



Record High Customer Satisfaction Leads to New Challenges for Insurers and Heightened Customer Expectations

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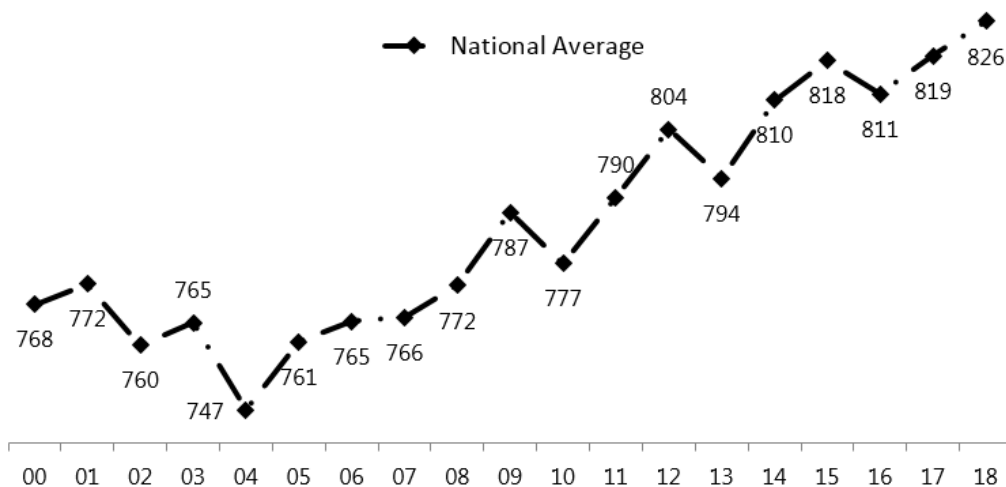
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New Challenges and Heightened Expectations

Record high customer satisfaction among auto insurance customers is clearly good news for customers especially at a time when the overall customer experience is tested by the rising cost of auto insurance. For insurers on the other hand, record satisfaction is uncovering new challenges as customers' expectations create new standards for service. Among these challenges is meeting ever-evolving expectations around digital channels and services that create the need to provide easy processes comparable to Amazon and Uber. The second, is generating premium growth when there are fewer shoppers in the market as a result of high satisfaction and a stagnant level of new shoppers purchasing auto insurance for the first time.

The J.D. Power 2018 U.S. Auto Insurance StudySM examines the drivers behind record-high satisfaction with auto insurers and how customer expectations for servicing are changing to help insurers with the challenges ahead. One of the primary drivers of higher satisfaction has been greater online access to self-service tools through the website and/or mobile app. However, while greater access to information and self-service options have been a primary driver of satisfaction, the industry is still searching for its version of *mobile check deposits* which transformed the way customers interact digitally with banks. The J.D. Power 2018 Insurance Digital Experience StudySM finds even the leading insurance companies are dramatically behind digital leaders like Amazon, Starbucks and Uber, among others, in meeting customers' expectations for a streamlined digital experience.

Figure 1: Auto Insurance Customer Satisfaction Index (On a 1,000-point scale)



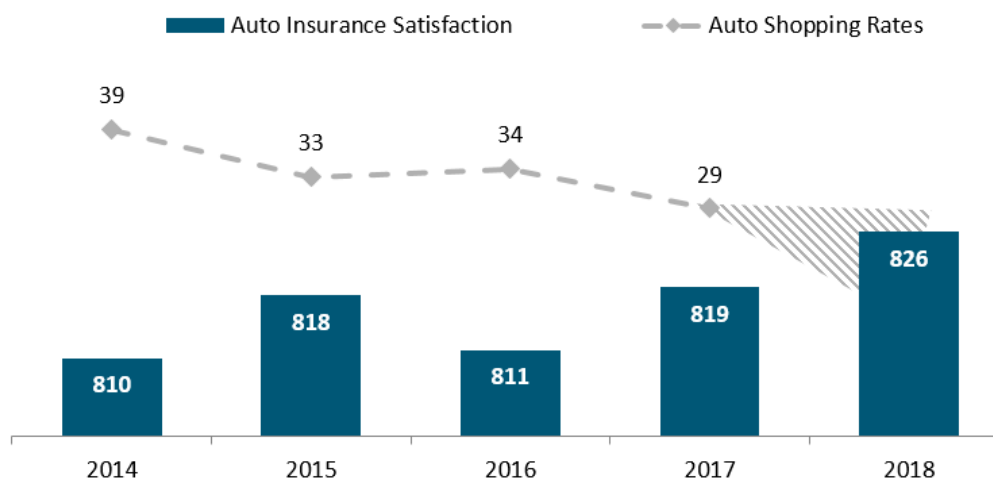
Source: J.D. Power 2018 U.S. Auto Insurance StudySM; Bridged scores used for trending

Record High Satisfaction Leading to Record Low Shopping

Record high satisfaction may seem counterintuitive given the industry has been challenged by rising costs and customers have experienced multiple years of rate increases; however, the U.S. Auto Insurance Study measures experiences across multiple factors making Price only one component of the overall customer experience. As customer satisfaction increases there is a corresponding decline in the intent to shop for a different auto insurer. Beyond intent, there is also a measurable relationship between customer satisfaction and actual shopping rates measured in the *J.D. Power Insurance Shopping StudySM* for the following year¹.

