IBM Global Business Services
Insurance Industry

Executive Report

IBM Institute for Business Value

In collaboration with
Institute of Insurance Economics
University of St.Gallen

Christian Bieck, Peter Maas and Tobias Schlager

Insurers, intermediaries and interactions

From channels to networks

IBM Institute for Business Value

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Institute for Insurance Economics at the University of St. Gallen

I.VW (Institute for Insurance Economics) is the leading European university research center for risk management and insurance topics. For over 60 years, its activities have focused on monitoring trends and strategic challenges of the insurance industry. In addition to scientific research and teaching, I.VW regularly performs top executive education programs on an international level.

By Christian Bieck, Peter Maas and Tobias Schlager

The world is going digital, but in the insurance industry, people still want to trust people. And today's customers want to interact with providers in multiple ways for a consistent, integrated experience. Based on analyzing the findings from surveys of more than 10,000 agents, brokers and their customers, we believe insurers need to allow their customers broad access to information while keeping the special relationship with intermediaries alive. Only then will the industry be able to recapture lost trust.

Executive summary

Insurance is a peculiar product. While it is generally defined as "the equitable transfer of the risk of a loss," the reality perceived by customers is much simpler.[1] They buy a promise: the promise that when the negative event they insured against happens, their provider will replace the loss.

Purchasing a promise requires trust. Today's customers have instant access to almost unlimited information, and are willing and able to share facts, opinions and experiences with their peers. This imposed transparency changes expectations toward insurers, and makes it more difficult for them to be perceived as trustworthy providers of the security promise.

Fortunately, even in a digital world, people still tend to trust people. Personal relationships, such as those with insurance agents and brokers – the intermediaries – continue to work. Our last IBM Institute for Business Value study, "Powerful interaction points – Saying goodbye to the channel," showed that intermediary interactions accounted for more than 60 percent of insurance contracts sold.[2]

How can insurers serve their customers personally while coping with the broad information and interaction demands of the digital age? How do they make sure it is *their* intermediaries that matter? How should the connections among insurer, intermediary and customer be constructed? To find out, we surveyed consumers and intermediaries, and interviewed insurers in 17 countries. What did we learn?

- Forward-thinking insurers see their intermediaries as partners, not just as sellers – instilling speed and flexibility into both products and processes.
- Customers don't trust the insurance industry as a whole. This makes it important for insurers to address the relationship between intermediaries and customers to slow the decline in trust and loyalty.
- The successful insurer of the future will be truly multi-modal, providing an integrated, consistent environment for insurance searching, buying and servicing.

In our last study, we advised insurers to "say goodbye to the channel" and embrace the concept of "interaction points" instead. Ultimately, they might need to go even one step further – to move from the one-way path of dedicated channels all the way to the flexibility of interaction networks.

Research methodology

From July to September 2012, the IBM Institute for Business Value and the I.VW Institute of Insurance Economics of the University of St. Gallen, Switzerland gathered the responses of 8592 consumers and 1360 intermediaries – captive or independent agents and brokers working with one or many insurers – from 17 countries globally. Per country, the sample size was roughly 500 consumer respondents, and varied between 10 and 250 intermediary respondents. The surveys were conducted online; quotas for consumer respondents guaranteed a representative cross-section of the total population.

To determine consumers' usage of and attitudes toward insurance interaction points, we concentrated on actual searches and purchases over the past two years, with respondents evaluating the channels used on several dimensions. To examine interaction after purchase, we asked questions about potential post-purchase issues (such as claims, complaints and changes of contract), which roughly 20 percent of respondents could answer from their own recent experiences.

The intermediary survey focused on questions regarding interaction and cooperation with both insurers and customers. For brokers, we distinguished between most and least preferred insurers to find the factors that drive intermediary (and insurer) performance.

A note on terminology: as in previous studies, we refer to "tied agents" (or captive agents) to describe an intermediary working for one insurer. That person is not necessarily working on a commission basis and could be a direct writer – when surveying customers, we don't expect them to know the distinction between employees and "real" agents.

For brokers or independent agents, we disregard the specific legal definition per country and define them simply as "persons who sell for more than one insurance company."

The interaction triangle

In 2006, we published an insurance industry study stating that in the year 2020, "active and informed consumers will reward non-traditional operators."[3] At the time, the majority of insurers did not agree with our assessment. The view was that even in the long term, insurance was not bought but had to be sold. Customers would not make the effort to inform themselves of the – admittedly complex – products on their own.

That view was not surprising. Insurance had always been sold mainly through personal channels: a knowledgeable professional provided information about the product and the need to purchase it. Even today, 60 percent of general insurance and 61 percent of life insurance globally are distributed via agents and brokers.[4]

At that time, Internet technology was just eleven years old, and was used primarily as a one-way information channel. Websites were platforms with little interaction. Insurers felt they could still control the information that went out because customers were not yet talking to each other.

