Leveraging the Mobile Ecosystem to Transform Insurance

Based on dramatic shifts in consumer behavior and the results achieved in the retail, consumer goods and healthcare industries, insurers have a rich opportunity to leverage the combined power of social, mobile, analytics and cloud technologies to transform their businesses.
Executive Summary

The insurance industry is entering a critical juncture in how it leverages mobile technology to expand its already impressive — and growing — extended ecosystem. This new “third wave” of mobility has the potential, if properly applied, to enable insurance carriers to truly transform the experience of customers, producers and employees, while driving profitable growth and increasing operational efficiencies.

The power of this extended mobile ecosystem will be derived by connecting social media and analytics with the growth of cloud-based services, forming an integrated architecture we refer to as the SMAC Stack. SMAC represents the fusion of social, mobile, analytics and cloud technologies into a platform that enables companies across industries to simultaneously contain costs and create new capabilities that transform business operations across the extended value chain.
Three “Waves” of Insurance Mobility

For insurance carriers, the first mobility wave in 2009-2010 was primarily one of experimentation, where carriers essentially introduced or announced their presence on mobile platforms. We liken this period to a “Hello World” event, in which carriers broadcast to advisors and customers. Organizations were learning about mobile technologies, the operating environments and the process and pace of designing, building and releasing applications to work on smartphones. Early progress for carriers in this first stage of mobile consisted of:

- Agents and employees accessing e-mail on their smartphones (BlackBerrys and iPhones meet corporate e-mail).
- Customers accessing applications to “like” or “favor” a brand via Facebook from their mobile devices (i.e., Farmers Insurance’s “Ride the Zeppelin” or the Farmville game).
- Customers checking Web content via a mobile application to locate offices or agents (i.e., browsing a Web site via a smartphone).
- Customers downloading “mini” applications that educate them on their insurance needs and provide decision-making and analysis tools for various products (i.e., life insurance calculators).

The second wave of insurance industry mobility (2011-2012) was highlighted by two themes. The first involved the re-platforming and porting of existing Web self-service applications for customers and producers for mobile use. The other involved the creation of mobile applications and app stores to distribute functional applications, primarily for sales, new business, marketing and claims. Key advances included:

- Agent functions accessible via Web portals and mobile apps, allowing agents to view commissions or status of new business with customers.
- The ability for customers to access basic policy information and perhaps policy values and financial holdings on service applications through smartphones and tablets.
- The ability for customers to file auto or property claims and upload photos through their smartphones.
- Producer marketing and sales support applications, allowing a carrier to more consistently tell its story and convey a unique value proposition through the sales force and channel.

This stage introduced some exciting new applications and point solutions, but it largely re-cast the Web self-service and portal wave of carriers on a mobile platform.

Upon further analysis, the first two waves of mobile allowed carriers to “cut their teeth” and learn from their investments in applications and mobile architectures. Insurance technology teams learned about the care and feeding of applications and the value of distributing them through an application store, while also building mobility skills and a support organization.
Unfortunately, these first two waves failed to truly engage or better educate key constituents – customers, producers and employees – let alone drive higher levels of premium growth or dramatically reduce carriers’ cost of operations. This leaves many exciting and transformational opportunities unfulfilled that could leverage integrated SMAC technologies. After falling short, many insurers are still searching for ways that the extended mobile ecosystem can:

- Improve sales behavior and results.
- Enable a significant reduction in sales and service cycle times.
- Engage consumers on the “so what” of simply seeing an integrated view of their policies and claims.
- Suggest to customers what they should do next with their insurance provider or their agent/advisor.

To add further excitement to the transformational opportunities for carriers, two powerful external forces are emerging that together can create the perfect environment and timing for carriers to realize powerful results from the extended mobile ecosystem. This realization moves forward-thinking carriers officially into wave three of the mobility journey.

