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How to Accelerate Customer Experience Transformation in Insurance



Executive Summary

- IDC estimates that IT spending in the insurance sector will rise globally at a CAGR of 6.0% to 2024, reaching a market size of \$135 billion. This forecast growth rate has increased despite the impact of the COVID-19 pandemic in the global economy in 2020. This can be primarily attributed to the fact that 73% of the financial services industry is projected to maintain or increase IT spending compared to 2020.
- The technologies that will drive this growth are related to optimization and customer centricity. Among IT spending in the Insurance sector, customer experience (CX) will have a 37% share in 2024, rising at a CAGR of 17.5% to \$50 billion.
- Providing an excellent and personalized experience to new digital customers is a must for any insurer to build loyalty and long-term relationships, with 60% of insurers saying attracting and retaining customers are their top priorities.
- As consumers continue to evolve their digital needs and preferences, they require new ways of interacting with brands. Promoting Self-Service Options to insurance customers is a good example of how today's tech-savvy customers are not just ready for self-service, but prefer self-service over assisted service.
- Omni-channel engagement and frictionless insurance are strategic priorities related to CX that best describe what insurers expect to accomplish to achieve their digital mission. It is also necessary to prioritize key digital transformation use cases and develop a digital transformation road map to evolve to the future digital state.
- IDC research shows that 60% of insurers are either using or are planning to deploy communications with personalized information for customers. To simplify and personalize customer experience, insurers should incorporate intelligence into internal and external processes, understand the customer journey, and align the organization to a new customer perspective, strategy, and systems.
- The digital experience platform (DXP) is the intelligent core that insurers will need to evolve to a customer-centric organization, simplifying and personalizing CX and connecting it with the ecosystem. It helps reduce friction and supports a seamless customer experience.

What Does Customer Centricity Mean for Insurers?

- It is necessary to shift from a product-centric mindset to understand that putting the customer at the very center of the organization is key in this new digital and connected world.
- Organizations can leverage better CX through a digital experience platform to develop a new approach to gathering customer data. This will enable insurers to innovate their business models and create new insurance products that are tailored for today's customers.
- Customer centricity also requires advances in personalization to deliver better customer experiences. Increased sophistication and understanding of shopper journeys will lead organizations to evolve from B2C or B2B to B2Me. For insurers it is crucial to develop a relationship with every individual and to customize marketing messages to meet their specific needs.
- Insurers should be looking to utilize DXPs in the journey to customer centricity to help them replace legacy systems, upgrade disparate platforms, and develop automated processes. The Internet of Things and AI will help in this process, especially in the personalization of experiences.

IDC Predictions



By 2023, 65% of organizations will regain control of user-defined apps stables using standardized workflows linked to enterprise apps for improved customer data security and delivery of superior CX.



By 2022, 50% of insurers worldwide will work with at least three insurtechs, as the industry adapts to an evolving connected ecosystem.

Quantifying Insurance Technology Markets: Regions and Technological Drivers

IT spending in the insurance sector will rise globally at a CAGR of 6.0% to 2024, reaching a market size of \$135 billion. This forecast growth rate has slightly increased for the period despite the impact of COVID-19 in the global economy in 2020. Asia/Pacific will lead this growth (+6.9%), mainly due to China growing at double-digit rates. Customer experience represented 24% of total IT spending in 2020 and will increase significantly to 37% in 2024 at a CAGR of 17.5%, to reach \$49.9 billion, with all regions growing over 15%.

Global IT and Customer Experience Spending in the Insurance Sector (MM)

	AMERICAS					EMEA			
	2020	2024	CAGR			2020	2024	CAGR	
CX	13,758	26,651	+18%		CX	5,926	10,816	+16.2%	
Total	58,318	74,626	+6.4%		Total	25,376	29,766	-4.1%	

	APAC					GLOBAL			
	2020	2024	CAGR			2020	2024	CAGR	
CX	6,481	12,415	+17.6%		CX	26,165	49,882	+17.5%	
Total	23,236	30,377	+6.9%		Total	106,930	134,770	+6%	

The technologies that will drive this growth are related to optimization and customer centricity, big data & analytics with artificial intelligence, cloud as a transversal technology, social technologies facilitating collaboration between stakeholders and Internet of Things, and security on the operation side, all growing at a CAGR of 11% to 22%.

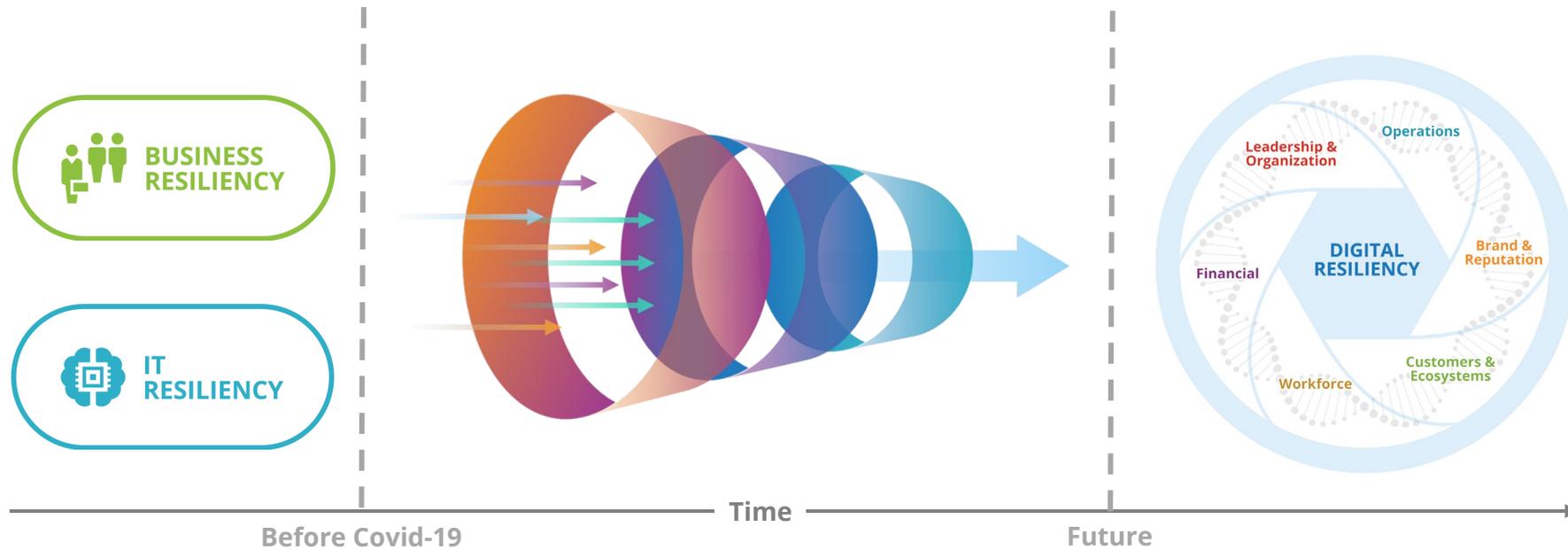
Technological Drivers — Total Spend in the Insurance Sector (MM)

