

## Mobile Insurance: Are you well positioned for this emerging channel?



# Abstract

Mobile offers multiple opportunities for insurers. It allows them to interact with and service existing and new customers through an additional channel, design new product offerings, and manage internal operations more efficiently. Many insurers have started tapping the possibilities offered by this channel. For instance, 1st Guard Corp., a truck insurance firm, leveraged the mobile channel to reach its ever-mobile trucker customers. It launched an app, called Trucker1, which enabled independent truckers to sign up for products while on the road, reducing cycle time by 10%-20%.<sup>i</sup> Indian insurance firm ICICI Lombard has used the mobile channel to increase productivity of its surveyors by 30-40%.<sup>ii</sup> The firm's surveyors have been given iPads which allow them to pull up case details, take pictures, tag these to various categories, and complete the process remotely, enabling the firm to manage claims more efficiently.

Even though most insurance companies have taken up multiple mobile initiatives primarily through apps, our analysis of user ratings on apps stores suggests that none are really seen by the market as "killer" apps. Most of these apps tend to have limited features, are not well integrated into the insurer's operations and product lines and do not offer a seamless multichannel experience to the customer.

Insurance firms are now ready to move to the next level of maturity in the mobile channel. However, they need to ensure that their efforts match customers' expectations. In a recent cross-industry survey conducted in the US, only 39% of insurance customers said that their providers cater to them in the digital channels (SMS, email and mobile apps) the way they prefer - putting the insurance industry behind the banking, mobile and cable industries.<sup>iii</sup> We believe that insurance firms now need to consider seven key areas which will differentiate the winners from the losers in the mobile space:

- Define clear objectives for the mobile channel upfront, which will help in planning activity and assessing results.
- Define a sustainable app platform strategy which is adaptable to the fast evolving mobile technologies.
- Integrate mobile within the product and multi-channel environment in order to maximize benefits.
- Integrate mobile functionalities with operational and back-end processes to drive operational efficiencies.
- Invest in app promotion, through various mediums, to increase usage and visibility.
- Adapt the organizational structure and governance model of the mobility unit (central, local or local and central) to manage scalability and channel needs effectively.
- Adapt to evolving mobile trends in order to provide new services.

# Mobile insurance today needs to be more focused

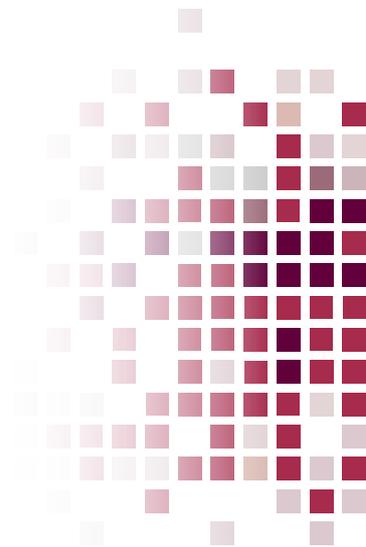
Today's consumer environment is rapidly changing and tech-savvy consumers are already using the Internet as a channel for engaging with insurance firms. A growing number of mobile customers are also now engaging with insurers via the mobile Web for policy administration, claims, and bill pay<sup>iv</sup>. For instance, US based financial services provider USAA saw the usage of its mobile tools grow by 127% in 2011 versus 2010. During this period, usage of its "Autocircle" mobile insurance app spiked as more consumers used it to shop, finance, insure a new vehicle and even used it for paying bills and reporting insurance claims through their smart phone<sup>v</sup>. With growth in smart phones<sup>vi</sup> and unlimited data packages being important drivers in the ubiquity of the mobile internet, mobile insurance is now at a tipping point for growth.

Insurance companies are leveraging the inherent characteristics of mobile devices to enable their customers to access a variety of services 'anytime and anywhere' and are also increasing the efficiency of their processes. Insurance companies are primarily using mobile as a distribution and delivery channel, as a driver of personalized services, and as a product development channel.

## Mobile as a distribution and delivery channel

Mobile is being used both as a medium to display information to clients or prospects, and as an additional channel enabling clients and insurers to interact together. Most of the apps developed are either information oriented (providing alerts, product information) or are contract management oriented (allowing access to account information, reporting a claim), as illustrated in Figure 1.