But in the past few years, that has changed. Newer tools and technologies have enabled the Web to become truly interactive. Customers use multiple interaction points at the same time to interface with a provider – what we call multi-modality. In 2010, consumers used three different interaction points, on average, when shopping for insurance and 20 percent used five or more.[5] This means that customers searching for insurance information would ask friends' opinions on a social network, browse a few websites and check an aggregator or two for quotes, all without leaving the house. Then – already with a fair picture of what they might want and need – they would go to the agent or broker around the corner to get some additional advice. Insurers didn't have to wait for 2020 for the active and informed consumer to arrive – technology made it happen much faster.

When customers are multi-modal, they expect the same from their service providers. When they move from one interaction point to the next, they want the information they shared to move as well. Customers expect insurers to be informed about them and their needs; insurers cannot afford to have any part of their sales channels keep relationships exclusive anymore.

On the other hand, people trust people, and intermediaries are still ideally suited to give the final advice before customers buy. When intermediaries get involved in the search process, purchase lock-in is much higher than for online search. In our current survey, tied agents have 79.6 percent lock-in and brokers 59.3 percent, compared to 48.6 percent lock-in for direct websites and 34.9 percent for aggregators. These numbers have hardly changed over the past two years.

Still, in the age of the active and informed customer, intermediaries cannot simply be a selling channel anymore. They need to become trusted advisers – and insurers have to enable them to reach this goal. Indeed, all relationships in the triangle – insurer, intermediary and customer – need to adapt (see Figure 1). In the following sections, we will discuss the triangle in detail.

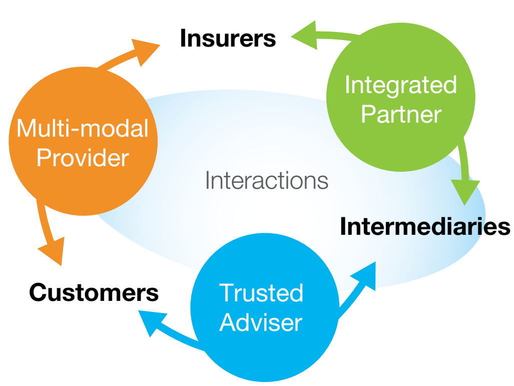


Figure 1: **The interaction triangle.**

Building new relationships

Insurer and intermediary as integrated partners

Many people, even insurers, believe incentives and compensation structures are what is most important for intermediaries. The reality is more complex. Only 57 percent of our respondents picked level of commissions as one of their top value drivers, well behind product quality (71 percent) and speed of processes (68 percent). The relative rank dropped even further when we asked intermediaries to consider future importance, with commissions falling 3 percentage points behind flexibility and customized solutions.

Other studies mirror this finding. For example, in annual surveys of captive agents in Germany, incentives and level of commissions were never in the top five factors that determine agent commitment and retention.[6]

Brokers place even more emphasis on speed, flexibility and product quality than tied agents do. Seventy-six percent of our broker sample chose speed as the top value factor, well ahead of commissions (53 percent) and lower premiums (40 percent). This is interesting when we consider that several of the countries in the survey are introducing legislation to either make costs of sales more transparent (as in Germany) or prohibit commissions altogether (as in the U.K. and the Netherlands). In these countries, insurers will have to compete for broker services on non-financial factors alone, so we expect brokers to focus on those insurers that provide a satisfactory level of value. How do they identify those insurers?

The brokers we sampled work with seven to eight insurers, on average. Among this set of insurers, business is very unevenly distributed. Brokers obtain slightly more than half of their business (53 percent) and profits (52 percent) from their most preferred insurer. The least preferred insurers only account for about a tenth of that. The question is: what does the most preferred insurer do to earn that higher preference?

In short: they are better partners. They help their intermediaries more in their daily business, enabling them to work better, advise their clients more effectively and ultimately sell more. These partner benefits range from access to training and customer information, all the way to the insurer adapting processes and working with the intermediaries on product creation.

We asked brokers to compare the partner benefits of all the insurers they work with. When compared to the average, the most preferred insurers provide a 29 percent higher level of partner benefits.[7] The benefit level for the least preferred insurers, in contrast, is 45 percent below average – a 74 percentage-point difference.

The level of partner benefits affects performance, even for the most preferred insurers. Higher benefits translate to better performance for both the intermediary and the insurer (see Figure 2). In our opinion, this makes a strong case for a positive and two-way approach to working together as more than supplier and provider.