								
Internet of Things			Cloud Services			AI Systems		
2020	2024	CAGR	2020	2024	CAGR	2020	2024	CAGR
8,188	13,111	+12.5%	17,319	27,525	+12.3%	1,804	4,029	+22.2%

								
Big Data & Analytics			Social			Security		
2020	2024	CAGR	2020	2024	CAGR	2020	2024	CAGR
8,669	13,323	+11.3%	1,439	2,173	+10.8%	3,011	4,516	+10.7%

Impact of COVID-19 Pandemic: The importance of Digital Resiliency

Digital Resilience is the ability of an organization to rapidly adapt to business disruptions by leveraging digital capabilities to not only restore business operations, but also capitalize on the changed conditions

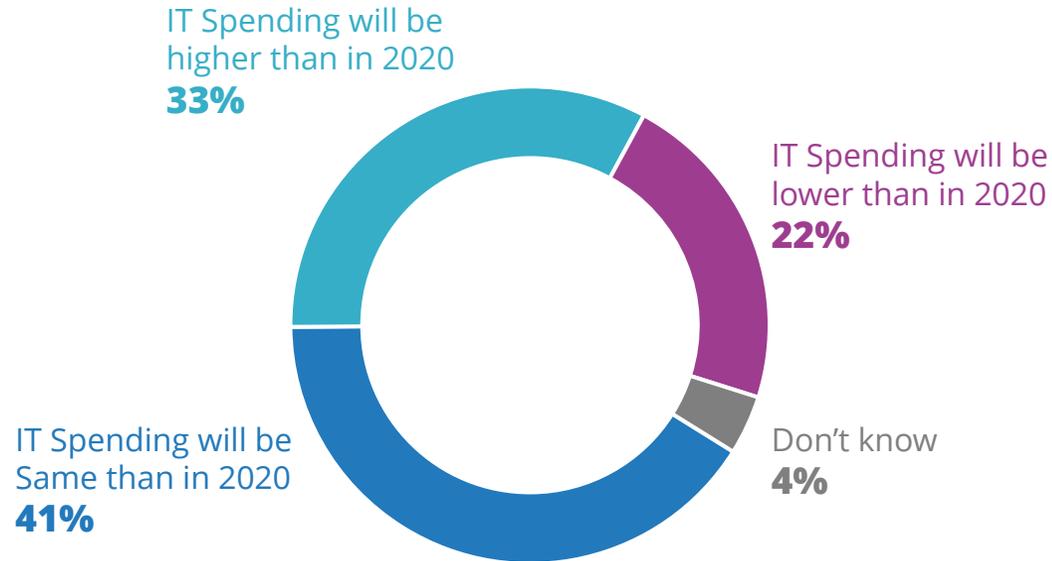


67% of EU Organizations were not sufficiently prepared to deal with the crisis

Impact of COVID-19 Pandemic: Insurers maintaining or increasing IT spending

Despite the negative economic forecasts, 73% of financial services (Bank/Insurance) indicate that IT spending is expected to remain the same or even to increase, compared to 2020.

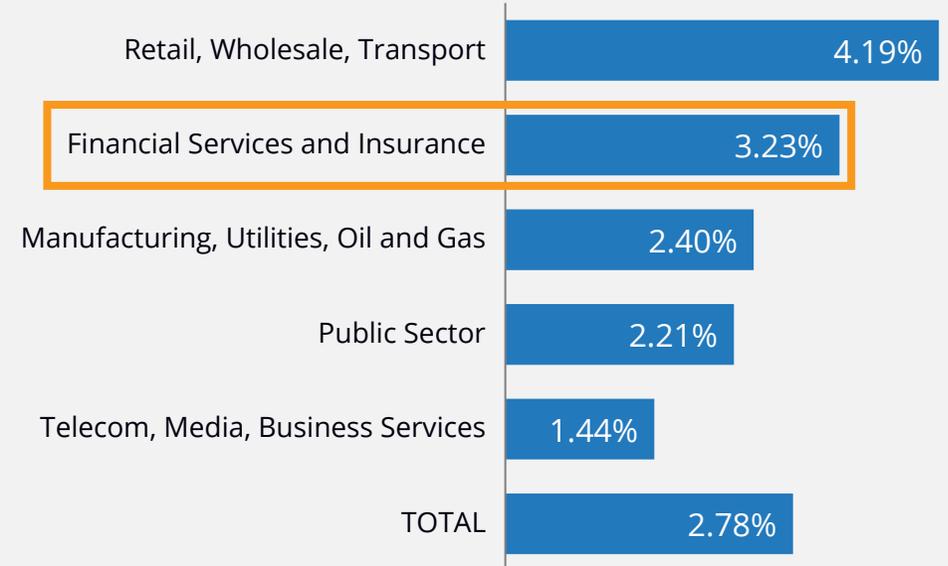
Compared to your organization's actual, COVID-influenced, IT spending levels for 2020, which of the following best reflects your organization's planned IT spending for 2021?

