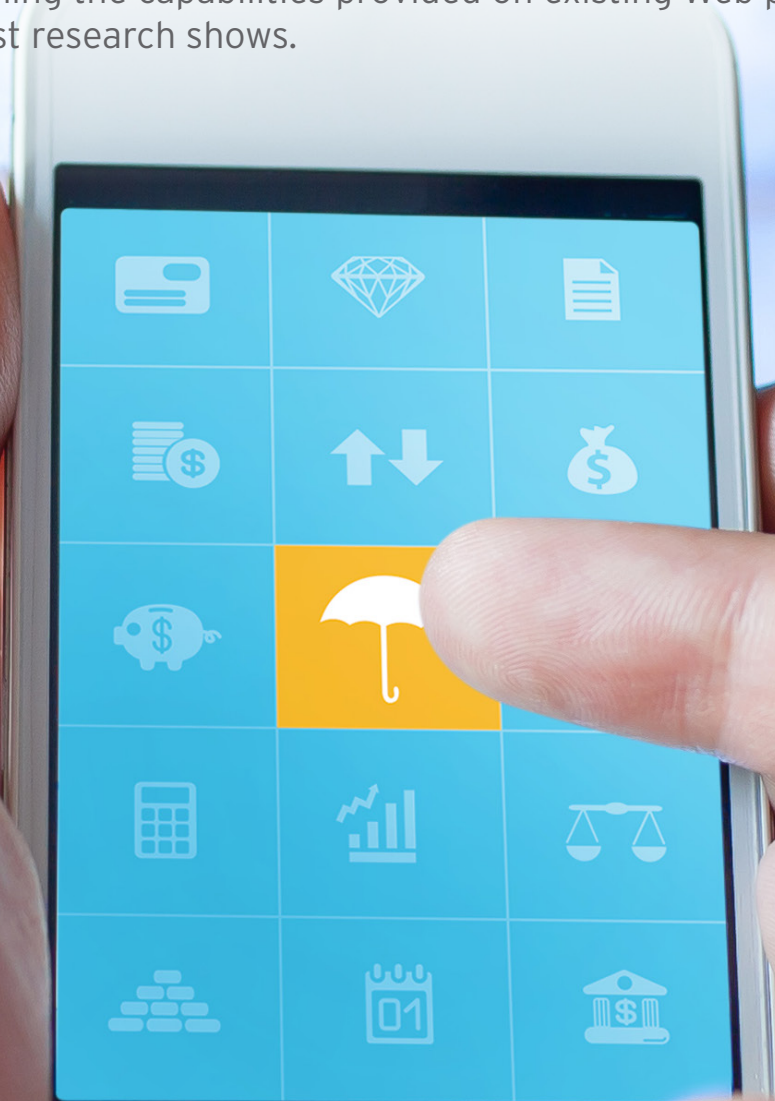


## An Analysis of U.S. P&C Insurance Customer-Facing Mobile Apps

Property and casualty insurers are playing catch-up in the mobile app space, with most failing to deliver features and functionality that meet consumer needs and expectations, or matching the capabilities provided on existing Web portals, our latest research shows.



## Executive Summary

Across industries, consumers are increasingly turning to online and mobile channels for convenience and speed. This is as true for how they shop for and purchase property and casualty (P&C) insurance as it is for browsing and buying every conceivable hard and soft good on the commercial Internet. But based on their digital interactions with more progressive players in banking and retail, as well as with born-digital companies, consumers expect P&C insurers to provide a personalized and seamless experience across channels. As consumers' experience in one channel can impact their inclination to do business with the company in any channel, insurers must strive to deliver consistent information and services across all touchpoints.

However, 72 of the top 100 U.S. P&C insurers do not even offer a customer-facing mobile app, despite having an otherwise strong online presence, according to our Mobile-First Index study.<sup>1</sup>

The quarterly study, launched in Q3 2015, assesses the services delivered through customer Web portals and mobile apps by the top 100 P&C insurers, and measures the gap between the services footprint of the two channels (see Methodology, below).

