OPTIMIZING INSURANCE DISTRIBUTION THROUGH A HYBRID MODEL

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Abstract

The traditional agent-based Distribution Models in insurance were an important channel in the past to connect people directly and explain the benefits of insurance products. The agents knew the culture, lifestyle of the region and were able to sell insurance products effectively, and at the same time provide the feedback to the insurance company.

With increased population migration to cities, the traditional agents have got disconnected and their numbers are steadily decreasing since the past decade. The younger crowd in the age group of 25-44 years is the primary subscriber to life insurance, and prefers to buy directly from insurers rather than agents, as they are self-directed and are more inclined to social interactions online.

This paper explains the need to digitize the distribution channel for direct selling of insurance products to customers, at the same time retain the traditional agent-based distribution method by bringing efficiency to agent-based distribution. The paper also explains the aspects to be considered for digitization for direct selling and a solution to adopt a hybrid approach to insurance distribution. The hybrid approach to insurance distribution will address a distribution strategy to handle both direct and agent-based distribution and will make use of the best of the two distribution methods to increase the sales.

Challenges of Direct and Agent-based Distribution

1 **Direct Distribution:** Insurance Products which are easy to judge and buy can be sold primarily through web. The self-service for the customer can be enhanced with complete product information and marketed through social media and email campaigns.

Challenges:

- Presence of highly distributed data and complexity in bringing the data together for a unified direct customer experience. Automation in a legacy environment is a challenge

- Understanding the customer in detail similar to an agent face-to-face interactions

- Lack of continuous engagement resulting in a disconnected customer, as their interactions will be online

- Complexity in implementing automated personalized quotes, intelligent claims handling and other customer service

2 **Agent Distribution:** Products which are complicated for the consumer to judge the value, can be sold through agents. It is worthy to have agents for those who do not use internet often (say retired individuals) or the elite high-net worth individuals, where the personal connect makes a lot of difference.

Challenges:

- Difficult to engage customers on the move

- The slow manual approach to understand the customer and personalize insurance products is very difficult to scale with less independent agents

- Less availability of skilled agents and misalignment to Insurer's strategic objectives

- Underwriting expenses are increasing and this increases the cost when more agents are hired

Focus Areas to Overcome Challenges

- **Automation of insight gathering** for understanding insurance needs for direct distribution and to overcome skilled agent reduction and bring scalability in reaching out to masses through digital means

- **360 degree view of customer** and customer data unification to tackle highly distributed data challenge and help to automate personalization to enhance direct distribution

- **Automation of personalized customer communication** to demonstrate that Insurer cares, with newsletters, tips and risk mitigation with clarity of terms and conditions. This is cost effective and is a common messaging for both Direct and agent-based Distribution. This ensures a connected customer experience by the insurer

- **Straight through processing and simplified crisis guidance** and claims handling through mobile apps. This empowers the customer to solve problems himself and enhances his direct experience

- **Digital technologies** (Mobile "Tap to Quote", Mobile apps, Mobile forms, and Digital Signature) to enhance and implement Direct Distribution of Insurance for automated personalized quotes and intelligent claims handling

- **Enhance remote experience** (through Video chat, co-browsing on mobile devices), to help in deep-dive to communicate T&C, Risks and Contracts, and digitally onboard the customer through online channels

- **Seamless multi-channel and omni-channel experience**, where he can switch devices for operations

- **Create customer interest** through relevancy in Products and offering

A Hybrid Insurance Distribution solution (which combines the Direct Distribution capability and agent-based capability) to address challenges and with above focus areas is described in the following paragraph.

Solution for a Hybrid Insurance Distribution Model

The figure 1 below provides an overview on the digital enablement for a Hybrid Distribution Model. The Direct Distribution channel is equipped with digital technology to engage the customer continuously and with the right tools (like co-browsing, video chat) to operate and support remotely. The agent portal will have the access to similar set of services to help in face-to-face interactions with the customer.

The core of the solution has a social analytics, lead generation, click analytics and customer insight generation. This enables automated context generation and understanding insights of the customer automatically to scale and help in Direct Distribution without agent intervention.

A unified customer data and document management helps in process simplification and helps in integration of multiple channels for cross-sell and up-sell of insurance products. Digital technologies like video conferencing, co-browsing helps in bringing the capabilities of remote interaction of the customer and insurer directly. The self-service will be strengthened using mobile integration for customers on the move.

The same infrastructure can be extended to partners through edge integration (API gateways and API management) for innovative business models with partners.