With just 2% of new customers entering the personal lines auto insurance market, most insurers face a zero-sum proposition in which the growth of their company requires taking share from competitors which is exponentially more difficult and costly when customer satisfaction and retention are high. As insurers struggle to grow with fewer shoppers and new buyers in the market, developing a retention strategy based on demonstrating value through customer interactions, outside of price alone, will help insurers' bottom line and potentially lead to an increase in referrals.

Figure 2: Customer Satisfaction and Shopping Activity

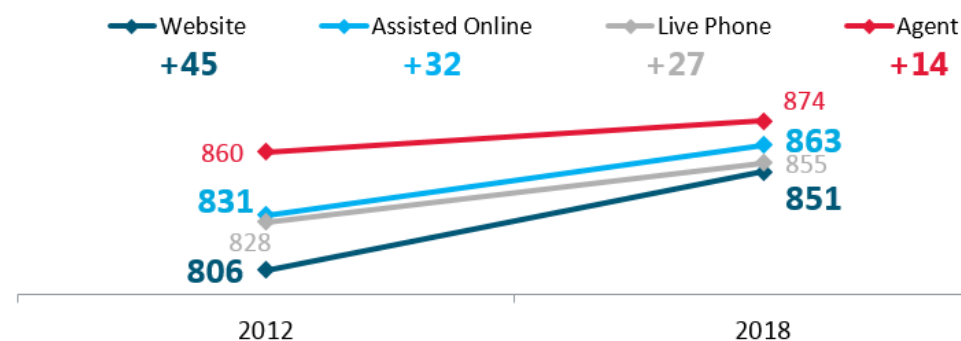


Source: J.D. Power 2018 U.S. Auto Insurance StudySM; J.D. Power 2018 U.S. Insurance Shopping StudySM

Satisfaction with Digital has Improved but Expect More

Customers increasingly prefer digital self-service channels for a variety of interactions with their auto-insurer. The strongest digital preferences are for low-value transactional activities such as making a payment or ordering proof of insurance cards. Customers, even Gen Y, prefer live conversations with a professional when it comes to discussing policy coverage or premium changes. While there is still a long way for insurers to go to catch-up to customer expectations set by other industries and leading digital companies but there has been significant improvement in digital insurance channels since 2012 which has outpaced the Agent and Phone channels (Figure 4).

Figure 4: Change in Customer Satisfaction With Interaction Channels



Source: J.D. Power 2018 U.S. Auto Insurance StudySM

Despite insurers' progress in digital channel experiences, the demand for robust digital self-service options is a high bar to reach. The 2018 J.D. Power U.S. Insurance Digital Experience StudySM finds even the leading insurance companies are dramatically behind digital leaders like Amazon, Starbucks, and Uber, among others. The digital study finds insurers have done a good job creating an attractive user interface but lack insurance-specific capabilities that create additional ease of doing business for customers.

Further, insurers that perform highest in personalization do so by aligning insurance offerings and customer needs; offering benefits tailored to certain risks; and delivering timely guidance also tend to have the highest digital satisfaction scores in the Insurance Digital Experience Study. While insurance is much more low touch than retail banking there may be an opportunity to leverage the AI technology like Bank of America has done with Erica to inject empathy into the digital claims process—a key pain point among customers submitting digital claims today as noted in the Auto Claims Study.

Looking Outside the Industry to Meet Future Expectations

With respect to meeting future customer expectations, the winners and losers will be determined by those who take the quantum leap for the customer experience and look to leaders in specific areas of the customer experience (Billing and Payments, Digital, and Problem Resolution, etc.) where best practices translate across industries. Those industry or task leaders, often outside of insurance due to the low-touch nature of the business, can uncover insights that lead to a competitive advantage within the insurance industry. Even insurance specific issues like Claims can draw on best practices utility companies may have in the event of a power outage. Customers rarely compare their experience with their insurer to another insurer, but rather the dozens of other companies they do business with. Despite record-high auto insurance customer satisfaction, insurers have an incredible opportunity to raise the bar, above current industry leaders, by taking an outside-in approach to reinventing customer interactions that simplify the process of doing business.