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Building Policyholder Loyalty with AI

Maximizing Retention Through AI-Powered Customer Experience

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> " Insurance companies now have access to natural language AI tools that can automate customer interactions, lower customer support costs and improve customer experience at scale. Should insurance companies adopt these tools, policyholders will thank them.
>
> **MELISSA SOLIS, CEO AT INBENTA**

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Executive Summary

Insurance policyholders are more willing and able to switch providers than ever before. This shift, fueled by digital innovation, personalized services, and market competition, encourages customers to demand more from their providers or make a switch. In the face of this challenge, insurance companies are finding it more difficult to retain good customers.

Supporting customer retention and preventing customer erosion are key priorities for insurers. To buck this trend, insurance companies will need to offer unparalleled service and customer experience (CX).

Customer retention, a vital component of success for insurers, depends on consistently meeting or exceeding policyholder expectations for efficiency and convenience.

Elevating the customer experience is crucial for both winning new customers and retaining existing ones. According to McKinsey & Company, "satisfied customers are 80 percent more likely to renew their policies than unsatisfied customers."[1]

The advancement and integration of artificial intelligence (AI) is revolutionizing the ability of insurers to meet and exceed customer expectations and, as a result, reshape CX strategies.

Implementing chatbots that use advanced natural language AI – including Conversational AI and Generative AI – can resolve customer inquiries and significantly shorten customer service wait times. Natural language AI tools are also being used across CX touchpoints, from advanced search features, internal knowledge management, multilingual engagement, to rapid content development. Moreover, some AI-enabled tools can provide insurers with insights into customer behaviors and emotions, allowing insurance companies to anticipate policyholder needs.

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In this white paper, we'll explore the following:

- The direct link between a positive customer experience and policyholder retention.
- How AI-enabled tools can effectively address policyholder issues.
- Specific examples of how insurance companies can integrate AI tools to improve policyholder experience.

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[1] McKinsey & Company, "The growth engine: Superior customer experience in insurance," URL Reference: https://www.mckinsey.com/industries/financial-services/our-insights/the-growth-engine-superior-customer-experience-in-insurance

The Art of Policyholder Retention

The largest insurance companies spend billions of dollars each year building some of the most iconic advertising campaigns and brands. The result is an industry where the average cost per acquisition is $900.[2] Once acquired, how successful are insurance companies at retaining those customers?

As it turns out, some are more effective than others. The average customer retention rate in the insurance industry is 84%, while the top five insurance firms boast a 93-95% customer retention rate.[3]

Retaining customers is far more cost-effective than acquiring new ones. Invesp, a marketing consulting company, calculates that acquiring a new customer can be up to five times more expensive than retaining an existing one. As an added bonus, insurance companies have a 60-70% success rate selling to existing customers compared with only 5-20% to new customers.[4]

In the fiercely competitive insurance industry, meeting customer expectations and delivering exceptional experiences is essential. Customer expectations refer to what policyholders anticipate from a product or service, while customer experience encompasses all the interactions an insurance company has with its customers across the customer lifecycle. Every engagement a customer has with a brand offers an opportunity to either enhance or diminish a customer's perception of the brand's customer experience.

So how are insurance companies performing when it comes to CX? According to PwC, there's an 18% difference between what consumers expect from their insurance company versus what they experience.[5] That's an expectation and experience gap larger than restaurants (12%) or hotels (10%).[6] The wider this disconnect is, the more likely customers are to make a switch.

[2] Insurance Thought Leadership, "Lowering Costs of Customer Acquisition," URL Reference: https://www.insurancethoughtleadership.com/customer-experience/lowering-costs-customer-acquisition

[3] The Independent Insurance Agents of Dallas, "Customer Loyalty and Retention Primer," URL Reference: https://www.iiadallas.org/page/75?

