

Changing Role of Advisors in Insurance



People matter, results count.

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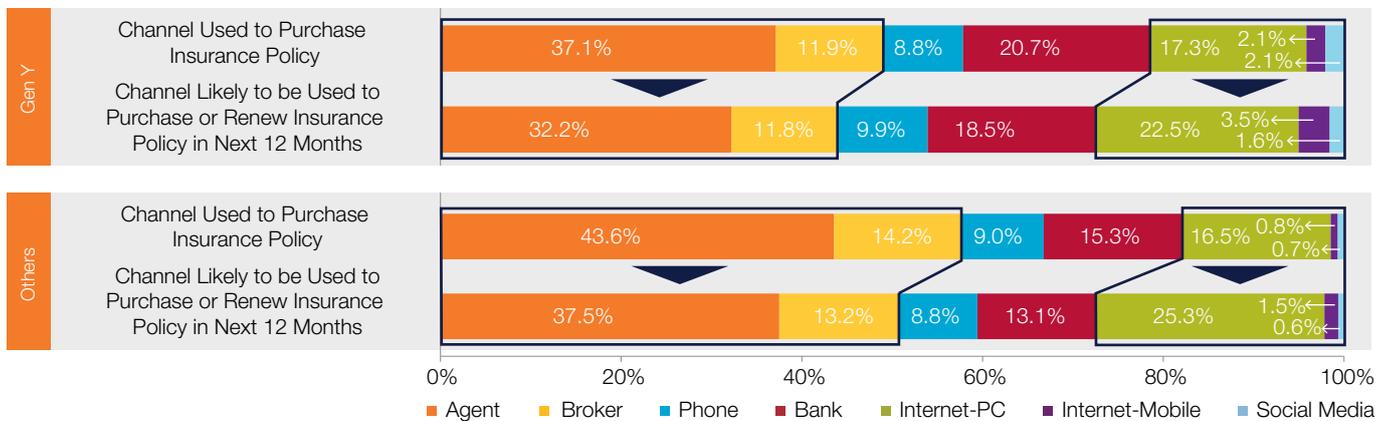
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Introduction

The insurance distribution landscape has witnessed significant changes in recent times due to the emergence of digital channels such as mobile apps, and the proliferation of online aggregators. The changes are being driven in part by the technological advancements and evolving customer behaviors and preferences. Moreover, insurers are looking to deliver their products and services in the fastest and most efficient manner possible, by developing newer distribution channels in the online space.

Today's tech savvy Gen Y customers prefer digital channels for engagement (see Exhibit 1). The survey results show that there is a gradual decrease in the use of advisor channel to purchase a new insurance policy or to renew an existing policy. According to Capgemini's World Insurance Report (WIR) 2016, insurance customers of all ages are expected to gravitate toward greater use of digital channels. In the next 12 months, 27.5% of all the customers plan to purchase or renew their insurance policies through digital channels, up from 19.3% at the time of the survey. The adoption levels are expected to be about the same for Gen Y segment as well as other customer segments, as shown below.

Exhibit 1: Channel Usage to Purchase or Renew Insurance Policy (%), 2015-2016



Note: Questions asked: "Which channel did you use to purchase your primary insurance policy?" and "How do you wish to purchase or renew primary insurance policy in the next 12 months?" Agents and brokers are considered as advisors in the whitepaper; The data above represents channel usage for both life and non-life insurance policies; The Voice of the Customer survey is carried out in 30 countries with over 15500 respondents.

Source: Capgemini Financial Services Analysis, 2017; Capgemini Voice of the Customer Survey, October 2015

* This whitepaper discusses the factors driving the change in channel usage by consumers, challenges faced by advisors (agents/brokers), and the innovation strategies to increase the relevance of advisors in an evolving insurance distribution landscape. The whitepaper targets the global insurance industry personnel.

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Factors Driving the Change in Insurance Distribution Landscape



With the advent of digital channels, a growing segment of customers (especially tech-savvy, Gen Y customers) prefer online shopping. Hence, the advisors channel has been slowly but consistently losing out its market share to online channels in recent years. The trends indicate that a rapidly-evolving technological environment, convenience, and altering customer preferences are driving the change in insurance distribution landscape.