**Force #1: Smartphone and Tablet Adoption Reach Critical Mass**

The dramatic shift toward consumer reliance on mobile phones and tablets is astounding. Smartphone and tablet market adoption continues at a frenetic pace:

- 700 million smartphones were shipped worldwide in 2012 – nearly double the 352 million shipments of personal computers. Consider that as recently as 2010, PCs were still the bigger market.
- Over 133 million people in the U.S. owned a smartphone as of February 2013, representing 57% of U.S. mobile phone subscribers, a dramatic increase from just 39% at the end of 2011.
- Although it took most of the prior decade to reach 10% penetration, smartphones grew to over 40% of the market in just 2.5 years, faster than any technology in history except television. This was, of course, driven from a specific event – the launch of Apple’s iPhone in mid-2007.
- Further, tablets hit 10% penetration of the market in less than three years, faster than smartphones or any technology, ever.
- Over 92% of U.S. financial advisors use a smartphone, and 63% have a tablet computer.

Further, the total time people spend on their smartphones and tablets is quite revealing. A few interesting facts:

- The total time spent on mobile applications increased 120% between 2011 to 2012.
- While the use of social media on desktop computers and laptops decreased by 4%, the use of social media on mobile devices has grown by 83% between 2011 to 2012.
- Facebook consumed roughly 24% of smartphone users’ total time spent consuming media on their devices, which is a testament to the strong social-mobile connection. That statistic does not include Facebook Messenger or Instagram, which are related Facebook services that also ranked in the Top 10 for time consumption.
• Facebook has over 240 billion photos on its platform, and 40 million photos are uploaded every day on Instagram, perhaps making photos the default mode of communication in the future.¹

• Over six billion hours of video are watched monthly on YouTube, twice as many as just a year ago, and 72 hours of video are uploaded every minute.²

Location services from smartphones are creating exciting new applications that can tailor real-time promotions and connect more effectively to nearby businesses to address immediate needs. Such services also allow customers to “announce” their location explicitly (Foursquare), implicitly (via mobile apps such as Instagram pictures) or in real time (using an app such as Glympse). Doing so transforms the experience and value delivered by the service, distribution and delivery industries.

**Force #2: Other Industries Already Shaping Consumer Behavior**

The retail, consumer goods and healthcare industries are among the early adopters of SMAC-based capabilities. They are transforming the customer experience and creating more efficient business models. With consumers now accustomed to interacting with and enjoying these capabilities, they will expect the same from insurers.

The following examples reveal how the mobile ecosystem is enabling companies to shape consumer expectations and deliver dramatic business model changes.

• **Nike’s disruptive innovation in consumer engagement and branding:** Nike’s expanding digital footprint is dramatically shifting how the consumer goods industry markets its products and engages consumers (see Figure 1). Nike’s FuelBand, for instance, motivates consumers to be more active by measuring their every movement, using a proprietary metric of activity called “fuel points.” The FuelBand then allows the consumer to connect, compare results and inspire friends through Nike’s mobile platform, which is integrated with a number of social media services.

---

**Nike Encourages Customer Engagement**


*Figure 1*
Nike is creating a strong brand connection by engaging with consumers in an uninterrupted dialog that continues from one product purchase to the next. Across all Nike’s Web sites and social media communities, the company connects with over 200 million consumers daily, allowing it to stay engaged, spot trends and feel the pulse of its customers. With real-time access to consumer behavior at scale – and feedback from integrated social communities on how Nike products impact consumer lifestyles – Nike’s ongoing product innovations can be informed and driven by the “wisdom of crowds,” improving the odds of market success.

