



Demystifying Social Business Trends for the Insurance Industry

Making the leap into social business promises increased demand, customer loyalty and returns for insurers.

Executive Summary

Within a relatively short time, social networking has evolved as the preferred networking hub for millennials. As a result, maintaining a presence on the social Web and staying connected with the tech-savvy community has become imperative for business brands.

Business enterprises are witnessing the emergence of social business, which encompasses collaborating and engaging in conversations in B2B, B2C and B2E touchpoints. Social business largely comprises social media (external facing) and social enterprise (internal facing), shifting the paradigm from a transactional model to an engagement model.

Traditionally, the insurance industry has relied on strong networking and trusted relationships. By transforming into social businesses, insurers can tap significant opportunities that enable them to generate more demand, win customer loyalty and maximize returns.

This white paper examines the implications of social business in the insurance industry, highlights the popular social avenues and innovative trends that are revolutionizing the industry and presents our point of view on future trends.

Insurers Go Social

Businesses usually benefit to the extent that they stay close to customers. While industries such as retail and hospitality were quick to understand the implications of social media, insurers joined the social bandwagon comparatively late. Insurance carriers have marked their presence on the social Web by creating Facebook fan pages. A similar presence on Twitter, LinkedIn, YouTube, blogs and other social media channels supplement their traditional marketing campaigns to improve their brand equity.

Customer conversations on social media generate a wealth of information that can supplement traditional sources of information. These conversations range from negative feedback about a recently launched product to opinions that can drive new product innovation. Some insurers have engaged in these conversations and analyzed them to derive deeper insights. This has helped improve service offerings, influenced buying behavior and enabled prudent decisions in underwriting and claims settlement. As they continue to engage with customers externally, some insurers have also begun to invest in developing an internal culture of collaboration in their business units, and among their employees and partners.

The social business avenues that insurers should leverage include but are not limited to:

- Social media marketing.
- Social media listening/monitoring.
- Social media analytics.
- Social enterprise.
- Social design.

Social Media Marketing

Facebook¹ has more than one billion active users, closely followed by Twitter with more than 500 million users. Over 300,000 businesses have Facebook pages. Around 50% of social users are

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connected to brands, 36% post content about brands, 40% take part in co-creation of products and, more important, 78% are influenced by other social users' recommendations when making purchase decisions. In a recent survey conducted by Kasina,² about 85%

of respondents said they have seen increased brand awareness on social media platforms, 67% have seen increased engagement with clients and prospects and 58% said social media has led to increased Web site traffic. The top 10 insurers have already managed to attract 11 million Facebook fans.

Insurers no longer have the choice of staying off social media. Word-of-mouth advertising of the past has given way to testimonies and feedback on social channels. Customer sentiments voiced

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on these networks essentially decide the fate of the brand in the market. GEICO³ and Progressive⁴ have led the way in digital marketing through their YouTube commercials where their mascots promote their brand. Players such as All State,⁵ State Farm⁶ and AVIVA⁷ have taken it further by endorsing educational videos and spreading awareness about safe

driving, disaster preparedness, etc. This serves the dual purpose of promoting their brand interests and also reducing loss exposure that would otherwise result in claims payments.

Insurance carriers are keen to promote sales through the social graphs of customer communities. New York Life⁸ believes that 60% of Facebook fans are prospects. American Family⁹ believes its social media outreach strategy is spurring sales. It claims to have anecdotal evidence of agents who have sold hundreds of policies through their Facebook usage. Farmers¹⁰ has taken innovative steps to equip its agents to generate leads through social media platforms. Foremost Insurance,¹¹ which is part of Farmers Insurance Group, has set up a dedicated Web site – Foremost Social Media Suitcase – where it hosts educational material to familiarize its agents with the use of social media. Moving one step ahead, Farmers¹² also supplies content for agents' Facebook pages. Facebook templates with a full content library were successfully piloted, attracting more than 25,000 fans to the 300 participating agents' pages.

