

4 Ways AI Can Improve the Customer Experience – and Boost Profitability for Insurance Carriers

Insurance market challenges and the impact of customer expectations

Generating profits in the property and casualty insurance industry has become increasingly difficult in recent years. Persistent inflation, supply chain challenges and intensifying natural disasters are driving up labor and repair costs. Auto repair costs alone jumped more than 20% year-over-year in April 2023, according to the U.S. Bureau of Labor Statistics.¹ As a result, insurers have increased rates on policyholders – auto premiums increased by 20% since 2022 based on data from insurance comparison site The Zebra.² This has caused some insurers to abandon certain regions altogether, causing sticker shock and worse for consumers.

At the same time, the insurance industry is racing to retain and grow profitable customers to keep revenue flowing. The current challenges that insurers and consumers face are leading to more complex interactions..

Many of the interactions that insurers have with policyholders and potential customers are through the contact center, which has often been viewed as an expensive, but necessary part of a company's infrastructure. It's also often the first place many companies identify to lower costs, cutting staff in an attempt to find efficiencies.

However, reducing investments in agent staff or narrowly focusing on operating metrics such as average handle time or interactive voice response (IVR) containment rate can also negatively impact the quality of customer service and result in lower brand loyalty. A recent Qualtrics study found that nearly half of consumers report leaving a brand after only one negative customer service interaction.³

Nearly half of consumers report leaving a brand after only one negative customer service interaction.

Afiniti Boosts Performance for U.S. Insurer

Optimizing the customer experience can improve both customer satisfaction and insurance company margins. Afiniti's customer experience (CX) AI technology pairs agents and customers based on the best fit, using customized models built from client-specific data operating in real-time.

A large U.S. insurance company noted greater outcomes in sales and performance after implementing Afiniti's CX AI, including:

- 5% performance improvement in policy tele-sales
- \$110 million annually in lifetime premiums delivered
- 12K incremental policies sold annually

Afiniti's CX AI improves the outcomes that matter most to insurance companies

- Increased policy sales
- Greater upselling & cross-selling
- Increased renewal rate
- Improved contact center efficiency
- Higher gross written premiums
- Fewer post-call cancellations
- Increased in-network repairs
- Increased marketing campaign effectiveness
- Improved employee satisfaction

This case study reflects the experience of an Afiniti customer but may not be representative of all users of Afiniti's products and/or services. Individual results may vary.



In the drive toward digital, maximizing the productivity of CSRs is crucial

"In a massive effort to cut back operating costs, insurers are driving more customers and policyholders to self-service in digital channels," said David Kroner, Managing Director of Financial Services at Afiniti. Kroner explains that while this system quickly resolves straightforward customer issues, it still leaves more complex conversations for the insurers' customer service teams.

This puts the onus on insurers to support customer service representatives (CSRs) with the right information, context, training and technology to solve these customer issues, including tools driven by artificial intelligence.

In a recent survey, McKinsey & Company revealed that insurance carriers that are leaders in customer experience in the financial sector outperformed their peers by 65 percentage points over five years.⁴ The report also found that customer experience can predict and drive both financial and organizational outcomes.

The importance of customer experience can't be overlooked. Consumers now demand seamless, personalized experiences with all brands they interact with, regardless of industry; and for insurers, negative experiences can have a lasting and significant impact, leading to customer churn and lower revenue.

Gaps in insurance CX persist

Fragmented customer experiences are a persistent challenge for the insurance industry, despite digitization efforts. Disjointed and inconsistent engagements are common when a customer begins the process of contacting their insurer.

"Customers can have distinctly different experiences between digital channels and person-to-person channels," said Pionne Corbin, Senior Vice President of Insurance at Afiniti.

"Customers can have distinctly different experiences between digital channels and person-to-person channels."

Pionne Corbin, Senior Vice President of Insurance at Afiniti.



To address this, and many other ongoing gaps in customer experience, more insurers are looking to advanced technology solutions that optimize the customer experience and drive more profitable outcomes.

Transforming Experiences and Driving Profitable Outcomes with AI

While the adoption of AI-enabled solutions has accelerated, there are indications that the insurance industry lags in this area. According to a recent IBM study, only 54% of financial services companies are accelerating adoption of AI. And while larger companies are more likely than smaller companies to have an AI strategy, only 37% are reported to have an AI strategy at all.⁵ So where do insurers begin to implement a holistic AI strategy to support customer experience and profitable outcomes?