Advent of Digital Channels

The advent of newer online distribution channels such as online website and mobile app for insurance are altering the distribution landscape as these new channels have a wider reach and appeal for consumers. Increasingly, consumers are buying policies online as these channels enable them to research, compare, and even purchase the product of their choice quickly.

Evolving Gen Y Preferences

Gen Y customers, who are considered tech-savvy, have a strong preference for greater convenience, personalization, and transparency. These customers look for more choices as they don't appreciate bundled offerings and don't want to pay for things they think they don't need.

Growing Preference for Hi-Tech Channels

Other traditional industries such as banking and retail are making use of technology to enhance customer engagement. Customers are thus expecting similar experience in their engagements/interactions with their insurers.

Not only are the technology and customer preferences, but new business entrants - InsurTech firms - are also expected to further alter insurance distribution landscape. These firms, driven by technology, provide high convenience and added value to customers and are not restricted by the legacy systems. Additionally, InsurTechs have a very innovative take on developing offerings which makes them a very attractive proposition for customers.

Direct Aggregators

These are online insurance marketplaces providing savings to customers through easy comparison of policies. Customers can research, analyze the policy, compare, purchase, and manage their policy on aggregator websites conveniently.

Aggregators such as **PolicyGenius** and **PolicyBazaar** provide an online portal for customers to compare policies by different insurers.

In-policy servicing, aggregator apps such as **Finance Fox** and **Brolly** provide customers a one-stop platform to view and manage all their policies.



Value-Adding Aggregators

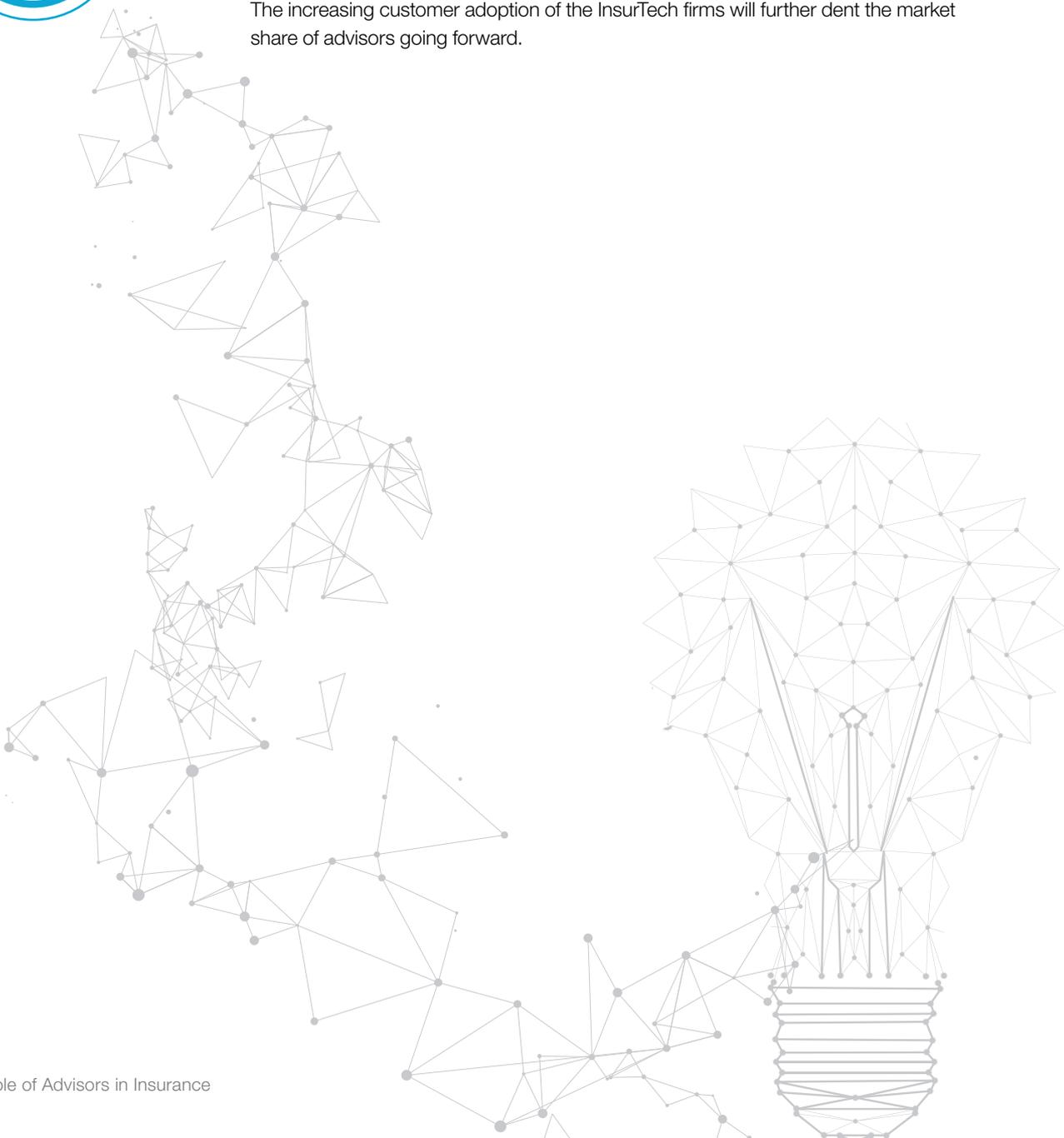
These are aggregators that provide customers the most suitable policy options based on their profile and preferences, in addition to price.