Such apps developed by insurers transpose existing Internet services on the mobile and their main value add is about being "in the right place, at the right time". An example of an insurer which has been successful in offering these services to customers over mobile is French financial services giant AXA. AXA developed a comprehensive set of apps for each of its family of products (car, home, health, etc.), enabling customers to manage their contracts, providing access to various services and helping them to file claims. These apps were customized for multiple European countries in order to have a consistent positioning across markets. The AXA mobile project had a strong executive-level sponsorship and its key strategic priority to develop multichannel contact points in mature markets was defined upfront, providing a foundation for success.<sup>vii</sup>



**Figure 1: Key functions offered by mobile apps of insurance companies**

<b>Information</b>  <b>"Mobile as a medium"</b>	<ul style="list-style-type: none"> <li>• <b>Instant access to information:</b> <ul style="list-style-type: none"> <li>- Products information, possibly related to the purchase of a good (e.g. car)</li> <li>- Sponsoring actions</li> <li>- Prevention (e.g. health, alcohol, everyday life accidents, driving)</li> <li>- Check-list and / or short summaries for key events (e.g. move, travel, health record)</li> <li>- Various alerts (e.g. pollen, weather events, country risks)</li> </ul> </li> </ul>
<b>Contract management</b>  <b>"Mobile as a client relationship channel"</b>	<ul style="list-style-type: none"> <li>• <b>Simplification of contacts with insurers (e.g. call centres, branches)</b></li> <li>• <b>Access to information related to specific needs:</b> <ul style="list-style-type: none"> <li>- Partners network through location services (e.g. pharmacy, garages, care)</li> <li>- Preventive information, various alerts, check-list, short summaries / reminders</li> </ul> </li> <li>• <b>Access to insured personal information:</b> <ul style="list-style-type: none"> <li>- Rights and guarantees</li> <li>- Certificates</li> <li>- Claims payment</li> <li>- Health record or electronic safe</li> </ul> </li> <li>• <b>Manage life insurance (e.g. monitoring of accounts and performance, arbitration)</b></li> <li>• <b>Report a claim directly through mobile or through a hotline</b></li> <li>• <b>Use support services when needed</b></li> </ul>

Source: Capgemini Consulting analysis

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*In a recent survey, only 39% of insurance customers said that their providers cater to them in the digital channels (SMS, email and mobile apps) they prefer.*”

While these apps help in building brand awareness and enhancing client satisfaction, they rarely provide customers with a seamless multichannel experience such as the ability to buy and pay for insurance from the mobile channel. In a recent cross-industry survey conducted in the US, only 39% of insurance customers said that their providers cater to them in the digital channels (SMS, email and mobile apps) the way they prefer, putting the insurance industry behind the banking, mobile and cable industries.<sup>viii</sup> (Refer Figure 2)

### Mobile as a driver of personalized solutions

Customer-facing mobile apps form one part of the mobile strategy, but insurance firms are also increasingly using new technologies to improve internal efficiencies and offer innovative or customized products to customers. Auto and health insurance companies are using GPS and location-based services to offer services in case of accidents or emergencies. Humana Inc.’s mobile app, MyHumana, leverages location based search to look for health care providers and to obtain provider credentials, affiliations, phone numbers, driving directions and maps.

Members can also use the app to review drug prices and alternative drug options.<sup>x</sup>

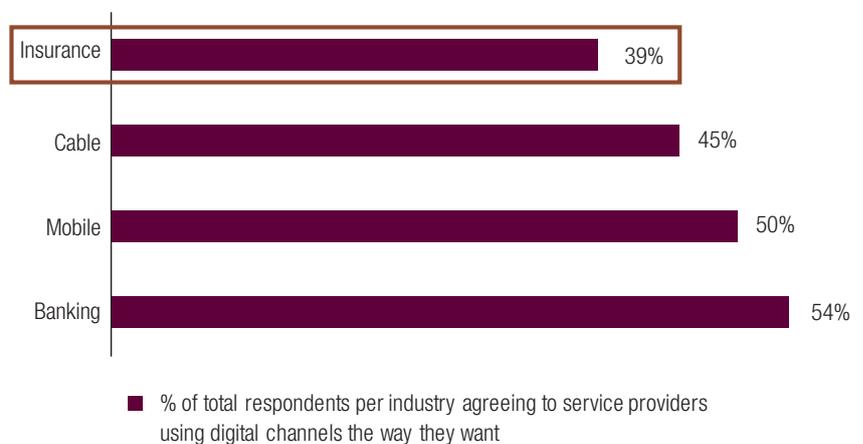
Aviva’s “RateMyDrive” app uses GPS and smart phone telematics to assess drivers’ risk profiles. The app allows drivers to have their first 200 miles monitored for information on acceleration, braking and cornering. Drivers with low risk profiles are eligible for a premium discount.<sup>x</sup>