Digital marketing trends are set to drastically change the way insurance products are marketed and sold. The onus is on carriers to equip their agents with adequate technology and training so that they can meet the expectations of social-savvy customers.

Real-time relationships nurtured in social media will soon become the de facto networking standard to promote brands, retain clients and gain prospects through client referrals. With the rich sharing options available on social channels, they present numerous opportunities for carriers and agents to turn their customers into brand ambassadors.

Social Media Listening/Monitoring

Most insurers view social media predominantly as a marketing vehicle. Effective digital marketing can no doubt help capture customers' attention. However, social media can do much more. At any given time, there are several conversations happening across social channels. Monitoring these conversations can bring enormous benefits to the various links in the insurance value chain. Getting alerted about negative sentiments and taking suitable remedial action is extremely important.

While carriers could monitor whether the customer reflects positive or negative sentiments about their brands, insurance agents could use the profiles of customers publicly visible on social networking sites to understand lifestyle or monitor their life events and utilize that data for lead generation. Insurance carriers can understand market perceptions and customer expectations.

They can acquire immediate feedback about their products and services, improve the quality by addressing the gaps in coverage or service provided and stay ahead of the competition. Listening and engaging in conversations also allows the carrier to provide enhanced customer service. PEMCO¹³ uses a platform from Radian6 to monitor sentiment in social postings. Twitter acts as an effective listening mechanism to facilitate a quick feedback loop. Progressive¹⁴ has employed dedicated professionals who monitor Twitter and respond to customer queries around the clock.

Celent analyst Michael Fitzgerald¹⁵ observes, "Leading organizations are beginning to leverage social media monitoring as an operational tool. These companies will know more about their customers at a very specific, actionable level by tracking social media posts."

Insurers should employ the right strategies to decide on their objectives and then choose appropriate monitoring platforms. A sentiment analysis tool needs to include context in evaluations. Selection of an appropriate domain and customer business-specific taxonomy plays a key role in interpreting sentiments for valuable feedback about market trends, recently launched products and competitor brands. Engaging in the right conversation can bring greater credibility to the brand and help build customer loyalty and trust.

Social Media Analytics

Social media analytics involves mining unstructured data to generate business intelligence insights for the brand. It can help insurers make prudent decisions by measuring the performance of their brands and associated social media campaigns. Two areas within the insurance value chain where analytics can play a significant role are risk segmentation and claims fraud detection. Insurance carriers could leverage social data to identify new rating factors or modify existing factors based upon the lifestyle changes evident in prospective clients' social networks. This could potentially expand or minimize the risk exposure related to prospects or customers. An actuary could use this data in addition to other data sources to make sound pricing model decisions.

Similarly, the customer's social profile data could help detect fraudulent claims. In a classic case, a customer who faked illness to claim workers' compensation benefits was exposed via Facebook profile pictures that suggested otherwise.¹⁶ Data

from social platforms qualifies as one of the prominent data sources to be fed into a fraud detection engine. The structured and unstructured data must be unified to generate collective insights. Predictive models must be built not only to scrutinize the after-effects during claims, but to proactively analyze the risk exposure while accepting, modifying or rejecting coverage for a prospect.

Also, by gathering and analyzing the data from social feeds, insurers can create customized products for specific target audiences. USAA¹⁷ has taken a significant step by engaging Bazaarvoice to read and categorize the reviews/ratings that are provided by its customers on the official customer Web site. USAA processes and publishes these aggregated ratings and authentic reviews against its products, which attracts new prospects.

Given that there is significant noise that needs to be filtered, correlating the data available from different sources becomes crucial. Also, there are some individuals who could play an important role in shaping conversations. It is extremely important to find these influential sites/persons and prioritize focus accordingly. With more cutting-edge platforms and tools being developed in this space, we expect correlation engines in addition to sentimental analysis and integration of social data into CRM systems and warehouse marts.