In a highly regulated and risk management driven industry, insurers may be hesitant to implement AI-enabled processes. This may explain why many companies have initially focused on using AI to automate simple tasks and processes. Examples include automated knowledge resources and virtual agents, or chatbots. Insurers are also using AI to automate aspects of the customer journey, such as the use of natural language processing (NLP) in virtual agents that can address simple customer requests like how to find general information about their policy. Insurers may be hesitant to pursue more complex AI solutions, generative AI, or those that are costly and have longer implementation cycles, such as large language models.

While automated solutions can reduce costs and increase productivity, in order for insurers to maximize benefits of AI, a multi-use approach is needed. AI can be effective at optimizing the customer journey to create personalized, seamless experiences that lead to higher satisfaction, loyalty and profitability.

“Every insurance customer will have a different risk profile, not to mention a different level and type of income,” Kroner recently wrote in Insurance Innovation Reporter. “So the more an insurer can talk to each customer as an individual, the better the outcome is likely to be — for both the customer and the insurer.”⁶

But policyholders who are frustrated when they call their insurer don’t want to be connected with a virtual agent. They want to speak with an agent who knows their history with the company, the policy they’re calling about, and exactly what they need. More than 8 in 10 contact center agents agree that speaking to a customer is preferable when dealing with a more complex customer interaction, according to a recent Salesforce study.⁷ AI can help improve these types of experiences today.

Let’s take a closer look at several key ways that AI can improve customer interactions and produce more profitable outcomes.

More than 8 in 10 contact center agents agree that speaking to a customer is preferable when dealing with a more complex customer interaction.

Salesforce State of Service Report, 5th Edition



4 Ways AI Transforms Insurance CX

Accelerate
Optichannel CX

Create Engaging &
Compelling Interactions

Deliver Fulfilling
Employee Experiences

Improve Data-Driven
Outcomes

1. Leverage multiple customer channels to produce better outcomes

If you consider the customer's journey today through the contact center, it's managed by many processes in sequence. These processes can include when to trigger a click-to-call or a live chat session, what to ask in the IVR system, when the customer should speak to a virtual agent or when to escalate to a human, and to which agent should they speak.

While this omnichannel approach offers the customers options, data and AI can help you enhance these processes within each channel to make better decisions, and produce better outcomes. Optimizing channels into a seamless experience can benefit both customers and agents. This "optichannel" approach is intended to drive benefits in different channels throughout the customer journey.

In fact, a Salesforce study found 79% of customers say they expect consistent interactions when they contact a company.⁸ Meanwhile, more than half of customers said they had to repeat or re-explain information to different CSRs. As Corbin explains, this can make customers feel like they're starting the process over again. A significant amount of actionable data is captured in each step of the customer journey, which may begin with an interaction on the company's website or mobile application. A customer may click on various links to indicate the intent of their search, and then enter their personal information. AI can then use that data, as well as insights from past interactions, to predict which agent is more likely to have a successful interaction with that customer.

"One of the inherent insights we often find in the data we work with is that certain customer service reps have a comparative advantage at solving certain problems," said Kroner.

Many companies struggle to leverage the various channels across digital and voice to produce better outcomes. Tracking channel switching and process fail rates can be tricky. But when the right data is available and accessible, AI models can be built to measure the experience and drive success across channels. These insights can identify opportunities for automation, and inform seamless, optichannel experiences that customers expect.



4 Ways AI Transforms Insurance CX

Accelerate
Optichannel CX

**Create Engaging &
Compelling Interactions**

Deliver Fulfilling
Employee Experiences

Improve Data-Driven
Outcomes

2. Harness the human connection to support customer retention and profits

While customer familiarity has made IVRs and virtual agents nearly ubiquitous, there is also risk of alienating customers with over-automation. Virtual agents cannot always effectively answer questions or support the emotional needs of customers. Gartner recently found that only 8% of customers used a virtual agent during their most recent customer service experience, and just 25% were interested in interacting with one again.⁹

In other instances, customers simply want to talk with a human being. When automated solutions fall short, AI can harness the human connection, supporting the CSR's ability to address more complex customer needs and provide personalized service.

Insurance claims can create significant financial impacts on policyholders, and those decisions should be made by agents who are highly trained. AI in the contact center can pair a distressed customer with a knowledgeable and empathetic CSR in real-time to reduce the emotional stress involved with a car accident or their home flooding, for instance.