How else can insurers positively influence their intermediaries' performance? Besides the partner benefits, we found three other factors that had a measurable impact:

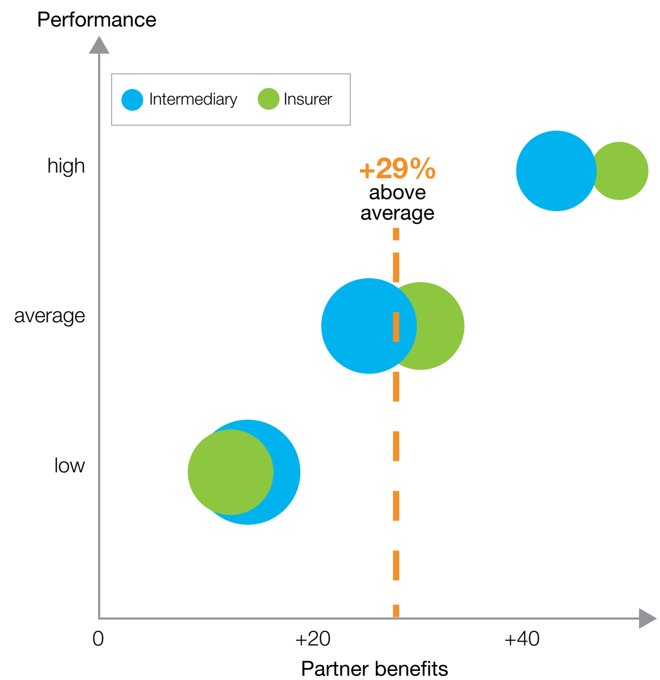
- Cost of coordination with the insurer
- How constructive the conflicts with the insurer are
- Communication density and frequency.

Coordination costs were measured in time and effort, and the effects should be obvious: an intermediary whose insurer was more difficult to work with was slightly less profitable overall.

Surprisingly, level of conflict *per se* had no impact on performance, even in a high-conflict scenario. What does matter, though, is how constructive the intermediary perceives the conflicts to be. When discussions on areas of disagreement are felt to be productive, conflict can improve performance.

Last but not least, communication matters. Intermediaries communicate through a variety of channels with their insurers.[8] Intermediaries with high performance communicate through more channels (seven or more for overperformers versus up to five for underperformers) and with higher frequency (almost every day versus once a week). When asked about future modes of communication, overperformers also see a strong trend away from traditional communication channels like email (-22.9 percentage points), telephone (-22.1 points), letters (-18.6 points) and even personal meetings (-17.1 points) toward faster, technology-supported channels: video conferences (+17.5 points), online chats (+10.7 points) and social networks (+10.7 points).

This observation brings us full circle to the beginning of this section: speed and flexibility are important future sources of value, and the way insurers and intermediaries communicate has to reflect this.



Source: IBM Institute for Business Value survey data 2012, n=313

Figure 2: **Higher partner benefits make both intermediaries and insurers more successful.**

Fortunately, modern technology can be a big help in gaining speed and flexibility. When the back-end systems and supporting processes are right for it, Internet technology can enable a fairly simple and easy-to-use communications platform (see "Case study: Celina").

Case study: Celina[9]

The U.S.-based provider Celina Insurance Group is an example of an insurer that improved flexibility to move toward integrated partnership with its agents. Reacting to a high agent turnover, Celina felt it needed to improve agency communications.

It established a collaboration agenda, starting with an easy-access communication system that allows agents to conduct most transactions via the Web. Building on its existing IT platform, Celina enabled agents to log in and do everything from the portal, from viewing current policies and accessing rates to engaging in instant chats with underwriters about specific policies.

As a result, digital agency communication rose dramatically, cutting the number of telephone calls in half. At the same time, automated workflows and the instant access to information and experts allowed a 40 percent reduction in corporate staff.

The intermediary as trusted adviser to customers

Since insurance is a product strongly based on trust, customers believe that in the "moment of truth" – when a claim is submitted – the provider will indemnify the claimant. Some contracts, mostly in life insurance, are extremely long term; without a minimum of trust, customers will not sign these contracts in the first place.

Unfortunately, trust in the insurance industry as a whole has been consistently low since 2007 when we started doing studies to assess consumer attitudes and behaviors. In the current survey, 56 percent of consumers answered "no" to "Do you trust the insurance industry?" However, the number of consumers answering "yes" has increased slightly overall, up to 44 percent today from 39 percent in 2010.

Also, as we showed in "Powerful interaction points," trust and loyalty are correlated. Customers with low trust in the insurance industry as a whole are almost 20 percent more likely to switch providers.[10] Customer churn is high – in our new data set, 31 percent of consumers have switched their life insurer at least once in the past two years, and 34 percent switched their property and casualty insurance provider.