Among the study's key findings:

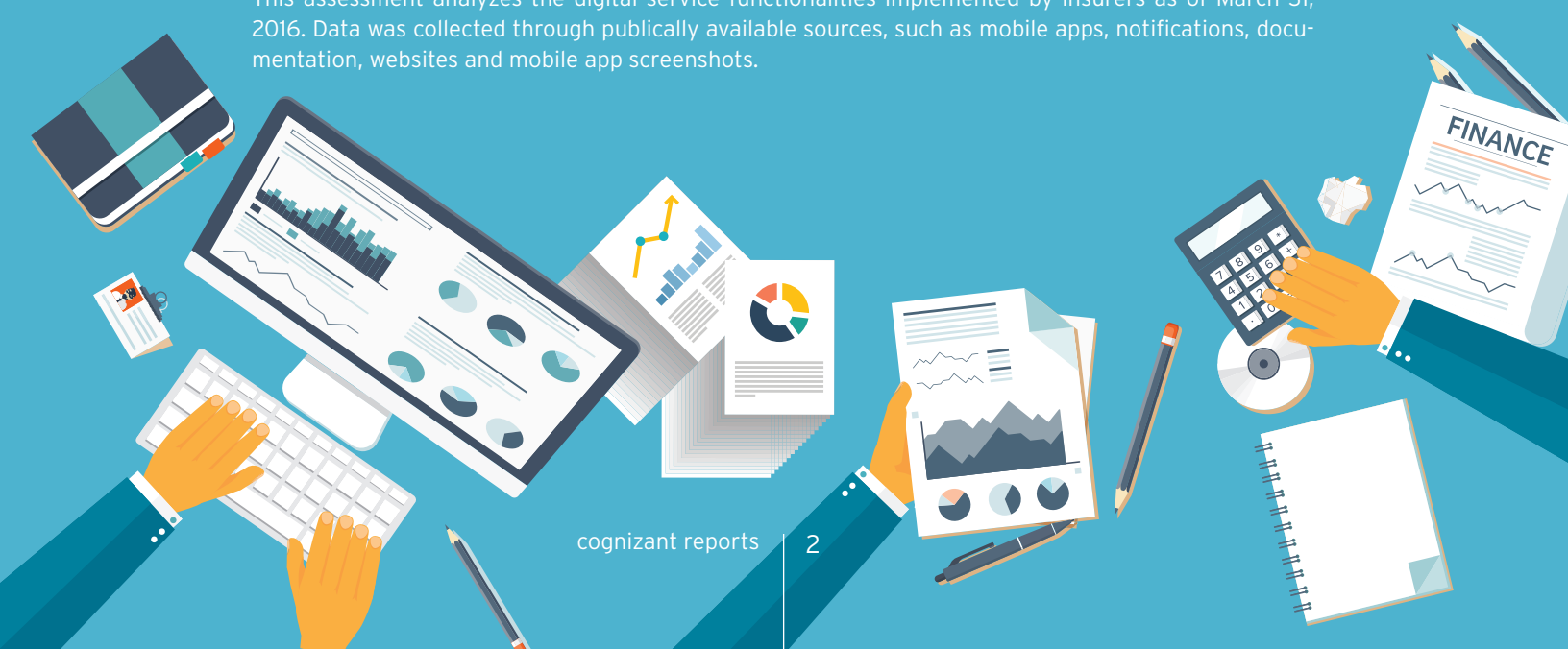
- The U.S. P&C insurance industry is in the early stages of mobile adoption for customers, with only 28 of the top 100 insurers offering mobile apps.
- Insurers leading in mobile app delivery also lead the industry in terms of net written premiums, customer satisfaction, customer retention and net promoter scores.
- The gap between the services footprint of customer portal offerings and mobile apps has grown from Q3 2015 to Q1 2016 as

## Quick Take

### Study Methodology

Our Mobile-First Index, a quarterly study of P&C insurers, is aimed at understanding the digital thinking that is belatedly taking root across the industry. The study objectively evaluates the digital footprint of the top 100 U.S. P&C insurers in two principal digital channels – customer portals and mobile apps – across a set of 85 service functionalities, categorized in nine broad feature areas. We assess the insurers' mobile-first progress by measuring the gap in the number of services delivered through the two channels. The digital baseline is established through a mathematically sound index, using Principal Component Analysis to construct the Mobile-First Indices, and is then used as the basis for subsequent analysis.

This assessment analyzes the digital service functionalities implemented by insurers as of March 31, 2016. Data was collected through publically available sources, such as mobile apps, notifications, documentation, websites and mobile app screenshots.



insurers added more features and functionalities to their customer portals compared with their mobile apps.

- Customer portals lead mobile apps in all nine service feature areas (comprising 85 mobile app functionalities currently offered by the insurers), such as billing, emergency assistance, claims management, customer support, etc.
- The seven insurers that lead in mobile app delivery focus on basic, must-have services, such as view policy/documents, agent locator, premium payment, upload accident photos, claims submission, etc.

### Quest for Seamless Customer Service

It's become second nature for consumers to use their mobile phones for product information and deals, and they value peer reviews and recommendations more than claims made by companies. Their service expectations are shaped by their interactions with digital native companies, such as Amazon, Google, Uber and Airbnb, as well as digitally transformed retail banks that provide transparent pricing, immediate response to customer requests and a seamless experience across channels. Further, customers are quick to shift to a competitor if it provides a superior experience for the same price, with just a click or a tweet.