- **Proteus and Novartis prove the efficacy of pharma:** The pharmaceuticals industry has also leveraged the SMAC Stack to dramatically change how it analyzes and communicates the effectiveness of its products with consumers and the healthcare system. Pharma companies are shifting their focus from creating a pipeline of new fast-selling drugs to improving health outcomes for consumers. Proteus Biomedical, in collaboration with companies such as Novartis, has created an ingestible sensor (see Figure 2). When this sensor comes in contact with stomach fluids in the human body, it sends a unique signal to a patch worn on the patient’s skin. The physiological and behavioral metrics collected by the patch are relayed to a mobile app, where it can be accessed by caregivers and clinicians. Continuous monitoring of patients will demonstrate the efficacy of the drug to caregivers.

This innovation will also help pharma field sales agents engage in more meaningful dialog with doctors and physicians on important insights about the use of their products. The technology will also potentially provide immense value to patients with diabetes, central nervous system disorders, mental health conditions and organ transplants, to name a few.

---

**Proteus and Novartis Focus on Improving Health Outcomes**

Source: [http://spectrum.ieee.org/tech-talk/biomedical/devices/a-medical-sensor-you-can-swallow](http://spectrum.ieee.org/tech-talk/biomedical/devices/a-medical-sensor-you-can-swallow)

Figure 2
There are direct implications for the insurance industry from these two examples. If insurers can more efficiently and effectively access health and wellness data from consumers via the mobile ecosystem, they can more effectively tailor and price insurance and retirement-related solutions and dramatically reduce cycle times and underwriting costs. Insurers will also be able to engage more meaningfully with customers and incent or reward the behavior of proactive and lower risk customers, which reduces the annual price these policyholders pay for their products and solutions.

- **'Game-changing' platforms reshaping retail:** For retailers, a new breed of technology platforms has emerged, powered by the SMAC Stack. These platforms are helping retailers optimize the use of multiple channels to connect with consumers and influence shopping behavior and loyalty programs. Three such technology platform companies are helping the retail industry precisely target consumer promotions, and with measurable results.

If insurers can more efficiently and effectively access health and wellness data from consumers via the mobile ecosystem, they can more effectively tailor and price-protect retirement-related solutions and dramatically reduce cycle times and underwriting costs.

For instance, Shopkick — one of the most widely used shopping mobile applications — is increasing foot traffic at physical stores by recognizing and rewarding consumers when they walk in the store. The platform can provide rewards, personally welcome shoppers, deliver custom offers and provide relevant product information to influence customers at the point of purchase (see Figure 3).

Additionally, Cardlytics is collaborating with 325 financial institutions to access the past purchase history of 75 million households and over 200 million consumers of credit cards, debit cards and checking accounts. This analytics...
platform is harnessing the power of big data to correlate online marketing with offline sales by analyzing individual purchase behavior. Consumers are presented offers online, via their interactions with their mobile app for their bank accounts and recent Facebook activity. They are rewarded automatically when making purchases using the debit, credit or prepaid card associated with the account, thus ensuring that all redemptions are tracked.

So far, 15% to 20% of customers accept Cardlytics’ offers, of which about one-third are actually redeemed. These are impressive results when compared with a mere 2% click-through rate from other online advertising media. Importantly, this approach allows financial institutions to package their transaction data in a meaningful way that benefits consumers.

A third platform provider, Endorse, allows brand-to-consumer promotions by delivering coupons through mobile applications, simplifying the couponing process for the consumer and retailer, while also connecting the consumer directly with the brand. To redeem the coupon, customers scan and upload their receipt, using the mobile app. Endorse scans and “re-digitizes” the receipt and feeds the transactional data into its own data warehouse, thus providing consumer products companies with access to extremely valuable, cross-retail, product-level purchase data. Endorse also turns the consumer into a powerful force in the promotion process through peer-to-peer endorsements by allowing users of its app to share deals on Facebook and then rewarding them with a discount.

These three technology platforms provide useful capabilities that can also be leveraged beyond the retail industry. Rather than building similar technologies, insurers should connect with these current platforms, in concert with other opportunities, to more effectively execute effective multichannel sales programs.