AI can help live agents drive customer satisfaction by identifying a customer's intent and tailoring a specific experience based on the customer's unique needs and preferences. For example, AI-powered agent assist tools can improve the claims experience by helping the CSR recommend appropriate vehicle repair options. Intelligent routing, coupled with geospatial data, could quickly pair claimants with adjusters who have a history of settling certain types of claims, using data to make those interactions more successful in accordance with the underlying policy. In these cases, AI supports the best possible outcomes between claims staff and customers.

AI can also be applied to specific value-driven use cases, which can be measured and improved over time. "AI models can increase bundling rates by presenting customers and agents with insurance products tailored to the customer's evolving needs, increasing the likelihood the customer will purchase the additional products," according to Kroner. This approach enables insurers to implement AI strategies which could be improved or prioritized with market conditions. Use of AI in the contact center supports business levers that can lead to more profitable outcomes.

When automated solutions fall short, AI can harness the human connection, supporting the CSR's ability to address more complex customer needs and provide personalized service.



4 Ways AI Transforms Insurance CX

Accelerate
Optichannel CX

Create Engaging &
Compelling Interactions

**Deliver Fulfilling
Employee Experiences**

Improve Data-Driven
Outcomes

3. Deliver more fulfilling employee experiences

Pressures on CSRs have intensified due to evolving customer demands for more individualized service. Research from software provider SQM finds that the turnover rate for contact center agents was 35% in 2021 and 38% in 2022.¹⁰ Along with elevating customer experiences, AI can help insurers improve the experiences of their employees, especially their customer-facing teams.

Insurers must consider technologies that can help boost employee satisfaction rates by making it easier to build relationships with customers. AI-powered contact center solutions can help carriers retain qualified and happy employees that will ultimately interact with policyholders to give their customers a great experience.

For instance, AI-powered agent assist tools can be used to automate repetitive tasks or save significant time by analyzing large amounts of data and offering recommended next best actions for the CSR to consider. This can help CSRs understand and better serve their customers.

“Insurance companies can also deploy AI to optimize more complex interactions between customers and agents, in addition to automation of simple transactions,” Corbin said. “AI enables insurers to take advantage of data in new ways to position their customer service representatives for greater success leading to more positive customer experiences.” AI models evaluate data such as agent performance, customer attributes and customer lifetime value (CLV) to empower contact centers to optimally pair agents with customers for the best customer experience and business outcomes.

At the customer service level, agents are under pressure to meet customer expectations, often holding conversations while swiveling across multiple systems to locate information they need to resolve the issue. With AI-powered contact center solutions, such as next-best-action capabilities and intelligent routing, insurers can better equip their customer service agents to understand the value and history of each customer and help them determine the best possible path forward.

Considering that the cost for hiring and training each new agent can be as high as \$20,000 according to McKinsey & Company, insurers can save by proactively investing in technology that retains CSRs and drives their success and job satisfaction.¹¹

AI models evaluate data such as agent performance, customer attributes and customer lifetime value (CLV) to empower contact centers to optimally pair agents with customers for the best customer experience and business outcomes.



4 Ways AI Transforms Insurance CX

Accelerate
Optichannel CX

Create Engaging &
Compelling Interactions

Deliver Fulfilling
Employee Experiences

Improve Data-Driven
Outcomes

4. Attain more value from each interaction with data and AI

Traditionally, insurers have focused most of their data efforts on making pricing and underwriting decisions, but often have volumes of data that are overlooked, such as CRM or customer activity data. With AI, insurers can use this valuable data more easily to discern patterns and meaning that deliver more powerful experiences to drive more value.

A report in Harvard Business Review showed that customer personalization strategies powered by AI are resulting in corresponding increases in net revenues across multiple industries.¹² AI-powered recommendation engines can use real-time data on the customer to enable CSRs to suggest a better portfolio of products or coverages in a way that makes sense for both the policyholder and the insurer. AI-powered contact center routing technology can identify a customer's intent and decide whether to send them to another digital channel, interact with a virtual agent or speak with a live agent. Other uses include revealing opportunities to cross-sell policies or adjust coverage and nudge these interactions.

Insurers can also turn to AI to leverage data points that are indicators of customer attrition. Disparate data from CRM systems, prior contacts and CLV models, for instance, can now be integrated to build models to reduce attrition. If the insurer can predict a caller's likelihood to cancel in real-time, it can proactively direct them from a virtual agent or self-service to a live agent who can address the concern before it escalates. Data driven insights, informed decision-making and better customer experience applied to every interaction lead to higher lifetime customer values and create more stability for the insurer as well as their customers.

