

# CAPCO

**CREATING TRULY EXCEPTIONAL INSURANCE EXPERIENCES:**

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LEVERAGING INNOVATION TO DELIVER FOR CUSTOMERS



 **INSURANCE INNOVATORS**

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**These are exciting times to work in the insurance industry. A convergence of changing customer expectations, more assertive regulators and technological advances has created fertile ground for a new culture of innovation. Insurers are aiming to make the most of these opportunities, reinventing themselves for an AI-powered future and leveraging innovation to create more accessible, personalized and engaging experiences for customers and to future-proof revenue models.**

These trends have been building for some time, but it took a global shock to deliver the catalyst for industry-wide change. The COVID-19 pandemic enabled a leap forward in digital capabilities, massively accelerating the deployment of technologies that had been much discussed but slow to operationalise.

“As an industry, we’d talked about digital for over a decade but it’s only post-covid that customers have genuinely accepted digital first,” says Marina Belezina, Group Director of Strategy and Innovation at Aviva, which has 16.2 million customers in the UK alone. “Now over 90% of UK adults are using digital<sup>1</sup>. It’s a big milestone.”

The next stage of this transformation will be even quicker, however, with generative AI already outpacing all other workplace technologies when it comes to adoption. It took seven years to get 50 million users surfing the World Wide Web<sup>2</sup> but ChatGPT, the first large language model (LLM) to launch, reportedly crossed that user threshold in just five weeks.

“Technology is developing exponentially in front of our eyes,” says Belezina, pointing out that while the first release of ChatGPT could handle tasks that would take a human five seconds, such as parsing a sentence, the more recent models can handle five-minute tasks, while OpenAI CEO Sam Altman claims that the updated versions coming out later this year will be able to handle five-hour tasks<sup>3</sup>.

**“ The technology is developing at unprecedented speed and becoming easier to use. That’s what’s so powerful. ”**

**Marina Belezina, Aviva**

It is not only the unprecedented speed of technological advance that impresses, however. It is also that AI is becoming easier to use. “That’s what’s so powerful,” says Belezina. “The next versions will be truly revolutionary.”

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1. <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2020>
  2. <https://www.weforum.org/agenda/2018/06/how-long-does-it-take-to-hit-50-million-users/>
  3. Sam Altman, CEO of OpenAI <https://lexfridman.com/sam-altman-2-transcript/>

# CONSUMER DUTY: NEW RULES, SAME VALUES

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This transformative technology is arriving at just the right time for an industry that finds itself in what Dean Witherington, former Retail Claims Director at AXA, calls a perfect storm. From the ongoing cost of living crisis and rising geopolitical tensions to changing customer expectations and ever higher climate-induced losses, insurers are on the frontline of a complex and fast-changing world.

Regulators are also flexing their muscles, notably in the shape of the UK's Consumer Duty, introduced in July 2023, which sets new higher standards of consumer protection across financial services and requires firms to put their customers' needs first. The introduction of the Duty has required firms to adopt new metrics, audit trails and reporting around how customers are treated and their data handled.

"As the Duty mandates a more outcomes-focused approach, it compels insurers to leverage data and analytics to deliver good customer experiences and demonstrate accountability in their operations," says Matt Hutchins, Partner and Global Insurance Lead at Capco. "Operations dashboards must now feature clear metrics on customer satisfaction and claims processing, real-time monitoring of customer interactions and product usage, and detailed analytics on compliance and data privacy. Additionally, tracking and addressing the needs of vulnerable customers is essential.

"For boards and governance, dashboards should provide a comprehensive view of compliance with Consumer Duty standards, offering data-driven insights for strategic decisions. They must include performance metrics that measure adherence to Consumer Duty KPIs and facilitate regular reporting to regulators, ensuring transparency and accountability. Essentially, we see three clear broad areas of opportunity where insurers can bring greater focus and investment to bear to enhance their offerings to UK consumers: digitalization and technology innovation; products, capabilities and channels; and modern data architectures and analytics."

Marina Belezina at Aviva says the FCA's new rules merely formalise values that were already part of her company's DNA. "[Consumer Duty] comes with a project cost to deliver and implement but it's just reinforcing what we already do," she says.

Technology is also making it easier than ever to see the pain points in a customer journey, identify potential vulnerabilities, and adjust processes accordingly – not just to satisfy the regulator but to do the right thing. This means building a very granular understanding of customers in order to craft highly personal and impactful experiences, every time.