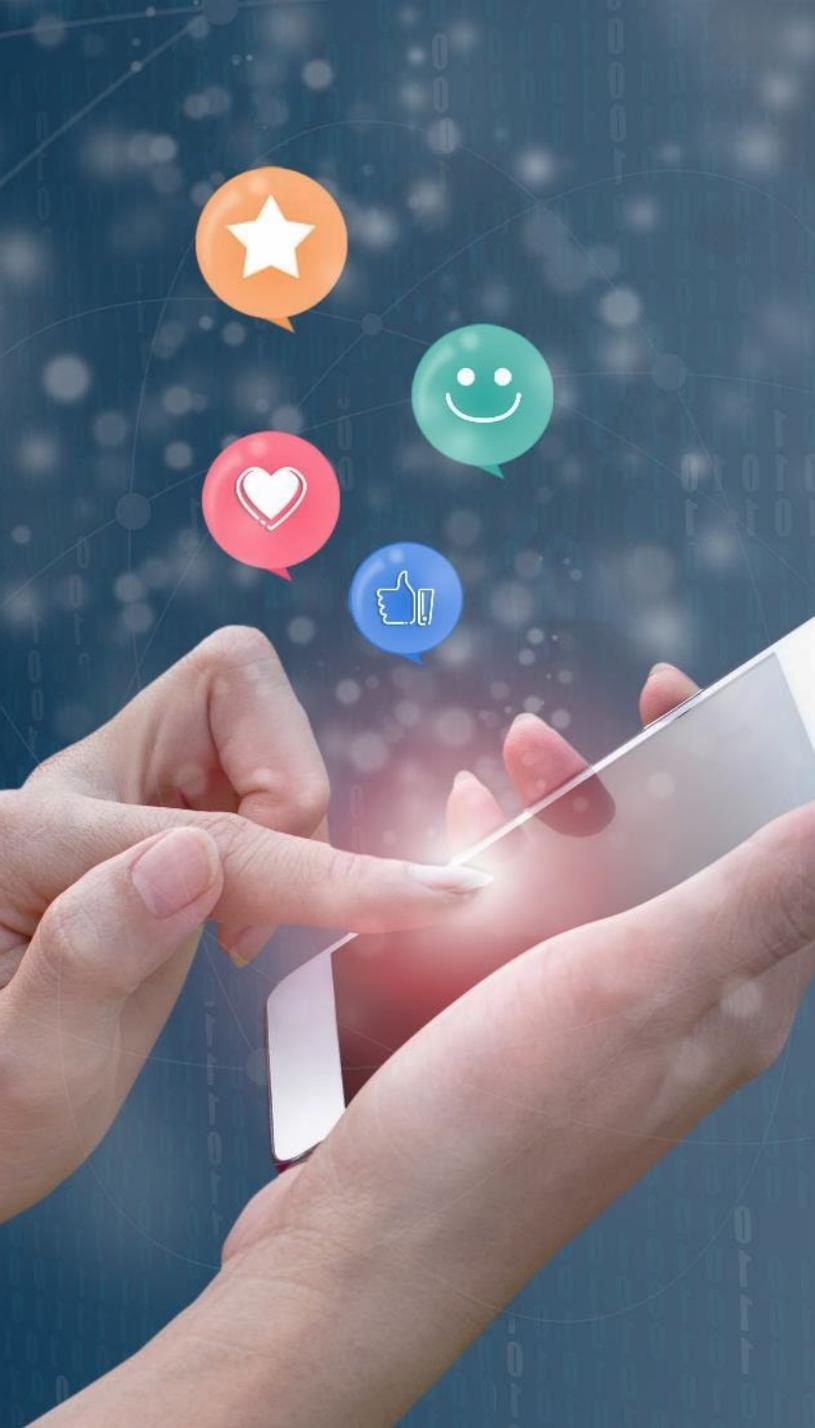


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Source: IDC EMEA, FERS Survey Europe, Wave 1: February 1 - February 15, 2021

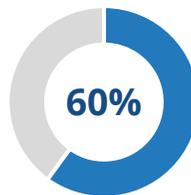
Banking and insurance is the second fastest growing industry in terms of IT spending. It should be noted that this percentage has been maintained compared to the results of the last quarter of 2020.



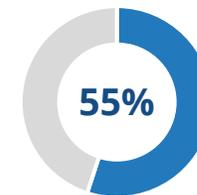


Improving Customer Experience as the Keystone for Insurers

- The increasing technological demands in the insurance sector are mainly due to the changing needs of a new digital customer looking for an anytime-anywhere insurance buying and servicing experience.
- Market trends are shifting the entire business model of insurance, where advanced data analysis in real time helps to create new products on the fly and present them to customers as added value.
- To stay relevant and remain competitive in these challenging times, insurers need to meet the experience expectations of all stakeholders by using technology such as a digital experience platform that helps unify efforts towards evolving customer-centric initiatives. The stakeholders in the insurance ecosystem include customers, employees, distributors, partners, agents/brokers, carriers and insurtech players.
- In this new era, the technologies and processes that businesses deploy are so tightly linked to their customers and markets that the boundary between the internal aspects of the enterprise and its external ecosystem is rapidly disappearing.

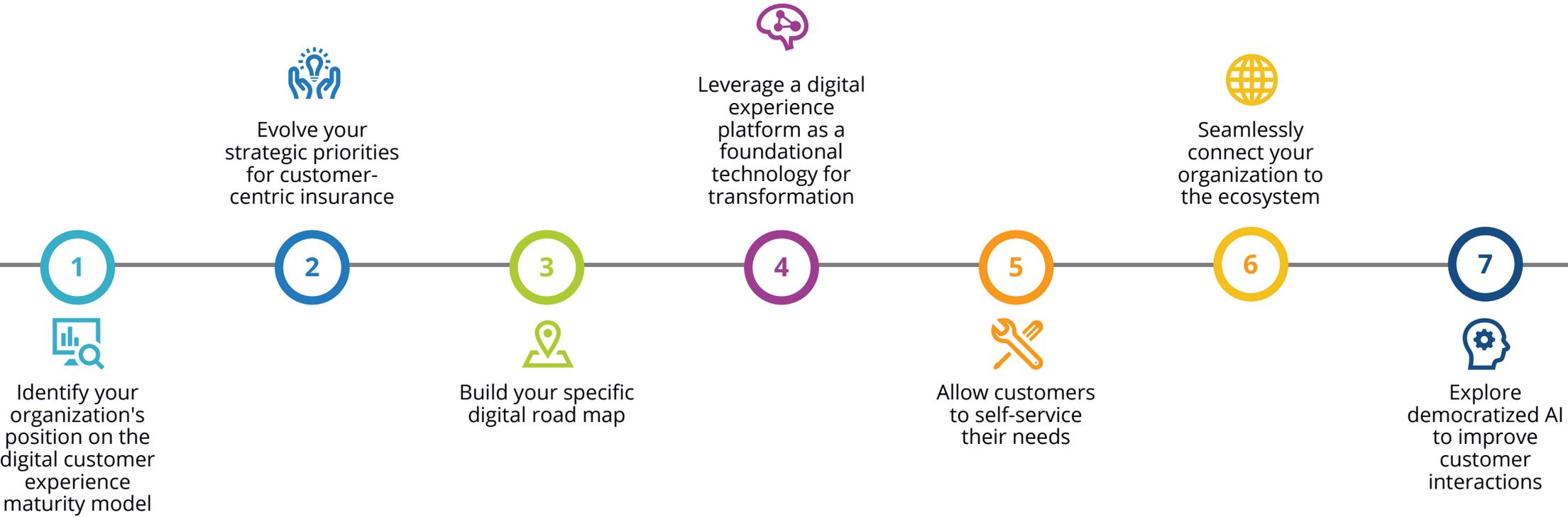


of insurers consider "attracting and retaining customers" their top priority



of insurers already have or plan to develop a customer dedicated online portal

How to Deliver Excellent Insurance Customer Experience





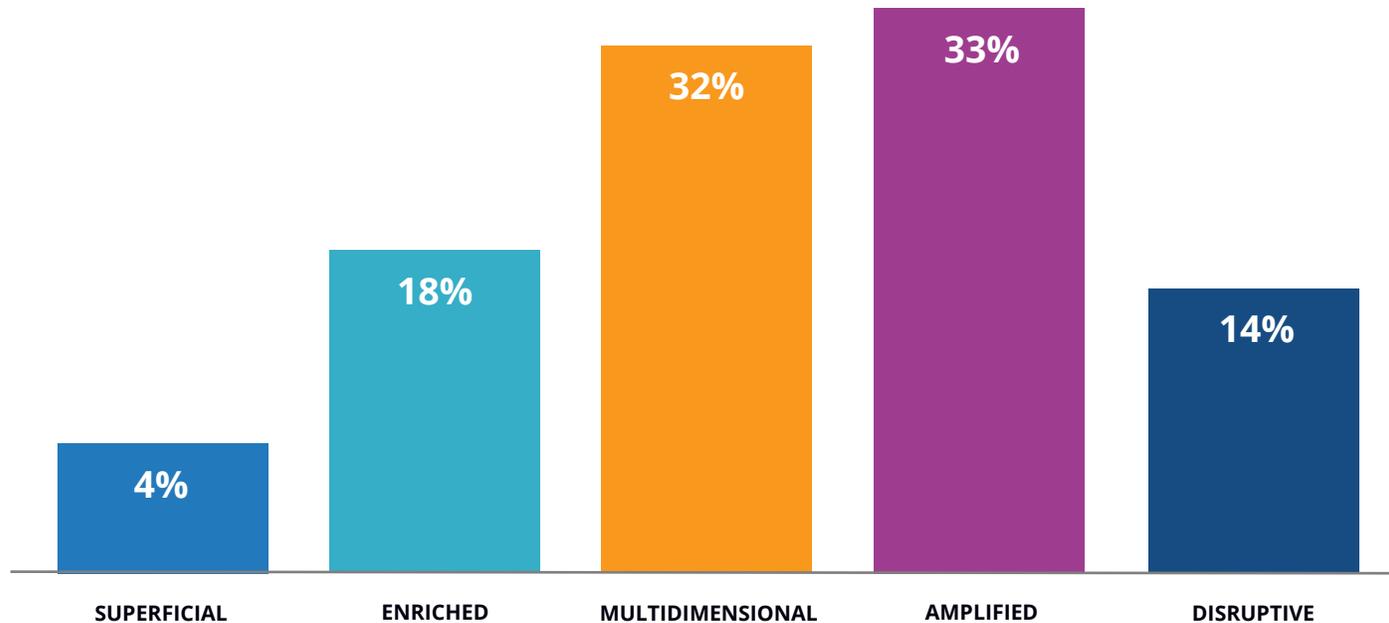
1. Identify your organization's position on the digital customer experience maturity model

