



STRATEGY MEETS ACTION

CRM in Insurance: *New Opportunities in the Digital Age*

A Sponsored SMA White Paper

Author: Mark Breeding, SMA Partner

Published Date: September, 2015

This sponsored white paper is based on SMA's ongoing research on the CRM and the Customer Experience. Distribution rights have been purchased by HP Exstream and Avanade.



About This White Paper

This white paper is based on SMA insights from working with insurers on strategies and on a survey of 73 North American insurers. The survey included both property/casualty and life/annuity segments, with companies of all sizes participating. Respondents were a mix of business and IT executives and professionals.

Table of Contents

Relationship Management in the Digital Age	3
<i>Trends and Current Status of CRM Solutions In Insurance</i>	
<i>Plans for New CRM Solutions In Insurance</i>	
<i>Why are Insurers Investing in CRM Now?</i>	
What CRM Capabilities are Insurers Seeking?	5
<i>Types of Information and Systems</i>	
<i>Current and Planned Capabilities</i>	
<i>Key Technologies for CRM</i>	
How are Insurers Approaching CRM Implementations?	8
<i>Challenges Faced by Insurers</i>	
<i>Approaches to CRM</i>	
SMA Call to Action	8
About Strategy Meets Action	9
About the Sponsors	10
<i>Avanade</i>	
<i>HP Exstream</i>	

The content of this SMA White Paper is based on a study conducted in second quarter of 2015 by SMA. The results are based on the participation of 73 insurers in North America. HP Exstream and Avanade are sponsoring this white paper and have purchased full distribution rights.





Relationship Management in the Digital Age

The insurance industry was once dominated by policy-centric, inside-out thinking. Relationships were simple – a policyholder was matched with a policy and perhaps an agent/producer. Much of the executive focus and corresponding technology investment was designed to improve operational efficiencies and manage the portfolio of risks. Those days are rapidly disappearing. Most insurers have done a significant re-orientation around customers, taking the outside-in view and seeking to gain and act on a deeper understanding of their relationships with customers, as well as agents. In fact, insurers ranked customer engagement and experience as the number one strategic initiative in 2015, with 85% of insurers claiming to have major initiatives in progress.

In an earlier age, many insurers (especially larger companies), implemented complex technology solutions to manage relationships. Many of these CRM (customer relationship management) solutions from 10-15 years ago are still in place. Today relationship management is considerably more involved and offers a wider range of advantages, causing many companies to consider whether to extend existing systems or implement new CRM solutions. Technology to manage relationships with agents/brokers/producers has become more important. New types of information beyond contact information, products, and family relationships are becoming necessary to truly understand the customer (including location characteristics, communication preferences, social networks, and a historical view).

Many insurers are now aggressively working toward becoming digital enterprises. This means that more content is captured, created, managed, and delivered digitally through a broader set of channels, leveraging modern solutions such as customer communications management (CCM). Interactions are being customized, personalized, and informed by the context of the interaction, resulting in a greater awareness of the policyholders and their relationships with the company (and others). For this reason, CRM solutions have once again come to the forefront as vital components of any insurer's strategy.

Trends and Current Status of CRM Solutions In Insurance

SMA research provides strong evidence to support the contention that insurers are investing in implementing and enhancing CRM solutions. The trend over that last three years is telling. In 2013, 1% of North American insurers implemented new CRM systems; in 2014 that percentage rose to 4%. Plans for 2015 indicate that 13% of insurers have new CRM implementations underway, while another 17% have budgeted for major enhancements. This means that almost one-third of North American insurers have key initiatives related to CRM solutions. In fact, 39% plan annual increases in the CRM budget of over 5% per year through 2018, with 11% increasing budgets by more than 10% annually.

There are distinct differences in the usage of CRM solutions based on the size of the insurer and line of business. Figure 1 shows the percentage of companies that have never implemented a formal CRM solution and have no current plans to change course vs. those that have CRM or are in planning stages. Not surprisingly, more of the smaller companies do not have CRM systems. In addition, the penetration is higher for