Social Enterprise

Social collaboration within the enterprise enables the stakeholders to collaborate through virtual communities, build trusting relationships and discover/disseminate knowledge. For example, collaboration between underwriters and agents could ease the underwriting of new business. Access to the latest underwriting guidelines, supplementary data and expert guidance could be added advantages. Similarly, the ability to share, upload and comment on digitized claims data, improved information sharing between a claims adjuster and the claims field location representa-

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tive, and the ability to collaborate with the legal department could result in shorter claims cycles.

Departments such as finance, legal and HR within an insurance organization would be equipped to make informed decisions after discussion with

Enterprise collaboration could promote innovation through the participation of various departments such as marketing, sales and distribution, business units, operations, research team, legal, finance, customer services and IT in the designing of a new product.

other units that need not necessarily be co-located. The regulatory and compliance department could actively disseminate information on the latest regulatory procedures to varied stakeholders through blogs/activity streams that can aid the underwriting or claims department in evaluating the customer application. Enterprise collaboration could promote innovation through the participation of various departments such as marketing, sales and distribution, business units, operations, research team, legal, finance, customer services and IT in the designing of a new product. Better alignment between IT and business can be achieved through better collaboration.

BUPA's¹⁸ enterprise collaboration platform, BUPA Live, has reported an estimated cost savings of \$305,746 for 700 users, overall improvement of sales by 10% (of which 2% is attributed to internal collaboration) and a 2% increase in connectedness leading to a 10% rise in its satisfaction index. Nationwide¹⁹ has been successful in fostering a culture of transparency, better innovation, and knowledge flow within the organization. Swiss Re's²⁰ collaboration site, Ourspace, facilitated cross-functional collaboration and idea generation on varied business themes with both global and regional focus.

Enterprise collaboration brings with it a host of benefits such as increased productivity, a greater sense of belonging, rapid access to knowledge and faster time to market at reduced operational costs. We believe that insurance companies should focus as much on strengthening internal collaboration initiatives as on external initiatives. It is important to crowdsource the collective intelligence of employees and partners in order to understand and serve customer needs better.

Social Design

Social design is a new way of visualizing application design that puts social experience at the core. Facebook is a classic example, incorporating core elements of social design such as identity, conversation and community. Facebook establishes social design as a strategy that builds upon users' trusted communities, encourages conversations between them and ultimately creates a stronger sense of identity for everyone. This strategy revolves around utilizing community to personalize user experience, building conversations to effectively listen and share data and curate an identity for themselves. These principles can be applied while designing core insurance systems. By modeling the system to adopt a social mindset and driving social business by design, the benefits could be enormous for the various players in the insurance value chain.

For example, based on past loss history the system could recommend that an underwriter reject a prospect's application. The underwriter could be referred to an actuary who has worked on a similar actuarial assignment. A claims adjuster could gain access to court judgments involving similar coverage disputes. The system can bring up references to policies where similar loss exposures were assessed. Potential cross-selling opportunities can be notified. Products and coverage suitable for a customer can be highlighted. Recommendations and product reviews by the customer's friends can be pulled up. The system could provide FAQ responses to customers to enable self-service. Recommendations for suitable pricing models or for projecting near-accurate claims loss reserves can be provided.

This design is not just restricted to internal facing core systems but can extend to customer service applications hosted on a platform such as Facebook, thereby leveraging the inherent features of social design. When the prospect logs into Facebook and accesses the Get Quote App for an auto product, the app provides him valuable insights such as "2,000 visitors viewed this app, 250 liked it, 75 of them have opted for this additional coverage, 50 of them have saved \$20 by combining their auto and home policy, five of your friends recommended it." The app could list the agents who reside nearby based on the zip code entered or suggest agents who have serviced the policies of friends in the prospect's social graph. The app can effortlessly function as an effective social media marketing tool that generates leads.

Social design is challenging the design of traditional systems and should dramatically accelerate operational efficiencies. Early adopters are sure to benefit greatly, in our view.