Further, low interest rates, intense pricing pressure and threats from non-traditional companies

offering insurance services continue to roil traditional insurers. In this environment, providing an integrated experience in which customers can move seamlessly among various channels – online, mobile, agent and call center – is critical to customer retention and improved profitability.

However, offering such a customer experience seems to be a distant dream for many insurers, as revealed by our Mobile-First Index. Nearly three-quarters of the insurers surveyed do not have a customer-facing mobile app; those that do seem to be focused more on adding features and functionalities to their customer portals than their mobile apps.

### The Early Days of Mobile-First Thinking

Forward-thinking organizations across industries have pursued “mobile-first” thinking to get closer to their customers and provide them with highly personalized services based on their digital activity, or what we call a Code Halo™. (For more on this phenomenon, see our book *Code Halos: How the Digital Lives of People, Organizations, and Things are Changing the Rules of Business.*)

With only 28 of the top 100 P&C insurers offering a customer-facing mobile app as of March 31, 2016, the U.S. P&C industry is clearly in the early stages of mobile adoption (see Figure 1). Moreover, must-have features – such as emergency assistance, quote and claims management – are offered by only about 30% of insurers with mobile apps.

## Sparse Coverage of Basic Features

Percent of companies offering services through mobile apps across feature areas.

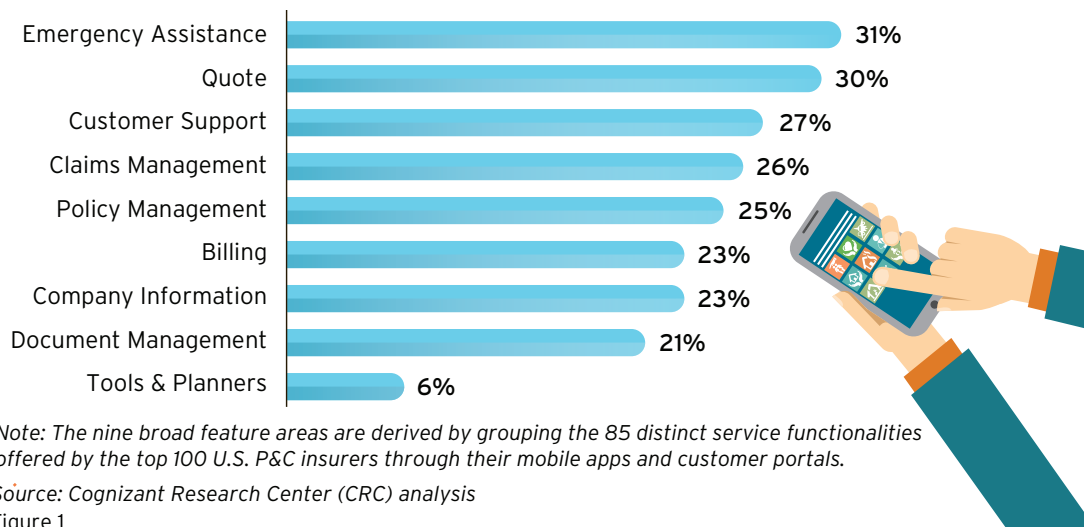


Figure 1

## Digital Services Footprint by Channel



Note: Total Customer Portal Average (%) is derived from the Customer Portal Index score<sup>2</sup> of each insurer, while Total Mobile Average (%) is derived from insurers' individual Mobile Index score.<sup>3</sup>

