

INSURANCE IMPERATIVE: MOBILITY STRATEGIES FOR INSURERS

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BUSINESS
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One billion consumers will have smartphones by 2016.

Business spending on mobile projects will grow 100 percent by 2015.¹ *What are you waiting for?*

Achieving customer centricity in an evolving industry

Today's insurance landscape is very different from that of the past, and it will continue to evolve due to increased competitive pressures and shifting customer demands. As new competitors emerge, insurers are left vying for a smaller pool of policyholders, further pressuring profits. Furthermore, the emergence of non-traditional insurance competitors means firms now must think outside the box when attempting to respond to rivalry. For example, Google recently purchased the UK insurance comparison site, "Beat that Quote," leaving insurers anxious for what's to come.

Traditional insurers understand the need for change, and Allstate is taking this notion to heart by partnering with Overstock.com to reach new customers. To compete effectively in this environment, insurers need to make sure they are addressing customers' —and agents' — evolving needs and demands. Increasingly, technology—and particularly mobile technology—is driving those demands.



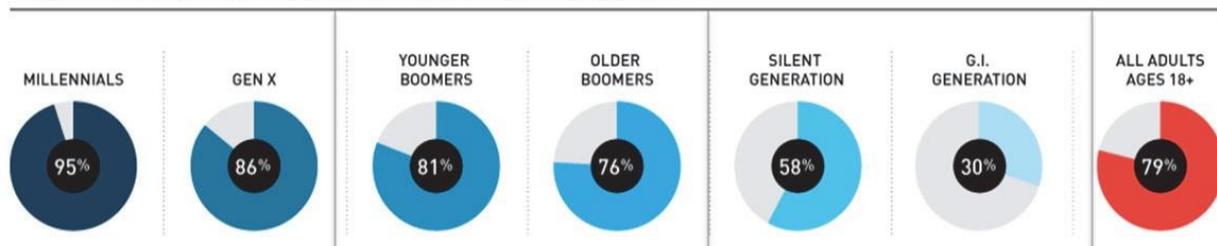
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Technology consumerization is changing how insurance is bought and sold, further shifting customer expectations. As information is abundant and readily available, consumers have become savvier. They also have become more accustomed to streamlined service. At the same time, new digital touch points are leading agents to expect similar kinds of engaging interactions, and insurers are now reorienting efforts to treat agents as customers.

Today's agents are asking for customized tools that enable them to interact effectively with their customers; for example, custom portals with enhanced quoting functionality, social media integration, and real-time access to carrier systems via any device. Portals provide agents with a desktop view of key applications while streamlining their experience. Social media integration allows them to better communicate with customers, while utilizing agent peer communities for advice or guidance in a more collaborative environment.

As "work on-the-go" becomes the norm, agents expect to be able to access the insurer's systems from any device at any time, even when visiting customers in remote areas. In order to attract and retain younger agents, therefore, insurers need to provide some of the latest technology-enabled tools, such as access to systems via mobile devices.

THE PERCENT OF EACH GENERATION ONLINE



Source: KBM Group

A KEY TO FUTURE CUSTOMER RETENTION?

Acquiring a new customer can cost up to 10 times as much as retaining an existing customer, elevating the importance of customer retention as a priority for insurers. To retain customers, insurers must deliver a differentiated experience. To offer a distinct experience, 82 percent of insurance IT groups have indicated their biggest priority will be IT support for business innovation.² Social and mobile technology investments are top priorities for achieving business innovation. This should not be a surprise, given the growing percentage of time people spend online. According to the KBM Group study depicted above, the average adult spends 79 percent of his/her time online; for millennials—an important segment for both customers and agents—that figure rises to 95 percent.



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Indeed, insurers are moving rapidly to offer mobile services. For example, Progressive recently released a new technology called Mobile Phone Quoting that enables users to take a picture of their driver's license and their vehicle identification number (VIN). The app then prefills several pieces of information into a form in preparation for generating an auto insurance quote.

Insurance executives increasingly understand that mobile applications influence buying decisions, as the percentage of companies that either do not have a strategy or are just at the early stages of defining their mobile strategies has dropped from 57 percent to 31 percent between Q3 2010 and Q4 2011.³

DEVELOPING A MOBILE APPLICATION STRATEGY CAN BE CHALLENGING

While insurers are beginning to understand the importance of the mobile channel, the mobile experience they present customers today continues to miss the target. Only four of 10 customers who have used the mobile channel in the past year report that they were satisfied with their mobile experience.⁴ One of the primary reasons insurers struggle to develop effective mobile applications is because these applications require a new way of thinking. When developing a mobile application, development teams need to ask themselves, "How would a customer want to interact with our organization at specific moments of action?" Effective mobile applications require providing customers with an experience they will find intuitive, engaging, fast, and even fun.

