

Investing in Change – Modernization and Personalization to Drive Insurance Growth

More than 40% of insurance executives say they are hindered by legacy technology



With the insurance industry undergoing massive innovation and reinvention, carriers are realizing they must provide customer-centric insurance experiences to stay competitive in the new insurance ecosystem, which necessitates accessing and leveraging data. Insurers are feeling the pressure to cut costs due to a multitude of risks, from climate change and geopolitical instability to interest rates and potential recession. At the same time, evolving customer expectations demand new offerings and a shift to a customer-centric model that needs modernized systems. Savvy industry leaders are reshaping their strategies and incorporating new technologies to operate more efficiently, ensure top-tier customer experience and bolster their businesses.

To better understand cross-sections of the economic landscape, NTT DATA annually surveys 1,000 business and IT executives across sectors to garner insights on their business strategies, digital investments and the use of innovation to create value. In this content, we focus on the 100 respondents from insurance.

The omnichannel challenge

Millennials and Gen Z insurance customers expect carriers to proactively meet their needs, reflect their values, offer access to digital and live channels around the clock, and suggest tailored products based on personal data. They are turned off by disjointed, impersonal experiences and expect to move smoothly from website to app to chat or human representative without having to restart at each juncture. To improve experiences, carriers are investing in omnichannel but still have work to do, with only a 34% of insurance respondents saying they are highly effective in this (marginally higher than the overall survey average of 30%).

While insurers are prioritizing digital communication channels, the underlying challenge is legacy systems that lack the agility to adapt to new demands. With this in mind, it is no surprise that the rapid pace of change in the insurance industry is seen as the top challenge for 43% of insurance executives.






This is particularly true for those limited by legacy technology. However, the shift towards digital channels also brings the opportunity to collect valuable data, deepening customer relationships and potentially leading to more cross-sell and upsell opportunities.

Insurance executives are notably less optimistic than their peers in other industries, with only 21% predicting greater economic opportunities in the coming two years, compared to 31% across all industries surveyed. This suggests a need for greater innovation to move the industry forward.

The new insurance ecosystem for a seamless experience

Many insurers have turned to ecosystems and outside partners to deliver the seamless, personalized experiences that customers want and to quickly launch new offerings. The rise of these ecosystems has brought new opportunities and partnerships between insurance and non-insurance companies, including banks, retailers and automakers. Through such networks, insurers can deepen customer engagement, push curated content to policyholders, and develop new offerings and opportunities. But, like implementing omnichannel communications, insurers need to have the right technological foundations to gain maximum value from an ecosystem approach.

Insurers are clearly focused on customer-centric operations, with 42% reporting high efficiency in providing tailored, relevant products and experiences; however, there is still room for improvement. As the insurance sector evolves to better meet customers' needs, the potential for growth is tremendous. Some of the key use cases for personalization delivering value now and expected to grow in the future include:

-  Customer acquisition and retention
-  Risk assessment
-  Fraud prevention and detection
-  Cost reduction
-  Personalized service and pricing

But even with this opportunity, insurance executives are notably less optimistic than their peers in other industries, with only 21% predicting greater economic opportunities in the coming two years, compared to 31% across all industries surveyed.

AI for better claims and underwriting

AI-powered data systems help insurers streamline their underwriting processes, provide faster customer claims experiences and tailor communications to policyholder life milestones. Virtual and augmented reality can improve damage estimation after a disaster. AR and VR can also minimize agent site visits for documentation of insured properties. About a quarter of insurers surveyed believe they can create positive digital experiences with AR/VR (28%) and AI and machine learning (24%).

The insurance industry is a standout among industries for gaining value from AI, with the survey showing that 42% of insurance respondents have already implemented AI and machine learning for better customer analytics — higher than the 31% all industries average. Insurers are also a lot more likely to use chatbots and virtual assistants (42% versus 28% overall) and AI functions (45% compared to 36%).

41% of insurance executives say their organization is hampered by inadequate or outdated technology, and are making ongoing investments to improve.

Policyholders will soon be able to self-service their claims, whether at the incident site or from home, using innovative technologies like AI and VR. By opening a claim on a mobile app, providing documentation via a phone camera, and entering their desired reimbursement amount, they can enjoy a faster, more convenient experience. The insurer's claim system can then process these claims automatically by checking the policyholder's claim value against a database of approved prices and parameters. This not only allows the policyholder to receive their reimbursement quickly, but also frees up workers for other tasks, further increasing employee satisfaction. Automating parts of the claims process is an effective way to provide speedier resolutions and improve policyholder experience.

Utilizing data-powered tools to compete for talent and optimize worker productivity

As insurers invest in key technology, they must remember to invest in the talent that implements and supports it. It is not surprising that insurance is ahead of other industries in implementing AI as it,

along with automation and machine learning, is greatly improving underwriting capacity and quality. More than half of insurers surveyed (60%) report that their companies have implemented upskilling and reskilling programs for their employees. Additionally, 51% of respondents are investing in tools and work systems to attract and retain talent, as well as to optimize the efficiency of their workers.

Modern data tools can help employers get the most out of their workers by automating repetitive tasks and increasing operational efficiency. For example, data platforms can lighten workload by automating aspects of the underwriting process that don't require human decisions. However, according to the survey, only 43% of respondents are leveraging automation in this way, meaning there is still room for improvement.

Moving forward

- Insurers must explore ways to stay competitive in a rapidly evolving landscape, such as modernizing their data infrastructure and leveraging data analytics.
- They should also consider redesigning customer journeys through technological partnerships to improve their digital customer experience and engagement.
- By anticipating policyholder needs and wants, insurers could create sustainable relationships with younger customers.

[Download the Innovation Index](#) to learn how North American organizations across industries are prioritizing business strategies, digital investments and innovation to create value.

Methodology

To create the Innovation Index, NTT DATA and Oxford Economics surveyed 1,000 business and IT executives across 16 industries about progress toward digital transformation, including organizational priorities, technology investments, data strategies, customer experience and workforce decisions. The survey was conducted via a computer-assisted telephone interviewing (CATI) methodology in 2022.

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