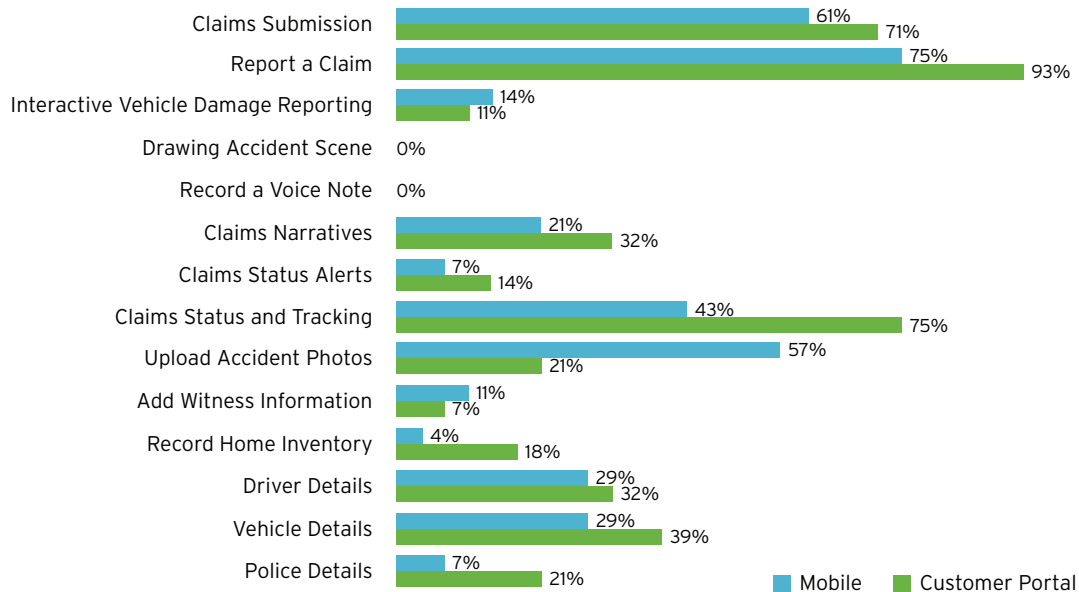
Source: Cognizant Research Center (CRC) analysis  
Figure 2

### Mobile Apps vs. Customer Portals

When we assessed the gap between the services offered through customer portals vs. mobile apps, we found customer portals leading mobile apps in all nine feature areas (see Figure 2). For many insurers, the Customer Portal Index score was twice the Mobile Index score.

One area in which insurers are investing more in mobile apps is claims processing, which can have a direct bearing on customer relationships. As Figure 3 reveals, the mobile app footprint is healthy and even leads customer portals in specific functionalities, such as uploading accident photos, adding witness information and interactive vehicle damage reporting.

### Claims Management: Customer Portal vs. Mobile App



Source: Cognizant Research Center (CRC) analysis  
Figure 3

However, the gap between the industry's Customer Portal Index score<sup>4</sup> and its Mobile Index score<sup>5</sup> has grown since we began our study, indicating that insurers have been concentrating more on adding features to their customer portals than their mobile apps (see Figure 4). The Q1 2016 Mobile Index score (860) was up only 13.75% over the previous quarter, while the Customer Portal Index score rose 33.12%.

The absence of feature-rich mobile apps explains their low customer uptake and, to some extent, customer reliance on agents and other channels for insurance purchases. About 74% of customers use carrier websites or aggregators for conducting research and obtaining quotes, according to a 2016 survey by J. D. Power of 17,000 shoppers requesting an auto insurance price quote.<sup>6</sup> While 50% obtained a quote from insurers' websites, only 25% purchased a policy online. About 50% preferred to get their policy via an agent, and 22% relied on the company's call center, according to the survey.

### Identifying Mobile App Leaders

We identified leaders in the mobile app space, as well as the key features they offer. Based on their individual Mobile Index score, we categorized the 28 insurers in four segments. Insurers with the

highest index scores were placed in Quartile 4, and insurers with the lowest index scores were placed in Quartile 1 (see Quick Take, page 7, for more details on the quartiles).

The seven insurers in Quartile 4 lead the group of 100 insurers studied. These leaders are focused on delivering basic, must-have services through their mobile apps (see Figure 5, next page).

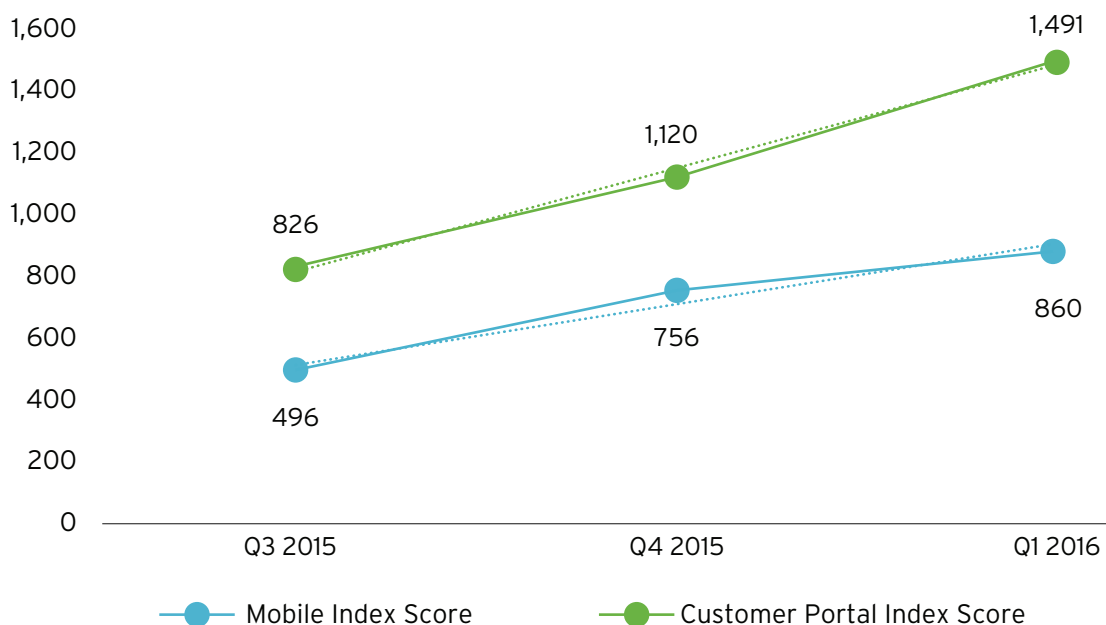
Quartile 4 insurers are not only mobile app leaders; they also lead the industry in net written premiums,<sup>7</sup> customer satisfaction, customer retention and net promoter scores. As of Q1 2016:

