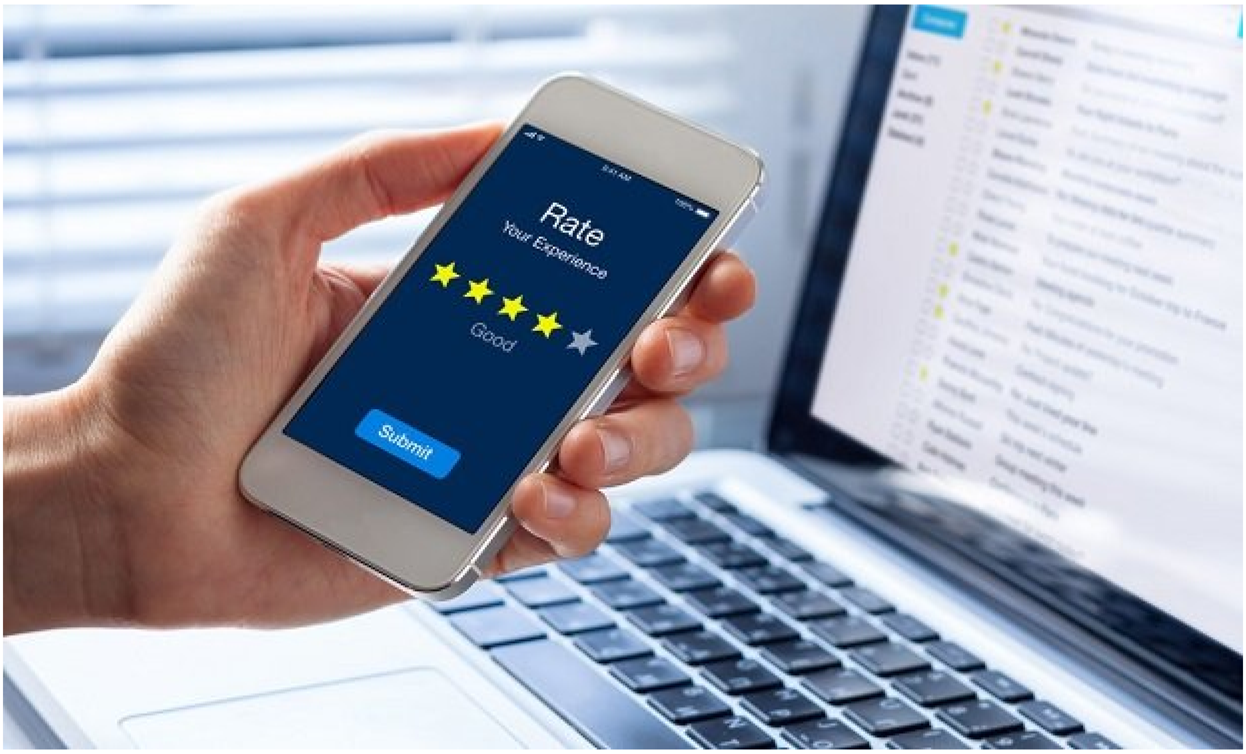
PROPERTY CASUALTY 360°

NOT FOR REPRINT

How insurance companies can measure digital transformation success

Digitization can't occur in a vacuum. Its success hinges on an insurer's ability to harness an innovative mindset at every level of the organization.

By **Tal Daskal** | November 24, 2020



To keep customers — and the revenue they generate — insurers must meticulously track the quality of customers' digital engagements. (Photo: Nico El Niño/Shutterstock)

The COVID-19 pandemic has transformed the insurance industry from a technological laggard to a trailblazer practically overnight. Amid the shift to remote work and the pressing need to unlock new efficiencies and revenue streams in an unpredictable economic climate, the industry's digital adoption surged 20% over the past year, according to Bain & Company research (https://www.bain.com/insights/a-digital-reckoning-for-insurance-companies/).

Longstanding skepticism toward newfangled technology has given way to a deep appreciation for how digitization can streamline workflows, enable data-driven business decisions, and significantly improve the customer experience.

But digital transformation is not an end in itself. Moving forward, it will be an essential means for the industry to navigate the challenges and opportunities it faces.

