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# The Insurance Experience Reimagined

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# Chapter 1: The Challenge of Trust and Relevance

**Insurance, introduced by shipping merchants hundreds of years ago, is rooted in the concept of indemnification. Merchants relied on insurance contracts to repay the financial value of any cargo losses during voyages over dangerous waters.**

Over time, however, the value proposition slowly transitioned. With the broadening of coverage to more everyday risks, such as home, auto and general commercial risks, it has evolved—from indemnification to restoration, which goes further than just paying out financial value as it also supports the insured in getting back to normal.

The industry continues to evolve, expanding the value proposition beyond just restoration to prevention and more holistic protection. Recent shifts in insurance's value proposition have been driven by the changing nature of assets, risk and customer expectations—all of which are influenced and enabled by evolving technology.

Consider assets and risk. Today, the types of protection customers need, the risks they need protection against and the assets

they value include things that may not have been imagined just 50 years ago—identity protection, for example, and ransomware.

Customer expectations have changed markedly, too.

Across the end-to-end value chain, insurers face liquid expectations, with customers' preferred personalized experiences heavily influenced by not only other insurers but also other industry offerings. Constantly evolving technology is enabling all industries—including insurance—to reinvent their offerings and provide products and services that weren't previously feasible.

The pace at which customer expectations and needs are shifting outstrips the pace at which insurers have reacted, however.



Customers are questioning the relevance of insurers' existing offerings and whether they fully meet their needs and expectations. For example, Millennial and younger consumers (ages 18-34) express greater interest in digital offerings that help them make safer, healthier and more sustainable choices, according to the 2021 Accenture Global Insurance Consumer Study. Approximately 60 percent said they would be interested in home cybersecurity insurance where premiums are tied to using the latest virus protection software. Among consumers aged 55+, less than half (42 percent) say the same.<sup>1</sup>

Insurers that can successfully reinvent their offering will be best positioned for long-term success. But when it comes to reinvention, they face a number of challenges.

Constrained by both institutional orthodoxies and legacy operational and technology configurations, insurers have been slow to embrace change as the expanded value proposition presents a new business and economic model that has not yet been validated.

Confidence should be the foundation of the value proposition of any carrier looking out to protect customers' interests. Yet customer anxiety is high, and confidence is low, exacerbated by recent health, social and governmental instability.

Customers' interests are what should be insured, not just assets. This adds a new level of complexity in identifying these interests and effectively quantifying the offering.

As a starting point, insurers can increase customer engagement by leveraging their existing knowledge of them and available third-party data to better understand and respond to their interests. This will enrich the offering and switch short-term conversions to loyal customers.

However, to restructure their fundamental offering, insurers need to shift from the current transactional model limited to indemnity to a model of trust.

A shift to trust built on protecting customers' interests requires insurers to obsess over their customers so they know what they value, how they protect what they value and how they define risk. To benefit from risk management, both customer and insurer will need to loosen their grip on data and process transparency.

Insurers will need to first consider the economics of protecting interests by quantifying and pricing the offering. Once they have developed the right offering, they will need to engage customers in developing the experience that will delightfully fulfill their needs.



At a time when people are directing their spending, engagement and loyalty toward relevant and purposeful brands, their search for value is not just financial but also emotional—a further challenge to which insurers must now respond.

Insurers must go beyond quantitative data and understand how customers think if they are to provide at least an average experience. To provide an outstanding experience, however, they should know how to translate that data into relevant offerings.

Digital experiences are forcing insurers to go beyond digital transformation to becoming a tech company that just happens to sell insurance. What differentiates one carrier from the other will be determined by how they reinvent their business.



## **Chapter 2: Reframing Insurance: The Sphere of Trust**

**Today, insurtechs are beginning to shift customers' perception of insurance from an entrenched institution to a dynamic and approachable one. Meanwhile, adjacent industries are identifying opportunities to support their customers with regard to risk, leading the lines between traditional industries to blur. Tesla, for example, has developed an insurance product specifically designed for its vehicles.<sup>2</sup>**

If insurers don't keep up with the momentum of product evolution and behavioral change, this momentum will take over their business.