[4] Invesp, "Customer Acquisition vs. Retention Costs – Statistics and Trends," URL Reference: https://www.invespcro.com/blog/customer-acquisition-retention/

[5] PwC, "Experience is everything: Here's how to get it right," URL Reference: https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/pwc-consumer-intelligence-series-customer-experience.pdf

[6] PwC, "Experience is everything: Here's how to get it right," URL Reference: https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/pwc-consumer-intelligence-series-customer-experience.pdf

Managing Policyholder Expectations

Studies show that customers' patience is running out. According to GlobalLogi, a digital engineering services company, 60% of online customers are unwilling to wait more than 60 seconds for a response. Delays beyond this can drastically increase customer loss rates.[7]

Even among consumers who love a particular brand or product, 59% will go elsewhere after a few bad experiences — 17% will leave after just a single bad experience.[8]

The bottom line is that the job of managing customer experience is becoming increasingly difficult. This is particularly true in a world where consumers, especially those in the Millennial and Gen Z cohort, expect instant results.

Consumers have grown accustomed to innovations and conveniences that have upended food delivery, transportation, banking, and services across the board. These innovations center around automation — from ordering food or a car service via an app, making payments or deposits from a mobile device, to finding the cheapest flight or hotel options anywhere in the world with a click.

All these activities can be accomplished without the need for human intervention. Many customers prefer it that way: survey data suggests that half of people under 35 would rather engage with a computer than a human when interacting with a brand.[9]

The desire for automated experiences also extends to interactions with insurance companies. The popularity of filing a claim online or through an app highlights this reality. Insurance companies, however, have many CX touchpoints — all of them can be improved with more automation and fine tuning.

Engaging in customer service conversations, providing mobile or online technical support, sharing helpful FAQs, providing different language options, are all CX touchpoints that, like claims processing, could be improved with AI automation.

The upshot of automating CX is a dramatic improvement in outcomes. Case in point: insurance companies that become CX leaders in P&C outperformed their industry peers in shareholder returns by 65% within a five-year period,[10] underscoring a strong correlation between CX and financial performance.

[7] GlobalLogic, "AI in Customer Retention," URL Reference: https://www.globallogic.com/wp-content/uploads/2021/08/AI-in-Customer-Retention.pdf
[8] PwC, "Experience is everything: Here's how to get it right," URL Reference: https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/pwc-consumer-intelligence-series-customer-experience.pdf
[9] Forbes, "Why Millennials Have Higher Expectations for Customer Experience Than Older Generations," URL Reference: https://www.forbes.com/sites/nicolemartin1/2019/03/26/why-millennials-have-higher-expectations-for-customer-experience-than-older-generations/
[10] McKinsey & Company, "Elevating customer experience: A win-win for insurers and customers," URL Reference: https://www.mckinsey.com/industries/financial-services/our-insights/insurance/elevating-customer-experience-a-win-win-for-insurers-and-customers

# Empowering Policyholders with Advanced AI

Just as the introduction of the iPhone in 2007 heralded a new age of digital experience, 2024 will similarly be a watershed year, as AI tools will soon redefine the landscape of digital experience and customer service delivery.

To enhance policyholder experience, insurance companies should look to AI-powered solutions that can significantly improve policyholder self-service.

Advancements in natural language AI, including the advent of Generative AI and Conversational AI, can streamline various aspects of the customer journey, from marketing and sales, claims processing, to customer service and retention. Advanced chatbots that act as virtual agents, for example, can offer policyholders information, guidance, and support without the need for human-led intervention.

Furthermore, AI-powered customer service tools provide efficient self-service options, giving policyholders a way to solve their issues on their own. This not only elevates the customer experience but also reduces costs associated with customer service escalations. Such tools can assist customers in navigating coverage details, obtaining quotes, or filing claims.

Natural language AI-enabled chatbots, intelligent search and on-demand instructional content are all part of the next wave of innovation. Collectively, these tools give policyholders the power to get their questions answered virtually, without having to wait.