The core policy and claims management will be integrated along with the social analytics, unified customer data and partner management through BPM, API and ESB tools.

Traditional Agent-Based Distribution

- Telephonic Interactions
- Face-to-face Meetings
- Agent Web Portals

Direct Distribution

- Video Conferencing
- Newsetters & Guidance
- Social Connects
- Co-browsing
- Mobility (mobile devices & apps)

Introductory Experience	Buying Experience	Startup Experience	Relationship Building Experience	Service Experience	Renewal Experience

Lead Management	Underwriting	Policy Issuance	Continuous Engagement	Billings	Claim Management	Policy Management

Key Solution Focus

- Personalized, Relevant & Targeted Campaigns
- Effective Renewals Tracking
- Measure Marketing Effectiveness
- Mobile First Design
- Partnerships
- Empower Customers with Self-service & Intuitive Experience

Social Analytics; Customer Segmentation; Customer like and click Analysis

United Customer Data & Document Management
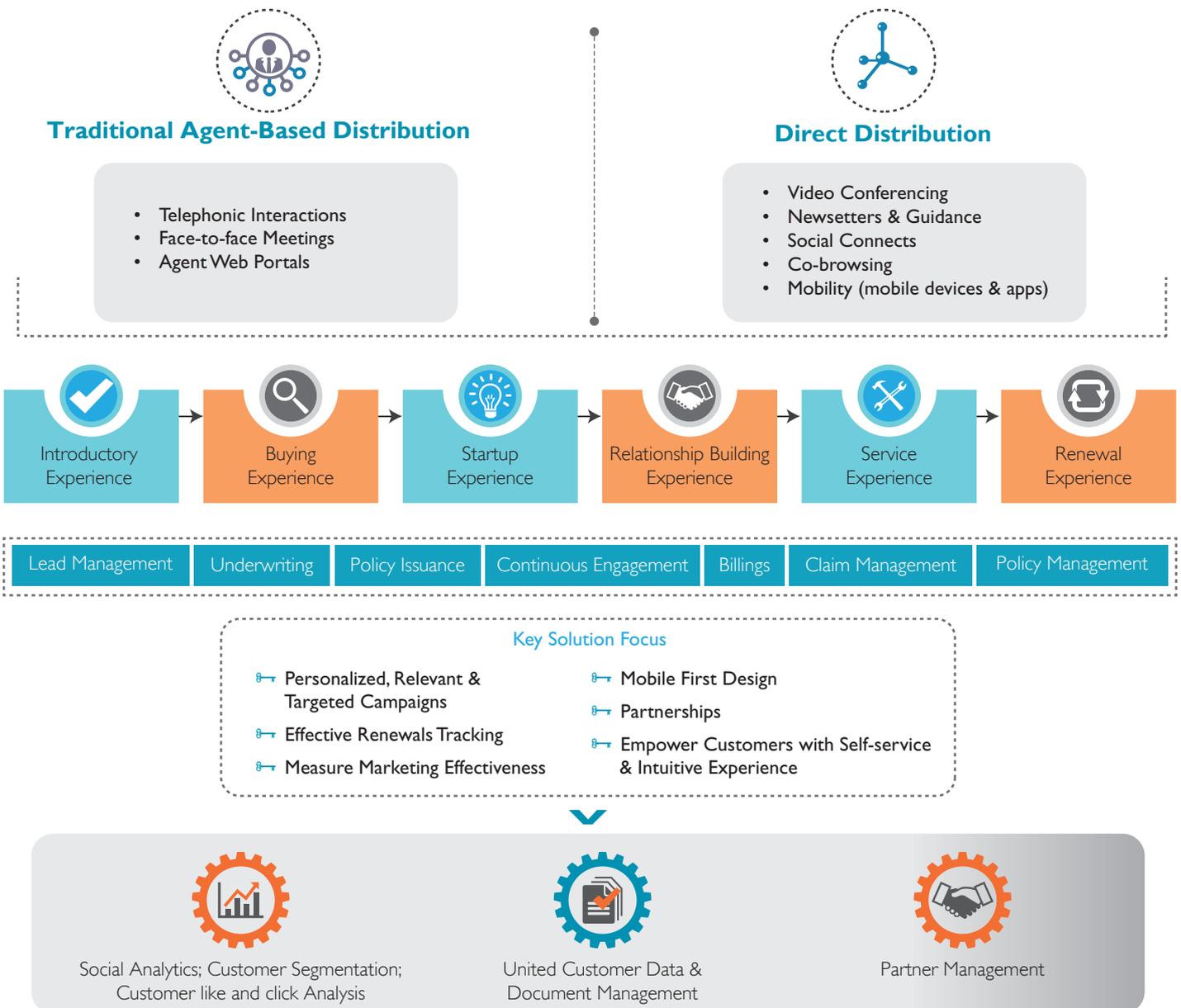
Partner Management

Figure: 1 Hybrid Insurance Distribution Model.