- Six of the seven insurers in this quartile had customer retention rates greater than 83%.<sup>8</sup>
- Six of the seven achieved net promoter scores greater than 78%.<sup>9</sup>
- Six of the seven recorded customer satisfaction scores greater than 80%.<sup>10</sup>

### Catching Up with Quartile 4 Insurers

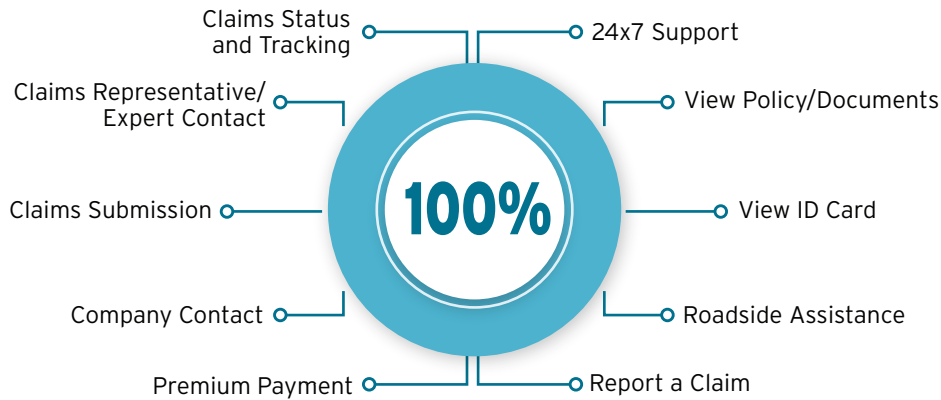
Comparing the must-have services offered by Quartile 4 insurers with those in other quartiles reveals catch-up areas for insurers planning to improve their mobile app status

## Comparative Growth of Mobile vs. Customer Portal Index Scores



Source: Cognizant Research Center (CRC) analysis  
Figure 4

## Top 10 Services Offered through Mobile Applications by Quartile 4 Insurers



Source: Cognizant Research Center (CRC) analysis  
Figure 5

(see Figure 6). Quartile 3 insurers are on par with Quartile 4 insurers in four of the 10 must-have service areas. In our view, they should focus on improving claims status and tracking, claims representative/expert contact, roadside assistance and claims submission to close the gap.

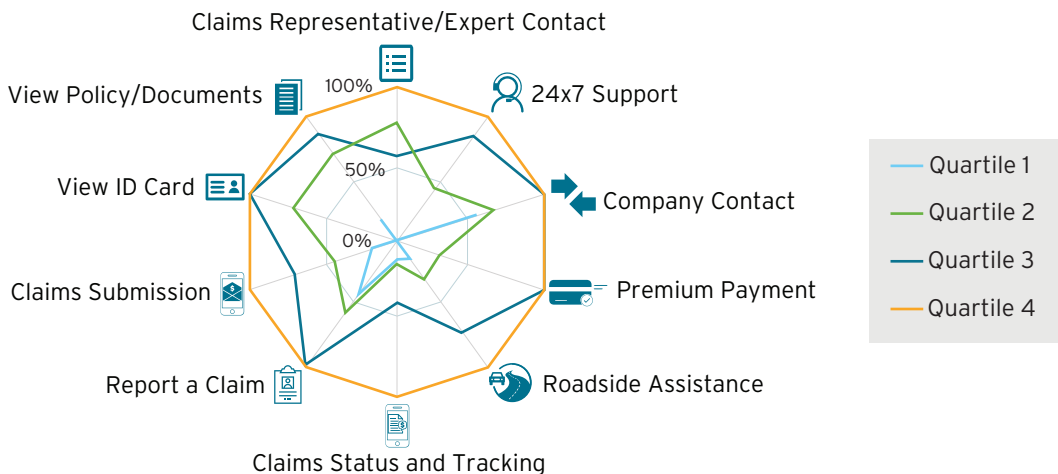
For Quartile 2 insurers, the immediate areas of focus should be claims status and tracking, 24x7 customer support, claims submission and roadside assistance. These insurers have work to do in other service areas, as well. Quartile 1 insurers offer minimal services through their apps, and catching up with Quartile 4 insurers will require a massive and persistent effort.