Social Business: Innovative Trends

Insurers such as USAA,²¹ Travelers,²² New York Life²³ and MetLife²⁴ have started using their LinkedIn sites to recruit employees. State Farm²⁵ got started in social media when it set up a blog to find New Orleans-area employees and agents who could not be located after hurricane Katrina. Within 24 hours, the blog enabled them to locate every agent and employee. AXA UK²⁶ launched a snakes and ladders-style game on LinkedIn to encourage small businesses to consider the risks they faced and the kind of insurance they needed in order to thrive. Farmers²⁷ approached social gaming as an opportunity and partnered with Zynga to promote brand awareness through Zynga's Farmville, which is reported to have more than 80 million users. Humana,²⁸ a leading health insurer, has set up the Humana Innovation Center to reach out to consumers in a novel way through games, tools and blogs aimed at staying healthy. CNA's²⁹ special investigation unit is aiming to mine social network data to identify relationships between parties to a claim that might not be otherwise apparent.

InsurEye³⁰ is a Canada-based independent online service company that collects, validates and analyzes insurance experiences of real people. InsurEye is a great example of social benchmarking because all the data is generated from the consumer side and across various insurance providers. An opportunity to create a marketplace that would connect car owners with other people in need of a car is catching up. People in need of a lawn mower or chain saw might find a friendly neighbor to borrow or rent from on social networking sites such as HeyNeighbor.com.³¹

Twitter "bots"³² that automatically respond to certain triggers can be useful. Imagine the possibilities if every new home buyer within 50 miles of an agency location receives helpful home-insuring tips within minutes of their purchase.

The Future of Social Business for Insurers

Social business is here to stay. The horizons of social business are yet to be explored or exploited by insurers to their full potential. Insurers have started to move past the linear process-driven mindset to exploit collaborative intelligence in

the process value chain. The potential of social business is vast and could generate immense productivity gains if "right use cases" are identified across the insurance value chain.

For example, with the right mix of social design and collaboration, the commercial underwriting process, which involves extensive manual intervention and complex rules processing, can be streamlined to eliminate duplication of data, efficiently manage task work flow, leverage community expertise and carry out predictive analysis. The system could be equipped with tools to virtually connect from anywhere, anytime – thus providing an integrated view of the submission documents associated with a prospect/policy. This, in turn, will help improve operational efficiencies at a lower cost. Social means of doing business within an enterprise brings all the stakeholders on the same page to achieve more successful innovations in introducing new products/services in an agile fashion, thereby reducing time to market. It also allows rapid access to customer feedback to derive deeper insights and gain competitive advantage.

Social commerce and F-commerce (Facebook commerce) rely on social interactions and recommendations to assist in online purchase of products/services. Facebook applications could serve as a prime channel for offering quotes and selling insurance products in the near future. The confluence of social analytics and big data will aid in the generation of vital business intelligence insights for insurers, opening up new opportunities and expanding social business.

Social and mobile go hand in hand, as most social networking applications are accessible through mobile devices. The other layers such as analytics, content management and business process management have also started including social aspects into their design. Though there are not many mature models available in the market to measure social ROI, Google Analytics³³ has recently announced that it will help identify the full value of traffic coming from social sites and

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measure how they lead to direct conversions. Products such as Hearsay Social³⁴ have taken a giant leap in integrating social networking channels with back-end systems, allowing organizations to manage customer relationships, gather and disseminate content, measure and garner insights through in-depth analytics and minimize state insurance/FINRA-compliance risks.

Conclusion

As is evident, social business is more holistic than social media. Rather than existing in silos, the social mindset should be adopted by every layer within an enterprise. We believe the future of work for insurers revolves around social business.

Insurance firms show resistance in adopting social business models, fearing regulatory, compliance and legal implications. By publishing social media policy guidelines and selecting products that enable compliant use of social media, insurers can mitigate these risks to a great extent. Insurers must identify the appropriate business cases and ensure that their social strategy is closely aligned with their organizational business objectives. Once the strategy is in place, with the right choice of partners and products, insurers can redesign their communication ecosystem, build stronger relationships and realize tangible gains.

Footnotes

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About Cognizant

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