The good news is that when you look deeper, personal relationships seem to increase trust. Intermediaries serve as an important buffer between customers and insurance companies. Three-quarters of respondents in our 2008 "Trust, transparency and technology" study stated that they have trust in their personal insurance adviser. People feel they cannot accurately judge the trustworthiness of a company, but they have confidence in the person they deal with.[11]

While people trust other people more than companies or industries, personal trust is not a given; it has to be earned. A relationship as trusted adviser is built over time by giving good advice, knowing customers and their needs well, and treating individuals as persons, not just as leads. It's personalization that matters.

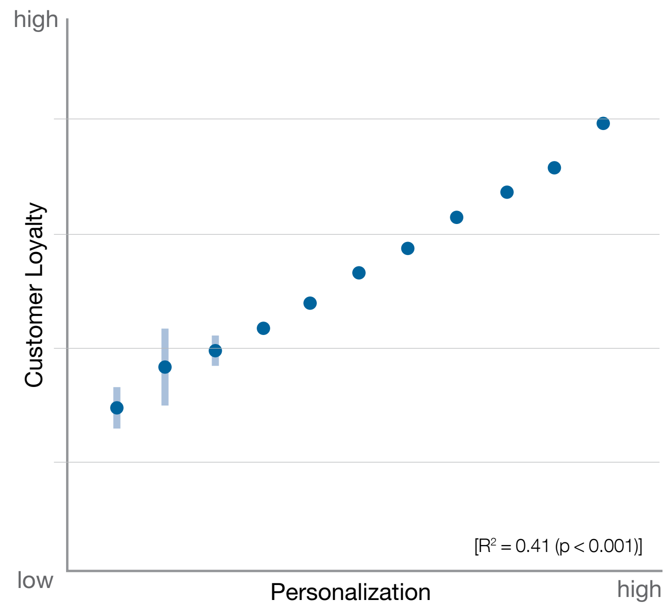
"For me, honesty and trustworthiness are most important. I don't know how trustworthy these big companies are, but I do know that when I get a broker, I value his advice."

– London consumer, from "Trust, transparency and technology." IBM Institute for Business Value, 2008.

Personalization can mean a lot of things. In our survey, we defined it as providing both personal attention and personalized offers (such as "offerings that fit my needs"). Insurance customers not only expect personalized services, they reward it with higher loyalty (see Figure 3). This is where intermediaries can excel: personalization was perceived as highest by respondents who bought their insurance with a tied agent, closely followed by brokers. Other interaction points did fairly well in creating personalized offerings, but not as well in providing personal attention.

Our data show that personalizing the insurance shopping experience is good for all parties in the triangle. When customers are treated personally, insurers are rewarded with higher loyalty. Intermediaries who have the tools and information to personalize achieve a higher performance – outperforming the average of their peers by 25 percent.

What qualities do customers look for in an adviser? If trust is the foundation, what makes them actually buy and stay? To find out, we ventured into what is so far a little-explored study area – "behavioral insurance" – by conducting an experiment (see sidebar, "Behavioral insurance experiment - 'Channel switch'").



Source: IBM Institute for Business Value survey data 2012, n=7,761

Figure 3: **The impact of personalization on customer loyalty.**

Behavioral insurance experiment - "Channel switch"

The experiment was conducted in May 2011 at the I.VW Institute of Insurance Economics of the University of St. Gallen, Switzerland. The goal was to examine why consumers switch channels from search to purchase and to isolate the effects of channel attributes – in this case, quality and reliability of the channel.

The experiment was conducted at the University of St. Gallen. Subjects were students and general population (n = 317), controlled for age, gender and nationality. The story background was that subjects were looking for car insurance and had set aside a few minutes to gather information. Both product and company were fictitious, but modelled after generic auto insurance products.

Subjects were divided into eight groups along three dimensions: online/offline, quality of information channel and reliability of information channel. Offline subjects watched pre-recorded conversations with an insurance agent Online subjects navigated specifically programmed websites. To eliminate price considerations, a quote was not part of the search process.

Each treatment (offline/online) was manipulated among the two dimensions *quality* and *reliability*. Quality was manipulated mainly by varying overall appearance and information relevance; reliability by changing consistency and use of jargon.

After the search treatment, which took about ten minutes, the subjects were asked a series of questions about the search itself (for example, satisfaction and future reuse), and about potential purchase, that is, where and how they would purchase.

Results were fairly clear – in our experiment, the adviser had no advantage over the website in the search. Whether subjects were treated to the website or the agent interaction, they were just as satisfied and just as likely to reuse their search channel and recommend it to others. The big difference was in purchase lock-in. Based on the information they received, 80 percent of subjects in the high quality/high reliability agent group stated they would buy from an agent. Almost the same percentage would buy from the (fictitious) company.