Chatbots 2.0

Intelligent Search

On-Demand Demos
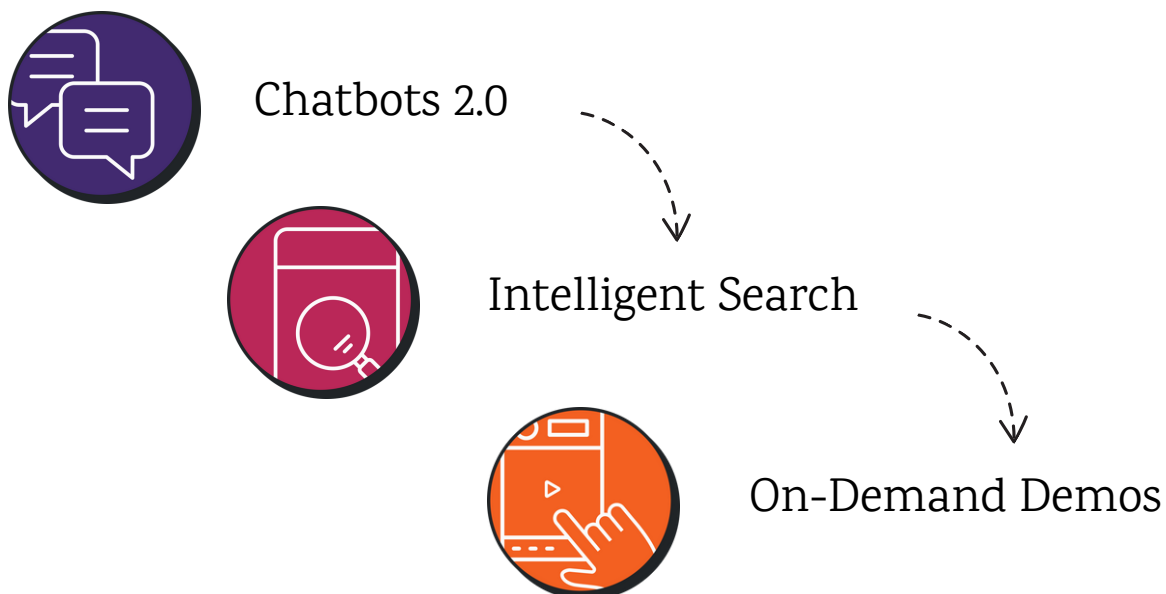
Digital Transformation, Powered by AI

Chatbots 2.0

From a policyholder perspective, chatbots provide a gateway to customer service that requires zero wait time. Many customers, including 9 out of 10 Gen Z consumers,[11] prefer this type of text-based conversation over picking up the phone.

However, not all chatbots are created equal. Legacy bots act more like a waiting room, providing little help until a live agent can join the chat. Other chatbots provide decision-tree-style responses, forcing customers to navigate a predetermined set of prompts – taking the 'chat' out of chatbot.

In both instances, customers are often left frustrated with long wait times and inaccurate responses to their questions. More often than not, these instances are simply an intermediate step to a call center. The underlying technology that powers an insurance company's chatbot is critical to its efficacy. Natural language AI bots (whether using Conversational AI, Generative AI, or a hybrid of both) are more sophisticated and can understand the meaning and intent behind a user's query – not just a list of predetermined keywords and phrases.

These natural language bots allow insurance companies to engage policyholders in human-like, personalized conversations.

In addition, next generation chatbots should also be capable of engaging customers in different languages. So whether your policyholder prefers Spanish, Mandarin, or Tagalog, insurance providers will be able to communicate fluently using materials originally developed in English.

This is possible through the Conversational and Generative AI's ability to pull in and process vast amounts of unstructured data from the company's materials, provide accurate translations, and validate responses with an industry-specific lexicon built over years of experience.

The result is fast and accurate responses, lower inbound call volumes and associated customer support costs, and, ultimately, happier customers.
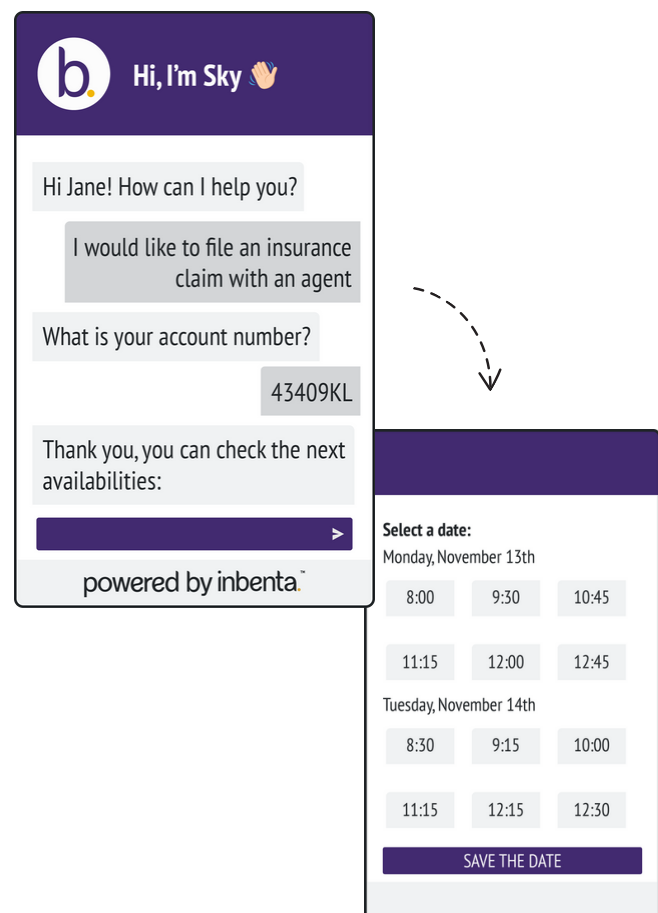
[11] CBS News, "Gen Z developing fear of phone calls, or "phone phobia"," URL Reference: https://www.cbsnews.com/newyork/news/gen-z-developing-fear-of-phone-calls-or-phone-phobia/