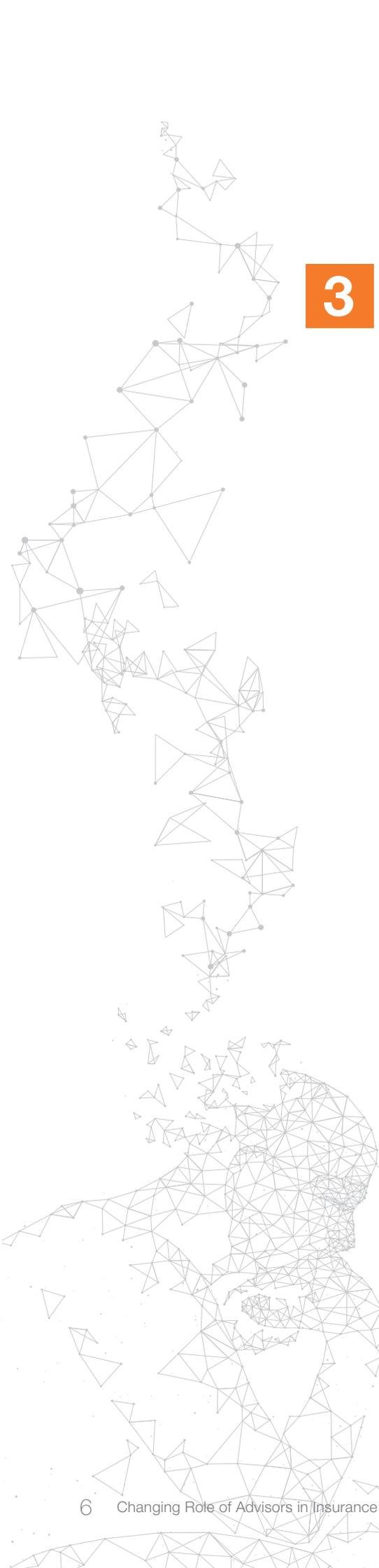
EverQuote is an auto insurance comparison site that matches consumers with a short list of companies it believes will provide the best fit, based on the profile each new user fills out and the buying patterns of previous customers.

Stride Health helps people shortlist the right health insurance plan based on 38 data points estimating the user's medical costs on a plan-by-plan basis, and factoring in their preferred doctors and prescriptions.



InsurTechs are gaining in popularity globally as they provide consumers instant and easy access to a range of insurance solutions, customized based on their insurance profile. The increasing customer adoption of the InsurTech firms will further dent the market share of advisors going forward.





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Challenges Faced by Advisors

Insurance advisors are facing a number of hurdles in their business operations ranging from growing product commoditization to meeting clients' evolving needs to new client acquisition. However, some of the major challenges faced by the insurance advisors in recent years in their attempts to grow their business and market share are:

Product Commoditization

As insurers look to quickly push their personal-lines products through online channels, they are creating simpler and low-cost products leading to product commoditization. Due to this, customers, in general, don't require advisors' help to select the right products and are more focused on the price of the product rather than the product features.

New Client Acquisition

In order to increase the business, it is imperative to cater to the needs of the new client segments and target unexplored but high potential customer segments, such as Gen Y. With lack of digital capabilities, advisors are facing challenges in catering to the needs of tech-savvy segments.