It's one thing for insurers to adopt new digital tools and platforms. It's quite another for them to successfully utilize these tools to eliminate bottlenecks in revenue streams and make measurable gains in customer engagement.

As the industry looks toward an increasingly digitized future, how can insurers measure success? Here's what carriers should keep in mind — and why digital transformation should not only transform how carriers execute key processes but also how they evaluate ROI.

Traditional digital success metrics

For insurers investing in digital transformation, there is no more important factor in weighing the impact of those investments than the customer experience. That's because customer satisfaction is directly tied to a company's bottom line. Companies that improve their customer retention by just 5% see a 25% to 95% jump in profits, according to research cited by the Harvard Business Review (https://hbr.org/2014/10/the-value-of-keeping-the-right-customers).

To keep customers — and the revenue they generate — insurers must meticulously track the quality of customers' digital engagements. Subpar digital journeys not only require more time and resources for insurers to troubleshoot, but they also leave customers less satisfied with their insurers. A study conducted by Bain found that more than a quarter of digital claims interactions aren't resolved in the first attempt, and customers who encountered problems in digital engagements showed less loyalty toward their insurers, making them higher churn risks. Ensuring seamlessness at every stage of customers' digital interactions can mean the difference between stable revenue growth and a serious hit to the bottom line.

Internally, insurers can gauge the efficacy of their digital investments by measuring their impact on operational efficiency and employee productivity. Deloitte cites the example of the insurer Guardian Life (https://www2.deloitte.com/us/en/insights/topics/digital-transformation/digital-transformation-survey.html), which moved more than 200 applications to the public cloud and saw a 20% to 30% decrease in costs associated with running those applications. Such operational improvements free up more resources and employee time to devote to developing new services, products, and revenue streams. An increase in revenue per employee is an excellent indicator that an insurer is improving productivity and seeing its digital transformation pay off.

Digitalization can also be a highly effective way of boosting conversions by making onboarding easier and more convenient, enabling personalized outreach to potential customers, and significantly enhancing the quality of customer service. A McKinsey analysis of U.S. property & casualty carriers (https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/digital-blog/how-smart-insurers-convert-digital-customers-at-six-times-the-rate-of-their-peers) revealed that an entirely digital carrier outperformed every other insurer's online conversions significantly, even beating a major rival by a factor of six. The key differentiator? A digital-first mindset that permeated everything from marketing to onboarding to customer service, making for the seamless experience today's customers crave.

These metrics can go a long way toward revealing whether a company's initiatives are yielding the desired ROI. In an increasingly digital world, insurers need to rethink not only their legacy infrastructure and operations but also their overall mindset and the tools with which they measure success. This is where artificial intelligence technology (https://www.propertycasualty360.com/insurance-technology/artificial-intelligence/) shows significant value.

Going the extra mile

AI is commonly seen as an effective tool for driving insurers' digital transformation, but it can also help measure success.

Real-time advanced analytics enable companies to gain full visibility into how customers interact with workflows, identifying where they drop out and optimizing form completion rates. Understanding how customers interact digitally with an insurer can offer an illuminating look at a range of metrics. Are customers completing contracts more efficiently and accurately than before? Are more customers returning? Which specific pain points might they be encountering? With these insights on hand, carriers can optimize the customer experience to boost overall satisfaction and drive revenue growth.

The bottom line? Digitization can't occur in a vacuum. Its success hinges on an insurer's ability to harness an innovative mindset at every level of the organization. After all, the goal isn't merely to transform which tools and processes the company use; it's to build a foundation for durable success.

Based in Tel Aviv, Israel, Tal Daskal (info@easysend.io (mailto:info@easysend.io)) is CEO and co-founder of the SaaS company EasySend. The opinions expressed here are the author's own.

Keep reading...

- **The new innovator's dilemma in insurance (https://www.propertycasualty360.com/2020/11/13/the-new-innovators-dilemma-in-insurance/)**
- **Survey: Digital transformation is no longer just 'nice to have' (https://www.propertycasualty360.com/2020/11/09/survey-digital-transformation-is-no-longer-just-nice-to-have/)**
- **How to protect your insurance brand while maximizing social media (https://www.propertycasualty360.com/2020/10/27/how-to-protect-your-insurance-brand-while-maximizing-social-media/)**