Digital Transformation, Powered by AI

Intelligent Search

Search is another area that can be radically improved with AI. While nearly all insurance companies have a search function on their website or app, the accuracy of search results can vary. A good search feature lets policyholders find what they're looking for, surface helpful content, and look up an insurance company's products and services with minimal effort.
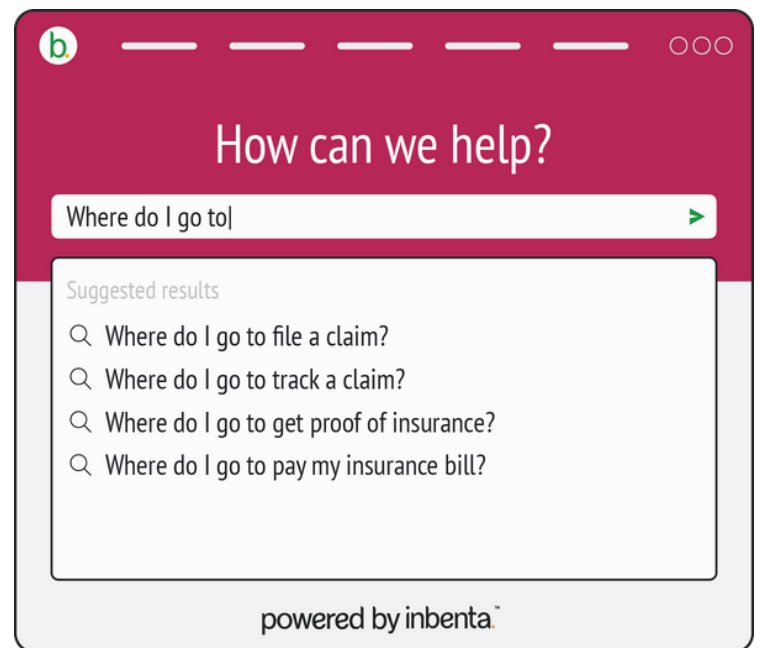
Unfortunately, many search engines don't return accurate results. (Try searching for something a policyholder might ask your agency – e.g., "What does renters insurance cover?" or "Why are my rates going up?" – and see for yourself. If the first or second result answers the question directly, great job. If not, you still have work to do.)

Important to any search functionality is the ability to understand the context of search queries, including the use of negatives, flexible words that can either be a noun or a verb, misspelled words, and other intricacies of language.

Search features should also be able to detect language preferences and provide content that is relevant to the language and the inquiry.

Finally, an insurance company's search feature should be able to interpret long-tail search queries that read more like a complete-sentence question a customer might naturally ask.

Search bars that rely on keywords can't accurately respond to these kinds of queries, resulting in a broken search experience. This is where natural language AI becomes the preferred solution. Natural language AI can capture and understand the intent of queries and triangulate them with the library of content an insurance company has available. It means accurate search results, less reliance on agent support, and a better customer experience.

How can we help?

Where do I go to|

Suggested results

🔍 Where do I go to file a claim?
🔍 Where do I go to track a claim?
🔍 Where do I go to get proof of insurance?
🔍 Where do I go to pay my insurance bill?

powered by inbenta.