Meeting Client Needs

As insurers try to capture a large number of customers, they are introducing new products at an aggressive pace. Advisors should gain knowledge of these new products in order to meet the evolving customer needs, as customers look to choose from a wide range of options to suit their specific needs.

New Technologies

The emerging technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA) are going to impact the advisory business to a great extent as they reduce the cost to the insurers significantly. Some of the agencies have already adopted automated robots to sell insurance policies.

Advisors should focus on overcoming these challenges with the adoption of latest digital tools and technologies. There are a number of other difficulties faced by advisors which can be positively converted into opportunities for growth with the adoption of digital tools.

3.1 Challenges and Opportunities

Advisors are facing challenges such as using social media effectively, tackling evolving regulations, adopting ever-changing technology, and they should look at the opportunities for growth provided by these challenges.

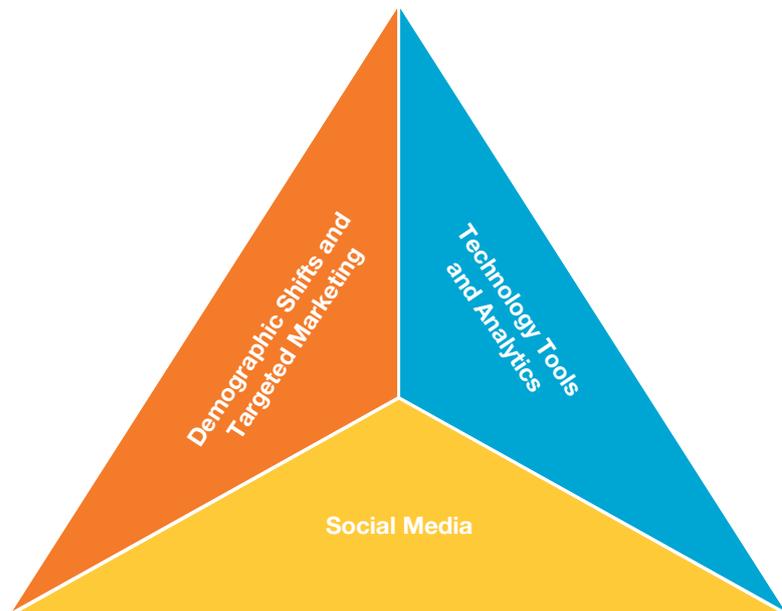
Challenge for Advisors	Underlying Opportunity
Social media demands are time consuming	<p>Social media is a portal that provides an unprecedented opportunity for advisors to enhance customer engagement</p> <ul style="list-style-type: none"> - Agents and brokers who are active on social media (especially among younger agents) witness increased customer engagement and potential to attract new clients
Lack of insurance knowledge	<p>While this is a challenge, it provides an opportunity for advisors to teach the customers, and in the process, earn their loyalty</p> <ul style="list-style-type: none"> - Many clients re-evaluate their risk management approaches based on the advice they receive from advisors, which is likely to enable advisors to increase their sales value
Frequent and more intrusive regulatory reforms	<p>Regulations have a significant impact on the way advisors are compensated, such as DOL Fiduciary Standards (The U.S.), RDR regulation (The UK)</p> <ul style="list-style-type: none"> - Though most of the advisors worked in the clients' best interest prior to the DOL fiduciary ruling, this measure may instill immense confidence in customers' relationships with advisors
Recurrent investments in technology as the new replaces with older systems in short periods of time	<p>Smart tech investments such as agency management systems, rating systems, carrier connectivity, and business intelligence tools will give huge returns</p> <ul style="list-style-type: none"> - Advisors who embrace digital and continue to adapt the changing technologies will thrive in the future and those who don't, will become invisible and irrelevant going forward
Smaller independent agencies can find it tough to survive in a competitive marketplace	<p>Smart advisor firms are growing their firms both organically and inorganically, given the benefits of economies of scale in the business</p> <ul style="list-style-type: none"> - Consolidation is likely to continue in the advisory industry as it is very difficult for smaller players to succeed in the intense competitive environment

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Digital Strategy for Advisors

Advisors can mitigate the challenges by focusing on targeted marketing, technology, analytics, and social media networking to increase their role and relevance in the current market scenario.

Exhibit 2: Digital Strategy for Advisors



Source: Capgemini Financial Services Analysis, 2017

A three pronged approach will help advisors provide enhanced value to customers and enrich long-term relationships that are crucial to increase the role and relevance of advisors.