### Mobile as a product development channel

Insurance companies are gradually exploring the possibility of using mobile to sell insurance products to customers. This might not be their main focus at present, but it remains an exciting possibility which would have a direct impact on the top line. In a survey conducted with insurance providers across US, Germany, Switzerland and Austria, the aim of generating revenue from mobile channels was rated least important as compared with reducing operational and claims costs and improving the brand of the company. However, based on further discussions, it was apparent that this aspect of mobile channel was not being completely ignored.<sup>xi</sup>

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*Aviva’s “RateMyDrive” app uses GPS and smart phone telematics to assess drivers’ risk profiles. Low risk profile drivers are eligible for a premium discount.*”

**Figure 2: Sector wise percentage of respondents who think service providers use digital channels the way they prefer, US, December 2010**



Source: Thunderhead survey conducted by YouGov, December 2010.

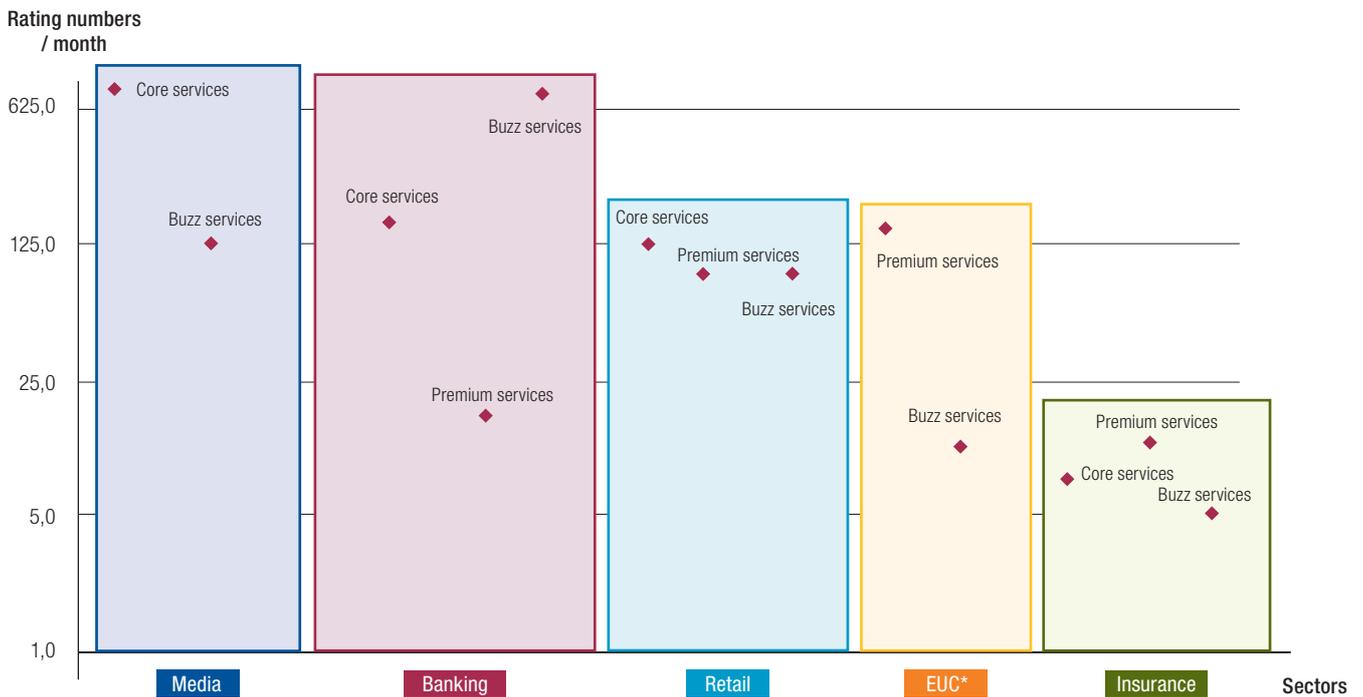
An example is Japanese P&C insurer Tokio Marine Nichido. The firm's app was awarded the Asia Insurance Technology award in 2011 for the best mobile application in terms of customer experience<sup>xii</sup>. The insurance firm tied up with mobile carrier Docomo to provide a series of innovative insurance products named "One-Time Insurance" which can be bought and paid for by customers through its specialized mobile app. By monitoring user activity for a month, using location-based services, the app provides users with recommendations for certain lifestyle insurances such as skiing insurance, golf insurance, travel related insurance, etc. As a result of this, it has been successful in opening a new delivery channel that did not conflict with its current agency channels.