Opportunities for Insurance Transformation

When reflecting on the innovative initiatives and results already achieved by other industries, we have identified seven transformational themes that insurers should consider as they mature beyond waves one and two and prioritize their future investments in a mobile ecosystem. These themes can also serve as a practical checklist for considering how customers, agents and employees will benefit from initiatives that can dramatically improve customer experience, distribution effectiveness and multichannel growth and service results (see Figure 4).

<table>
<thead>
<tr>
<th>Transformational Theme</th>
<th>Nike</th>
<th>Novartis</th>
<th>Shopkick</th>
<th>Cardlytics</th>
<th>Endorse</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create a brand connection</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Innovate products from consumer data</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Increase meaningful dialog between agents and customers</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>4. Improve the relevance of offerings for the consumer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>5. Tailor multichannel promotions</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>6. Manage and change consumer behavior</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>7. Simplify interactions and processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

Figure 4
So, where can insurers best apply a mobile ecosystem to transform their business models? Opportunities abound across the sales and service lifecycle. What follows are examples that focus on insurance claims — one for predicting and preventing claims and another for optimizing the claims experience. Lastly, we describe a consumer-led purchase experience for retirement.

**Example 1: Predict and Prevent Claims**

Carriers can better predict and prevent risk events by leveraging SMAC technologies to reduce losses and transform customer behavior through service differentiation (see Figure 5).

For instance, carriers can provide enhanced customer service by collecting and aggregating structured and unstructured data from multiple sources, such as traffic cameras, satellites and weather reports, and then combining these inputs with existing customer and transaction data. Carriers can access customer data through social media forums and motivate customers to share this information by providing premium discounts and value-added location-based services.

Carriers increasingly have access to real-time data from telematics and mobile devices that power smart homes and smart cars that automatically transmit information on customer disposition and health. All this data will help carriers gain additional insights into the customer’s situation, preferences, behavior and risk profile.

This data can be aggregated and hosted by the insurer on a cloud platform. An analytics engine can review the data from smart devices in automobiles and homes, as well as data from customers’ mobile devices in real time, and predict potential risk events for each customer based on location and behavior. This information will be relayed immediately to customers through their mobile or telematics devices, or through social media, providing an opportunity to prevent or lower the impact from the loss event.

This approach changes policyholder behavior and expectations, as customers see carriers more as “advisors,” improving connection with the brand. Also, with...

---

**Proactive Claims Management**

![Proactive Claims Management Diagram](image)

---

Figure 5
the availability of a large amount of data, carriers can now provide products and services tailored to different customer segments.

This new model of customer engagement — where risk events are continuously tracked, monitored and communicated — will result in fewer loss events. Importantly, the model can be positioned as a differentiated service offering. This will ultimately reduce loss ratios and help carriers build deeper levels of trust with their customers, leading to more customer referrals and higher customer retention.

**Example 2: Optimize the Claims Experience**

Carriers can optimize the claims experience through increased process automation across the claims “value chain,” focusing on first notice of loss (FNOL), claims appraisal and claims settlement. Enabled through the expanded mobile ecosystem, this type of automation would result in reduced claims cycle time, reduced claims fraud, improved efficiency of claims appraisers and reduced cost of procurement (see Figure 6).

This new model of customer engagement — where risk events are continuously tracked, monitored and communicated — will result in fewer loss events.

Carriers would engage with customers through “social care” to stay ahead of customer sentiment during the claims experience and provide information proactively during the claims process. This would ensure that a meaningful dialog is maintained with the customer and that any concerns are handled in a timely manner.

- **FNOL:** When a loss event occurs, the telematics devices in automobiles and the home will initiate the FNOL process automatically and contact the carrier. The carrier will know immediately about the incident and will be able to manage the claim proactively from that point. The FNOL report, along with the data from

---

**Delivering Better Claims Experiences and Results**

![Figure 6](image-url)
mobile devices, traffic cameras, satellites and weather channels, can be used to reconstruct the event and identify potential damage and repair costs. Correlating this information with the data supplied by the customer will help set better reserves and flag cases for potential fraud. This will help streamline the FNOL process, thus reducing claim cycle time, improving customer satisfaction and the carrier’s balance sheet and reducing fraudulent claims.