4.1 Demographic Shifts and Targeted Marketing Ageing Population

Several countries around the world are grappling with an ageing population. Globally, the population aged 60 and above is estimated to increase by about 56% from 901 million in 2015 to 1.4 billion in 2030.¹

According to Global Burden of Disease Study 2013, global life expectancy increased by over six years between 1990 and 2013.² This has significant implications for life insurance as well as the current pensions systems, where the gap between assets available for pension payments and the number, as well as years of pension payments, required is increasing.

¹ "World Population Ageing". United Nations, March 2016. Accessed May 2017.

http://www.un.org/en/development/desa/population/publications/pdf/ageing/WPA2015_Report.pdf

² "Global life expectancy increases by more than 6 years since 1990". Elsevier, December 2014. Accessed May 2017.

<https://www.elsevier.com/connect/global-life-expectancy-increases-by-more-than-6-years-since-1990>



Implications

- The population pyramid may undergo a significant shift, making it imperative for customers to undertake retirement planning at individual level, thus opening up opportunities for advisors
- Moreover, rising life expectancy is putting further pressure on society as the ageing population will need to accumulate more funds to finance their survival needs and to maintain their living standards
- Increased longevity and changing social structures will also drive an increase in demand for long-term care insurance in the future

Shifting demographics such as rising average age and changing investment patterns will provide new opportunities and markets for insurance advisors.

Gen Y Consumers

Millennials (Gen Y) are entering the workforce and becoming an important customer segment in insurance, as these customers have significantly different lifestyles and preferences. They are compelling advisors to rethink how they deliver products and services.

Millennials are showing a strong demand for greater convenience, personalization, and transparency, and they look for more choices. They are also driving a shift towards a shared economy wherein assets, such as house and car, are not owned, but used as a service.

Advisors need to engage with Gen Y customers in a manner these customers prefer – that meet their demands and requirements. As Gen Y customers prefer to interact digitally, advisors should offer their services through digital channels which will not only augment the human touch and direct interaction, but also infuse credibility.

As Gen Y consumers are typically considered tech-savvy who value convenience and personalization, advisors should adopt digital tools to engage with this cohort.

4.2 Technology Tools and Analytics

Technology tools, which are easily available and accessible, help advisors in their business management and exponential business growth. There are a plethora of digital tools available in the market to meet the specific business needs of an advisor.

Advanced analytics techniques, such as predictive analytics and behavioral analytics, are very powerful tools for advisors providing support in terms of client portfolio construction based on the customer's current profile as well as future needs.

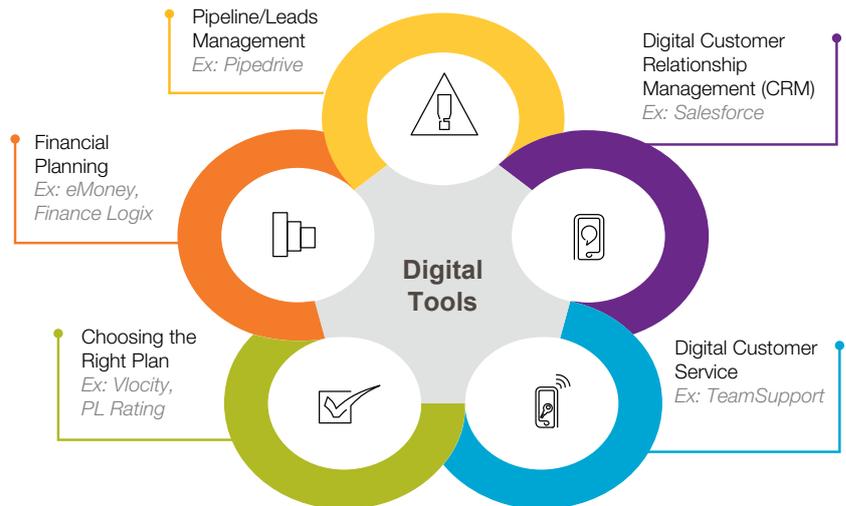
These advanced analytics tools empower the advisors with right kind of information and real-time insights to enhance client engagement and focus on long-term relationship building.

It is thus imperative for advisors to embrace digital tools and advanced analytics to expand their business and growth horizons.