### Time to Invest in Mobile Apps

Consumer use of mobile apps in 2015 grew 58% over 2014,<sup>11</sup> with two of every three digital media minutes spent on mobile applications.<sup>12</sup> These statistics show growing customer preference for mobile apps. We believe the time has come for insurers to invest in mobile apps and bridge the growing digital divide with customer portal channels.

A mobile application offers an easier way to attract and connect with on-the-go customers, many of whom depend on mobile apps for a wide range of transactions in retail, travel, retail banking and other industries.

## Top 10 Mobile Services Footprint by Quartile



Source: Cognizant Research Center (CRC) analysis  
Figure 6

A customer-facing mobile app can help insurers achieve the following:

- **Improve customer communication and engagement:** Insurers can send policy information, documents, updates, new offers, etc. directly to customers via their mobile phones, as well as provide innovative features through mobile apps to engage customers in a meaningful way.

A case in point is a driver feedback app from a leading P&C carrier that helps new and experienced drivers improve their driving skills by recording driving data. Feedback is provided on accelerating, braking and cornering, and can be texted or e-mailed to drivers or their parents to understand areas for improvement.

- **Improve claims efficiency:** Faster and efficient claims processing is key to gaining customer loyalty and improving retention

rates. Customers who encounter a poor claims experience tend to switch to competitors and might never come back. Insurers could also benefit from claims efficiencies; with nearly 70% of premium incomes spent on settling claims,<sup>13</sup> insurers could save time and effort by automating manual processes, as well as speed turnaround time.

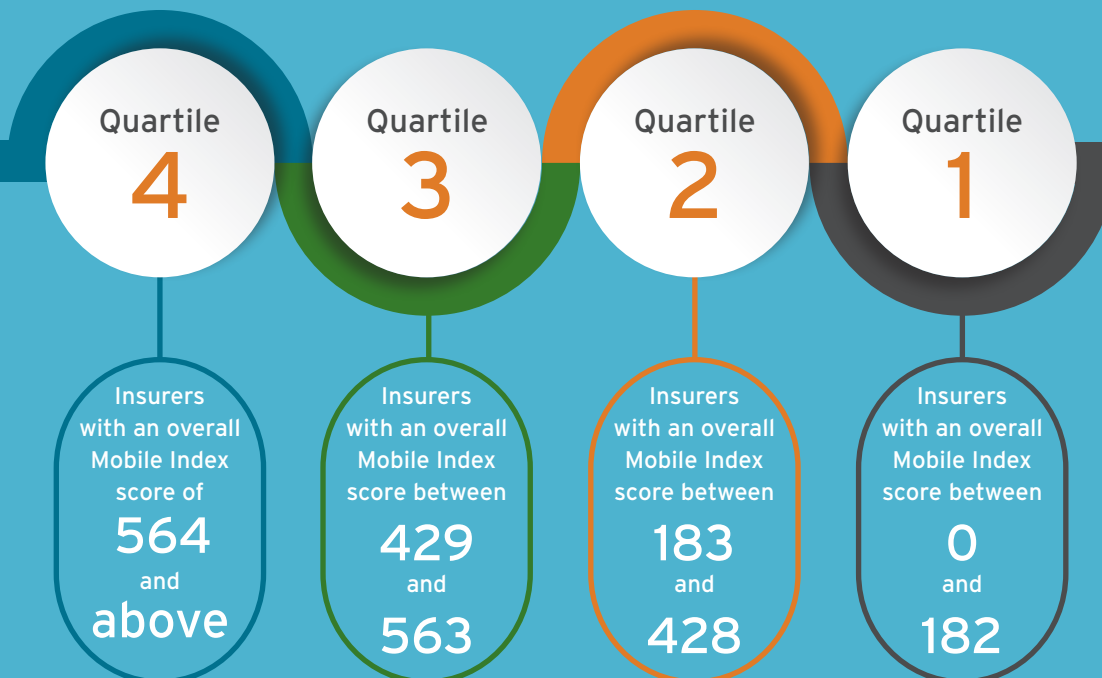
Mobile apps enable customers to report claims immediately, allowing insurers to process claims more quickly and reduce overall settlement cycle time. For instance, one of the largest personal lines insurers, a Quartile 4 carrier, allows customers to file auto claims (except in the case of serious accidents) by uploading vehicle damage photos via its mobile app. Once the estimate is completed, customers are notified through the app.