IDC's digital customer experience maturity model helps insurers assess the current state of their CX efforts in comparison to their peers and identify recommended actions to innovate and deliver an optimized customer experience across the insurer's ecosystem.

It measures the following dimensions or strategic priorities:

- Omni-channel engagement
- Frictionless insurance

Global Results for Insurers' CX Maturity



Level 1. Superficial

Lost opportunity and slowed growth due to the insurer's inability to engage and keep pace with ecosystem needs



Level 2. Enriched

The insurer faces inconsistent and unsustainable growth tied to individual program efforts



Level 3. Multidimensional

Improved ecosystem experiences result in improved loyalty and business performance for the insurer — on a par with the competition



Level 4. Amplified

The insurer senses and responds to market needs early. This allows them to build and retain relationships while growing market share



Level 5. Disruptive

The insurer is able to consistently and sustainably grow business ahead of the market as a result of improved market responsiveness



2. Evolve Your Strategic Priorities for Customer-Centric Insurance

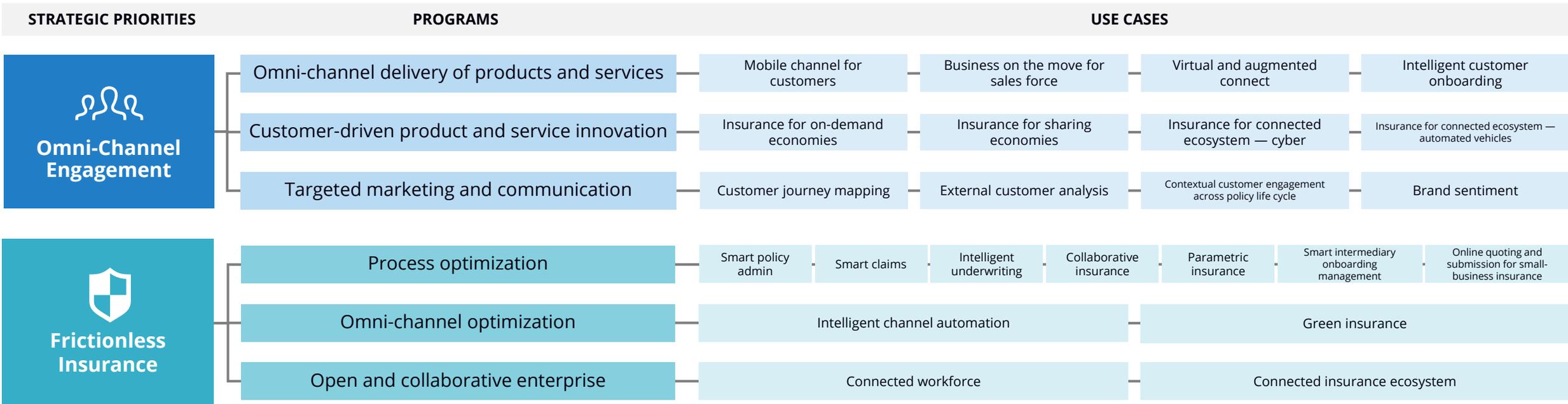
There are several strategic priorities that describe what insurers expect to accomplish over an extended period to achieve their digital mission. As we have seen in the maturity model, omni-channel engagement and frictionless insurance are the key priorities related to CX.

• Omni-channel engagement

A key priority of the insurance industry is to engage with customers by offering integrated and seamless experiences across multiple channels and deliver personalized products and services through their channels of choice. An omni-channel strategy empowers insurers to provide customers with consistent experience across any channel they use to communicate and enables insurers to obtain relevant information about customers to meet their unique needs and preferences.

• Frictionless insurance

Insurance carriers and intermediaries should transform digitally to meet current challenges and respond quickly to market changes, but they should be able to achieve this in a controlled, secure, and agile fashion. These organizations are responding by investing in the modernization or replacement of their core functions, such as policy administration, claims, underwriting, infrastructure systems and channel operations through automation. They are also building connected workplaces to improve staff efficiencies and establishing collaboration with the wider ecosystem to deliver value-added services to their customers.