Compare this with the online search (again high quality/high reliability): although company lock-in was similarly good (61 percent), only 29 percent stated they would actually buy online. The rest would rather go to a person to buy. More to our current point, varying quality and reliability had dramatic consequences for lock-in (see Figure 4, upper graph).

When the agent was perceived as "bad" (low quality and low reliability), subjects' willingness to buy from the agent channel dropped by a factor of four. Quality and reliability had equal importance here. The drop was even larger when considering company lock-in (see Figure 4, lower graph.) Here, the reliability of information has an even higher influence than quality. Our explanation is that customers see a lack of quality mainly as an issue with the professionalism and training of the agent (that is, the fault lies with both agent and insurer), whereas lack of reliability falls back heavily on the company. Even a good intermediary cannot really gloss over a bad product, at least not in the long run.

The experiment shows that the personal side of being a trusted adviser is the easy part. Maintaining professionalism, knowing customers personally and treating them personably is something the vast majority of intermediaries have been doing for as long as they have existed. But intermediaries cannot act alone here – insurers have to provide support. That can happen through training, through a corporate culture of "customer first," through good and consistent products and messaging, and, last but not least, by giving intermediaries the tools and data they need to serve their clients well (see "Case study: Die Mobiliar").

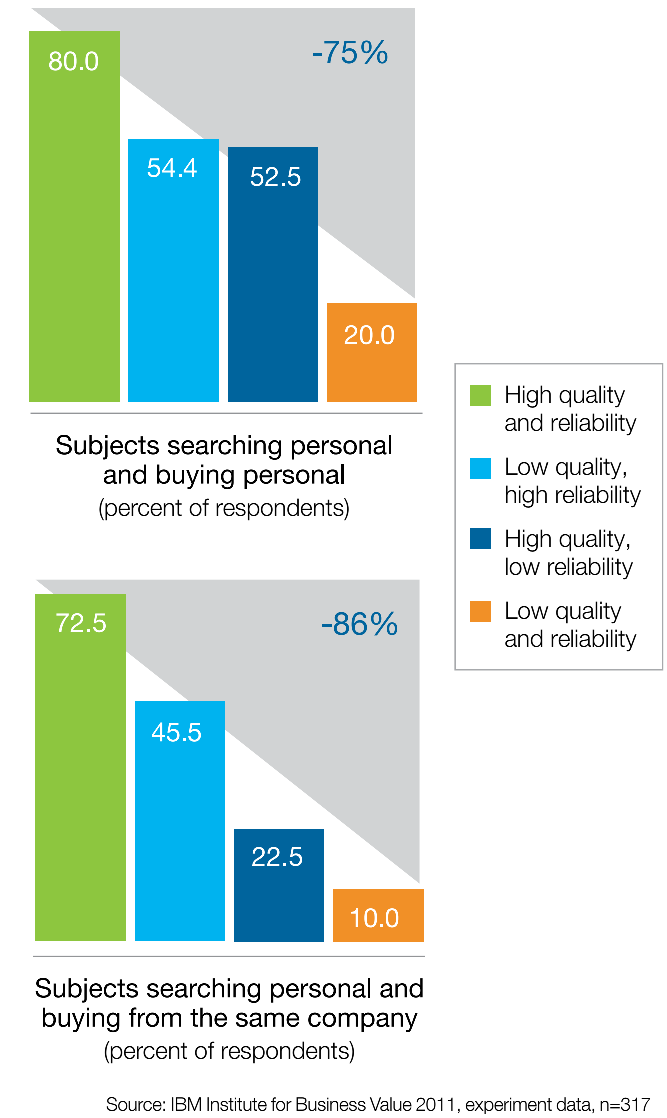


Figure 4: **Getting quality and reliability right makes a significant difference.**

Case study: Die Mobiliar

The whole strategy of Swiss mutual insurer Die Mobiliar is based on mutual trust: "Faith in the trustworthiness and reliability of a strong brand, and trust between people who know each other."[12] The latter – people who know each other – informs their agency and broker model. Geographical proximity is important, and 90 percent of claims are handled locally by small agents or in an independent branch agency ("Generalagentur"). Agent turnover is very low – in some cases spanning generations.

All of Die Mobiliar's non-agent channels, which include direct Internet and other channel partners, are ultimately routed through the branch agency. This leads to personal treatment of all customers and also avoids channel competition.

