



Improving Customer Engagement in Insurance through Value Added Services

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The world of insurance is transforming. The transformation that we are witnessing is fuelled by digitally-empowered customers, intelligent products, and expansion of technological advancements. Towards this, insurers have been trying to provide more benefits to their customers through innovative ideas that would extend their product's value beyond just indemnification of a financial loss.

Adding Value through Services

For an increasingly fragmented market with minimal customer loyalty, many insurers are looking to differentiate their value beyond price competitiveness. They are eyeing a spot in the customer's daily routine through offers of mutually beneficial value added services to establish brand stickiness. Product differentiation is the need of the hour as the product portfolio of most insurers look similar. Increasingly, insurers are bundling services with their insurance products and are delivering it as a complete package to their customers.

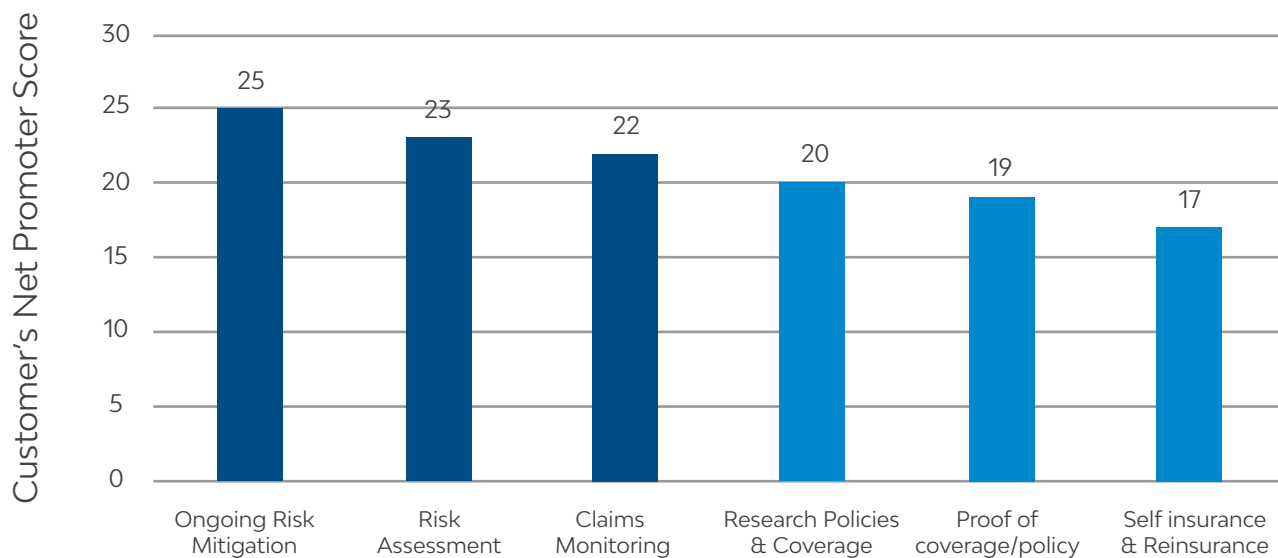
These bundled services, also called as value added services, are complimentary to the product offerings, and can be typically availed as a part of their product. These include home assistance services available with home insurance products, medical advice for health insurance, etc.

Benefits of Value-Added Services to Insurers

Value added services aid in growth of both topline and bottomline through:

- Differentiating their products from competitors
- Monetizing services opens additional revenue streams
- Improving customer acquisition and customer retention

Key Episodes for Value Added Services –



A Survey conducted by Bain & Company of more than 1000 insurance buyers indicated that, Carriers providing significant support in three major areas Risk mitigation, Risk assessment & Claims monitoring can delight customers. We find today most value added services in the market focus on these three areas. Now let's see few examples of how carriers are adding value through services for different Lines of Insurance Business

Health Insurance:

Many Insurers have bundled customer engagement and risk management in Health Insurance. These services reduce severity/possibility of a loss, and hence, provide a natural hedge against losses.

- Health Insurance customers get discount cards through which discounts can be availed on their medical expenses.
- Free online consultations & preventive health check-ups reflect that insurers genuinely care for wellbeing of insured, but they in fact also act as effective risk control tool for insurers.
- Free pharmacy visits & discounts on various tests and treatments.
- Customers can order refills of their medicine prescriptions by just taking a pic through the insurer's mobile application. Insurers scan the barcode and place a new order eliminating possible mix-ups and making it extremely easy for the customer.

Through fitness tracking, mobile applications & wearable devices insurers are able to track fitness activities of insured and are able to provide additional benefits. One such example is that of a US- based organization which provides a tool that can connect to multiple wearable devices to track fitness information & set daily goals. These applications record the individual's physical activity, which is then transmitted to healthcare coaches for further engagement and guidance. These health tracking applications provide a way to engage customers by creating new habits. When these activity goals are accomplished, the customers become eligible to participate in a lucky draw competition or in certain cases, these daily target achievements are converted to reward

points which can be used by the customer to make real purchases.