# NOT JUST A POLICY NUMBER

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The shift from one-size-fits all offerings towards more personalized services is not just a matter of tweaking the customer experience itself, but instead demands a clear-headed rethink of the entire business model. Rather than attempting clumsy cross-sells that can just as easily frustrate rather than complement the customer experience, insurers are seeking to identify life moments where they can add real value as a trusted partner.

By helping the policyholder navigate an increasingly complex world and make the best decisions for their own unique circumstances, insurers are looking to transition from low-margin transactional interactions to higher margin services that span not just a lifetime but entire generations.

This matters more than ever. For many people, their financial health has never been more precarious, whether it is the cost of living, post-pandemic health issues, the uncertainty of the gig economy or a world beset by new risks, ranging from extreme climate events to cyber-attacks. Insurers have a key role in helping improve financial literacy as well as acting as a backstop for individuals, businesses and society should the worst happen.

At the same time, the shifting macroeconomic context also creates opportunities for insurers. In the coming years, intergenerational wealth transfer will see trillions of dollars of assets change hands, making millennials the richest generation in history<sup>4</sup>. This presents financial services companies, including insurers, with a once-in-a-generation opportunity to provide advice, guidance and unique propositions to preserve and grow this wealth.

The potential is huge. “Whether it’s a first workplace pension or first car insurance or planning for retirement, we have a proposition to support [customers] throughout their lifetime,” says Marina Belezina of Aviva.

“For those customers that can’t afford an IFA, there’s a huge need to provide advice and guidance at critical life points,” adds Capco’s Matt Hutchins. “There is an expectation for quicker claims outcomes and faster response times, driven by other industries. And amid a generational shift in how people think about their pensions and what they need from their provider, providers are beginning to think about decumulation products that ‘flex first, fix later’, where a customer starts their retirement journey in drawdown, but has an automatic ‘future’ switch to an annuity baked in (at e.g. age 80) for all or part of their savings to ensure their funds don’t run out.”

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4. <https://www.knightfrank.com/research/article/2024-02-28-how-will-millennials-spend-us90-trillion>

# DRIVING ENGAGEMENT, ON THE ROAD, AND BEYOND

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The rise of the insurer as lifetime financial partner faces one clear hurdle, however. Insurance is typically viewed as a once-a-year grudge purchase, driven by price, and there is usually no desire on the part of the policyholder to interact beyond that.

“People check their mobile banking apps several times a day, but nobody wants an insurance app cluttering up their phone,” says Dean Witherington, formerly of AXA. “The only time we see that level of engagement is when they’re making a claim, and then they want updates on every step of the journey.”

This imbalance between prolonged periods of radio silence and a flurry of contact and communications when a claim needs to be made is a major challenge for insurers, who may be flying blind about customer preferences and behaviours until a moment of crisis suddenly requires

deft and empathetic handling. This is changing, however, as insurers capitalize on new digital data flows to build engaging experiences that add value to both parties.

In health insurance, for example, Vitality has made a name for itself by allowing policyholders to earn rewards through sharing health and fitness data, while in motor lines, data-driven propositions, such as Aviva’s MyDrive app, are creating virtuous feedback loops using gamification techniques.

The more this sort of daily engagement can be built up, the more insurers can learn about their customers’ real-world behaviours and use that data to design and deploy truly meaningful value-added services that are timed for impact.

## THE DATA FOUNDATIONS

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**“ Everything flows downstream from data ”**

**Matt Hutchins, Capco**

Creating more personal and engaged services, however, requires three things: data, AI and people. The first is key. “Everything flows downstream from data,” says Capco’s Matt Hutchins.

He points out that while insurers have always been data-led, that data has typically been product-centric rather than customer-centric. This means firms don’t have an enterprise-wide holistic single view of the customer, from which to build personalized services and products. “Companies are really wrestling with this,” says Hutchins.

For legacy insurers, with multiple businesses, brands, and aging systems, getting the data foundations right is a huge challenge, never mind the bells and whistles of agile deployment and advanced analytics that are fast-becoming hygiene factors in the digital age. The longevity of legacy systems is no accident, however: they have a proven track record of reliable performance. No wonder that rather take any risks with assets that have weathered serial waves of disruption,

many companies are instead opting to modularize and modernize their architecture.