While most insurers are now recognizing this growing channel and are responding to it in a "me-too" manner by developing mobile apps, they are still not sure about their positioning on this channel, levels of investment needed or returns to be expected. Many apps have been developed, yet our analysis of user ratings on apps stores suggests that none are really seen by the market as a "killer" app - putting insurance apps below banking, retail, media and energy, utility and chemical industry apps (Refer Figure 3).

In the following section we discuss a range of best practices and strategies which insurance companies can use to optimize their mobile initiatives.

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**Our analysis shows that insurance app user ratings are below banking, retail, media, and energy, utility and chemical industry app ratings.**  
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**Figure 3: User ratings of apps across sectors**



Note: Core Services=Customer service, M-commerce; Premium Services=Assistance Services; Buzz Services=Promotional Services

\*Energy, Utility and Chemical

Source: Capgemini Consulting Analysis, June 2011

# How do you define a consistent mobile positioning?

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Insurers’ mobile offerings often fail due to unclear objectives, incorrect assessment of customer needs or purely due to an inability to build and track a business case. Firms can start with a “me-too” strategy in the early stages, but eventually a long-term holistic approach will separate the winners from the losers. In this section we lay out seven areas that an insurer should consider in order to realize benefits from the mobile channel (See Figure 4).

## Define clear objectives for the mobile channel

This is the starting point and its importance cannot be overstressed. Insurers should be clear about their objectives for extending mobile services to stakeholders. These can be as varied as improving brand value, customer experience, revenue development, cost efficiency, or managing risk. Apps created for different objectives should have

different budget owners and key performance indicators, to enable successful monitoring of their progress. A clear vision of the service type, target group, and ways to calculate the returns are key to assessing efficiency and prioritizing efforts. Furthermore, being clear on the objectives enables insurers to set realistic targets, measurable KPIs and a path to reach these objectives successfully. We see many insurers who are disappointed by the results from their app development efforts because they were not clear on their objectives to begin with.

## Define a sustainable app platform strategy

The next step after defining the objectives is to ensure that the technical platform and architecture selected are suitable to meet these goals. As organizations look to define their mobile strategy, they need to include technology, architecture, scalability, time to market, and

**Figure 4: Key consideration areas to realize benefits from the mobile environment**

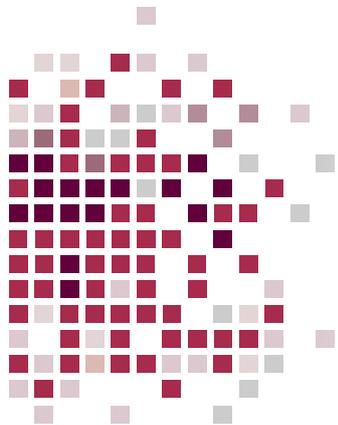


Source: Capgemini Consulting analysis

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*In our opinion, the hybrid web-native approach combines the best of breeds, providing companies with the flexibility to choose from HTML5 or a native approach. It is also more cost efficient.*

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governance. Insurers need to make a quick analysis upfront to balance developmental and operational costs with scalability and quality of interaction with customers.

Mobile technology is continuously evolving. Historically, it evolved from pure mobile web to pure native apps, and now the need for common standards is pushing towards a hybrid development methodology, allowing apps to be developed independent of the underlying mobile platforms by using technologies such as HTML5. In our opinion, the hybrid web-native approach combines the best of breeds, providing companies with the flexibility to choose from HTML5 or a native approach. It is also more cost efficient (See Figure 5).

