Digital Transformation of Insurance Communications

How going digital can lower costs, add control and increase customer satisfaction.

Broadridge®

Executive summary

When it comes to digital transitions, insurance carriers face challenges, including legacy systems and heightened regulatory requirements. However, recent developments in customer preferences—along with the emergence of new technologies—can help carriers cross the digital divide.

By adopting a customer-centric approach firms can increase digital adoption and improve their brand experience. Going digital helps companies turn static communications into more engaging customer experiences that increase loyalty and grow revenues.

Key takeaways

- Customers are digital, but financial firms have been largely unsuccessful in establishing digital relationships
- The reliance on outmoded paper communication is bad for business
- Increasing digital adoption saves money and improves the customer experience
- Opportunities for digital communication exist with e-mail, cloud storage and texting

Challenges in going digital

Today's insurance carriers and retirement providers are adopting digital at an increasing rate, but the path is not always a smooth one. Even the most well-intentioned roadmap can be hampered by incompatible systems, low user adoption and an ever-changing regulatory landscape.

Many carriers and providers have made significant investments in legacy systems. While these systems meet a firm's current needs, they often do not communicate with one another. It can be expensive to make even small changes. Plus, firms may have trouble capturing or storing basic details such as a customer's e-mail address—or even accessing a single view of the consumer. Cost is always a major consideration and updating older mainframe-based systems may not provide the return on investment needed to justify the expense.

Another major hurdle to going digital is gaining the necessary eConsent from the customer. For example, annuity carriers that distribute through broker-dealer networks do not have direct access to the end account holders. Although these customers may have signed up for eDelivery from their advisor, they still receive paper from their insurance carrier—causing confusion and a less than ideal customer experience.

Ever changing regulatory landscape

While there is a great deal of uncertainty in what regulation will pass and in what form, there is no question to the fact that there will be increased regulation and scrutiny in the future. In 2016, these regulations have the potential to impact compliance, with proposed change on the horizon.

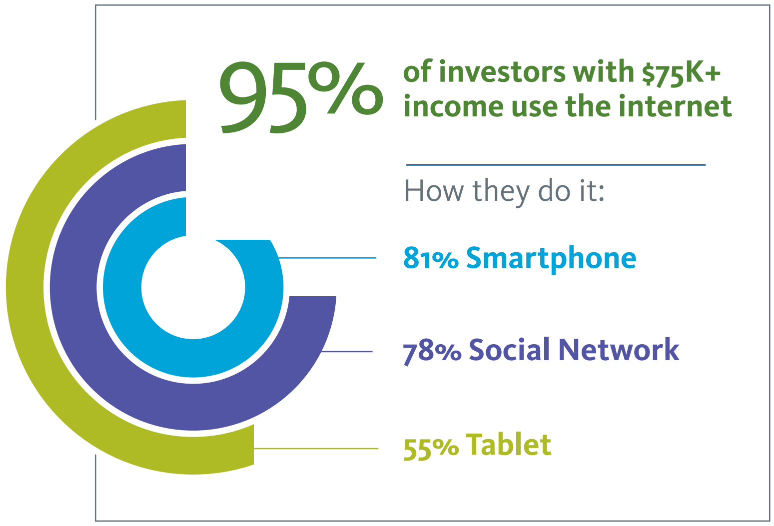
Department of Labor Fiduciary Rule. This controversial rule will inevitably change business models and compliance costs for those who give advice for retirement accounts such as IRAs, 401(k)s and annuities. The changes are far-reaching, affecting point-of-sale all the way to statements, confirms and regulatory disclosures.

Public-interest groups and DoL officials claim the new legislation, which is set to impose "a fiduciary standard of care" on financial advisors who handle retirement accounts, is required to protect retirement investors from high commissions. Industry groups are concerned it will unnecessarily alter the compensation model, and restrict access to advice for the middle class. In any case, the final rule will be a disruptor to standard business practices, causing firms to scramble to comprehend its requirements and to build the appropriate technology to comply.

Variable Annuity Summary Prospectus. Many believe the SEC will move forward with a proposal by the Insured Retirement Institute (IRI) to adopt a rule allowing for the use of a simplified summary prospectus for variable annuities. Enacted for mutual funds in 2010, the summary prospectus has achieved widespread adoption – nearly 85% of mutual fund and ETF CUSIPs currently make a standalone summary prospectus available. While it is not binding and is subject to change, the IRI maintains all the work necessary to proceed with the rule proposal is complete. The SEC is slated to rule on the proposal in the fourth quarter of 2016.