- **Appraisal:** The claims appraiser assignment process would be automated, and rules/algorithms would ensure that the best appraisers are assigned to the claims, based on skills, location and customer availability. The goal of the automated assignment is to settle claims faster, in the most efficient manner, and reduce probability of litigation. Analytics and predictive models would be leveraged to dynamically change assignment based on information available, and this would be transmitted to the appraiser’s mobile devices, reducing loss adjustment expenses.

Analytics and predictive models would be leveraged to dynamically change assignment based on information available, and this would be transmitted to the appraiser’s mobile devices, reducing loss adjustment expenses.

Also, for claims that fit certain rules and limits, the customer would have the option to be the “eyes” on the site; they would use mobile devices and transmit images in real time to the appraiser from their mobile or tablet devices. The appraiser would then view the still photos and videos and ask the customer for additional documentation to describe the loss. This could result in up to 40% efficiency gains for claims appraisers. It would also reduce overall claims cost and claims cycle time, as well as improve the productivity, efficiency and effectiveness of claims appraisers. The availability of data from multiple sources and analytics will reduce the probability of fraud.

- **Settlement:** The claims settlement process would get “smarter” and leverage analytics to ensure that carriers obtain maximum value for the money spent. The analytics engine would continuously study the data available from various sources, including third-party data and customer feedback, and provide the information to the claims officer and claimant to choose the right vendor for various services. The data from current and past repairs – like quality of repair, actual cost to estimates and customer feedback on social media forums – would be analyzed to recommend preferred auto repair shops to customers leveraging location services.

These changes could optimize the claims process and simplify interactions between various stakeholders and business processes. Some, such as automated FNOL and location-based services for recommending the right repair shop, would improve the relevance of offerings and help create a brand connection for consumers.

**Example 3: ‘Buying’ a Retirement Experience**

When it comes to retirement planning, it’s typical for consumers to be strongly influenced by advisors and their employer. However, in the very near future, powered by the mobile ecosystem, customers will begin to control and manage their retirement planning, turning it almost 180 degrees, where they will actually buy a retirement experience (see sidebar, next page).
Quick Take

A Virtual Retirement Planning Journey

Let’s examine a potential real-world scenario – the experience of Frank, the “baby boomer.” He just saw a post on LifeBook – the next generation of Facebook – which alerted him that his former college roommate Jim just retired.

Jim is also a Foursquare virtual mayor of the retirement community sponsored by Talon, a leading insurance and retirement services provider. And he has uploaded a video of his latest retirement adventure.

Frank watches Jim’s retirement experience and decides to design his own virtual retirement journey on Talon’s community site. During the journey, Talon tracks Frank’s retirement objectives and then compares Frank’s journey to other community users just like him, and is immediately able to recommend solutions that help Frank realize his interests in retirement. After Frank is finished visualizing his life in retirement, he decides to share his virtual experience with his online connections to get their trusted feedback.

This virtual experience gives Frank a blueprint for the decisions he needs to make. He can then connect with the Retirement Xchange – a leading exchange for insurance and retirement solutions – where providers can tailor solutions and bid on how they will meet his needs.

It’s still a bit daunting, connecting his retirement interests to the solutions that will help him realize them. So Frank decides to get some additional help from a professional advisor. Frank tries an advisor selection tool, which helps him find John, deemed a perfect match, given his strong recommendations from others who are similar to Frank and who work with John already. In an instant, he sets up a virtual call from his tablet.

In summary, Frank started with a social update from a friend, built a virtual retirement experience and received a blueprint with tailored solutions to realize his goals, based on data, analytics and social community feedback. And, finally, he found a “general contractor” or “coach” – John – to help him further refine and execute.