Understanding people's ever-changing needs and expectations is the first step insurers must take to reinvent their offering.

It's unrealistic to think of a person's life as disconnected fragments of events. People's interests ebb and flow across all "controllable adversity"—those risks that can be managed or mitigated, rather than those that cannot. Actions are a result of met and unmet needs, which impact various aspects of a person's

life. Within the realm of controllable adversity, it can either lead to risk or avoid it.

Products can be complex and diverse—such as auto insurance combined with car maintenance, life insurance and retirement planning. Understanding a customer's ever-changing needs and expectations is therefore the first step in reinventing the future offering.





All too often, policies are still perceived as an obligation rather than a means of providing protection. However, coverage for risks faced by customers daily—across health, wealth, identity and so on—are those where insurers can provide additional support and services for the maintenance and protection of their assets.

Covering different areas of risk through a connected experience will cater to the physical, emotional and financial well-being of the customer. We call this the sphere of trust.

On one hand, this blurs the traditional lines between products to provide customized offerings that ensure care and manage risk. On the other, it removes barriers in the ecosystem of industries. A rich customer experience cannot be handled by the insurer alone and is best delivered through partnerships.

Care by Volvo is one example of this in action.<sup>3</sup> Developed by Volvo Cars and Liberty Mutual, it is a subscription car service. The customer gets a leased vehicle, auto insurance, ongoing maintenance, and

roadside assistance as well as protection in the case of an accident and basic support in rotating the tires, all for a single monthly fee.

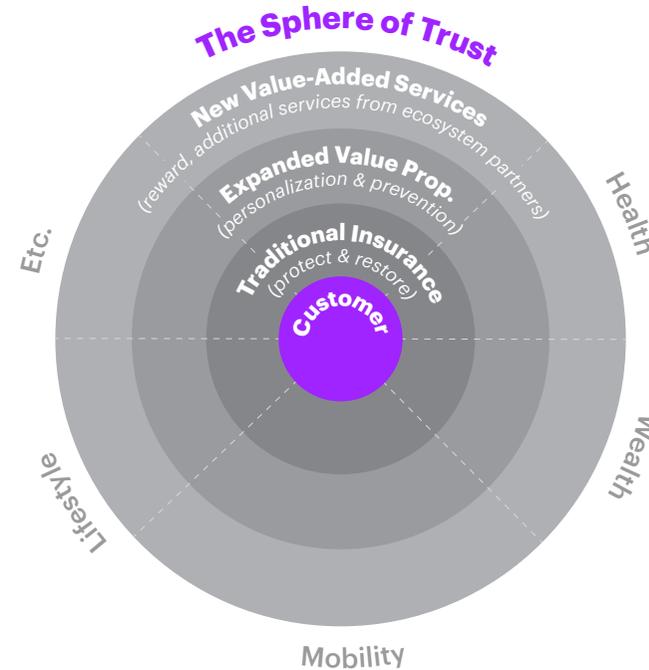
By providing a more holistic offering, Liberty Mutual has taken the initial step to reinvent the value proposition. This contrasts markedly with the current emphasis today by many insurers on reinventing a single product offering.

Reinvention cannot be done piecemeal and in isolation. Instead, it must be approached as a system that is interactive, interconnected and integrated as a whole, focusing on an ecosystem-holistic product offering. Reinventing an insurance offering based on a sphere of trust ensures a holistic approach. It also allows an insurer to deliver on two important and innate needs: certainty and security.



## Chapter 3: Rebuilding Trust and Going Beyond Restoration

When an insurer is defining a sphere of trust, it needs to consider the expanded value proposition of its offerings. A sphere of trust does not just mitigate and restore—it should also include personalized and preventive risk mitigation offerings. It must also reward customers for driving the right behaviors.