- **Reduce costs and improve revenues:** Mobile apps are a convenient and cost-effective way

## Quick Take

### Quartile Description

The P&C insurance industry's Mobile Index score for the quarter was 860, meaning a carrier offering all 85 of the listed mobile features will have an individual score equal to that of the industry index score. A carrier may move to a different quartile based on the number of features added/deleted in that quarter. Based on their Mobile Index scores, insurers with mobile apps are grouped into four quartiles, with seven insurers in each quartile.



to reach out to customers. Providing quotes allows potential buyers to examine multiple options before settling on one. Further, providing an option to contact nearby agents or a call center for further details via chat or video improves the chances of securing the customer's business while saving time for agents and call center executives. Through the app, customers should be able to buy new policies, be reminded of policy renewals and file a claim. This will simplify customer service, reduce costs and improve revenue generation.

Insurers can partner with each other or with mobile app developers to provide solutions to customers, as well as reduce costs. U.S. insurers can take a cue from Thailand-based startup Claim Di, which has partnered with many auto insurers to facilitate easier communication and claims between drivers and their respective insurers. When an accident occurs, drivers can speak with their insurer, take photos and upload them using the app. In the case of minor incidents, drivers with the app

simply need to bring their phones together and shake them to get claims reports from their insurers. Such initiatives save significant manual effort, drastically reduce cycle times and can eliminate fraud, resulting in cost savings. In one case, carrier costs were reduced from Bt 550 (about USD\$15.70) to just Bt 50 (about USD\$1.40) per transaction within Bangkok and from Bt 1,100 (about USD\$31.40) to Bt 50 outside the city.<sup>14</sup>

- **Gain competitive advantage:** For U.S. P&C insurers, premium growth has been low.<sup>15</sup> Providing a unique customer experience can help insurers build loyalty and attract customers that want a digital experience. For instance, a Wisconsin-based P&C insurer offers an app that helps customers develop and maintain an inventory of their home belongings. Customers can upload images and descriptions of their possessions and keep them organized. To file a claim or report a stolen item, customers can use the app to report the missing item immediately.

## Quick Take

### Designing a Winning App

Building a mobile app is easy, but making it effective and engaging requires more effort. From our study of the P&C insurance space, the following top-of-mind considerations emerge for designing and deploying a customer-facing mobile app.