### **Integrate mobile within the product and multi-channel environment**

Customers use different channels to contact a network. The presence of multiple networks, channels, products and processes makes the insurance customer relationship model particularly complex. In this scenario, mobile can play an important role either by being (i) a distinct contact channel in addition to existing ones or (ii) a layer between the customer and the contact channels, routing the customer according to his need. For instance Tokio Marine Nichido, mentioned

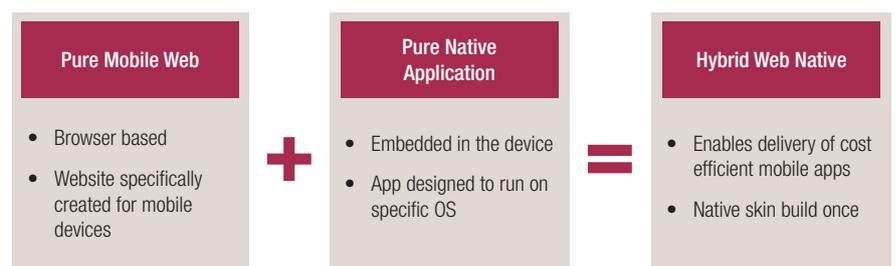
earlier, used the mobile channel to create an additional distinct channel. However, many other insurance apps allow customers to browse product information but ultimately route the customer to a call center agent to complete the buying process.

### **Integrate mobile apps with operational and back-office processes**

In order to have a seamless customer experience and to optimize operations, it is essential for insurers to have real-time integration of data flow between clients, operations and back-office processes. The possibility of receiving responses to their queries within minutes and quick resolution helps in establishing credibility and faith with the customer. Apart from internal processes, this could be replicated for providing location-based data and services to customers.

For instance US-based Progressive Insurance, in order to tackle rising process inefficiencies, invested in mobile technology to streamline its claims processes and boost customer satisfaction. Its field agents were then able to perform up to 20 different transactions in the field on a single site visit, reducing inefficiencies. The return on investment (ROI) from technology investments was positive, allowing Progressive to grow much faster than

**Figure 5: Characteristics of Hybrid Web Native approach**



Source: Capgemini Consulting analysis

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*At ICICI Lombard, surveyors are given iPads which allows them to pull up case details, take pictures, tag these to various categories and complete the process remotely - increasing their productivity by 30-40%*

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the rest of the auto insurance industry at profit margins of 8%.<sup>xiii</sup>

ICICI Lombard, in India, has also been able to use its mobility initiative to integrate back-end systems with operational processes to drive up workforce productivity and improve customer service (See Figure 6). When accidents occur, customers can take pictures and share those with the ICICI datacenter, where a surveyor assesses damage and decides whether to initiate a claim process or go for a closer inspection. This leads to reduced response time for claims. For agents, a quote app, which connects to the back-end system and provides instant error-free premium amounts, leads to better customer service. Surveyors at ICICI are also given iPads which lets them pull up case details, take pictures, tag these to various categories, and complete the process remotely,

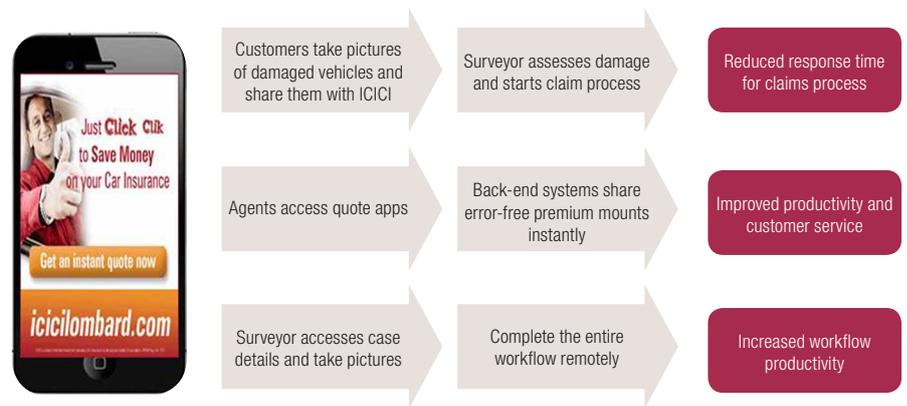
increasing productivity of surveyors by 30-40%.<sup>xiv</sup>

### Invest in Apps promotion

With an increasing number of apps being introduced, it remains a big challenge to ensure effective apps promotion. Analysis shows that getting an app to the top 25 category is the key to break even, and the promotion budget should be at least twice as big as the development one<sup>xv</sup>.