### 1. Transforming Traditional Insurance

**The first step for insurers wanting to reinvent their offering is to transform today's protect-and-restore proposition.**

#### 1.1 Protect holistically a broad range of interests

Different people value different things. What one person values will depend on how the interest—tangible or intangible—serves

them. An interest an insurer thinks is obvious to protect may not be a high priority for the customer. Moreover, different types of customers have different perceptions of risk, regardless of standardized demographics.

Insurers need to find out what matters to the customer and to what extent, and they need to understand people's priorities and make them their own.



Ultimately, customers want their interests protected. In response, insurers should provide holistic protection that ensures a sense of security to an individual's choices, lifestyle and possessions.

Creating a customer view of the wider array of their assets that fall within their interests



will determine the diversity of the insurer's product and services catalog. Customers think about the consequences of a potential loss. This model must include the protection from consequences.

## **1.2 Restore the customer after a loss in ways that extend beyond indemnity**

Insurers wanting to expand the value proposition beyond indemnity need to find out what the loss entails in its entirety. They need to ask what else they can do to add more value during and after the customer's loss—a critical juncture that will break, make or build trust and their reputation.

To get their customers back to normal, insurers should create a seamless process and provide support and guidance during a potentially emotional period.

Whether or not a customer stays with an insurer will almost certainly depend on the insurer's capacity to deliver on their promise. The claims experience is a key moment of truth, and one bad experience will scar the carrier's reputation.

Providing the right support during loss means taking care of the financial and emotional sides and taking restoration to the next level, where the insurer changes the perception of loss.



### **Leading pioneer:**

Hippo is a US-based start-up offering homeowners insurance.<sup>4</sup> Its claims concierges provide a unified and seamless experience from time of accident all the way to completion of repair. Unlike other insurers who may validate the claim and provide payment, Hippo supports customers with the full restoration process. It has built a network of home repair contractors that it manages in an integrated way—for example, providing updates regarding repairs. The concierge service reduces the burden on the customer and over-delivers on the experience.



## 2. Expanding the Value Proposition

**The second step for insurers wanting to reinvent their offering is to broaden today's value proposition.**

### 2.1 Personalize for the customer's unique needs, objectives and expectations

Personalization means understanding the patterns of customer behavior to ultimately serve current needs and anticipate future ones.

Anticipating needs is a crucial aspect of a seamless experience. Introducing change is also essential. The balance between the two allows for a personalized experience that evolves with an insurer's business strategy and its customer needs, allowing space for uncertainty.

Insurers must provide a personalized offering that is tailored to an individual's interests and needs. This includes offering the ability to customize individual products and services in a seamless experience. Personalization ultimately provides convenience and

a sense of care to the customer while building customer loyalty, without violating their privacy. There is a fine line between convenience and creepy.

#### Leading pioneer:

Toggle, a brand of renters insurance provided by US insurer Farmers Group, is designed to meet the challenges faced by today's renters.<sup>5</sup> From customer interviews and surveys, it was clear that people didn't just need personalized renters' coverage—they were struggling to build good credit. So, in partnership with RentTrack, Farmers offers customers access to RentTrack's credit-building service, which reports on-time rent payments to US credit monitoring services such as Equifax and Experian, to help improve individual credit scores.



## **2.2 Prevent losses from occurring in the first place**

Predict, alert and assist are some of the ways an insurer can act to make adversity more controllable by helping customers prevent a loss from happening. Removing the possibility of a potential risk warrants a carefully devised strategic plan, however, and insurers can't do this alone.

Instead, insurers and customers must work together to mitigate risks. With support, insurers can help shield customers from risky situations that may result in a potential loss, thereby reducing overall claims filed and the associated financial/emotional costs that can occur.

Preventing loss from occurring in the first place will not only help insurers improve their loss ratio, but also enable them to become a trusted advisor to customers.

### **Leading pioneer:**

Luko, a France-based start-up that offers homeowners insurance, promotes avoiding accidents as a key component of home insurance.<sup>6</sup> To meet this objective, the insurer provides customers with home tracking sensors that serve as key indicators of potential damage—a water usage sensor to give advance warning of a leaking pipe, for example.