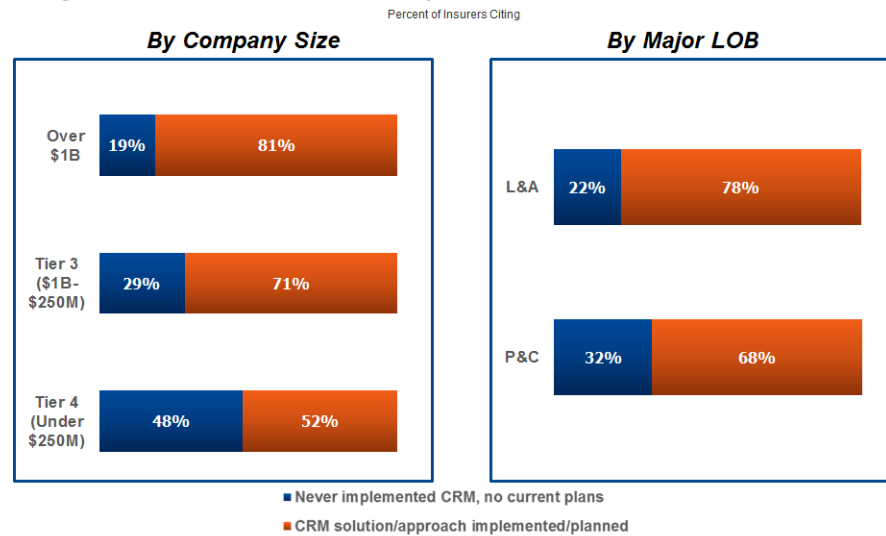
New SMA research shows that there is a new wave of CRM implementations and enhancements underway in the insurance industry.

About one-third of North American insurers have major initiatives in progress or planned, with 13% planning new CRM installs and another 17% budgeting for major enhancements.



Life/Annuity companies than Property/Casualty, primarily due to the fact that many of the small (Tier 4) companies are regionally-based P&C companies (such as farm mutuals).

Figure 1. Current State of CRM Systems in Insurance in North America



Source: SMA Research 2015, CRM in Insurance, n=73

Plans for New CRM Solutions In Insurance

Over the next 12-18 months, a significant percentage of insurers plan to implement new CRM systems, with a wide variance by size. Approximately 6% of insurers over \$1B in premiums plan new systems, while a huge 29% of mid-tier companies (\$250M - \$1B) plan new systems. From an LOB viewpoint, 18% of P&C and 13% of L&A insurers plan new solutions. These systems may be either a new, common CRM system handling a wide variety of types of parties and relationships, or additional systems beyond the core CRM that are more focused, such as agent or broker relationship management systems.

Why are Insurers Investing in CRM Now?

The rapid movement to a digital, mobile world and the expectations of customers and agents are the business drivers motivating insurers to invest in CRM. But what do insurers say are the main objectives of implementing new systems or extending existing CRM systems?

Most insurers cite improving sales, better managing relationships, improving the customer experience, and increasing loyalty as primary reasons for investing in CRM now. However, a big difference emerges when comparing objectives of insurers of different size categories. Those over \$1B list enhancing customer and agent/producer experiences as two of the top five reasons for investing or reinvesting in CRM. Smaller insurers certainly have those objectives in mind as well, but improving profitability and managing expenses are ranked higher in the priority scheme for CRM solutions.



Other key reasons for investing in CRM include understanding the pipeline, personalizing marketing, and improving cross-sell and up-sell capabilities. Our expectation is that when new CRM solutions are implemented or existing ones are enhanced, insurers will be able to realize the basic objectives of improving sales, relationships, and experiences. This has the potential to deliver significant advantages, but is just the springboard for further growth. The next wave of objectives – personalization, focus on cross-sell/up-sell, and pipeline management will provide new ways to improve those experiences and drive sales and loyalty, which are the ultimate objectives.

What CRM Capabilities are Insurers Seeking?

CRM solutions, in place or in process, provide a wide variety of functional capabilities and technologies to the insurer. It is vital to understand the different types of systems, information managed, and capabilities available, and to identify the priorities that insurers are placing on those capabilities.

Types of Information and Systems

Ideally, all types of relationships with customers and other parties are stored, tracked, and managed in a common CRM solution. Unfortunately, this is rarely the case, although many in the industry are moving closer to this ideal. When evaluating the categories of parties that should be covered in CRM, five “Ps” should be considered: prospects, policyholders, producers, partners, and providers. Today, especially with modern or new systems, the central CRM solution tends to have information about three main communities – prospects, policyholders, and producers. For business partners and providers (suppliers), it is still more typical for their information to be managed via different mechanisms.