Investment Company Reporting Modernization. Newly proposed rules by the SEC would make it easier for funds to deliver information electronically to their shareholders, thereby rapidly accelerating the transition to digital communications for regulatory communications. The new rule would allow the SEC to more effectively collect and use data provided by investment companies and investment advisors. Certain changes to the rules are being proposed to enhance operational efficiency and reduce the costs of compliance.

Investors are already digital

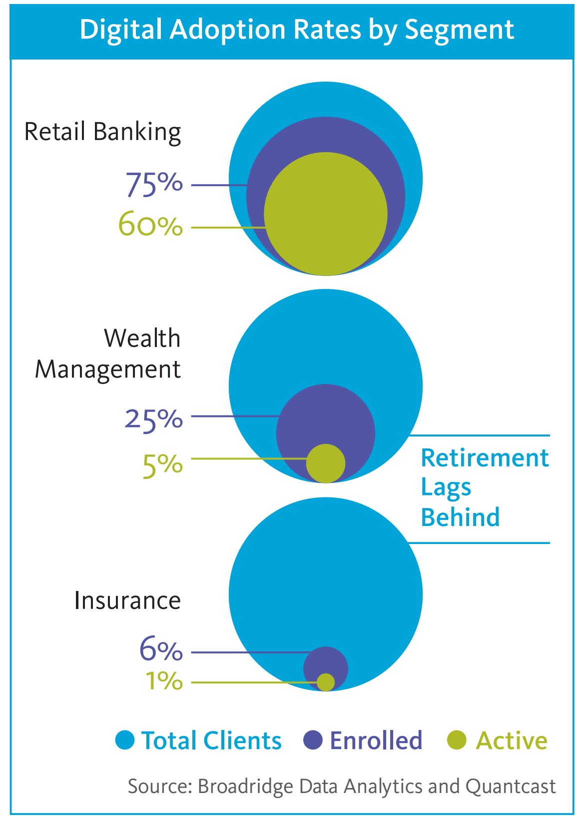


Age is no longer a significant factor. Today's consumer behavior is intertwined with technology. Research shows rapid adoption of Internet and mobile use among every age group, not just for young consumers. Firms need to recognize that customers—your account holders—are living "digital lives." Which means they have high expectations for digital interaction with your company.

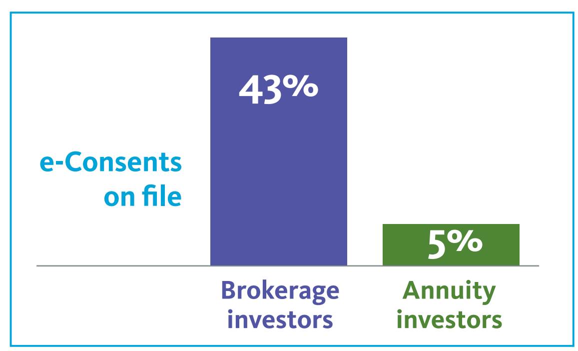
87% of US adults use the Internet, and usage is consistent from Millennials through Baby Boomers.

Customers don't communicate with their financial services providers in a vacuum. Your account holders consume digital content, seamlessly moving from device to device throughout the day, and using online sites and apps as needed. Access anytime, anywhere is important to consumers.

Many financial firms still rely on paper. Excluding online banking, financial firms have been largely unsuccessful establishing digital relationships.

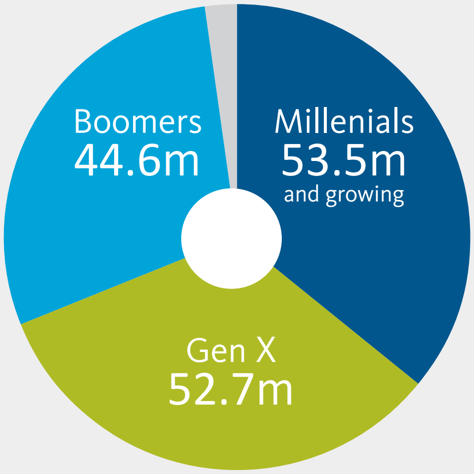


Insurance carriers lag even further behind with eConsent rates below industry norms.



Did you know...

Millennials are now the majority of the US workforce? This all-important demographic demands information where—and when—they want.