While Die Mobiliar does provide all modern communication tools – customers can freely choose the channel they buy in – focus is on generating trust through a personal relationship. As a consequence, they achieve high ratings in internal and external surveys. For example, Die Mobiliar was rated as the "most trusted insurance brand" in Switzerland for the last five years.[13] In our own surveys, Die Mobiliar was most often named as the "most preferred insurer" by our Swiss intermediary respondents. Our Swiss consumer respondents named them most often as the insurer they searched and purchased with. Incidentally, they also rank higher in employee satisfaction, with turnover dropping by more than 20 percent in the past four years, and in agent satisfaction, which is 24 percent higher than the industry average.[14]

The insurer as multi-modal provider to customers

In 2010, 80 percent of our survey respondents used two or more interaction points to search for insurance.[15] While we didn't examine this question in the same way in the current study, there is no reason to suspect the number has dropped; on the contrary, the proliferation of Smartphones and tablets lets us assume that for many consumers, some online and mobile interaction points may have been added.

When customer multi-modality increases, insurers have to adapt. The experiment in the previous section showed that even when online search was high quality and high reliability, only about 30 percent wanted to buy online – but about 60 percent did want to buy from that company. To capture these extra 30 points, channel integration becomes critical for insurers.

In our current survey, roughly 65 percent of customers bought their insurance through either traditional personal interaction points such as tied agents (26 percent), brokers (14 percent) and banks (8.6 percent), or the less personal, more "modern" interaction points such as telephone (11.6 percent), retailers (1.5 percent) or direct mail (1.7 percent). This is a drop of 5.3 percentage points compared to 2010, with telephone sales rising (+4.2 points) and all of the others dropping.

The changes we see in the way people searched were larger than for purchasing insurance. Traditional interaction points were used 12 percent less, with the majority of change going to direct websites and aggregators.[16] Smartphone app usage for information gathering rose almost threefold, albeit from a low starting point (up from 1.0 to 2.9 percent). In sum, the ratio of traditional to modern search interaction is still 1:1, which is exactly what we expect for the future: when new interaction points get added, the others lose without disappearing completely. (An exception in the long run might be information in printed form.)

Customers do not want to be forced to buy where they search. The easier it is to switch channels, the less likely they are to switch companies.

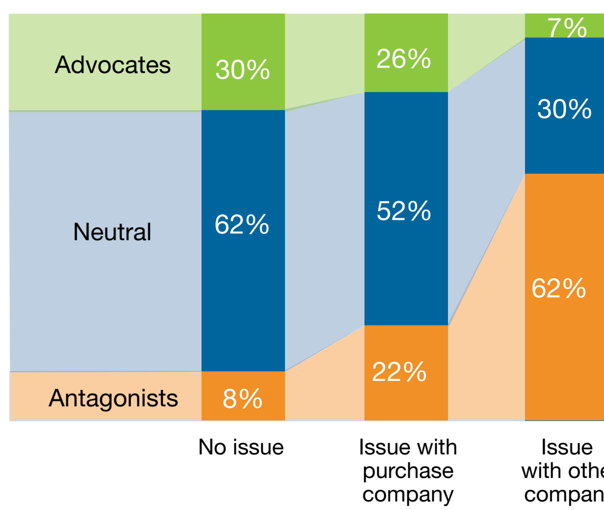
When customer multi-modality increases, channel integration – the ability to easily switch among channels, especially from search to purchase – becomes an important factor for satisfaction and loyalty. Those customers who stated that channel integration for their personal insurance shopping was high were almost three times as satisfied as their peers who experienced low integration (+1.45 satisfaction score versus +0.56). High channel integration increases loyalty (+1.05 versus -0.07), and customers who perceive high integration are more than twice as likely to be advocates (46 percent versus 19 percent).

Besides the future-oriented benefits of higher loyalty and advocacy, our data show that insurers who have better channel integration immediately sell more: high channel integration led to 10 percent more sales with the company respondents searched from. Or put differently: customers do not want to be forced to buy where they search. The easier it is to switch channels, the less likely they are to switch companies. Customers want insurers who are easy to do business with.

Being easy to do business with is a theme we introduced in our section about the integrated partnership between insurer and intermediary. Not surprisingly, customers see quite similar value drivers for their own relationships with insurers. When we asked what our (consumer) respondents saw as the most important characteristics for post-purchase issues (for example, service), 71 percent chose speed, 55 percent accuracy and 51 percent adequate compensation. These numbers were fairly similar whether respondents had actually experienced a post-purchase issue or the answer was hypothetical. And in the former case, it didn't matter much what kind of issue it was, whether a claim, a complaint, a cancellation/renewal or a simple contract change.

How insurers handle post-purchase issues has a large effect on customer perception (see Figure 5). Customers without recent issues were largely neutral, with a 30 percent share of advocates and few antagonists. Customers who had reasons to contact the insurer they bought their insurance from were slightly more antagonistic; the customer group that had issues with other insurers (that is, ones they hadn't had recent sales contact with) had a very high percentage of antagonists with very few advocates. As before, the type of issue had little effect on the advocacy shift, whether the customer had a claim or was looking for a simple contract change.