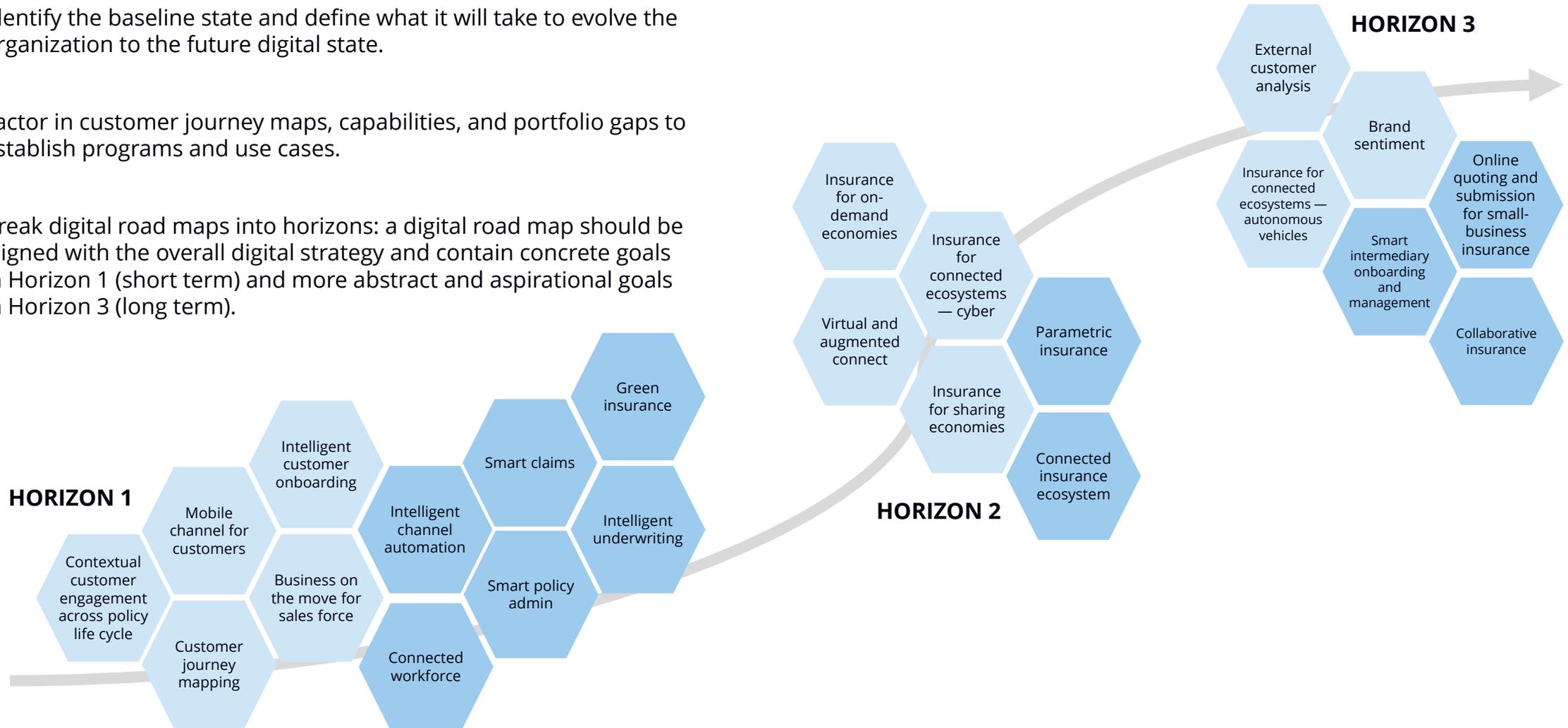




3. Build Your Specific Digital Road Map

To achieve a differentiated customer experience, it is mandatory for insurers to develop a consistent, sustainable digital transformation road map and to prioritize programs and use cases through these three steps:

- 1 Identify the baseline state and define what it will take to evolve the organization to the future digital state.
- 2 Factor in customer journey maps, capabilities, and portfolio gaps to establish programs and use cases.
- 3 Break digital road maps into horizons: a digital road map should be aligned with the overall digital strategy and contain concrete goals in Horizon 1 (short term) and more abstract and aspirational goals in Horizon 3 (long term).





4. Leverage a Digital Experience Platform as a Foundational Technology for Transformation

Insurers will need to utilize a digital experience platform (DXP) as the intelligent core that will transform them into a customer-centric organization through simplifying and personalizing CX and connecting CX with a full ecosystem.

The DXP comprises two relational, interdependent sides (internal and external) connected through a set of integration and orchestration services. It helps reduce friction and supports a seamless personal customer experience.



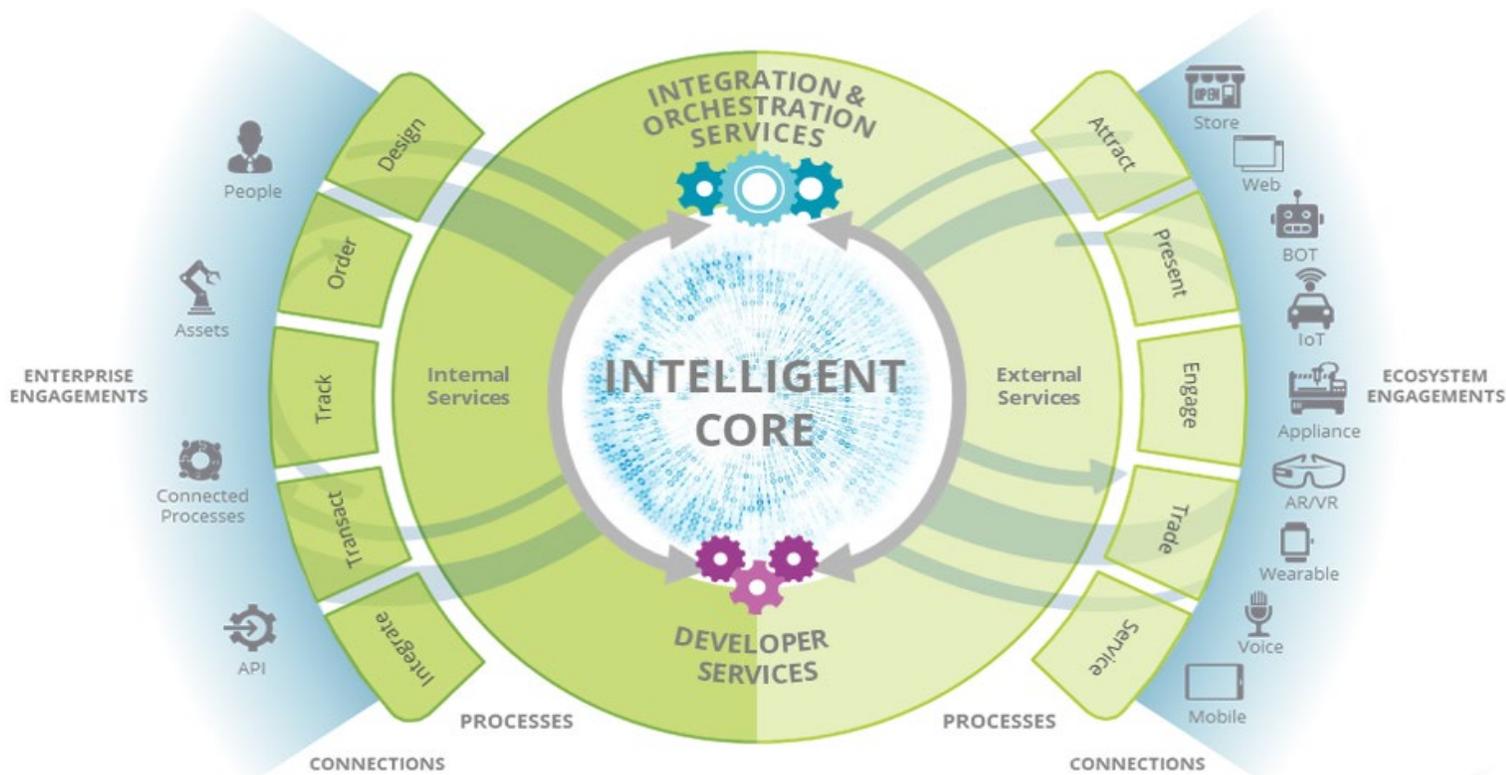
Evolve the digital strategy. Rely on a scalable and customizable platform that grows with the business to stay ahead of digital evolution.



Deliver connected and unique experiences to each customer. Continuously improve customer experiences with data and insights, such as a single customer view, to better engage and support customers.



Connect to the ecosystem that brings together people, processes, and systems so that the parties involved (brokers, start-ups, or insurtechs) can work toward a common goal.