**Digital Transformation, Powered by AI**

On-Demand Demos

When customers have questions about digital features, like online claim filing and tracking, there are sometimes few readily accessible, easy-to-understand resources available to them. As a result, customers default to calling customer service. In some cases, customer service agents must go even further and transfer customers to a technical support specialist.

If customers can't easily find product know-how, what does this say about an insurance company's online resources? And if agents can't answer a simple technical question about how some digital feature works, what does this say about the level of customer service support?

To solve for this, innovative insurance companies are deploying online instructional demos. These demos provide a step-by-step guide to the most frequently asked product questions, ranging from how to get a quote, file a claim, or get proof of insurance.

Libraries of instructional demos provide a helpful resource and allow customers to resolve their product-related questions without having to speak with an agent. Plus, they're easier to follow because they show (versus having to tell) the policyholders how the process works.

Insurance companies benefit from this customer experience enhancement as well, allowing them to redirect valuable agent time and resources away from answering simple questions to handling more complex customer queries.
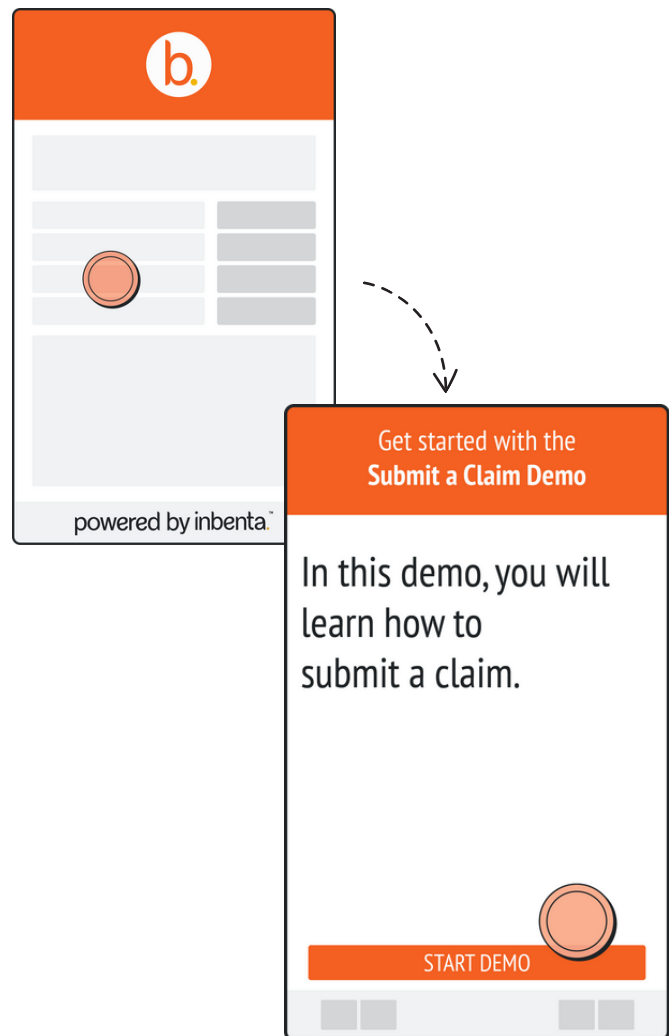
Inbenta is a complete customer experience platform powered by AI

Inbenta helps connect insurance companies to their policyholders with smarter, better interactions online. Featuring a complete set of enterprise-ready AI products, Inbenta's solutions are designed to automate interactions, improve customer experience, and deliver proven ROI. Importantly, Inbenta's natural language AI foundation — which includes Conversational AI, Generative AI and hybrid options — is built with a focus on reliability, safety, and transparency, giving insurance companies the ability to engage their customers with fluency, accuracy, and flexibility.

Inbenta's solutions also allow insurance companies to engage their customers in 90 different languages with accuracy and fluency, without the high cost of translation.

Insurance companies in the U.S. and across the globe use Inbenta's AI-enabled customer experience platform across customer service use cases, markets, and languages.

Chatbot
Utilize a chatbot that can autonomously engage in complex customer conversations, answer questions and complete tasks.

Search
Incorporate a user-friendly search functionality that makes it easy for customers to find the right content.