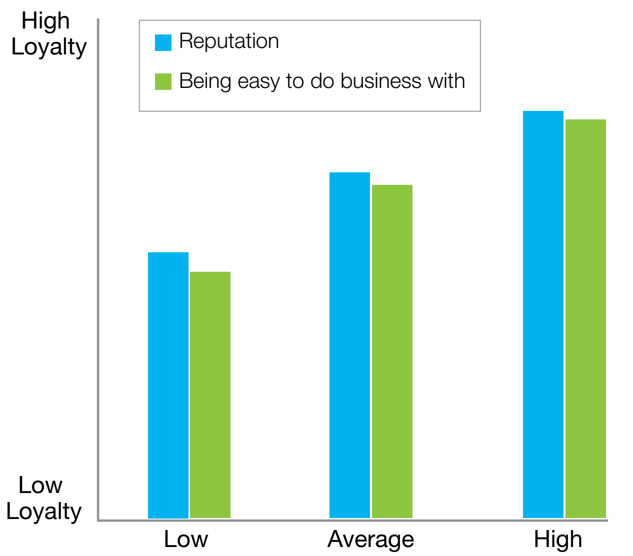
Effect of post-purchase issues on customer advocacy
(percent of respondents)



Source: IBM Institute for Business Value survey data 2012, n=7,761

Figure 5: **Having contact with their insurer turns advocates into antagonists.**

This should be a sobering realization for the industry: any issue or reason to contact the insurer leads customers to recommend it less often. For the modern, empowered customer, is the slow erosion of trust and loyalty therefore a result of the industry's general inability to be easy to do business with? Insurance companies are careful about their reputations, and rightly so. Figure 6 shows that being easy to do business with is just as important as maintaining a good company reputation. Again, the potential value of being a multi-modal provider is apparent.



Source: IBM Institute for Business Value survey data 2012, n=7,380

Figure 6: **Being easy to do business with is as important as a strong reputation.**

The implications for insurers are very similar to those in the first section - becoming a multi-modal provider is about being flexible technologically, organizationally and culturally. In addition, multi-modality requires a strong strategic commitment. Often, organizations and systems supporting various channels have grown more or less randomly and can be understood only from a historical perspective. These entities have to be streamlined and aligned to each other to be consistent and provide the integration that customers expect (see "Case study: German insurer").

A sobering realization for the industry: any issue or reason to contact the insurer leads customers to recommend it less often.

Case study: German insurer

An example of a turnaround in the multi-modal direction is an all-lines insurer in Germany.[17] The company was perceived by customers as distant, expensive, old-fashioned and "not accessible." It had high churn rates, especially in the GenY and Z groups of 25-to-45 year olds. Its goal was to accommodate the digital lifestyle by providing a user-friendly Internet platform that delivers all products and services for everyone everywhere, at any time.

Defining the solution, the company decided on its multi-channel strategy principles up-front. First, it implemented a pilot which contained features to increase customer convenience and improve agent-customer interaction (for example, a mobile claim App, Facebook connect, online quotation function, and personalized recommendations or handover of data). When the pilot worked, the insurer developed a target multi-access picture: allowing customers to switch access routes without loss of information and to have a holistic transparent portfolio overview while enabling individualized services and products.

As a result, the insurer can now better anticipate customer needs and target new customers more effectively, while better serving existing customers. Churn rate has dropped, especially among the younger group.

Providing customer value

For today's empowered customers, good products at a reasonable price are a given. However, when customers buy a promise, like in insurance, providers need to do more to differentiate themselves. Customer value today comes from the ability to know current needs and anticipate future needs. Our survey respondents told us that an insurer provides high value, for example, when it:

- Excels at anticipating changes in what customers need, even before they even ask, and presents new solutions
- Seems to be one step ahead of its competitors in predicting customer needs
- Seems to spend time studying changes in the business environment so it can execute better on insights about future customer needs and changes in its relationship with customers.

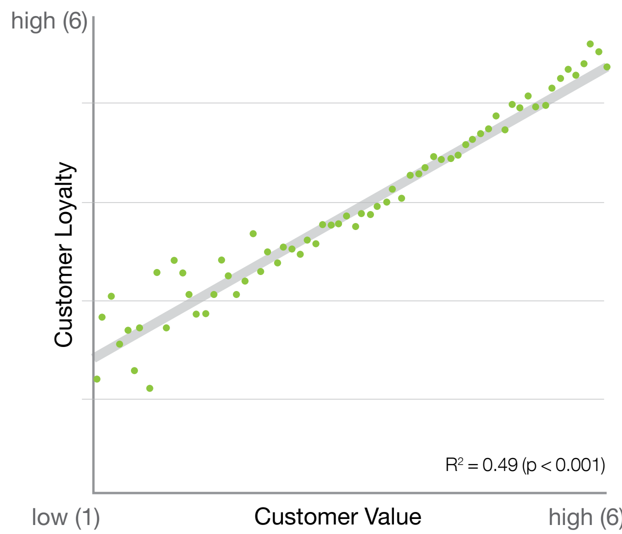
Providing customer value generates loyalty and regains trust (see Figure 7). But it requires investing in the relationships of the interaction triangle. Insurers need these relationships to understand customers well enough to provide the value they seek.