Very often apps are hard to find due to inefficient referencing on app stores, limited visibility of the apps on most insurers' websites, and poor use of social media to promote them. In order to enhance visibility, marketing of apps should comprise a mix of traditional media, web media and mobile Internet.

**Figure 6: ICICI Lombard's mobile offering value chain**

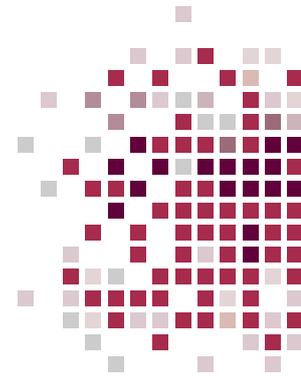


Source: "ICICI Lombard General Insurance Boosts User Experience with Mobile App", Computerworld, August 2012

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*Analysis shows that getting an app to the top 25 category is the key to break even, and the promotion budget should be at least twice as big as the development one.*

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As well as these external activities, apps should also be promoted within the company, in particular within the Marketing and Distribution departments, in order to make sure those apps are included in the value proposition showcased to clients and that they are promoted by salespeople at the time a sale is made. This is critical to improve apps usage by customers.

### Adapt organization structure and governance model

As insurers introduce mobility in various business functions, it becomes essential for them to have a structured approach towards design, development and maintenance of mobility projects.

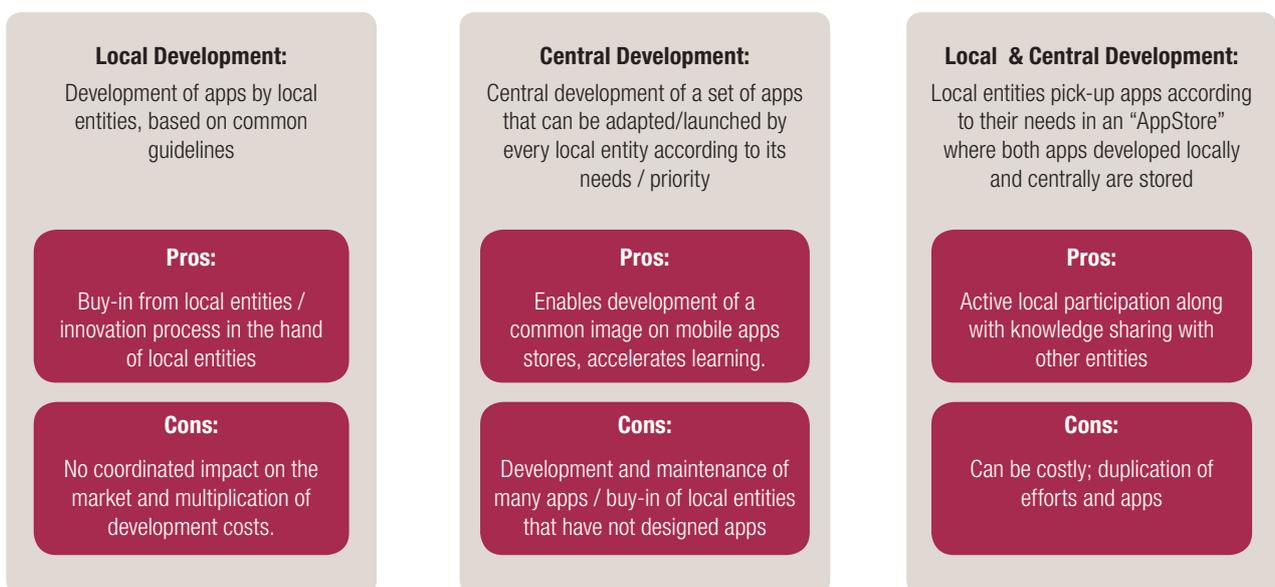
In order to achieve a scalable mobile strategy that caters effectively to the needs of various business verticals and consumer segments, firms can deploy local mobile development units, a centralized development unit catering to the entire firm, or a mix of both based on their situation (See Figure 7). The decision would be influenced by factors such as the firm’s current organization structure, goals from the mobile channel, company culture, etc.