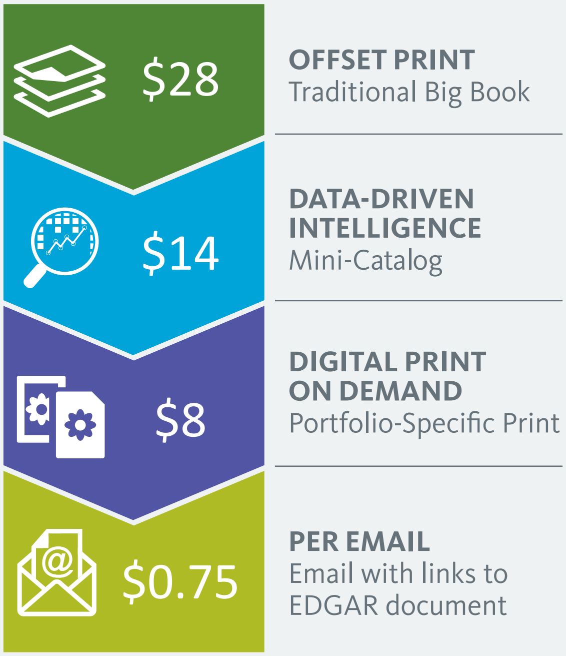
Millennials are about to become your most important demographic.
This year, the first of over 75 million Millennials will reach their mid-30s, which means insurance carriers need to look at how they plan to best reach them. Digital communication for every customer touch point is the best way.

Millennials lead digital lives. They're never apart from their smartphones. They think e-mail is yesterday's technology. And—from customer service to Twitter interactions—they expect every company they deal with to "think digitally." If an insurance carrier doesn't align with Millennial behaviors, they risk ignoring an entire generation of investors.

Digital lends itself to people of all age groups.
Customer expectations have been shaped by their experiences with other providers such as Apple and Google—service providers that deliver information intuitively and seamlessly. This has set the customer experience bar high for non-technology providers. Today's consumers want more than simple "communication." They want personalized content that is easy and convenient.

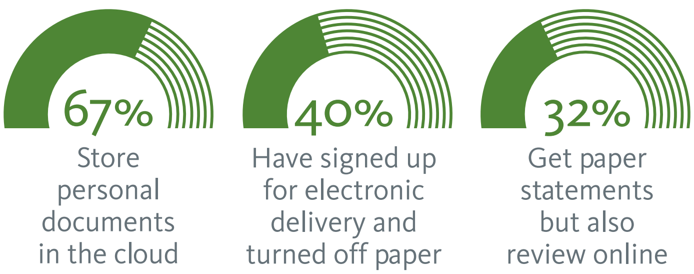
Digital adds savings at every step.
Digital workflows and data intelligence drive down costs for tri-annual mailings. Firms are now combining effective data management with advanced digital technologies to print only what's absolutely required.

Digital workflows and data intelligence drive down costs of traditional paper-based "tri-annual" mailings.



Think beyond e-mail

Your customers are more technology dependent, and want to connect with companies in more ways than ever before. Their rapidly changing preferences reveal that texting has already surpassed e-mail (68% vs. 47%) as the optimal communication style. Another telling statistic shows cloud storage now doubles e-delivery (60% vs. 30%).



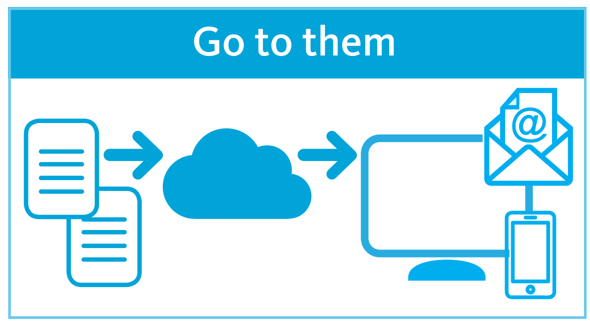
E-mails and PDFs will no longer suffice. Account holders have moved beyond email as their main way of receiving and storing information electronically. Many are having information sent directly to a cloud storage service, such as Dropbox or Google Cloud, and are using apps such as Evernote to organize their digital lives.

In transitioning to digital, insurance carriers and retirement providers should keep these emerging trends in mind in order to deliver a platform that meets both today's needs and tomorrow's possibilities.

The most successful firms are re-imagining their communications as interactive experiences that provide personalized content instead of static one-way messaging.

Your customers want you to "go to them"

You need to pay close attention, because the way in which consumers interact with service providers has changed. The days of drawing account holders to your website are going away. Customers have turned off paper, signed up for electronic delivery and now review many of their personal financial documents online on *their* platform of choice.