## 3. Adding New Value-Added Services

**The third step for insurers wanting to reinvent their offering is to add new value-added services.**

### 3.1 Reward and incentivize behaviors that reduce risk

Implementing a reward mechanism will incentivize customer behaviors, which will reduce risk. Systemic rewarding demands an aware, informed and active customer who cooperates with the insurer in maintaining and sustaining the reward mechanism.

Insurers should incentivize the right behaviors to reduce overall loss and increase overall customer retention.

Loss is painful; reward is delightful. The simple conversion of pain to gain of the newly informed and rewarded customers will make them ambassadors of the insurer's brand, strengthening connections. The freed-up time and resources from claim management will give them opportunities to invest in other services to improve and grow their business.



# Chapter 4: Outpacing Disruption Through New Growth Strategies

**A sphere of trust enables insurers to grow revenue with an expanded set of differentiated offerings in the market, targeting new customers and developing deeper relationships.**

It also presents an opportunity for a fundamental shift in the economic model for insurers. New sources of revenue with fee-based partnerships, subscription-based offerings and advisory fees allow insurers to grow beyond just traditional premium for indemnity.

## 1. Opportunity for growth

### 1.1 Expanded Offerings

Insurers can work in partnership with others in the ecosystem to offer their customers more-tailored experiences without having to develop/own each component.

### 1.2 New Customers

A sphere of trust attracts new customers for which a singular insurance product may not have been relevant. The offerings within the sphere adjust based on the customer and point of time. For example, it can support the needs of younger customers

### 1.3 Deeper Relationships

This provides a more holistic offering, which allows insurers to touch customers throughout their lives and build much deeper relationships. This relationship, if nurtured correctly, can lead to higher retention and negate the commoditized view of insurance today.



## 2. Fundamental shift in the economic model

A sphere of trust represents a fundamental shift in the way insurers think about making money today as the insurer's revenue growth is no longer solely dependent on premium-for-indemnity and investment income.

This shift creates an opportunity for five new economic models for insurers.

### 1. Subscription Fees from Customers

An insurer can charge a subscription fee to customers by creating a tiered or packaged offering for which customers can purchase add-ons as needed. Subscription fees can also account for new business models, such as usage-based charges or the ability to stop/pause coverage on-demand. Unlike premium for indemnity, which is relatively constant over a six-month/annual cycle, a subscription fee is adjustable based on the flexibility of the offering.

### 2. The Value of Repositioning Intent

Insurance companies can reposition the core value proposition and brand by focusing around a customer's intent rather than a set or bundle of products. Customers will pay a premium above the sum of bundled underlying products for a service that creates a single, unified experience aligned with their intent. This repositioning will create a more profitable differentiated service offering. It will also help move insurance from a necessary utility to a service that is integrated and helpful in customers' daily lives.

### 3. Advisory Fees from Customers

Playing an advisory role in holistic management of customer risk can lead to additional revenue in the form of advisory fees. People continuously need support in their day-to-day lives in managing risks associated with new car purchases, home appliance warranties, vacation/trip insurance and so on. As with any advisory service, the insurer needs to develop strong trust with customers and ensure it has a holistic view of customers' needs.