Digital Tools for Advisors

Digital tools available in the market enable holistic client management and help to build long-term relationships with clients. As shown in Exhibit 3, advisors have digital tools in various functions to assist in their business pursuits.

Exhibit 3: Digital Tools for Advisors



Source: Capgemini Financial Services Analysis, 2017

Digital Customer Relationship Management (CRM)

The digital customer relationship management softwares such as Salesforce or QCCatalyst provides the documents, information, and capability they require, resulting in significant increase in efficiency and productivity of advisors.

Digital Customer Service

Customer support softwares enable advisors to integrate customer service and support through the web/mobile and the social networks. Products such as TeamSupport helps advisors get the focus of customer service back on the customer - where it belongs.³

Choosing the Right Plan

Firms such as Vlocity have introduced products to meet the specific needs of both insurance carriers and advisors. The tool leverages customer's policy/portfolio data to maximize up-sell opportunities and provides detailed product information.⁴

Other firms such as PL Rating helps advisors to quote real time personal lines from multiple carriers. This allows advisors to reduce data entry and the time spent on visiting multiple insurance carrier websites.⁵

Financial Planning

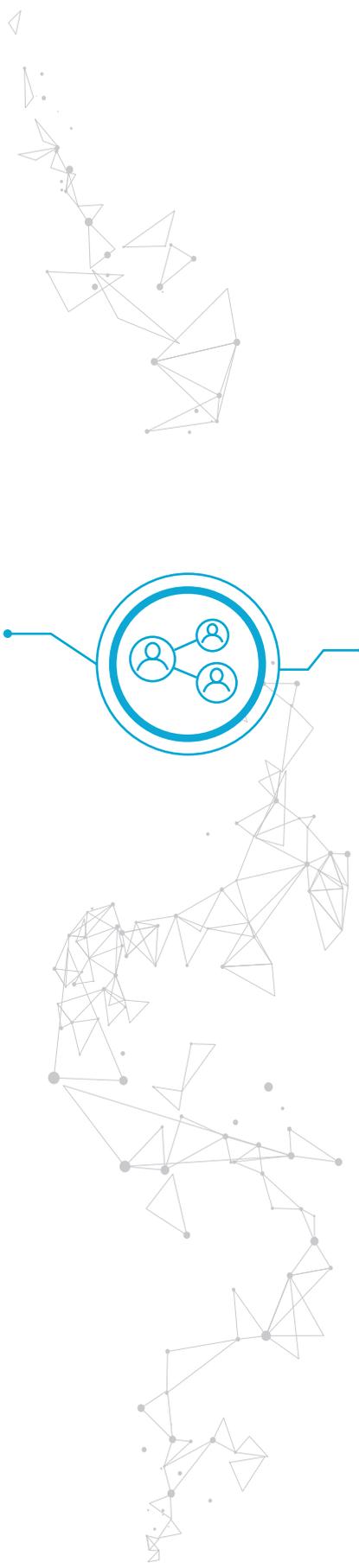
Financial planning tools such as eMoney and Finance Logix are designed to help advisors to perform better risk management and needs analysis of their clients. These tools allow advisors to construct the right plan for their clients enabling advisors to engage, educate, and communicate with clients in a constructive manner.⁶

³ TeamSupport website. Accessed April, 2017. <https://www.teamsupport.com/>

⁴ Vlocity website. Accessed April, 2017. <https://vlocity.com/>

⁵ Vertafore website. Accessed 31 May, 2017. <http://www.vertafore.com/All-Products/PL-Rating>

⁶ Finance Logix website. Accessed 31 May, 2017. <http://www.financelogix.com/>



Pipeline/Leads Management

The pipeline/leads management tools are designed to help advisors to prioritize their actions and enables them to monitor their sales activities and monitor deals.