Insurance documents are one of the document types that rank high for customers to store in the cloud, right alongside financial statements, bills and tax records. This personal "anytime, anywhere" access is driving customers to adopt cloud-storage services with confidence from Amazon, Microsoft, Google, Dropbox and others. Today, these services have nearly one billion users across the globe. And, they're growing more popular by the day.

Accelerating to digital grows the value of the customer experience

Customers respond favorably to an improved digital statement experience that fully transforms once-static communications. Digital enables an integrated experience that offers analytics and content that is personalized to the recipient, as well as integrated research relevant to their life stage and unique circumstances.

Digital isn't coming—it's here.

Despite facing significant challenges from legacy systems and heightened regulatory requirements, insurance carriers and retirement providers must realize we live in digital times. Thankfully, an evolution in customer preferences as well as new technologies can help these firms to cross the digital divide.

By adopting a customer-centric approach, firms can increase digital adoption to improve their brand experience—and so much more. Going digital can add savings at every step and turn static communications into better customer experiences that increase loyalty and grow revenues.

The first step in going digital: Gain the eConsent

To transition to digital, you need the investor's consent. Here are some key considerations for boosting and managing eConsents:

- **Technology:** email addresses and user preferences change often. To ensure accuracy and compliance, you will need to systematically capture and maintain your eConsents. Many vendors, including Broadridge, offer consent management software. Before you opt to build your own, consider your alternatives.
- **Approach:** It's not necessary to shift to digital all at once. In fact, trying to do so can be difficult, costly, and may lead to wasted time and money. Start small and iterate. You can begin your transformation sooner, adjust as you go along, and ultimately ensure a smoother transition.

Re-Imagining Investor Communications

Personalized. Interactive. Easy.

Meet Rachel

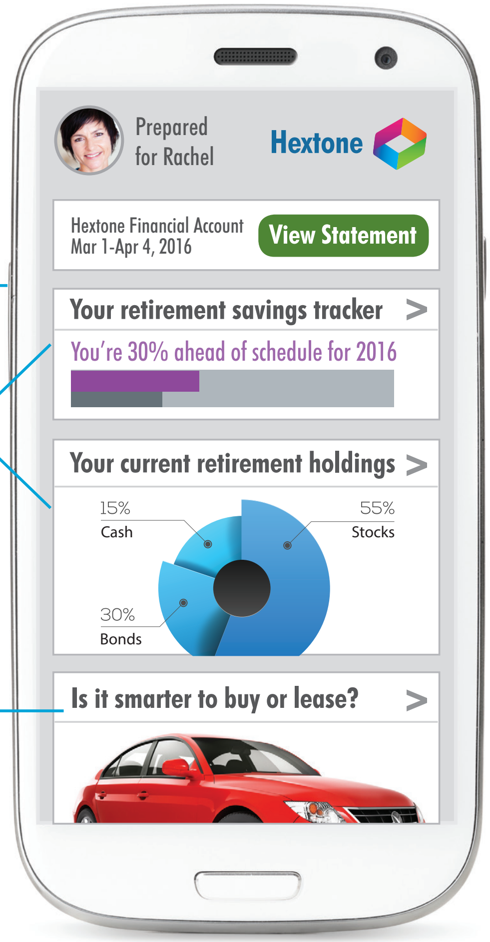
eDelivery to the channel and device selected by the account holder

Pull investors deeper with rich, interactive charts

Custom content is delivered in easy-to-read blocks

Get personal with customized interactive information

Customers are one click away from the annual report—while carriers become fully compliant



CUSTOMER EXPECTATIONS HAVE CHANGED	MODERNIZE COMMUNICATIONS TO MEET THEM
They have already gone digital.	Enable e-delivery with utilities and tactics to drive eConsent.
They have gone beyond email—it's important to match their preferences.	Serve information on the cloud, where customers can access information at their leisure via their preferred applications.
Customer engagement has changed—they won't come to you.	A "Go to Them" approach works best.
Transform static communications into experiences.	Make every communication—even regulatory materials—a human touch point.

About Broadridge

Broadridge is the leading provider of investor communications, technology-driven solutions, and data and analytics for wealth management, asset management and capital markets firms. We help clients drive operational excellence to manage risk, accelerate growth and deliver real business value. Our technology-driven solutions power the entire investment lifecycle, enabling our clients to successfully manage the complexity and operational requirements of today's capital markets. Broadridge is at the forefront of multi-channel communications, strengthening our clients' capabilities to communicate with their clients and investors and meet regulatory requirements.

Contact Us

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or visit **broadridge.com**