4. Leverage a Digital Experience Platform as a Foundational Technology for Transformation

Most insurers already have a set of CX tools in place, so implementing a DXP does not require the development of a completely new set of services, but rather adds to and modifies existing CX services. Often, deployments will be done incrementally by channel and will build on existing information, technologies, and platforms. In addition:



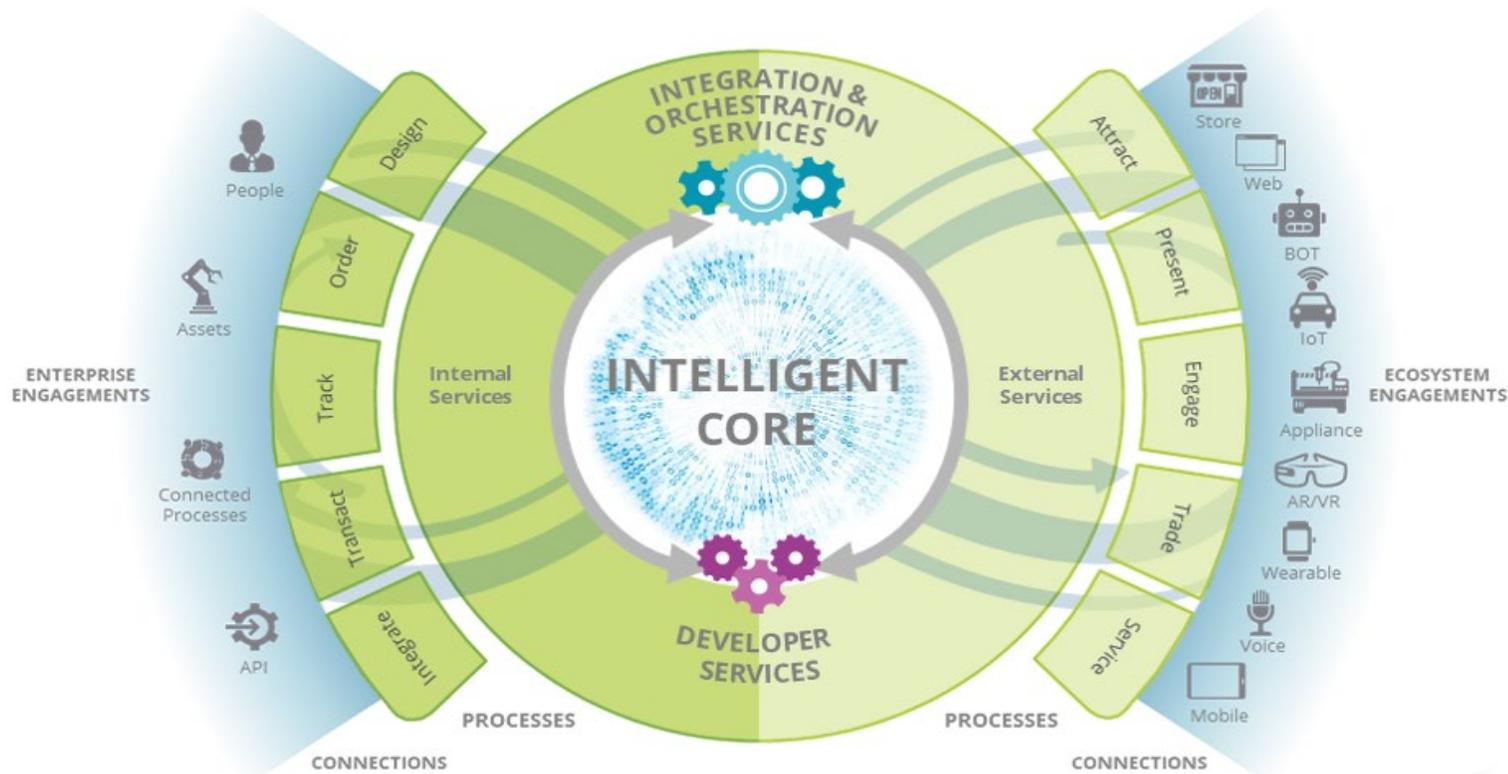
Multi-channel environments add complexity.

Some industries and business models such as insurance will require integration between digital engagement and experience services with agents or brokers, resulting in additional complexity that will need to be addressed to provide a consistent experience across channels.



Understanding and anticipating customer behavior will be critical.

In insurance, faster shifting customer behavior and needs will require enterprises to better understand these developments to address engagement and experience improvements.

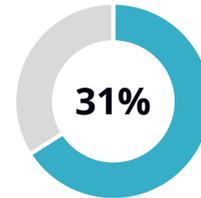
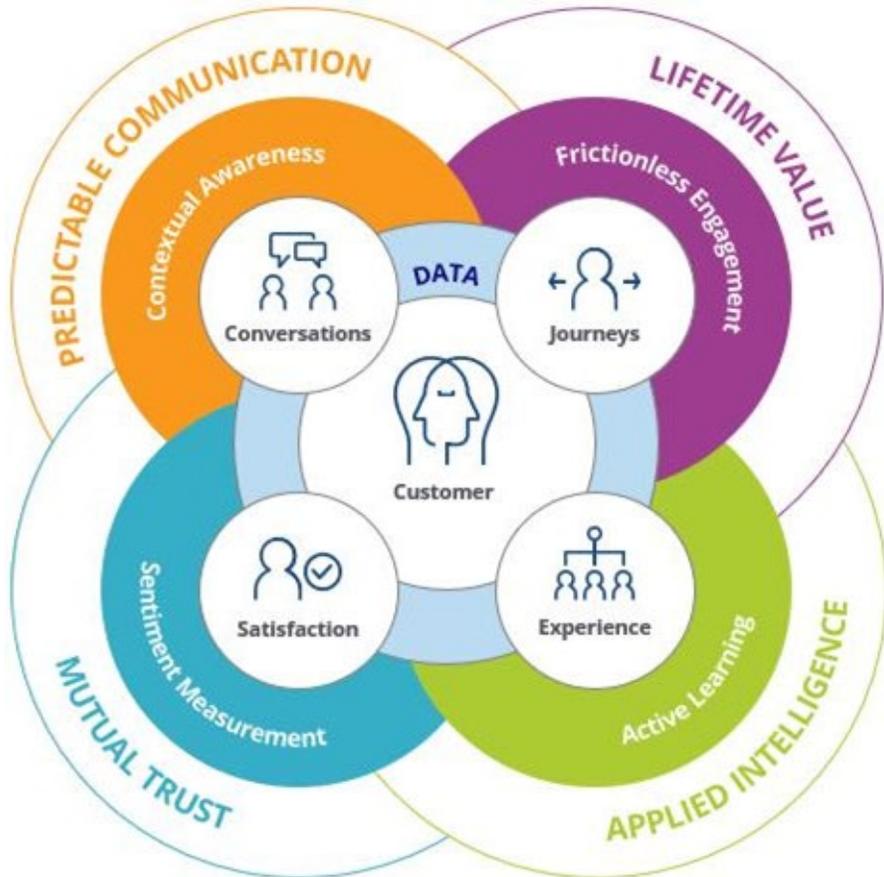




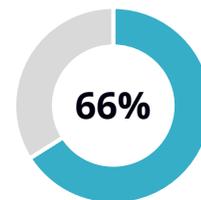
5. Allow customers to self-service their needs

As consumers continue to evolve in their digital needs and preferences, they require brands to interact in new ways. It is part of the insurer's role to help customers see these different possibilities for interactions.

