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Life insurance: Ready for the digital spotlight

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Life insurers have been latecomers to the digital era. That will have to change.

In the mid-1970s, 38-year old entrepreneur Charles Schwab started a revolution. He built a new kind of brokerage firm that offered discounted commissions and telephone self-service that gave customers the ability to buy their own stocks and bonds. He computerized the entire operation years before the big Wall Street firms, changing how the brokerage industry operates and how customers manage their investments.

A similar upheaval is on the way in life insurance, which so far has been slow to embrace digital change. Life-insurance companies are still selling the old-fashioned way, broker to customer, instead of empowering people to make their own decisions and participate in the process. Moreover, insurance-policy sales are still laden with excessive face-to-face interaction and mountains of paper.

But consumers in every sector now demand speed, relevance, and convenience, no matter what channel they use or what product they're shopping for—and insurance is no exception. Every month there are more than a million Google searches for terms related to life insurance and seven million total visits to the websites of the top ten carriers—a sign of considerable online interest in life insurance. But consumers can't search, evaluate, and purchase policies

online as easily as they'd like to. While more than 70 percent start the life-insurance information-gathering process online, fewer than a third complete their purchase there.

To stay ahead of the digital revolution, carriers must take an omnichannel approach, providing compelling and relevant customer experiences no matter where their customers choose to interact. That takes a lot more than simply creating a mobile app. It requires a fundamental change in an organization's operations and mind-set, affecting everything from the role of the agent to new, advanced, data-analytic capabilities.

We see three distinct horizons along which carriers will have to execute: (1) modernization of all channels of customer interaction; (2) interconnection of channels to deliver an unbroken customer experience; and (3) creation of personalized products via analysis of the vast and ever-expanding body of digital customer data.

Horizon 1. Digitization—modernize existing channels

We see several broad opportunities to modernize existing channels. First, the ability to insert life insurance into people's daily lives and to use life events as triggers for purchase should be one of every carrier's top priorities. Fortunately, opportunities already exist. People post about life events on social media and search for information about life insurance. Carriers simply need to utilize tools such as social-media listening platforms to identify touchpoints and launch initiatives to reach out proactively to potential customers.

The second opportunity is in redesigning and automating interactions so that customers don't wait 30 days for responses or abandon carrier websites because they are outdated or difficult to navigate.

Carriers should apply technologies such as click-to-call, cobrowsing, and live video chats that allow customers to interact on their own terms. E-signature can remove some of the hassle of paperwork. Such innovations will not only improve the customer experience but create opportunities to achieve greater operational efficiencies. QNB Finansbank redesigned its loan-application process to service existing customers through the company's mobile application. This overhaul of what had been a paper-based process allowed customers to go from "discovery to approved loan" in less than a minute, a benefit for both the company and the customer.

Finally, carriers can use existing technology to digitize agents' daily lives. Customer information and interactions can be managed digitally through CRM tools, and advanced analytics can translate the resulting data into insights into how agents can improve their sales techniques.

Digital customer acquisition

To acquire customers, life-insurance companies have traditionally invested heavily in their human sales force and in brand-building TV campaigns. But as consumers increasingly research purchases online, reaching out to them in new ways isn't just necessary, it's a substantial opportunity.

We estimate that there is potential to acquire 100,000 new customers and drive \$100 million of incremental premium revenue annually. We know this in part because financial-services pure plays like Betterment manage to drive two to three times as much traffic to their websites as leading life-insurance carriers, and two-thirds of the traffic going to carriers is driven by unbranded search terms. Strategically investing in search-engine optimization can allow even smaller players to capture higher traffic shares, regardless of their branding strength.

The other core piece of digital customer acquisition—online-ad spending—allows for the delivery of much more targeted messages based on consumer demographics and user activity. Facebook's identity layer, for example, can identify potential customers who currently have term insurance and might want an annuity. And millennials, who don't necessarily want to talk to financial representatives, are demonstrably more receptive to digital marketing.

Nor does digital customer acquisition have to be an all-or-nothing proposition; it can be added to more traditional approaches. Consider JPMorgan Chase's linkage of a Super Bowl commercial for its United Airlines credit card with a Facebook video ad, a synergetic effort that resulted in 1.5 times more credit-card applications than TV ads alone.

Horizon 2: Differentiation—deliver a great customer experience

Exceptional customer experience can create a powerful competitive advantage. To deliver it, carriers need to develop a deeper understanding of their customers beyond just basic demographic information and web habits. They need to make use of quantitative and qualitative insights into customer behaviors, pain points, motivations, and aspirations, based on individual customers or through the development of 'target personas,' i.e., a hypothetical amalgam of qualities and behaviors that represents a given customer segment.

Such customer intelligence should be brought together in an ‘insights repository’ that links, for example, activity on social media, purchase transactions, online behavior, household financial details, and demographics. Technologies to do this already exist. Companies such as Pega Systems and ClickFox¹ offer applications that track customers across many online and offline channels, blending data from multiple sources to create a unified view of varied customer segments.