Now, what about Frank Jr.? His journey as a millennial is probably a little different. Maybe he sees an alarming tweet from a co-worker who is a year older: “Perhaps it’s true: It’s never too early to start thinking about retirement.” And Talon is right there to help him find a tailored solution.

Going forward, both Frank and Frank Jr. can continue to rely on the collective wisdom of their online communities and Talon’s sponsored retirement site to consider any adjustments to their retirement fitness programs and learn about new solutions to help them realize their retirement goals.

Further, Frank Sr. and John, his coach, will schedule periodic fitness sessions, where they may modify his plan, based on reviewing automated updates and life events, health and wellness status, and financial developments.

Frank and Frank Jr. can feel confident that their plans and decisions will allow them to live the lifestyle they desire in retirement.
This experience will involve multiple channels, borrowing from the following:

- **The Facebook model**, where customers will hear about people in their network who are retiring and discuss, publish and compare experiences.
- **The Amazon and Netflix recommendation model**, where retirement solution providers will share what others like you have done.
- **The eBay marketplace model**, where providers will bid to satisfy your needs.
- **The Foursquare model**, where customers will become advocates of their retirement providers and be rewarded for their loyalty with relevant offers.
- **The “fitness coach” model**, to help you find an advisor that is a perfect match for your needs, someone that will be with you every step of the way and keep you going.

To consider the transformational impact of our examples, we have categorized each opportunity according to the seven transformational themes identified when evaluating the use of the mobile ecosystem in other industries (see Figure 7).

**Looking Forward**

Insurers have an amazing opportunity to leverage the expanded mobile ecosystem. Mobile technologies, when effectively integrated with social media, advanced analytics and the cloud, provide a powerful technology platform to dramatically improve the customer experience, while driving profitable growth and operating efficiencies.

Other industries have transformed their business models and customer experience by using the mobile ecosystem, or SMAC Stack. Similarly, insurance operations can benefit from the effective use of a mobile ecosystem. We believe insurers can maximize the impact of this expanded mobile ecosystem by adopting the following strategy:

- Build an integrated SMAC architecture that considers the entire ecosystem of social, mobile, analytics and cloud as a platform suite of services for your business to utilize.
• Dedicate a core team to provide governance, and ensure technology and operations support of initiatives using the SMAC platform.

• Consider the seven transformational themes highlighted in this white paper as your organization prioritizes current and future investments in the mobile ecosystem. Which of those themes will help you best solidify your market and financial objectives?

• Identify your “wow” experience differentiators: What specific areas of tomorrow’s interactions between customers, advisors/agents and your employees will your organization disrupt for the better?

• Define and track the key behaviors and supporting operational metrics that will demonstrate the impact of your organization’s strategic initiatives.

Footnotes


4 Ibid.


7 Ibid.


Note: The logos and company names presented throughout this white paper are the property of their respective trademark owners and are displayed for illustrative purposes only. Use of the logo does not imply endorsement of the organization by Cognizant, nor vice versa.

About the Authors

Kevin Kraft is an Insurance Practice Lead with Cognizant Business Consulting, where he is responsible for the life, annuity and retirement services market teams. Kevin has over 25 years of experience designing and executing growth, customer and distribution strategies for insurance, financial services and healthcare companies. Kevin can be reached at Kevin.Kraft@cognizant.com.

Agil Francis is a Senior Manager in Cognizant’s Insurance Business Consulting Practice. Agil has nine-plus years of management consulting experience in the insurance industry, where he has advised client senior management on top strategy, operations and technology issues. Agil can be reached at Agil.Francis@cognizant.com.

Anshumita Sen is a Senior Consultant in Cognizant’s Insurance Business Consulting Practice. She has eight-plus years of experience in the insurance and consumer goods industries, with special interest in sales and marketing. Anshumita can be reached at Anshumita.Sen@cognizant.com.
About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 162,700 employees as of March 31, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.