Promote Self-Service Options to Insurance Customers: Today's tech-savvy customers are not just ready for self-service but prefer self-service over assisted service. Customers want their needs solved promptly and feel that searching for the answer themselves is quicker than contacting the company.



of insurers use or are planning to deploy virtual assistance/agents



of insurers use or are planning to deploy communications with personalized information for customers

IDC Predictions



By 2024, only 1% of financial customers in Europe will opt for non-digital channels



By 2022, 40% of in-branch transactions will be initiated as prestaged transactions or appointments for specialists that start on digital platforms



6. Seamlessly Connect Your Organization to the Ecosystem

 Assess service providers based on their ability to support organizations in building a connected insurance ecosystem.

 Involve the diverse stakeholders that form part of the connected insurance ecosystem to deliver best-in-class experiences.

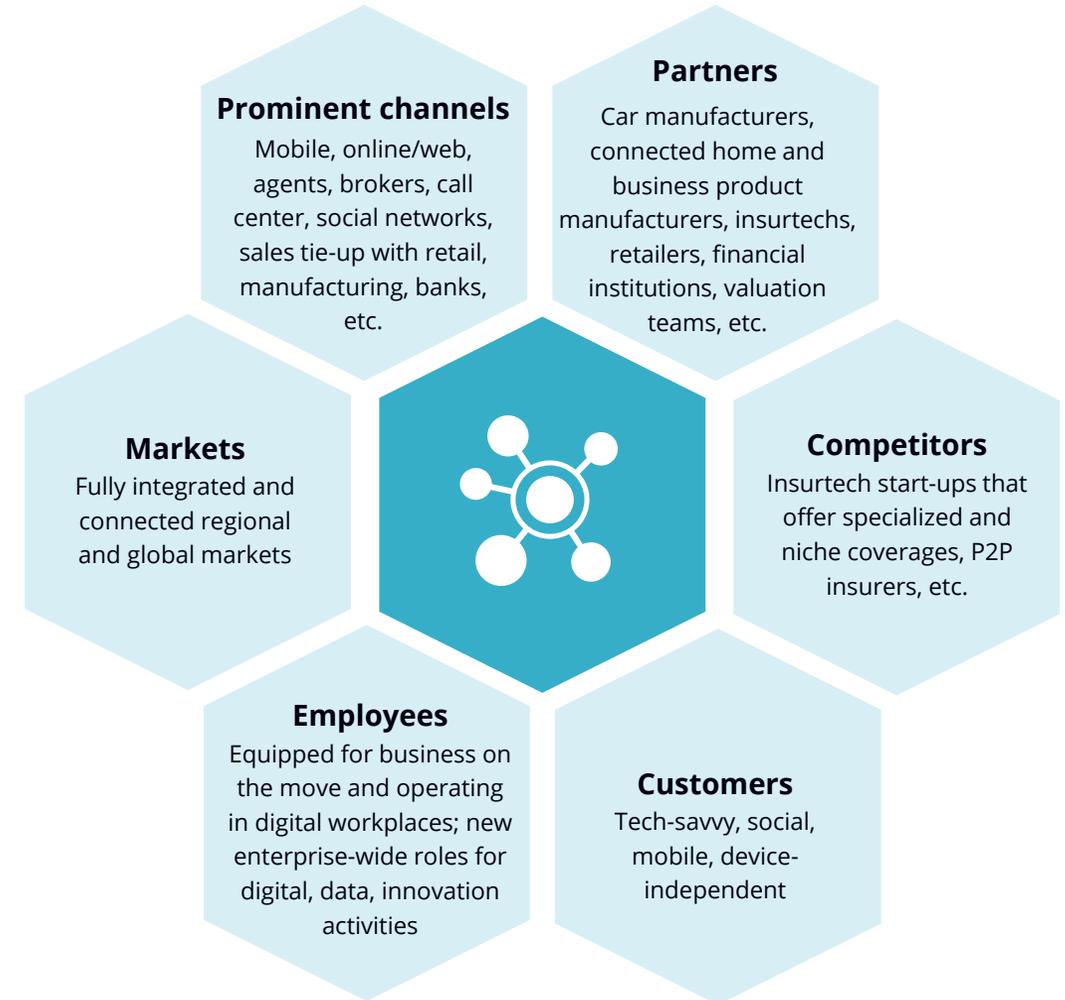
 Bring businesses and products together with the help of a digital experience platform so stakeholders can collaborate and deliver contextualized, value-oriented offerings to customers.

How Other Peers Are Connecting

 Insurers have partnered with automakers and start-ups to develop car subscription programs. These aim to provide bundled offerings that include a car, payments, maintenance, and insurance all-in-one package.

 Other ecosystem-related strategies include exploring partnerships to distribute insurance products and services through global ecommerce marketplaces.

Who Can Be Connected with a DXP?





7. Explore democratized AI to Improve Customer Interactions



To democratize AI throughout different organizations, businesses need to embrace embedded AI solutions (e.g., low-code, no-code automation services and platforms) to drive actionable insights and serve as "building blocks" in creating applications.

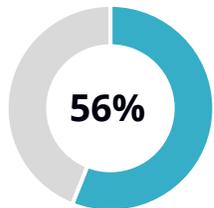


Insurers must be mindful that the success of conversational interfaces depends on a multitude of factors that go beyond cognitive technology, and they must consider these in their overall strategies. These factors include integration, security, data protection, analytics, design, and, most importantly, fostering a culture that caters to the needs of a digital world.

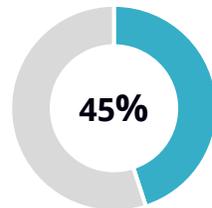


The insurance industry is using cognitive/artificial systems for two main tasks:

- Advisory services to assist applicant interaction matching the needs of customers with the appropriate level of insurance coverage and automated claims processing.
- By leveraging machine learning, insurers are finding they can gain a competitive edge over their competitors by developing real-time reactions to behavioral and demographic market forces.



of U.S. organizations are either evaluating and piloting or have already implemented artificial intelligence deployments



of enterprises in Western Europe are already using or are piloting conversational speech technologies for customer service applications and customer interactions

IDC Predictions



By 2023, 40% of insurers will automate claims processes with artificial intelligence technologies and conversational interfaces to improve speed of response, efficiency, and personalization.



By 2022, 30% of enterprises will use interactive conversational speech technologies to power customer engagement across marketing, sales, and service.

IDC Recommendations for Insurers

- ✓ Shift from a product-centric mindset to customer centricity to build loyalty and long-term relationships. Enhanced customer experience should be a strategic priority for any insurer.
- ✓ Prioritize key digital transformation use cases and develop a digital transformation road map to evolve your organization to the future digital state.
- ✓ Guide your organization to simplify customer experience by incorporating intelligence into your internal and external processes. Understand the customer journey to align the organization to a new customer perspective, strategy, and systems.
- ✓ Utilize a digital experience platform to:
 - Effectively leverage emerging technologies to support engagement and experience services.
 - Focus on meeting customers along the customer journey by introducing additional value through new channels of engagement and using data and technology to surface meaningful information for the customer.
 - Connect the entire ecosystem of employees, agents, brokers, and other stakeholders to data, processes, and systems to ultimately serve customers better.