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**“ Companies are gradually decomposing these monolithic systems into microservices with a lot of incremental migrations to the cloud ”**

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“What we’re seeing now is lots of mainframes moving to a microservices architecture,” adds Matt Hutchins. “They are gradually decomposing these monolithic systems into microservices with a lot of incremental migrations to the cloud. It allows them to take cost out and become more modular so they can make faster changes and deployments without introducing the risk of a core platform replacement.”

# GENERATIVE AI: TURBO-CHARGED DISRUPTION

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Generative AI is, of course, the technology of the moment and an industry as data-rich and process-heavy as insurance is primed to benefit from AI's assimilation and summarization scalabilities, which hold the promise of turbo-charging many laborious tasks from medical reviews to compliance.

The technology has the potential to significantly improve the customer experience, for example by ensuring call handlers have access to all the information they need to better serve the customer and providing guidance on next best actions to improve outcomes.

"GenAI's true power in insurance lies in its ability to synthesise vast amounts of data into meaningful interactions," says Matt Hutchins. "It's not just about automating processes; it's about enhancing human decision-making and generating insights to create a more responsive and tailored experience for every customer."

These insights can be highly specific to each customer and the moment they are in. Some customers, for example, may be happy with a quick and easy SMS update on their claim, while others may want a full apology because a courtesy car is an hour late or spare parts have not arrived because a container ship sank in the Red Sea. Anticipating who needs additional intervention is a tall order when this may be the first interaction a customer has had with their insurer for many years.

"This is where AI tools like voice stress recognition and sentiment analysis can really make a difference," says AXA's former claims expert Dean Witherington. "From a relatively small number of interactions, these tools can predict how a customer is feeling and what intervention might be most appropriate in each instance." This can help support front-line staff, who are often more junior and have limited time to do everything they need to with each customer.

The variables that need to be computed to deliver truly meaningful next best actions are vast: the customer's preferences and life circumstances play a key role but so does the type of claim. Capturing this data – whether that is a digital FNOL [first notice of loss] or via telephone – integrating it with other datasets, and running it through AI-powered models can help configure a customized solution for the circumstances, which can then be fed back to the human or electronic handler in a meaningful timeframe. This is the vision that is currently being built out at AXA, which is currently re-platforming into the cloud.

"By the end of this year, we should have the AI tools to get proof of concept live so by the middle of next year, we will have some stuff running in different scenarios on a pilot basis, at which point the AI learns pretty quickly," says Witherington.

# THE POWER OF VOICE

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This may be an AI-powered future, but it is also a human one. “Voice interaction should not be undervalued and when things go wrong, most customers prefer it,” says Witherington, pointing out that a high proportion of young people still want to speak to someone in the event of an accident – and an even higher proportion want their dads to make that call.

It is one reason why CX innovation must include automated Interactive Voice Response systems and human call handlers. “By summer 2025, our AVR will ask customers to speak their problem, in their own words, and voice recognition and a natural language processing tool will channel that call to the right person,” says Witherington. “It will pick up what you want to do, whether it’s a simple or complex claim, your level of stress, and flag if you might be a fraudster.”

**“ Humans are still our greatest asset ”**

**Dean Witherington, formerly AXA**

The aim is not to eliminate the human handler, but to route simple claims for direct settlement via a quick and easy digital channel while more complex cases – or people who prefer the human touch – are routed to a call handler.

“Humans are still our greatest asset,” says Witherington. “But using these tools, we can make [call handling] a better job, take away some of the laborious tasks and the things that make it stressful, and give our call handlers more time to natter with the customers.”

**“ Every single person in the company will have access to at least one Gen AI productivity tool by the end of the year ”**

**Marina Belezina, Aviva**

Marina Belezina expects that this AI-enabled workforce will be mainstream in the next five years. “Within 12 to 18 months, the focus will be use cases that enhance our operations,” she says, pointing out that every single person in the company will have access to “at least one productivity tool by the end of the year”.

“It’s a cultural change as much as a technology change,” she says. “We’re trying to replace the fear of the new with curiosity. And so far, with the early use cases, we have found a positive response because when people see how much more interesting and valuable their job becomes when they use these tools, they become excited by the opportunities.”

Indeed, the AI-human-powered insurer of the future will be both more automated, and more human. For the customer, the experience will be slicker, easier, and more personal – and for the insurer, greater customer retention and loyalty will mean the start of a lifetime journey.

## CONTACT

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## ABOUT CAPCO

Capco, a Wipro company, is a global management and technology consultancy specializing in driving transformation in the energy and financial services industries. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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