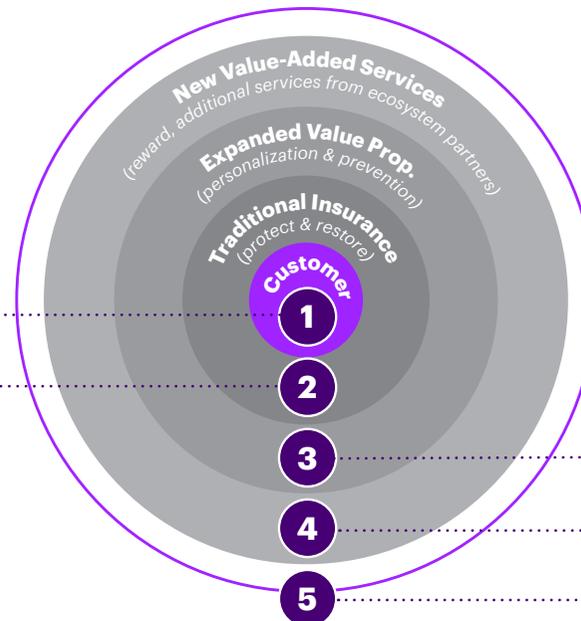
### 4. Fee-based Income from Partners

Offering by developing an ecosystem of offerings can lead to additional fee-based income. Insurers can charge potential partners a fee to participate and obtain commission from partners on sales made via the ecosystem. Getting partners to participate and pay a fee will depend on the strength of the insurer's ecosystem and the value proposition that it presents to customers and partners.

### 5. Data Monetization

Insurers will have access to significant and distinctive data within the ecosystem of offerings—such as sociodemographic, risk profile, purchase behavior and so on—that can be an additional source of revenue. There is an opportunity to sell raw anonymized and aggregated data to third parties, sell insights and advance analytic services, and/or leverage for more targeted advertising/lead generation. It is important to be vigilant on data privacy and security to maintain customer trust while monetizing data.

### Potential Economic Models



## Chapter 5: Jointly Managing Risks Is the Future

**The future of insurance will be underpinned by a foundational mind shift in how risk is managed.**

Today, most insurance companies manage risk on behalf of the customer and, for the most part, both parties enjoy a transactional low-trust relationship—where either the customer pays or the insurance company pays. Ironically, while both parties are interested in reducing risk, when it comes to communication and relationship they are often ships passing in the night.

The current engagement model will change, however.

There is great value for both parties in creating an engagement model where they

can work together to manage the inherent risk. This value will come from risk reduction by both parties working together. It will also come from a change in customer perception that the insurance company's motivations are aligned with customer intent and lifestyle, increasing trust.

By integrating into the fabric of a customer's life, insurance companies can move away from the transactional utility model to be perceived as a valued partner, with customer and insurer managing risk together.



## What insurers should do

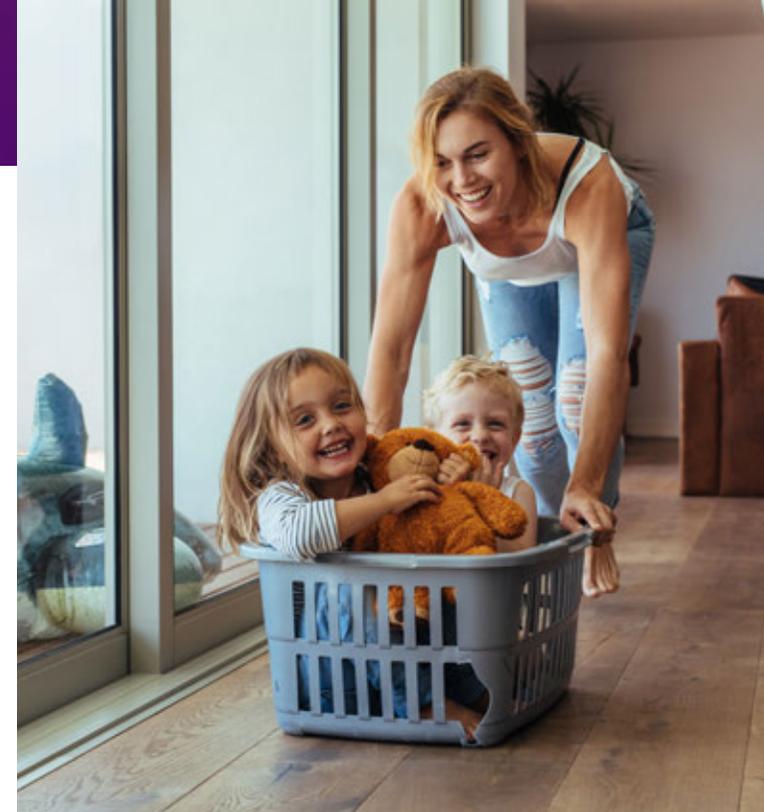
**Insurers need to adjust their mindset, communications and actions.**

### Think:

- Customer trust has become a make-or-break issue for all brands, especially when it comes to sharing personal data without an explicit value exchange. Customers want to be empowered to make informed decisions; work together with them toward a common goal.
- While customers expect their insurers to guarantee that they are properly protected, they don't want to be caught up in complex terminology and jargon. Think holistically of customer needs and provide full protection without having to envelop them in the details.
- Customer needs shift constantly with life stages and circumstances, so they need services that anticipate those shifts. Think of engaging with them on demand at times of need with tailored products and services and disappear when they don't need them.