While many insurance CIOs and IT professionals believe mobility will impact their business as much the Internet, they must tackle several challenges when attempting to create a mobile platform strategy. Designing and building an enterprise strategy and infrastructure for maintaining and growing mobile applications long-term can be difficult. It requires segmenting target customers and identifying which mobile services to provide on which platforms to ensure that their mobile offerings and customer strategies are well aligned.

Once an insurer has identified customers' needs, it must determine which mobile platforms (e.g., Apple vs. Android) and devices (e.g., Phones vs. Tablets) to target and what type of mobile application (e.g., Native or Web-based) to build. This can be challenging. In order to determine the type of applications to build, insurers need to consider the target audience, application features, and timeline/budget, as well as internal IT mobile application development skillsets. For example, building a mobile web application may provide the greatest reach across devices and platforms; however, mobile web applications don't work when users are offline, they can't be distributed via App Stores, and they can't take advantage of all native device features (e.g., camera, push notifications). This lack of customization to the mobile device diminishes the user experience. Rather than simply extending web versions of an application onto a mobile device, developing a native mobile application may improve the application's effectiveness.



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Following are some key execution and technical challenges and considerations for building mobile applications:

- **Security:** Internal mobile devices can become plagued with viruses / malware if policies around personal use of devices are not communicated effectively. Traveling agents will need a way to operate securely on open Wi-Fi networks. For external users, insurers must be prepared to address authentication in order to secure data sent to/from mobile applications, as well as data stored on the devices.
- **Interoperability:** Significant effort may be required to enable archaic back-end systems to interface effectively with mobile applications.
- **Customization:** Superior mobile applications often require custom solutions, as packaged solutions can be difficult to retrofit with disparate legacy systems.
- **Environment:** Ensuring that existing production environments and back-end systems can scale to keep up with demand from additional mobile customer activity can be a tedious exercise. Many powerful batch-oriented systems struggle with the real-time demand of mobile applications.
- **Collaboration:** Delivering the necessary functionality within technology constraints typically requires significant stakeholder interaction and collaboration across business units. Involving all the necessary parties and gaining stakeholder buy-in can be arduous and time-consuming—and it must happen early on.
- **Budget:** Developing a business case which fully rationalizes the budget necessary to embark on the mobile application journey requires striking a balance between qualitative and quantitative elements.

GET STARTED BY TESTING THE WATER

Now that mobile applications are essential table stakes for insurers to remain competitive, timing is of the essence. To ensure proper speed to market, insurers can dabble in mobility by developing a strategy while preparing for full immersion.

Entering the mobility journey with a high-level strategy is an effective way to address key decisions – allowing the insurer to test the water with a few concepts and determine the total effort to exploit the mobile channel effectively. To determine the appropriate starting point for a particular organization, these are some key considerations:

- **Gain stakeholder alignment:** Effectively fostering a mobile channel requires a large amount of effort from business and technology stakeholders. Involving these stakeholders, including agents, early on



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in the process can promote alignment upon release of the application.

- **Understand target customers:** Segment customers based on trends and usage patterns and develop customer personas for priority target segments.
- **Understand features:** Identify specific features that will support the functionality necessary to deliver a strong user experience. Target the native features for a specific mobile phone and/or tablet.
- **Identify technology pain points:** Assess the current state environment to determine which changes are necessary in order to interface legacy systems with mobile applications.

HOMEOWNER CLAIMS MOBILE APPLICATION

With a high-level strategy completed, an insurer then can deploy an application to test the customer response, development difficulty, etc. Simple applications that can be useful for testing the waters and developing a baseline include applications for retrieving ID cards or providing location-based services such as identifying the nearest tow service or glass repair facility. Once the organization feels comfortable with its initial mobile applications, it can redirect the experience and knowledge gained from the “test” toward more complex applications that





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Trends indicate the use of mobile applications will continue to rise in the coming years. The increasing importance of mobile applications to improve the customer experience and retain existing customers is putting pressure on insurers to act quickly. By developing a clear mobile strategy, insurers are one step closer to realizing their mobile vision.

THE NEXT STEPS

These are five essential steps that can aid preparation for a roll-out of more complex applications:

1. Create a multi-functional governing body for the mobile channel that is responsible for decision making, including which types of applications to release, when to release these applications, and the most effective paths for execution
2. Develop a detailed mobility strategy and vision
3. Design a future-state mobile enterprise architecture
4. Identify initiatives necessary to bridge the gap between current state capabilities and desired future-state capabilities
5. Prioritize initiatives in a comprehensive and executable roadmap

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⁴ Mitchell, C. (2009). Seizing Insurance's Mobile Opportunity. Forrester.