Other Tools

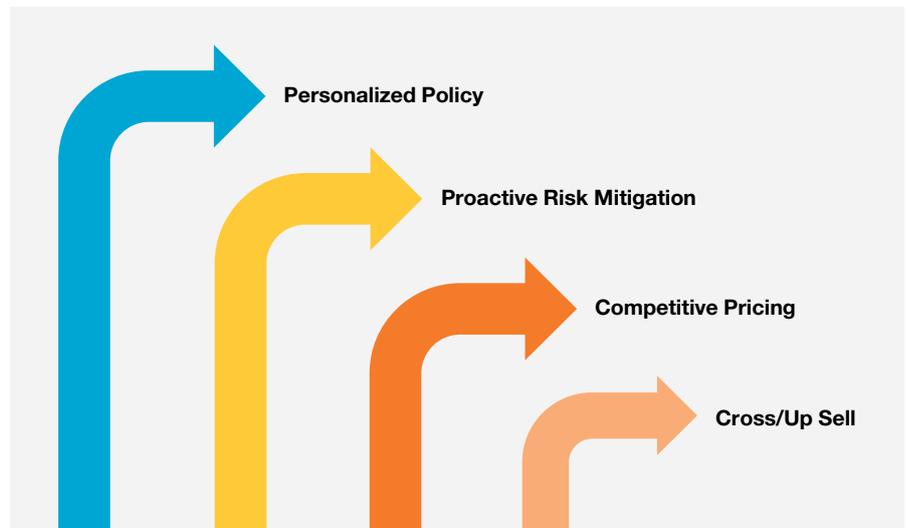
There are a number of other tools such as Skype/Go To meeting to conduct virtual meetings, Google Drive/Office 365 to for file sharing and document management, CamScanner/JotNot Scanner for scanning the documents which can be used by advisors to improve their efficiency and quality of services.

Technology empowers advisors by helping them at crucial stages of business development, sales, and service.

Analytics for Advisors

Analytics enable advisors to provide personalized and relevant products at competitive price and at faster pace.

Exhibit 4: Analytics for Advisors



Source: Capgemini Financial Services Analysis, 2017;

<http://valen.com/blog/predictive-analytics-helps-insurance-agents-customers/>

Insurers can empower their agents with analytical tools that enable agents to offer more personalized service – for example; the MetLife Wall provides the insurer’s service representatives a 360-degree view of the customer by sourcing data from more than 70 legacy systems.

With exponentially greater data availability and advancements in analytical capabilities, advisors can provide proactive risk mitigation services to their clients. Analytical tools enable better pricing based on risk profiling. Analytics will assist advisors in providing the best insurance coverage at the most reasonable cost to their customers.

4.3 Customer Engagement on Social Media

Social media is gaining importance in customer engagement strategies, however, advisors are yet to take full advantage of this platform. These platforms enable advisors to drive engagements and develop affiliations effectively. As shown in Exhibit 5, social media can be used in multiple stages of client relationship building.

Exhibit 5: Adoption of Social Media



Source: Capgemini Financial Services Analysis, 2017;

<http://www.investopedia.com/articles/professionals/061013/how-financial-advisors-are-leveraging-social-media.asp>

Content Distribution

Social media acts as a very useful platform to distribute content, as it provides advisors the ability to showcase investment ideas, intellectual capital, and thought leadership. Customers and prospects can seek advice and tips from advisors in financial planning and understanding the products.

Engagement

With the help of social media tools, advisors can improve engagement and create more personal customer interactions. Information shared by clients on these platforms can influence advisors in positive and relevant personal communication.⁷

Professional Advice

Insurance products are complex and thus professional advice will never go away – the role of the advisor may become more valuable in the future as insurers look to differentiate their products leading to increased complexity. Social media may act as a convenient platform for advisors to give advice to consumers.

Personalized Service

Social media has become one of the most influential weapons in an advisor’s arsenal to deliver personalized customer experiences. Data gathered through these channels gives advisors the ability to offer relevant, timely, and personalized services and products.

Firms such as Buffer, Hoot Suite, Insurance Social Media, and Insquik enable agent empowerment by managing their social media efforts. Advisors who do not leverage social media tools risk being left behind in a highly competitive market place.

⁷ “Insurance: 9 social media guidelines that drive business success”. *The Digital Insurer*, September 2014. Accessed May 2017.

<http://www.the-digital-insurer.com/wp-content/uploads/2014/10/381-Hootsuite-Guide-9-Social-Media-Guidelines-that-Drive-Business-Success.pdf>

5

Role of Insurers in Enhancing Advisor Capabilities

Along with advisors, insurers should also take steps towards leveraging latest technologies to enhance the capabilities of their advisors. These steps (refer to Exhibit 6) will enhance the knowledge of advisors and empower them through innovation and technology.