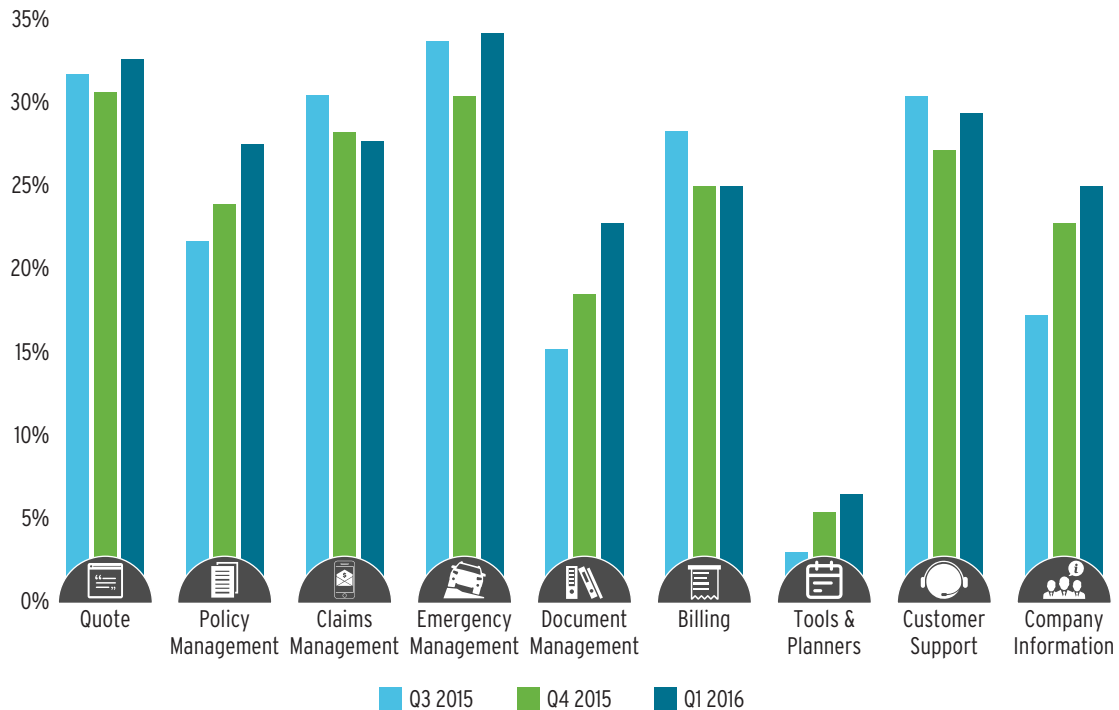


- Do not simply replicate online portal features.
- Focus on building light, fast, interactive and user-friendly apps.
- Learn from other industries, such as retail, travel and entertainment.
- Use gamification to provide information about insurance products and services, etc., in an easy and interesting way to improve customer engagement.
- Examine user comments and ratings on current apps to understand customer expectations.
- Partner with a technology purveyor that can help build a scalable and reliable cross-platform mobile app.



## Mobile Footprint by Feature Area Over Time

The percentage of carriers, by quarter, that have key features in their apps.



Source: Cognizant Research Center (CRC) analysis  
Figure 7

### Looking Forward

Most U.S. P&C insurers are still focused on customer portals. Only policy management, document management and company information have continuously increased their feature penetration percentage for mobile apps during the past three quarters (see Figure 7).

The main reasons for lagging activity in the mobile apps space seem to be fear of channel conflict with agents or brokers, and a sense that customers are not interested in downloading an app. However, insurers must act now or risk losing relevance as customers increasingly seek seamless service across channels. Further, a poor mobile experience may deter customers from using other channels, and may even force

them to shift loyalties to insurers offering superior service through the mobile channel for a similar premium.

Our analysis<sup>16</sup> of 28 insurers shows that fast-growing insurers are investing in mobile apps. Of the 28 insurers with mobile apps, most – 24 – recorded growth in their net written premiums. Fast-growing mid-sized insurers – those with about \$5 billion in net written premiums – are leading the mobile app race. These insurers have a much better chance of satisfying customers, leading to greater loyalty and higher net promoter scores – a key to gaining competitive advantage in the unfolding digital marketplace.

## Footnotes

- <sup>1</sup> Companies following a mobile-first strategy design products and services to attract and delight mobile users before replicating those offerings for laptop and desktop users.
- <sup>2</sup> This score represents each carrier's breadth of customer portal service functionalities. The higher the number of customer portal functionalities, the higher the index score. If a carrier offers all 85 of the customer portal functionalities, then its individual index score will be equal to the P&C Industry Customer Portal Index score.
- <sup>3</sup> This score represents each carrier's breadth of mobile app service functionalities. The higher the number of mobile app functionalities, the higher the index score. If a carrier offers all 85 of the mobile app functionalities, then its individual index score will be equal to the P&C Industry Mobile Index score.
- <sup>4</sup> This is the optimal score to which all P&C insurers should aspire. If a company offers all the listed customer portal features, then its individual score will be equal to the industry index score.
- <sup>5</sup> This is the optimal score to which all P&C insurers should aspire. If a company offers all the listed mobile features, then its individual score will be equal to the industry index score.
- <sup>6</sup> "Digital Are the Channels of Choice for Today's Auto Insurance Shopper; Digital Leaders Setting the Pace for Premium Growth, Says J.D. Power Study," J.D. Power, April 29, 2016, [http://www.jdpower.com/sites/default/files/2016065\\_insurance\\_shopping\\_study\\_rev3.pdf](http://www.jdpower.com/sites/default/files/2016065_insurance_shopping_study_rev3.pdf).
- <sup>7</sup> All data sourced from [www.insure.com](http://www.insure.com).
- <sup>8</sup> Cognizant Research Center (CRC) analysis, based on data from [www.insure.com](http://www.insure.com) and [www.propertycasualty360.com](http://www.propertycasualty360.com).
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- <sup>15</sup> "P/C Insurers Caught Between Slowing Premium Growth and Rising Loss Ratios," InsuranceJournal.com, May 18, 2016, <http://www.insurancejournal.com/news/national/2016/05/18/409019.htm>.
- <sup>16</sup> Based on Q1 2016 Mobile Index scores, 2014 net written premium value and the year-over-year (2013/2014) net written premium growth.

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Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 100 development and delivery centers worldwide and approximately 244,300 employees as of June 30, 2016, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world.

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