Knowledge
Organize your company's content, making it fast and simple to find, with a knowledge management tool.

Benti
Optimize customer engagement across multiple platforms with a centralized case management and ticketing system.
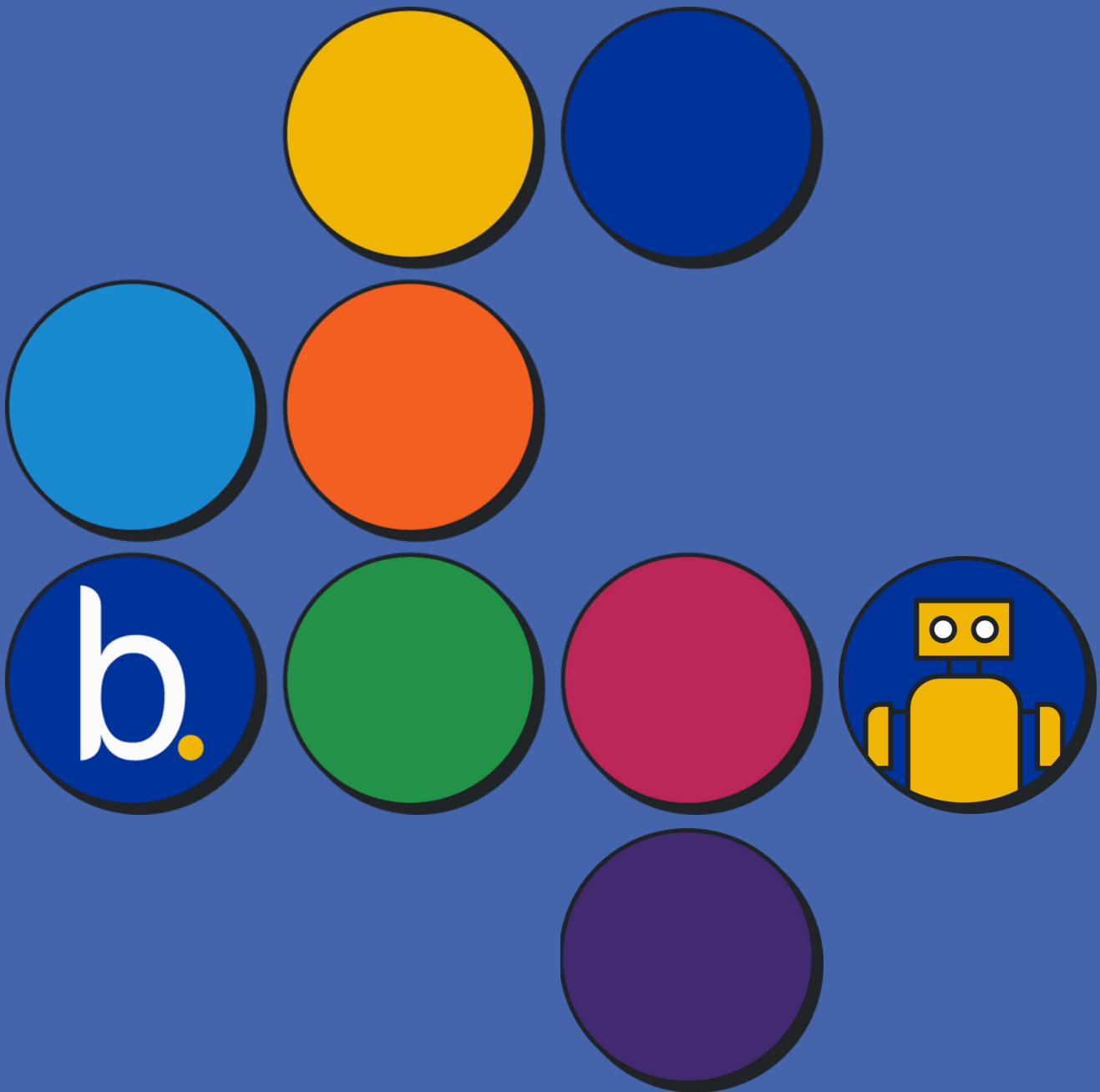
Digital Instructor
Provide 24/7, instant self-serve customer support with interactive step-by-step product tutorials.

Schedule a Demo

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