Exhibit 6: Innovation Strategy for Insurers



Source: Capgemini Financial Services Analysis, 2017

Peer-to-Peer Knowledge Network

Building a peer-to-peer collaborative network for advisors enables them to share ideas, knowledge, insights, and trends which they can leverage to convert leads into deals.

Digital Tools

Insurers should develop, educate, and guide their advisors to use various digital tools which will help in increasing the productivity, customer engagement, and relationship management. For example, AR/VR (augmented reality/virtual reality) tools are designed to enable advisors to provide advice and explain complex products in a visualized setting without the need for a physical meeting.

Insurance Services on Advisor Mobile

With the high adoption of mobiles across demographic segments, providing services on advisor's mobile will enable them to provide faster services to their clients.

Niche Marketing

With the advent of analytics, it is now possible for insurers to provide specific information to advisors to reach out to markets that were previously unattainable.

Enact Change

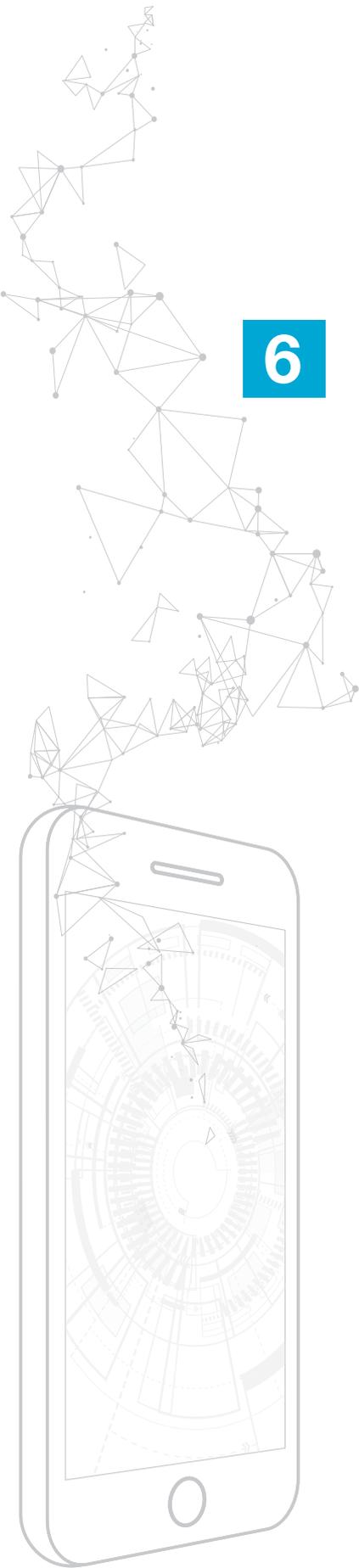
Many advisors who are accustomed to established routines might resist change that comes with introducing new technology. Insurers need to educate advisors of the opportunities and benefits of innovation and encourage them to adopt these new technologies.

360-Degree Advisor View

An aggregated and holistic representation of the customer by an insurer offers a seamless experience to advisors. This enables advisors to improve customer engagement and retention levels and thereby increase conversion rates.

Empowering advisors through innovation and technology will enable them to focus on value-adding tasks such as rendering quality advice and guidance.





6

Recommendations

With evolving customer preferences and advancing technology, advisors need to adapt and re-tool themselves. To remain relevant, advisors should develop a holistic strategy as discussed in this whitepaper and focus on specific areas as mentioned below.

Demographic Shifts and Targeted Marketing

- Advisors need to capitalize on opportunities presented by shifting demographics and focus on their specific needs
- Advisors should look at delivering services to target customers in a manner their customers prefer

Digital Tools

- As customers find insurance complex and are increasingly demanding more information, transparency and new investment ideas, advisors with their expertise can leverage digital tools that enable financial education and planning

Social Media

- Advisors should adopt social media to improve customer engagement at all stages to retain current customers and remain abreast of the changing customer needs
- Social media also provides a platform to disseminate information, provide personalized service, and gain trust of clients

The insurance distribution environment is changing rapidly with the evolution of technology and the advent of new players, especially the InsurTech firms. These changes have resulted in the increase in commoditization and complexity of the products. To cope up with the changing environment, advisors should develop holistic strategies to target new customer segments, embrace digital tools, and social media to increase customer engagement.

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The authors would like to thank **William Sullivan, David Wilson, Chirag Thakral,** and **Vikash Singh** for their contributions to this publication.



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