Platform Considerations for a Hybrid Model in Insurance Distribution

Implementation of digital tools web chat, video chat, co-browsing, to connect and collaborate on the internet for all insurance-related needs

Derive intelligence from the unstructured social interactions, customer transactions, issues, product preferences and integrate the related customer and product-related data for deriving Customer Insights (or 360 degree view of the customer)

Create the required platform to communicate and demonstrate "Insurer Cares" message through personalized product tips and insights, risks associated with products and guidance on claims submissions and others

Personalized, relevant and targeted campaign generation and communication

Omni-channel, customer empowerment, and intuitive customer experience across mobile devices for the consumer

Implementation of a digital strategy to communicate the market trends to agents, deep-dive of product information and share customers interest to empower agents

Implementation of better strategy to measure and provide incentive to agents

Specialized training to agents through digital means on new or change in complex products and its benefits, which need to be executed through face-to-face connect with customers

How Hybrid Distribution helps in the Customer Journey

Customer Journey starts from understanding his/her needs, identifying a trusted partner, evaluate on what to purchase, analyze the gap and finally experience the benefit. The customer journey is described in Figure 2.

1. The Customer Need

The customer might not know what he needs and can get exposed to a particular risk which he is not aware of. Half of the population in the US is underinsured and majority families will be at risk if the primary bread winner dies. Those who understand the gravity of the situation might not recognize that an insurance product would help them. The insurance provider gathers Customer Insights through web, partners and customers transactions to understand the customer need. The agents can benefit from this insight information.

2. Can the Customer trust what he is hearing?

The new age customer gives out more intelligent information on the internet through social interactions and insurers can rely on this information for offering a personalized product to create more trust. The online communication will build an initial trust of the customer on the product.
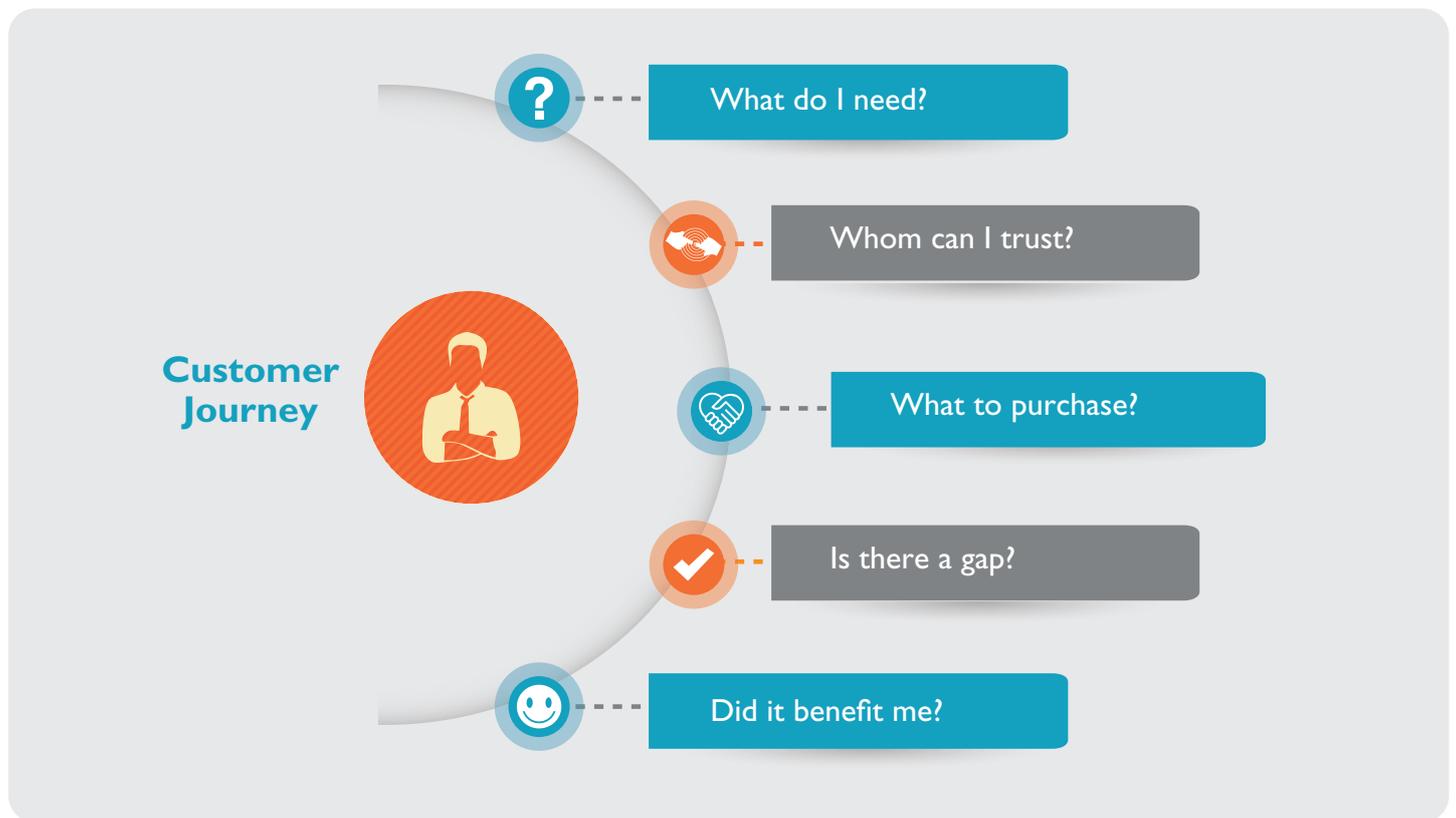