The right data makes it possible to build models that optimize the entire process.

A strong data strategy helps reap the benefits of AI

Before insurers can capture the full benefits of AI, they must have a strong data strategy. With the right infrastructure, AI tools can not only consume data but their performance can be measured in a meaningful way.

The following actions can further improve your data infrastructure:

- Eliminate data silos that make data tools less effective
- Implement a comprehensive data security to make data access safer
- Invest in high quality data lakes, strong data modeling teams, and data migrations
- Ensure data models are transparent and supervised
- Create effective strategies for governance and management
- Incorporate technology solutions to accelerate AI maturity
- Invest in new roles such as AI ethics officers

When data is available and accessible, AI can drive significant outcomes and help insurers measure the impact to their bottom line.

Maximizing Data and AI Tools

Consumer expectations are changing and the insurers that adapt the quickest and most successfully will benefit. Customers demand personalized interactions, even if they're not interacting directly with a person. For insurers looking to thrive in this evolving landscape, AI-driven tools will play a key role in their digital transformation to optimize across all channels.

By precisely measuring and analyzing customer data, AI helps deliver better outcomes with customers, personalizing experiences across self-service, virtual agent and live agent interactions – no matter the channel.

Benchmarking how a specific workflow or customer interaction operates without AI support, for example, can create a control group to continuously measure AI's impact when it's actively treating customers and employees – determining the value AI is delivering, while ensuring its safety.

Insurers should leverage a mix of AI tools as part of an overall strategy to create a more seamless, true omnichannel experience. Coupled with a robust and comprehensive data strategy, AI has the potential to transform customer experience, boost outcomes for customers and drive higher revenues. ■



[1] U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, April 2023. Viewed on December 1, 2023.
https://www.bls.gov/news.release/archives/cpi_05102023.pdf

[2] Zebra Insurance Outlook for 2024. Viewed Feb 12, 2024.
<https://www.thezebra.com/resources/car-insurance/insurance-outlook-for-2024>

[3] Qualtrics, Research: 80% of customers said they have switched brands because of poor customer experience, and poor customer service experiences drove the most people to switch. Viewed on December 1, 2023.
<https://www.qualtrics.com/blog/qualtrics-servicenow-customer-service-research>

[4] McKinsey & Company, Elevating customer experience: A win-win for insurers and customers. Viewed on October 26, 2023.
<https://www.mckinsey.com/industries/financial-services/our-insights/insurance/elevating-customer-experience-a-win-win-for-insurers-and-customers>

[5] IBM Global AI Adoption Index 2022. Viewed Dec 7, 2023.
<https://www.ibm.com/downloads/cas/GVAGA3JP>

[6] Insurance Innovation Reporter, Humanize the Policyholder Experience to Battle Inflation and Drive Loyalty. Viewed on November 15, 2023.
<https://iireporter.com/humanize-the-policyholder-experience-to-battle-inflation-and-drive-loyalty>

[7] Salesforce State of Service, 5th Edition. Viewed Dec 1, 2023.
<https://www.salesforce.com/resources/articles/state-of-service-inside-customer-service-trends>

[8] Salesforce, What Are Customer Expectations, and How Have They Changed? Viewed on December 1, 2023.
<https://www.salesforce.com/resources/articles/customer-expectations>

[9] Gartner, Gartner Survey Reveals Only 8% of Customers Used a Chatbot During their Most Recent Customer Service Interaction. Viewed on December 1, 2023.
<https://www.gartner.com/en/newsroom/press-releases/2023-06-15-gartner-survey-reveals-only-8-percent-of-customers-used-a-chatbot-during-their-most-recent-customer-service-interaction>

[10] SQM Group. Call Center Attrition Rate – It is Now the Most Important KPI. Viewed Feb 12, 2024.
<https://finance.yahoo.com/news/call-center-attrition-rate-now-121800604.html>

[11] McKinsey & Company, Boosting contact-center performance through employee engagement. Viewed on December 1, 2023.
<https://www.mckinsey.com/capabilities/operations/our-insights/boosting-contact-center-performance-through-employee-engagement>

[12] Harvard Business Review, Using AI to Adjust Your Marketing and Sales in a Volatile World. Viewed on December 1, 2023.
<https://hbr.org/2023/04/using-ai-to-adjust-your-marketing-and-sales-in-a-volatile-world>

afiniti[®]

To learn more about Afiniti, please contact: marketing@afiniti.com