- **CRM for Prospects, Policyholders, and Producers:** Many insurers still have separate technology solutions to manage these three groups. Information about prospects is often stored in prospect or campaign management systems, and managed by marketing and distribution. Policyholder information is central to the main CRM system, with key information retrieved from core policy, billing, and claim systems as well. The distribution/channel management functional areas of the business often have their own databases and systems to manage their relationships and interactions with producers and agents. *However, there is a distinct trend to consolidate relationship information about all three of these parties into the common CRM system.*
- **CRM for Partners and Providers:** Business partners, such as independent adjusters, law firms, or loss control engineering experts are usually managed by separate technology solutions, and spreadsheets are most commonly used to track that information. The second most common approach is to establish a formal partner management system. Providers, such as those for supplies, office furniture, and technology are the least formally managed, from a CRM perspective. They are most often managed via financial systems for suppliers or via spreadsheets. *In theory there is value in understanding these relationships in a CRM context as well,*



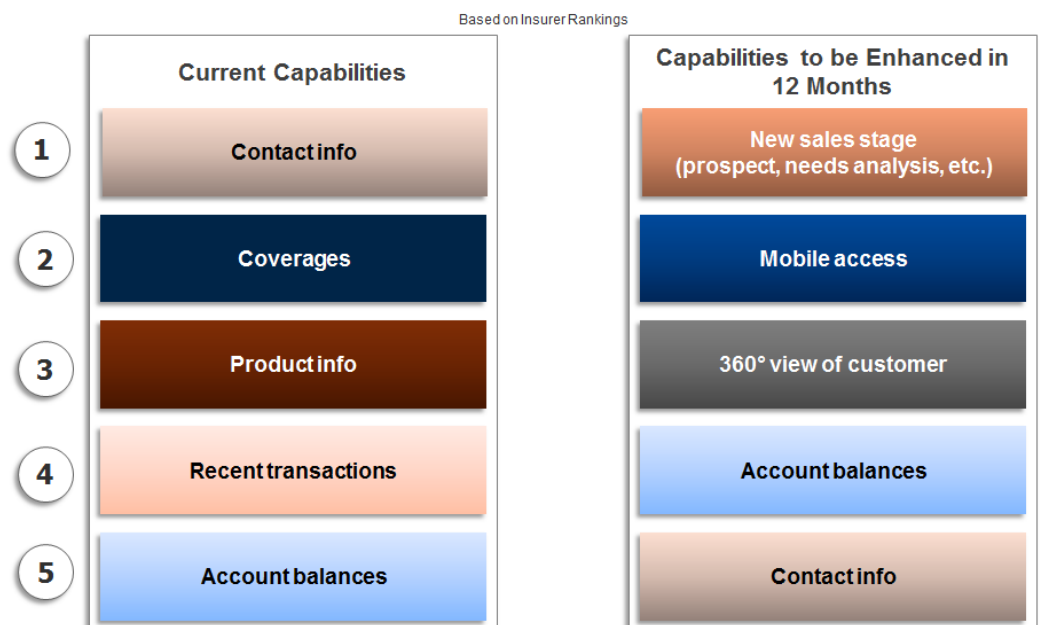
but there is not a strong incentive to incorporate either partners or providers into the common CRM.

The types of information stored in CRM systems are continuing to expand. While the original intent of CRM was to gain a more complete understanding of the relationships associated with products and people, the current trend is to incorporate information about interactions/communications, location, social networks, delivery preferences, and other information.

Current and Planned Capabilities

The current capabilities in CRM systems are focused on fundamental relationship related information as described above. As seen in Figure 2, the top capabilities today are managing information about contacts, coverages, and products, plus information about recent transactions and account balances.