Figure 2: Typical Customer Journey

3. What and where to purchase?

Creating visibility about the insurer on the web, bringing out the differentiation and personalized communication through social are possible through digitization and communication through online channels. Understanding of relevant product the customer is looking for, creating differentiation with competitors, and guidance can be managed online directly by the insurer through digital means. The details of relevant product and purchase information are communicated through web.

4. Is there a gap in Customer need for the prescribed product?

The skilled agents do a good job by explaining in details of a complex product to the customer. The product details, terms and conditions and risk associated with the product value displayed online, where the consumer is happy to do the research himself. At the same time, the Insurer should be digitally equipped with a video chat, normal chat, co-browsing and Virtual agent, to facilitate the consumer interaction with the Insurer directly. The newsletters, tips and "Insurer Cares" message with clear communication of real world scenarios and risk

mitigation will help in more clarity of terms and conditions in the contract signed by the customer.

5. Can the Customer be an Advocate?

The ultimate customer experience and the value-add is what the consumer will be interested in. The customer will be an advocate for the product and service to other customers, if the products and services aligns with his needs. The Internet and the social media are going to help in spreading the message to a wider audience instantly. Continuous engagement with the customer is possible online through social media. Communication of risks associated with the products and guidance of avoiding the risks can be communicated effectively through online channel.

Adopting a hybrid model of Insurance Distribution (Direct and agent-based Distribution) will help in bringing more alignment with the customer needs throughout the customer journey.

Conclusion

Best Customer Experience and insight-driven customer engagement will send out the "The Insurer Cares" message. Digitization of the customer channels, with a multi-channel strategy and a hybrid model of insurance distribution (both Direct and agent-based capabilities) will help in achieving the best customer experience, continuous engagement and retention of the customers.

Understanding the customer needs from social interactions and transactions help in innovation of insurance products. This will reduce the time of new insurance product conceptualization and improves the time-to-market. A hybrid model of distribution and gathering insights on the customer (through digital means) during the customer journey will help in better positioning of the insurance provider to increase the market penetration.

About the Author

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Sasi Koyalloth is an Enterprise Architect with 18 years of IT experience in Retail & Corporate Banking, Insurance and Capital Markets. He has held key roles in architecture and consulting on various transformation programs across US, Europe, Middle East and India. As a Vertical Offering Lead for FS business in Connected Enterprise Services, Sasi assists the team in strategy formulation & roadmap definition and provides thought leadership in emerging opportunity areas for Wipro. He can be reached at sasi.koyalloth@wipro.com

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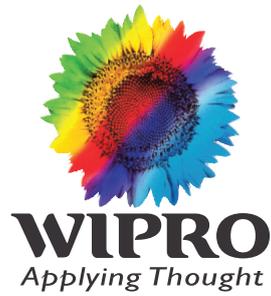
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