Where and how should insurers invest in the interaction triangle? The following list is by no means complete, but shows areas where, in our experience, many insurers around the world could improve.

Integrated partner: Improve speed and flexibility

Systems: Legacy back-end systems, some of them decades old, tend to be the single biggest impediment to greater speed and flexibility. Outright replacement is generally the cleanest solution, but if the business case is not good enough, at least there are tools that can tie them together to allow intermediaries a single point of entry.

Processes: To save internal costs, insurers often simply moved work to their agents without adapting the underlying processes. These are often manual, with inefficient work distribution in the back office, and they use systems that don't support straight-through-processing. To address this, insurers need to introduce smart automation and workflows. Tasks need to be completed at the point of origin; intermediaries should be able to do simple tasks like most contract changes or simple claims without the need for further intervention. Back-office tasks need a single, clearly-identified contact person to allow intermediaries to resolve issues quickly.



Source: IBM Institute for Business Value survey data 2012, n=7,380

Figure 7: **Providing customer value raises customer loyalty.**

Trusted adviser: Focus on quality and reliability

Data and analytics: Quality and reliability of advice depends on the intermediaries getting the right information at the right place and time. This means solid data management and analytical tools. Intermediaries need reliable information about the customer: relevant products, issues and preferences. In addition, this information should be consistent throughout the insurers' interaction network.

Transparency: The best way to overcome privacy concerns about data collection and analytics is to be open about them. The most trusted brands are trusted in part because their customers know and understand what is happening with their data and why.

Multi-modal provider: Integrate existing information and be open to new avenues of interaction

Organization: Just like outdated legacy systems, legacy organizational structures can hurt successful channel integration. These can be line-of-business silos, or historically grown channel organizations like a separate Internet brand or broker organization.

This means insurers need to install a person or unit with overall customer responsibility – perhaps a Chief Customer Officer as we are seeing in other industries. Such roles cannot just be figurative; they need actual authority.

Social: More than 70 percent of our consumer respondents use one or more social networks – to chat, to stay in contact with friends, and to share and find information. Social networks are a great way for insurers to foster customer value by learning early about changes in needs and behaviors. But the point above about transparency applies. Using social business tools to include customers in product creation and improvement would also go a long way in increasing trust.

Underlying all these actions, many insurers need a cultural shift. Customer centricity can't be implemented by a change in incentives or even in departments – it has to be the mindset of the whole organization. But it pays off – there is mounting evidence that focusing on customer value increases value for all other stakeholders as well.[18]

Consumer empowerment is a fairly new phenomenon. Before the Internet, complicated products and the difficulty in getting information (and sometimes in complying with regulation) kept insurance a sellers' market. Now that insurance customers can easily find each other, and exchange experiences and ideas, the tides are changing. To create customer value, insurers need to adapt. The most successful will still place emphasis on intermediaries, but above all, they must offer integrated, consistent customer experiences – and move away from channels to interaction networks.

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7 Methodology note: For each benefit category, respondents were asked to rate insurers on a scale from 1-6 on the question "Relative to other agents/brokers please indicate the extent to which you are receiving the following benefits as a result of your relationship with this insurer." A score of 1 is shown as "considerably less than other insurers" and a score of 6 as "considerably more..." Average is 3.5, so a score of +50% would mean a rating of 4.75 on the 1-6 scale.

8 Methodology note: The following communication channels could be chosen in the survey: face-to-face interaction, telephone interaction, written letters, correspondence, computer link (ERP system, shared platform), insurance conferences/seminars, dealer councils, newsletters, social media (for example, LinkedIn), video conferences, online chats, and email.

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12 Quote from interview with Thomas Trachsler, CMO of Die Mobiliar, on November 13, 2012: "Das Versicherungsgeschäft basiert auf gegenseitigem Vertrauen: Vertrauen in die Glaubwürdigkeit und Verlässlichkeit einer starken Marke und Vertrauen zwischen Menschen, die einander kennen."

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17 IBM Global Business Services analysis.

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Produced in the United States of America
December 2012

GBE03536-USEN-00