Figure 2. Current and Planned Capabilities for CRM Systems for Policyholders



Source: SMA Research 2015, CRM in Insurance, n=73

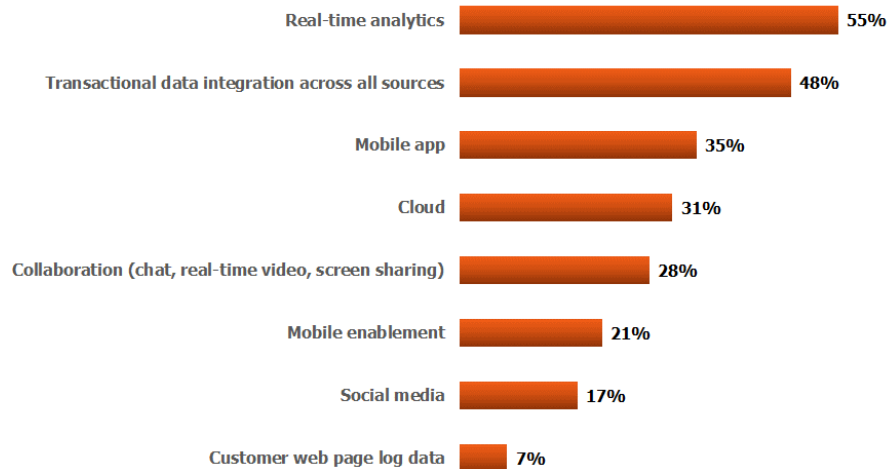
The focus shifts when considering new capabilities planned for the next 12-18 months. It is not just about the information, but more about how to access and leverage it. The number one capability planned for CRM solutions related to policyholders is gaining more insight into the sales stage – understanding the customer journey that an individual or business prospect/customer is taking and knowing exactly where they are in that journey – to provide context for each interaction. Mobile access is high on everyone’s list since the front line individuals using CRM systems are more often using mobile devices in their daily jobs, especially those in the field dealing directly with customers. A third major capability sought by insurers is a 360° view of the customer, which is vital as more companies seek to move toward omni-channel operations and improve the customer experience.



Key Technologies for CRM

There are many specific technology capabilities that insurers identify as important elements of modern CRM solutions, as indicated in Figure 3.

Figure 3. Most Important Technology Capabilities for CRM
(Percent of Insurers Citing)



Source: SMA Research 2015, CRM in Insurance, n=73

First and foremost among tech capabilities is real-time analytics, with over half of all insurers (55%) citing this as essential. This reflects the evolution of CRM from static to real-time, from providing a snapshot to enabling action by front line professionals. The second most requested tech capability is transactional integration across all sources. This is perfectly in line with omni-channel initiatives. It is impossible to easily manage interactions and exchange information across channels unless real-time integration at the transaction level is in place.

The second set of maturing technologies is also very important and rounds out the top five technology capabilities expected in modern CRM solutions – those related to mobile, cloud, and collaboration. Regarding mobile technologies, insurers are looking to provide a platform that supports any popular mobile device through responsive design approaches. Cloud technologies are in the mainstream in insurance now and are particularly popular for CRM solutions. Most insurers implementing new CRM solutions expect them to be cloud-based or at least provide the option of cloud, on-premises, or hybrid operations. Finally, collaboration technologies are growing in importance as companies look to leverage the power of CRM solutions through technologies that identify the right experts in real-time and connect customers, agents, and others for conversations using tools such as chat, video, and screen sharing.



How are Insurers Approaching CRM Implementations?

Challenges Faced by Insurers

CRM is challenging. The solutions and technologies available have advanced significantly over the years, but the technical challenges of data and integration and the business challenges of process redesign and training require careful planning and the advice of experienced professionals. Insurers have identified the most critical challenges: the first is the quality of the data and installing/maintaining the technology is the second. Following closely behind those are two business challenges – employee/agent adoption and training of employees and agents. These key challenges are fundamentally the same ones that insurers faced during the initial wave of CRM implementations in the 2000-2005 time frame. The difference now is that many have the benefit of learning from the initial implementations; there are more experienced professionals available; and the technologies to address data quality, installation, and maintenance issues are now more sophisticated.

Approaches to CRM

The CRM implementations from the first wave of 10-15 years ago tended to be championed by IT and deployed as monolithic, on-premises solutions. This new wave of CRM solutions is more often driven by senior business executives and implemented via outsourced and/or cloud/SaaS approaches.

Surprisingly, there are still insurers building bespoke CRM solutions, but the tide has shifted, much like other areas of software, to packages and further toward cloud solutions. For example, 50% of insurers implementing new common CRM solutions are installing software packages, while 36% are implementing either cloud or outsourced solutions. The trend is similar for CRM systems built exclusively for agents/brokers, but insurers show a slightly higher interest in building in-house.

SMA Call to Action

The concept of CRM was introduced to the industry with great fanfare in the late 1990s. Many insurers, especially tier one companies, embarked on major multi-year, enterprise-wide initiatives. That first wave met with mixed success, with gains achieved and many lessons learned. Some did not achieve the promise and the ROI predicted, while other implementations steadily advanced to overcome some of the initial difficulties.

