

Capgemini Media Contacts:

Courtney Finn
Weber Shandwick for Capgemini
cfinn@webershandwick.com
+1 952 346 6206

Cortney Lusignan (EMEA)
clusignan@webershandwick.com
+44 20 7067 0764

Efma Contact:
Karine Coutinho
Efma
karine@efma.com
+33 1 47 42 69 82

Insurers Profitability Rests with Improving Customer Experience via Digital Transformation Finds World Insurance Report 2014

*Report Reveals Digital Channels, especially Mobile, offer greatest opportunities to impact
profitability and customer retention*

Paris, New York – February, 26, 2014 – Despite insurer profitability increasing largely due to claims falling¹, only 32 percent of insurance customers globally report having positive customer experiences with their insurer in 2013, reveals the World Insurance Report 2014 (WIR) released today by Capgemini and Efma². As a result, nearly 70 percent of insurance customers are at risk of changing carriers, marking the second year that customer flight risks remain high, and highlighting the need for insurers to focus on improving customer experiences, to minimize customer defections and secure profits. The report finds that digital channels (with mobile leading) are the most likely to drive profitable customer behaviors such as referrals or purchasing additional products. Also according to customers and insurers surveyed and researched for the report, digital improvements were needed in the areas of claims payouts and policy acquisition.

In fact, the demand for digital channels has grown at a rapid pace with insurers reporting that within five years they expect nearly one-third of their business to occur over digital channels – projecting approximately 20 percent to come from online channels and nearly 11 percent to come from mobile channels, according to the WIR.

“Our research finds insurers’ profits can be driven by improving positive customer experience and responding to customers’ increasing preference for both internet and mobile digital channels. “Insurers who master both digital delivery capabilities and online services across different stages of insurance life-cycle, especially claims payouts or policy acquisition where customers expressed needs for improvement, will gain the greatest competitive advantages,” said Jean Lassignardie, Chief Sales and Marketing

¹ 'Natural catastrophes and man-made disasters in 2012,' Swiss Re, Sigma report, February 2013

² Efma is a global not-for-profit organization that brings together more than 3,300 retail financial services companies from over 130 countries. Efma provides members with exclusive access to a multitude of resources, databases, studies, articles, news feeds, and publications as well as hosts industry events.

Officer, Capgemini Global Financial Services.

Positive Customer Experience Linked to Profitable Behaviors

The report's Customer Experience Index (CEI), which analyzes responses from over 15,500 insurance customers through the Voice of the Customer survey³, found a clear link between improved customer experiences and customer behaviors that lead to greater profitability such as additional purchases and customer referrals.

The CEI finds that customers who have a positive experience are nearly twice as likely to make a referral and 50 percent more likely to make additional purchases. This is especially true in emerging markets where customer experiences with insurance companies are relatively new. In contrast, negative customer experiences can be detrimental. The percentage of customers who have expressed intent to leave their insurer is double for those with negative or neutral experiences.

"Insurers need to deliver a positive experience to their customers each and every time they interact with the company," said Patrick Desmarès, Secretary General of Efma. *"This consistent, positive experience will help create a customer base that is loyal and ultimately more profitable."*

The report finds that agents remain the dominant channel for driving positive customer experience (39 percent for life, 47 percent for non-life)⁴, followed by internet (32 percent life, 41 percent non-life) and mobile (26 percent life, 31 percent non-life). The Netherlands had the largest increase in positive customer experience at 18.2 percent primarily due to digital and broker channels. Younger customers (ages 18 to 34) are showing preferences for digital channels over traditional. In the emerging markets of Developing Asia-Pacific and Latin America, the importance of digital channels is very high among younger customers.

Positive Experiences on Mobile Provide Heightened Impact

While mobile is currently the least likely channel to give a positive customer experience, when it does, it has a heightened impact on profitable customer behaviors. Positive customer experiences through the mobile channel are most likely to drive customers to refer friends (48 percent for life and 47 percent for non-life) and buy additional products (40 percent for both life and non-life).

"Of all the digital channels, mobile is the most effective at giving customers immediate access to insurers and simplifying tasks to a few easy steps," said Lassignardie. *"Our findings indicate mobile holds the greatest potential to move customers toward more profitable behavior. Insurers dedicated to providing a*

³ The Voice of the Customer survey queried more than 15,500 customers in 30 countries across five geographic regions on their general satisfaction with their insurer including capturing customers' perceptions of the importance of specific channels for executing different transactions and different products.

⁴ Life refers to customers using and sharing their experiences about life insurance products including life and savings, and pension and annuities products. Non-life refers to customers using and sharing their experiences about non-life insurance products including Auto and Property insurance products.

positive customer experience via mobile will position themselves well to improve business performance.”

Digital Transformation Critical to Improving Customer Experience but Insurers Lagging

Firms with a strong digital presence and a customer focus are, on average, 26 percent more profitable than other firms⁵. To meet customer demand for digital and improve customer experience, insurers need to fully embrace a top-to-bottom approach to digital transformation, while also driving operational excellence at the back-end to ensure profitability. Key areas for Insurer focus this year include multi-channel integration, maximizing social media and taking advantage of predictive analytics techniques.

According to Capgemini’s Voice of the Customer survey, customers identify researching and obtaining insurance quotes and claims servicing as the most important areas. While customers ranked insurers as “adept” on research and quote retrieval, they were not as positive on claims servicing especially in the area of claims payouts where customers expressed that insurers were lagging. Policy acquisition also was cited by customers as an area needing more digital improvements.

For more information visit www.worldinsurancereport.com

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The World Insurance Report 2014 and other Capgemini thought leadership is available for your iPad through Capgemini's Financial Services Insights app. Download it through iTunes at [_https://itunes.apple.com/us/app/capgemini-financial-services/id668885174?mt=8](https://itunes.apple.com/us/app/capgemini-financial-services/id668885174?mt=8)

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⁵ ‘The Digital Advantage: How digital leaders outperform their peers in every industry,’ Capgemini Consulting and The MIT Center for Digital Business, 2012

About Efma

As a global not-for-profit organization, Efma brings together more than 3300 retail financial services companies from over 130 countries. With membership from almost a third of all large retail banks worldwide, Efma has proven to be a valuable resource for the global industry, offering members exclusive access to a multitude of resources, databases, studies, articles, news feeds and publications. Efma also provides numerous networking opportunities through work groups, online communities and international meetings.

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