Appendix: Use Case Descriptions

PROGRAM	USE CASE NAME	USE CASE DESCRIPTION
Omni-channel delivery of products and services	Mobile channel for customers	Complement existing touch points such as online or call center with a customer-centric mobile channel that will help meet customer expectations to engage with insurance organizations through their channel of choice.
Omni-channel delivery of products and services	Business on the move for sales force	Empower sales and distribution teams to do business "anytime, anywhere" in a collaborative, secure, seamless, and flexible manner by placing adequate emphasis on enterprise mobility. Build an environment of trust, loyalty, and true partnership by enabling sales teams to succeed in their interactions with customers.
Omni-channel delivery of products and services	Virtual and augmented connect	Like mobile, virtual and augmented connectivity can be an effective touch point for customer connectivity that meets the needs of specific segments (e.g., millennials). Use it to complement existing channels with an option to seamlessly switch to other channels when customers want to.
Omni-channel delivery of products and services	Intelligent customer onboarding	Implement a fully automated frictionless customer onboarding process to create a great first impression and reduce the overall onboarding time to avoid frustration. Explore new digital technologies including facial analytics (selfie-based onboarding) to improve speed and efficiency in the process.
Customer-driven product and service innovation	Insurance for on-demand economies	Launch customer-centric, on-demand products that meet unique needs and changing lifestyles in the digital era. Broaden the coverage beyond pay-as-you-use car insurance to cover personal belongings (such as mobile phones, bicycles, jewelry, and sports equipment), which may also encourage more underinsured classes to buy risk coverage.
Customer-driven product and service innovation	Insurance for sharing economies	Adapt to the needs of a changing marketplace by offering products for the sharing economy and addressing existing liability coverage gaps.
Customer-driven product and service innovation	Insurance for connected ecosystems — cyber	Take advantage of the huge potential of the cyberinsurance market in the wake of ever-evolving cyberthreats in the digital and connected world and increased regulatory requirements for businesses across the globe. Extend the existing coverage to address gaps to gain confidence among businesses to consider cyberinsurance as one of the key aspects of their cyber-risk management strategies.

Appendix: Use Case Descriptions

PROGRAM	USE CASE NAME	USE CASE DESCRIPTION
Customer-driven product and service innovation	Insurance for connected ecosystems —autonomous vehicles	Prepare the organization to meet the unique insurance coverage requirements of autonomous vehicles. Equip the organization for a future that would demand joint responsibility for data by various stakeholders in the insurance ecosystem such as insurers, car manufacturers, repair shops, and law firms to offer great insurance experiences for owners and users of autonomous vehicles.
Targeted marketing and communication	Contextual customer engagement across policy life cycle	Streamline and optimize the planning, creation, and delivery of content. Implement an omni-channel marketing and customer communications strategy to ensure contextual, personalized, and meaningful interactions across the customer journey beyond traditional touch points (quote, sales, renewal, or claims) to build long-lasting relationships and brand loyalty. Enable every customer interaction to enhance every other interaction in the most economical way possible.
Targeted marketing and communication	External customer analysis	Improved decision quality, functional process outcomes, and customer experience using customer intelligence from external and enterprise sources.
Targeted marketing and communication	Brand sentiment	Enable insurers to identify which trust programs and technologies can be best leveraged to drive productivity internally and trust with customers and partners.
Targeted marketing and communication	Customer journey mapping	Map out customer journeys across different insurance lines of business in preparation for digitally transforming customer journeys to align with shifts in customer expectations and market dynamics.
Process optimization	Smart policy admin	Modernize or replace legacy policy admin systems for greater efficiencies and improved agility. Enhance policy admin processes through process orchestration and integration with cross-departmental functions.
Process optimization	Smart claims	Modernize or replace legacy claims systems for greater efficiencies and improved agility to meet customer expectations to handle low-touch claims by themselves. Enhance claims processes through process orchestration and integration with cross-departmental functions.

Appendix: Use Case Descriptions

PROGRAM	USE CASE NAME	USE CASE DESCRIPTION
Process optimization	Intelligent underwriting	Transform the current transaction focused underwriting function to a competitive, strategic, customer-centric, data-driven, decision-making process to enhance customer, staff, and partner experience.
Process optimization	Collaborative insurance	Implement a frictionless insurance business and present a shared real-time "single version of the truth" about coverage, premium payment, and other aspects to all stakeholders involved in complex insurance contracts. Provide a reliable audit trail and help reduce fraud and streamline core insurance processes such as policy administration and claims in a transparent manner.
Process optimization	Parametric insurance	Implement a hassle-free service at the "moment of truth" (claims) that will improve the customer experience, trust, and brand loyalty.
Process optimization	Online quoting and submission for small-business insurance	Build an online system with a limited number of questions to provide quick and easy quotes for small and microbusiness owners. Eliminate delays in the application process with built-in validation mechanisms and paperless processes.
Process optimization	Smart intermediary onboarding and management	Frictionless intermediary onboarding and management enabled by: <ul style="list-style-type: none"> • Automated background checks using built-in compliance checkers (integrated with external repositories) • Self-service capabilities • Workflow integration for seamless approvals • Customer-centric training and performance management • Analytics-enabled, digital KPI-driven performance management • Effective, compliant end-to end life-cycle management
Omni-channel optimization	Intelligent channel automation	Automate manual operational processes across different channels with the aid of digital technologies to support the ability to improve current processes, handle service requests more quickly and accurately, cut costs, and accelerate the transformation journey.
Omni-channel optimization	Green insurance (paperless business)	Embrace green business to cut costs, improve customer service, enhance staff efficiencies, support partners and intermediaries, reduce processing errors, improve compliance, and minimize risk.

Appendix: Use Case Descriptions

PROGRAM	USE CASE NAME	USE CASE DESCRIPTION
Open and collaborative enterprise	Connected workforce	Empower the workforce to do business "anytime, anywhere" in a collaborative, secure, seamless, and flexible manner with the help of digital workplaces.
Open and collaborative enterprise	Connected insurance ecosystem	Create a secure and open ecosystem to collaborate with different stakeholders (retailers, car manufacturers, hospitals, repair shops, legal firms, property assessors, risk managers, academia) to cater to new market needs and deliver value to the customers beyond traditional insurance products and services.
Sales and renewals	Interaction management	Create "best" experiences specific to the customer and the enterprise that are consistent and seamless. Enabled by technology and data, customers are provided personalized, curated, and seamless experiences across the customer journey
Sales and Renewals	Ubiquitous commerce	Support transactions on all current and future customer endpoints. Lower IT costs are associated with re-platforming the commerce engine. Reduce friction for customers that wish to make a purchase. Regardless of future endpoints, a customer will be able to engage with the organization's product catalog and make purchases resulting in interface-free commerce, where customers receive personalized products and services without needing to search.

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Liferay is a global organization with a presence in more than 40 countries through its partner network and 24 offices worldwide. Recognized as a leading provider of digital experience platforms, Liferay makes software that helps companies to create digital experiences on the web, mobile, and connected devices. Our platform is open source, which makes it more reliable, innovative, and secure. Hundreds of organizations in manufacturing, healthcare, financial services, government, insurance, retail, and multiple other industries use Liferay. Speak with one of our experts and schedule a demo of our software by visiting liferay.com/request-a-demo.

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