### Say:

- People veer toward carriers who provide the most information in the simplest and most transparent way possible. Communicate your intentions regarding use of customer data upfront and clearly.
- People are confrontation averse. They will select the insurer they can trust and the one that can provide peace of mind regarding their insurance coverage. Communicate the importance of peace of mind in your messages.
- Customers want the insurer embedded in their daily lives but hidden in plain sight and available to provide their offerings on demand. Communicate relevant messages that show this without being pushy. Delivering on your promise is the most effective communication.



### Do:

- Partner with the customer as an advisor providing lifetime value on their journey.
- Define the key components of the individual's choices and lifestyle and provide a single offering that can cover their related risks.
- Be available, whether that's through individuals providing guidance or digital tools enabling self-service.



## Chapter 6: How to Transform into the Carrier of the Future

**Insurance company leaders cannot rely on expertise in just a single industry to achieve success in tomorrow's insurance business. If they are to futureproof, they must equip their organizations with the mindset, tools/assets and resources that welcome change with confidence.**



As people's lives evolve and global events unfold, insurers must have the right level of confidence that allow them to explore new territories and pivot when needed. We have identified six steps that will enable them to do this.

### **1. Understand customer interests**

To be relevant, a company must put people at the heart of everything it does by being customer-centric.

Engaging people in the development process to co-create offerings will ensure that offerings being developed meet their holistic needs and interests. This will require segmenting customers; the challenge is in understanding how to truly personalize a segmented offer.

Segmentation means more than just saying different things to different people, however. It means aligning different products to different customers, too.

Shifting from a traditional product-centric approach to a customer-centric one gives a clear view of the commonalities that define a segment. An approach that meets customer expectations will ensure the continuity of insurers' business.



## 2. Develop a holistic offering

Design new and personalized services that focus on people's interests, holistically managing risk. Personalized offerings should move beyond traditional insurance products to include the expanded value proposition and new value-added services.

An insurer may need to define what ecosystem play it is going to do before it restructures its business model, but this can be evolved iteratively.

## 3. Define the business model

The new offering will require a shift from the traditional business model. Insurers must align the offering with target customers and market. Within the new paradigm, insurers must also rethink the economics and adjust pricing to account for the expanded value proposition.



## 4. Identify ecosystem partners

Select ecosystem partners to provide new value-added services. These additional services are to be integrated, providing a unified experience. Define the partnership agreement and economics.

## 5. Build the roadmap

Establishing a roadmap will surface the current gaps and interdependencies. It will help transition the current state to the future state, provided it has clear, actionable items. The roadmap must be flexible enough to pivot.

## 6. Organize people and operations

Determine what these shifts and changes mean for the organization internally concerning employees, new talent, new capabilities, processes and technology requirements.

The road ahead is neither linear nor sequential. Instead, it is structured and

iterative. Insurers should assess where they stand with their strategy, capabilities, technologies and people to map their current positions, which will define the actions to take to reach the desired future state.

A clear understanding of the business they currently are will reveal the business they are becoming.

Staying relevant in this business is not a matter of if, however, but how. And the how will depend on the organization's unique ability to move forward. This can only be done when all silos work together toward a common goal. Actions are a result of a shared vision, and that vision needs ownership.

We have partnered successfully with carriers, co-creating for innovation:

- from strategic visioning to business case development
- from innovation to implementation
- from roadmap to execution

We help carriers identify what they need to do to elevate their standards toward the business they are becoming.



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