Once a unified view of customer segments is in place, carriers can more accurately assess customer needs and appropriately personalize interactions in a way that will delight. Certain customers, for instance, will appreciate being able to use remote and/or robo-advisory models (e.g., online chat features). Leading financial-services institutions are embracing chat-bots such as Facebook Messenger or scheduling solutions such as appointy.com, which allow customers to schedule meetings with advisors.

But while some customers can be served with bots and online self-services, many will prefer to rely on advisors to help them with complicated financial planning and to sort through their best individual options. Here, digital tools can work on the back end to help the advisors, allowing them to sift through policy options easily, combine various offerings, and quickly match them to customer profiles. Ideally, an insights-based profile will include a given consumer’s prior relationship with the company—whether they have had other kinds of policies, have registered for information, or made initial inquiries, etc.

Horizon 3: Disruption—use data to create personalized products and services

In the next five to seven years, the most disruptive and successful life insurers will be those that excel in developing products, services, and consumer-facing digital experiences that are driven by customer needs and preferences. There are four ways that such products and services can be personalized.

The first is risk coverage. The choices will no longer be between term life, universal life, or whole life but a selection of the products that best reflect a customer’s current life stage and risk appetite.

Secondly, offerings can be personalized through the touchpoints that can best reach a customer at a specific moment. For instance, new parents who are searching online for nursery furniture could be offered a dynamic policy that enables short-term savings for specific goals, such as health emergencies or college savings, and then converts to a retirement-savings vehicle. The banking and retail industries have already started down this more personalized opportunity path.

¹ McKinsey has an ownership stake in ClickFox.

Thirdly, the messages themselves can be customized based on a customer's needs and aspirations. Life insurance is fundamentally about the trust customers have in a carrier. Marketing messages should build upon this emotional connection and enhance the sense of the carrier's empathy with its customers.

Finally, personalized pricing can be tailored to a customer's behavior, usage patterns, and loss-mitigation needs. This is already happening in the pricing of personal auto policies in the US.

To enable such a sophisticated tailoring of offerings, carriers will need to invest in several new capabilities: first, the ability to use data capture and analytical tools to flag customer life-stage changes and events; then, a customer-interaction engine capable of pinpointing touchpoints and responding in real time to what companies learn about prospective customers as they go through their buying journey; and finally, a product factory that creates custom offerings and bundles based on customer behaviors, usage patterns, and pricing preferences.

Overcoming three main challenges

Any company in any industry that wants to succeed at digital innovation and omnichannel mastery must have a laserlike focus on the customer rather than the channel, the organizational agility that arises from smaller teams, and a test-and-learn approach with real customers. They must also commit to dropping ideas that aren't working, investing in those that do, and creating key performance indicators that will drive value.

Insurers, however, confront three additional challenges. The first is a lack of conviction that change is imminent and they must get ready to respond to it. It's understandable, given the slow pace of innovation within the industry, that even executives who acknowledge change is coming feel they will have ample time to react once it starts. But the reality is that development of the capabilities for a successful digital transformation can take significant time, and savvy leaders will start building them in advance. For instance, there is already a war for talent. Insurers should be investing substantial resources in developing an organizational culture with digital knowhow and a mind-set that will attract people who are able to execute a transformation when the time is right. Allianz, for example, is investing —€650 million— in developing next-generation digital capabilities to support more than 85 million customers.² Carriers need to ask themselves: If we're not investing like Allianz, will we be competitive in the future?

² Figures are from Allianz website and refer to the entire business, not just life insurance.

The second organizational challenge is advisors' resistance to company efforts at customer-relationship management (CRM). Customers are advisors' lifeblood, and reluctance to share them with the company is understandable. For this reason, leadership needs to continually

and clearly articulate the reasons for—and the benefits that accrue from—any change or new technology, particularly its time-saving value and its potential for adding customers and increasing income. Even more important, every company initiative should take into consideration the behavior and motivations of advisors in the field. Indeed, the advisors should be thought of as ‘internal consumers.’ It is crucial to involve them, for instance, in the development of digital tools. They are the ones who will be using them or interacting with the customers using them, and they can provide valuable feedback on whether they are useful or how they might be improved.

The third and final challenge for insurers is the existence of legacy IT systems that don’t translate particularly well to an omnichannel and digital world. We recommend a staged approach to accelerate IT integration and foster the development of omnichannel solutions. It starts with a pilot program whose goal is testing and learning. It may require manual input of data by IT staff. Next, a minimum viable product is evolved to a more scalable level, eliminating the manual effort.

Throughout the process, a programming interface is used to move more and more data from legacy systems to strategic and reusable components, ultimately leading to a service-based strategic solution. Although legacy systems may never go away, they can be wrapped in new front-end and intermediate systems that communicate with older technology in a way that enables the new and improved omnichannel customer experience.



Just as consumers have fundamentally changed, so too will the life-insurance business. Carriers who do not act to transform their interactions with consumers and put customer experience at the heart of their organization will find themselves relegated to selling undifferentiated products that not many customers are eager to buy. In the end, digital life insurance is less about technology and channels than about embracing a new way of thinking and working. □

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