Home Owners & Renters Insurance:

In home insurance, insurers enable their customers to get services for home repairs & paintings, electrical and plumbing maintenance needs.

- Sensors are installed at customer's home that would alert the customer and the insurer in the event of a hazard. The insurer then dispatches a repair team to address the issue instantaneously.
- An insurance company based in the US, provides a home gallery app that allows users to maintain an active home inventory log which comes in handy in an uncertain event of their house destroyed by fire or robbed. Users can even take pictures of the items and scan the barcode for images & description.
- Weather alerts are provided when a customer provides the location of his properties & residences and if identified locations are likely to be impacted by storm, flood etc.
- A UK-based company has created an innovative concept of Social Insurance through which, it rewards the customers a hefty share of their annual policy premium if they haven't made any claim in the previous year and have some friends who have also taken the same policy with them.

Travel Insurance:

Travel insurance has become an order qualifier as every travel company provides it as an option to their customers. But, innovative ideas surrounding the customers' travel abroad have clearly emerged an order winner.

- Medical concierge services for the travellers' dependents
- Home nursing services for the elderly are bundled with travel insurance packages
- Customers receive periodic health information updates from their insurers
- Emergency travel assistance is another initiative that provides help irrespective of the customer's travel location during medical & dental emergencies
- Customers can even avail for English-speaking medical professionals or interpreter services during their international travel.

Auto Insurance:

- Insurers leverage mobile apps that allow drivers to capture footage on the road that can be conveniently submitted for insurance claims.
- Insurers have also setup customer care centers with executives trained in damage assessment & accident reporting procedures. These executives also act as middle men and interact

with the workshops as well as other parties involved on behalf of the customer.

- Accident response teams approach the client proactively, and depending on the situation, they are also deployed to physically reach out to the accident scene & provide support to the customer ensuring customer safety.
- In addition, they also look at simplifying the First Notice of loss procedure in the event of vehicle accidents.
- Teenage drivers are three times more likely to be involved in a fatal crash than any other driver aged 20 and above. Using telematics, an Insurer helps parents monitor their teenagers' driving behaviour and review details of a trip. Insurer also allows parents to set customized alerts to meet their specific requirements such as monitoring acceleration, harsh breaking, as well as the time of the day when the car is driven frequently.
- Applications are designed in such a way that the customers receive bad weather alerts when their car leaves a specified area.

Challenges of Value Added Services

All is not green in providing Value Added Services. Implementation of a service by a Carrier forces its peers to provide a similar service. The crowding phenomenon leads to an urge for faster implementation to achieve early adopter status. Hurried implementation however creates new set of problems and could back fire badly. Before implementing Value added Services an insurer should take care of the following.

Right Portfolio of Services - An Insurer should ensure that Right Portfolio of Services are identified. Bundling too many services into an insurance product would only increase cost and dilute the value addition. On the other hand scant services or services that customers do not see value in will not deliver the required influence. Identifying the right service is the most critical activity in ensuring the insurer's objectives are met.

Identifying Right Partners - On many occasions, insurers would be dependent on other specialized entities in delivering the value added Services. The insurer will most likely not have sufficient expertise or scale to efficiently provide the services. Insurers should consider the degree of control they would like to retain in delivering the services, sensitivity and security of data that would be shared with partners, compliance and legal requirements etc., while identifying right partners.

Cost - The value addition delivered to customers need to justify the cost that might be incurred. While both short-term costs and long-term costs in keeping the service running should be factored, hidden costs that might arise upon certain contingencies should also be considered while performing Cost Benefit Analysis.

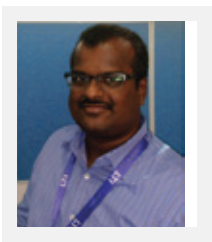
Summary

Value added services can create value that is different from the core insurance offering. In some cases, vehicle safety trainings provided are not directly linked to the insurance products customer has purchased. When the customer improves his driving skills, he becomes a value creator for both himself and for his insurer. Value added services allow the insurers to increase customer touchpoints, enabling insurers to have a constant engagement with its customers.

When insurers go an extra mile in providing trauma assistance services, customers no longer treat insurance as a standard product, but perceive it as a personalised service. This increases customer stickiness and price elasticity.

By bundling value services with standard insurance products insurers will be able to deliver solutions that would not only differentiate them from competitors, but also has potential to increase the overall market size.

About the Author



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Senthil is a Principal consultant with Insurance Consulting Practice at LTI. He is a CPCU and Fellow member of Insurance Institute of India and carries more than 20 years of experience in P&C Insurance. He has worked closely with major US Insurers providing thought leadership and designing solutions across insurance value chain.



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