sympathetic human support, and self-service product research, all of which create value by delivering the right information to the right channel at the right time.

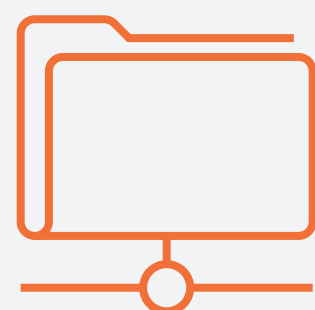
Forward-looking insurers distinguish themselves in claims handling with straight-through processing and virtual claims capabilities that mirror the immediacy and convenience of online retailing.

Multiple goals are in play among insurers



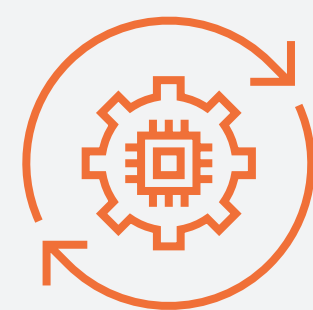
59%

say it's about speed



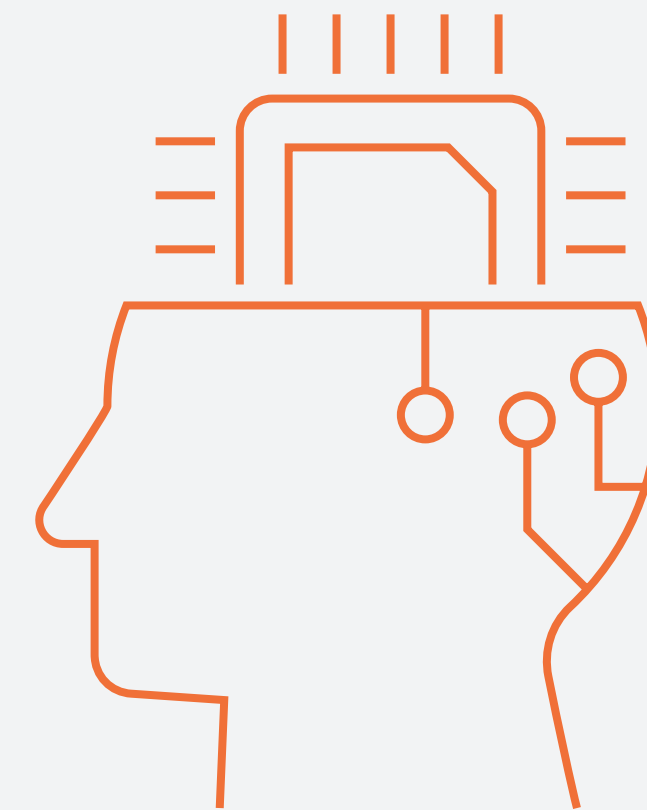
48%

say it's about data



43%

want to scale transactions capacity

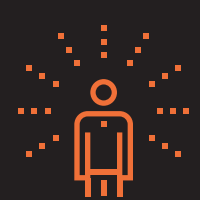


AI will be critical to realising these goals.

68% of insurers plan to weave in more AI, for instance, to create 24x7 virtual and human-augmented bots to provide personalised, human like interactions and contextual information on products and services.

This is easier said than done.

By 2024, IDC forecasts that **only 40% of insurers worldwide will leverage AI to build end-to-end claims automation.** A large number say bias in AI remains a major concern, as it could lead to discriminatory denials.



Consider your capabilities: To fully leverage AI, insurers must assess the quality and accuracy of their claim and other customer data. They must review their models for preventing bias and unfair practices. They must standardise model production and governance. Again, a platform-first approach to data management can accelerate AI development and rollout.

Half of insurers say successful contextual and value-centric insurance depends on how digitally savvy both front- and back-office business functions are. This should be higher, given that integration of the two is critical for experience consistency, business agility, and opportunity creation.

In 2021 and 2022, 78% of insurers said they plan to invest in both agile workforce development and talent attraction & retention, with the encompassing goal of enhancing enterprise digital literacy, human collaboration, employee experience, and workplace digitalisation.

46% of insurers consider **employee life-cycle management** their core workforce augmentation initiative for 2022.

Develop:

- Employee Opportunity Graph

Evaluate:

- Reward Customer Experience Improvement



Plan:

- Employer Branding Transformation

Hire:

- Digital Onboarding



60% of insurance finance/accounting teams are investing in either **data discovery applications** or **task automation applications**

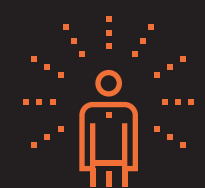
Empowered & Scenario-Based Financial Planning



Accurate Individual ML-Empowered Claims Projections

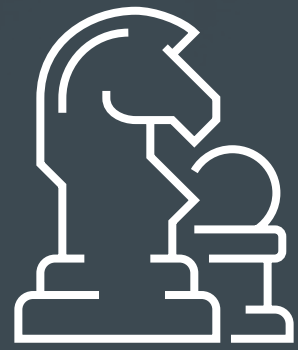


Real-Time Financial Reporting



Consider your capabilities: Front- and back-office processes must stand on the shoulders of common information sources, data sharing practices, and analytics-led workforce empowering initiatives to assess customer engagement effectiveness and make cross-sell and up-sell recommendations.

To Win the Customer Experience in Insurance, You Must:



Lay the Right Strategic Foundations

- ✓ Be ready to roll out new products and services in response to macro trends — mobility-as-a-service as the dominant one, followed by computer-aided driving and autonomous driving.
- ✓ Treat every touchpoint as an opportunity to bond with prospects and clients, especially Customer Onboarding and Roadside Assistance.
- ✓ Adopt a platform approach to join forces with ecosystem partners to deliver more engaging products and experiences: Mobility Ecosystems are a natural fit for insurers operating as Risk-Mitigation Components.



Start With High-Value Actions

Make "Segment of One" your North Star guiding all your tech investments.

- ✓ Invest in Intelligent underwriting applications to deliver individualised risk assessments.
- ✓ Devote yourself to demonstrating a sympathetic response by advancing your digital self-service & assistance tools alongside AI-empowered human agents.
- ✓ Deliver claims service excellence by investing in straight-through processing and virtual claims capabilities.



Master Information Sharing and Integration

- ✓ Get your data in order! Getting the right information to the right people at the right time is critical to every aspect of what it means to properly engage with consumers.
- ✓ Integrate back- and front-office information by enabling business agility on both HR and finance functions, investing in data integration and breaking down data silos across the organisation.
- ✓ Systematically roll out AI/ML to make the most of your information, piloting telemetric capabilities.

Message from the Sponsor

Teradata believes that addressing the challenges faced by insurers in the future requires further investment in data and analytics. Ensuring that underwriting is demonstrably not unfairly discriminatory will reduce regulatory impacts as well as address changing market conditions. Extending data coverage avoids dependence on key protected variables like age and gender.

Maximising the use of new data, leveraging insights from telematics and elsewhere, through auditable analytics, provides the foundation for transformation in customer experience and with the introduction of AI-led automation.

Changing customer behaviours, the adoption of new technologies like self-driving vehicles, and new models of asset ownership will all require increased agility, requiring analysis of new sources of integrated data to enable innovation to beat competitors.

Teradata is the connected multicloud data and analytics platform company. Our enterprise analytics solve business challenges from start to scale, embedding analytic engines close to the data, which reduces the time and money cost of operations, allowing users to run their analytics against larger data sets and execute models with greater speed and frequency.



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Learn more at <https://www.teradata.com/Industries/Financial-Services>

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