Firms should also periodically re-visit their organizational and governance structure and re-structure as needed.

### Adapt to evolving mobile trends

With constant evolution of technology, it becomes imperative for insurers to keep abreast of latest mobile trends in order to provide innovative solutions to clients.

**Figure 7: Organizational scenarios to manage mobile ecosystems**



Source: Capgemini Consulting analysis

New technologies such as GPS, mobile payments, NFC, mobile scanning provide opportunities for insurers to introduce new mobile products and services (See Figure 8).

Similarly, insurers need to keep pace with the rapid changes in the mobile devices market where different types of models (phones, notebooks) and versions of operating systems are released rapidly. For instance, US-based State Farm has in-house innovation groups which monitor the technology landscape to identify emerging trends. The firm also runs innovation challenges to develop new products and therefore launched iPad apps in January 2011, just a few months after the tablet was introduced in the market<sup>xvii</sup>. While keeping track of rapidly changing technology can be a challenge, knowledge of evolving mobile technologies is the only way firms can ensure that their innovation efforts remain in line with the environment.

**Figure 8: New mobile technologies and related opportunities for insurers**

New technologies	Opportunities
GPS & location-based services	<ul style="list-style-type: none"> <li>▪ Location/ event based insurance products (ex: authorized auto repair businesses)</li> <li>▪ Insurance offerings related to mobility</li> </ul>
Mobile Payments & NearField Communication (NFC)	<ul style="list-style-type: none"> <li>▪ Transaction based insurance products</li> <li>▪ Insurance directly linked to purchasing of goods</li> <li>▪ Distant activation of contracts/ guarantees</li> </ul>
Home automation/ Internet of Things* / Smart grids	<ul style="list-style-type: none"> <li>▪ Transaction based insurance</li> <li>▪ Risk/ premium reduction due to prevention</li> </ul>
Mobile scanning	<ul style="list-style-type: none"> <li>▪ Instant selling of products</li> <li>▪ Access to information and downloads</li> <li>▪ Scanning of goods kept in an electronic safebox/ home inventory</li> <li>▪ Simplification of contract/ claims management</li> </ul>
Enhanced reality/ object recognition	<ul style="list-style-type: none"> <li>▪ Instant quotation</li> <li>▪ Risks related information display (e.g. car crash statistics)</li> <li>▪ Streamlined claims processes</li> </ul>

Source: Capgemini Consulting analysis

\*The "Internet of Things" refers to uniquely identifiable objects (things) and their virtual representations in an Internet-like structure.

## Conclusion

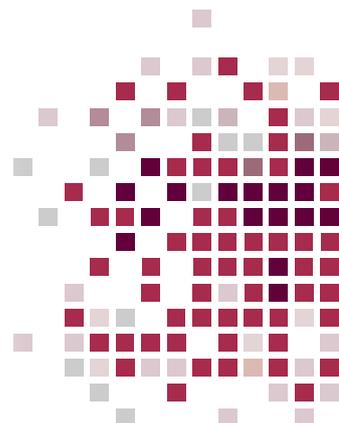
There is no denying the importance of the mobile channel for insurance companies in the coming years. Insurers have to optimize multiple areas of their mobile ecosystem in order to move up the maturity curve and maximize returns from the mobile channel. Currently, the value from this channel is being derived from intangibles such as better service to customers and agents, ease of use, and faster access to information. As the channel matures, the next step would be for firms to measure the tangible returns in terms of revenue growth and cost savings from this channel.

## Notes

- 1 Native apps are specifically designed to run on a mobile operating system and machine firmware. Native apps are optimized for a specific operating system and need to be re-developed for different operating systems. They provide the best functionality set but increase time to market due to redevelopment needed for multiple platforms.
- 2 In the Hybrid approach, the native skin is built once and business functionality is realized on the Web side through HTML5, reducing time to market considerably.

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