It is a bit of a paradox that CRM is now experiencing a resurgence. On one hand, CRM was at one time considered by many to be too complex to be successful, especially after the business and technical challenges encountered in earlier years. On the other hand, the industry is now truly focused on becoming customer-centric. The intent and the strategies have been there for many years, but now the C-level support, investment, and energy is there to make improving the customer experience a reality – and a game-changing strategy.

The CRM implementations from the first wave of 10-15 years ago tended to be championed by IT and deployed as monolithic, on-premises solutions. This new wave of CRM solutions is more often driven by senior business executives and implemented via outsourced and/or cloud/SaaS approaches.



Improving the customer experience requires insurers to build stronger connections between CRM and CCM systems. CCM systems play a vital role in creating, managing, and delivering communications, and should be informed by information and insights from modern CRM solutions.

With customer experience taking center stage, CRM once again becomes a mandatory pre-requisite. It is difficult, if not impossible, to understand each customer and serve them real-time in a complex-channel environment without having that centralized approach to managing relationships.

Insurers seeking to improve the customer experience and modernize, replace, or install a new CRM system should consider the following:

- Understand where and how relationship information is captured, housed, and managed today, looking at all five “Ps” – prospects, policyholders, producers, partners, and providers.
- Recognize the vital role of solutions that create, orchestrate, manage, and deliver communications, especially Customer Communications Management solutions. These systems will increasingly interact with and rely on CRM.
- Assess the core. Without modern policy, billing, and claims systems it will be difficult to achieve enterprise wide CRM, considering that these are the systems of record that manage the bulk of the transactions.
- Map customer journeys, and develop a plan for how to operationalize insights from the understanding of journey patterns.
- Integrate customer analytics to improve customer touch point experiences with the right message for any interface, any device, and anytime.
- Establish a plan, endorsed and driven from the C-suite, to implement a modern CRM solution.

These steps may seem daunting. But with sustained commitment, the right technology partners, and a modern technology platform, CRM can fulfill its original promise and contribute significantly to the success and growth of the company.

About Strategy Meets Action

Strategy Meets Action (SMA) is dedicated to helping the business of insurance modernize, optimize, and innovate for competitive advantage. Exclusively serving the insurance industry, SMA blends unbiased research findings with expertise and experience to deliver business and technology insights, research, and advice to insurers and IT solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, we take a unique approach – offering an unrivaled set of services, including retainers, research, consulting, events, and innovation offerings.

This white paper is based on SMA’s experience, research, and insights. HP Exstream and Avanade have paid for distribution rights, and have not influenced the survey data or analysis. The content is a synopsis of SMA’s analysis and insights.

Additional information on SMA can be found at www.strategymeetsaction.com.

Mark Breading, SMA Partner can be reached at mbreading@strategymeetsaction.com or 614.562.8310. Follow Mark on Twitter @BreedingSMA.



About the Sponsors

Avanade

Avanade helps clients realize results in a digital world through business technology solutions, cloud, and managed services that combine insight, innovation, and expertise focused on Microsoft technologies. Our people have helped organizations in all industries improve business agility, employee productivity, and customer loyalty. Avanade combines business, technical, and industry expertise with the rigor of an industrialized delivery model to provide and deploy high quality solutions – on premises, cloud-based, or outsourced. Avanade, which is majority owned by Accenture, was founded in 2000 by Accenture LLP and Microsoft Corporation and has 25,000 professionals in more than 22 countries.

Avanade for Insurance

Avanade insurance offerings, services, and expertise help insurers create their digital advantage. By combining Microsoft technologies with Accenture's industry best practices, we help align digital business strategies and technologies. Our approach and capabilities help insurers deliver more choice, personalization, and convenience to customers. As a result, we help carriers, agents, and brokers get to market faster and improve service, lower costs, and increase sales. Additional information can found at www.avanade.com/industries.



HP Exstream

HP Exstream is a multichannel customer communication management (CCM) solution from HP that empowers you to make the most of every customer touch point by creating insightful, impactful, real-time customer communications.

The market-leading software helps you improve your customer experience with relevant, meaningful communications delivered through the customer's preferred channel by providing:

- Fully customized high-volume statements and bills
- Self-service web applications for enrollment & account sign-up
- On-demand marketing
- Personalized correspondence and proposals produced interactively by customer-facing employees.

HP Exstream turns customer communications into a differentiator that grows your revenue and saves you money. For more information, visit www.hpexstream.com.