



# Insurers Take on the New Decade with Focused Approach

INTERNET SEARCH VOLUME REVEALS  
CARRIER & BROKER PRIORITIES FOR 2020



# INTRODUCTION

Continuing our efforts to improve insurance distribution for all industry participants, we monitored insurance-related internet searches during the final quarter of 2019. The purpose was to gain a clearer understanding of the issues carriers and brokers are prioritizing for the new year.

Based on information from industry influencers and advisory organizations, we expected to see search volume concentrated around artificial intelligence, machine learning, and bots. Instead, we were surprised to learn that insurer concerns for 2020 were evolving more practically.

To help you better understand the market today, BOLT is diving deep on consumer expectations for the new year, ways that insurers are diversifying to meet changing trends, and other issues that are receiving priority in 2020.





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## CHAPTER

# 01

**INSURANCE DISTRIBUTION CONTINUES  
TO DOMINATE INDUSTRY CONCERNS**

# 01

## ***Insurance Distribution Continues to Dominate Industry Concerns***

In our research, we discovered that insurers continue to demonstrate an interest in insurance distribution, overwhelming every other industry-related search.

According to a survey of 1,000 P&C policyholders, use of digital channels in insurance is on the rise, gaining 4 percentage points in a two-year period.<sup>1</sup> However, most insurers are still looking for that elusive “wow” moment when it comes to digital distribution.

The J.D. Power insurance digital experience survey, released in May of 2019, revealed that the industry as a whole still lagged behind consumer expectations. Despite tremendous gains in digital competence, particularly in the area of mobile development, websites fell short in providing self-service tools, and insurers lacked cross-channel functionality.<sup>2</sup>

Meanwhile, GEICO and Progressive, two digital frontrunners, seized 54 percent of auto premium growth, thanks to a surge in direct-to-consumer policy purchasing.<sup>3</sup>

Progressive embarked on an ambitious journey in 2018 to enhance the customer experience. In an effort to elevate their homeowners capabilities to match the consumer appeal of their auto line, the company introduced HomeQuote Explorer (HGX). HGX offers consumers the option to compare homeowners quotes from multiple carriers and then purchase the policy directly online.

**BY THE END OF THE THIRD QUARTER OF 2019,  
PROGRESSIVE HAD REPORTED 15 STRAIGHT QUARTERS OF  
DOUBLE-DIGIT GROWTH IN NET PREMIUMS WRITTEN.**

By the end of 2018, direct channel home and renters policies accounted for 30 percent of the company's sales.<sup>4</sup> By the end of the third quarter of 2019, Progressive had reported 15 straight quarters of double-digit growth in net premiums written.<sup>5</sup>

However, while digital leaders like Progressive are making strides in meeting consumer expectations for digital interaction, PwC's findings reinforce that the industry as a whole is only beginning to gain traction in digital competence. Of the consumers in the PwC study who used their insurers' digital platforms, more than half were "just satisfied" with their experience,<sup>6</sup> indicating that most carriers still have room for improvement, particularly for insurers who are looking to get ahead in the market.

The Temkin Experience Ratings also indicate that the industry could still improve their digital standing. While insurers experienced an overall rating gain from a 61.3 percent five-year low in 2016,<sup>7</sup> to a total overall score of 64 percent in 2019,<sup>8</sup> rankings equated to only average satisfaction when compared to other industries, resulting in unremarkable net promoter scores.<sup>9</sup>

BOLT has found that average digital performance can create a high level of customer effort, which in turn results in customer churn. Forty percent of consumers responding to a recent study left their insurer because they had to repeat information,<sup>10</sup> a phenomenon that happens frequently when digital channels are not wholly integrated with other engagement options, such as voice or chat.

On the other hand, when digital platforms are used to unite policy silos, insurers realize a single view of the customer from all vantage points. Jason Sines, Managing Director, Sales at BOLT, explains how the BOLT Platform™, improves operational efficiency as well as customer satisfaction in a digital distribution environment.

“Whether the customer approaches purchasing from digital channels or call center agents, any information they enter is immediately visible across all channels, including customer- and agent-facing platforms. This visibility is available from application through underwriting, across all policy types.”

Sines explains that third-party information drawn in during the process also remains a visible part of the customer record.

With a single vantage point, customers do not have to repeat

information, resulting in improved operational efficiency as well as enhanced customer acquisition and retention.

Customer retention should be a major focus in insurance where customer acquisition costs are nine times higher than other industries.<sup>11</sup> According to Adam Klauber, analyst with William Blair & Co., captive insurers pay an average of \$792 per customer, and the cost of acquisition rises to \$900 per customer for insurers who rely on independent agents.<sup>12</sup> That's contrasted to an average cost of \$487 for digital direct insurers.<sup>13</sup>

However, far from being a dismal forecast, these factors add up to opportunity to seize more market share. Search habits indicate that insurers are up to the challenge and are embarking on improvement strategies to meet consumer demands.



## CHAPTER 02

***Interest in InsurTech Remains High as  
Partnerships Multiply***

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## 02

### *Interest in InsurTech Remains High as Partnerships Multiply*

According to a study conducted by ACORD, insurers with the highest levels of digital maturity saw premiums and earnings growth that was twice their competitors.<sup>14</sup> These findings can easily explain the high level of interest in InsurTech.

Insurers can meet distribution challenges through InsurTech partnerships, which help incumbents gain faster access to critical technologies, such as machine learning, artificial intelligence, and APIs. APIs in particular, can accelerate the adoption of digital distribution by moving the insurer to the cloud. Cloud-based services have the added benefit of uniting product silos and providing a complete view of the customer across channels and product lines.

Beyond distribution lie additional opportunities for insurers to partner with InsurTechs. Consumers are seeking ways to mitigate the threats they face. For instance, over 80 percent of consumers fear the impact of a cyber attack, while nearly 70 percent worry about the exposure they face when it comes to the increased instance of natural disasters and weather-related events.<sup>15</sup>

As consumers confront new risks, they seek for ways to mitigate them, providing insurers with emerging opportunities for growth. However, to capitalize on the opportunity, insurers need to enhance their product lines, as only 15 percent of consumers say they have adequate protection through their current insurer.<sup>16</sup>

This is an area where InsurTech can also help. As an original InsurTech company, BOLT is helping to unite insurers through our product ecosystem. Using APIs, it's easy to add insurers to the environment, allowing them to take advantage of the extensive number of product options.



***“NINETY PERCENT OF INSURTECH COMPANIES SAY THEY ARE LOOKING TO PARTNER WITH INCUMBENT INSURERS, WHILE ONLY 70 PERCENT OF INSURERS ARE SEEKING TO DO THE SAME WITH INSURTECHS.”***

By leveraging our product ecosystem and platform, carriers now have the option to expand outside of their normal product offering as well as their normal risk appetite. Instead of turning customers who fall outside of their criteria away, insurers operating within the ecosystem are able to offer products from carriers who are willing to take on that risk. Taking this approach, allows insurers to keep the customer inhouse and provide the true customer experience that people today are expecting.

Progressive already demonstrates the advantages of this environment through HomeQuote Explorer (HQX).

With HQX, Progressive helps customers to find the exact policy they need, through an insurer they trust. More importantly, this approach provides choice and a greater ability to customize coverage to individual needs.

Ninety percent of InsurTech companies say they are looking to partner with incumbent insurers, while only 70 percent of insurers are seeking to do the same with InsurTechs.<sup>17</sup>



## CHAPTER 03

**REGULATIONS, PRIVACY AND DATA SECURITY,  
THE NEXT FRONTIER**

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# 03

## *Regulations, Privacy and Data Security, the Next Frontier*

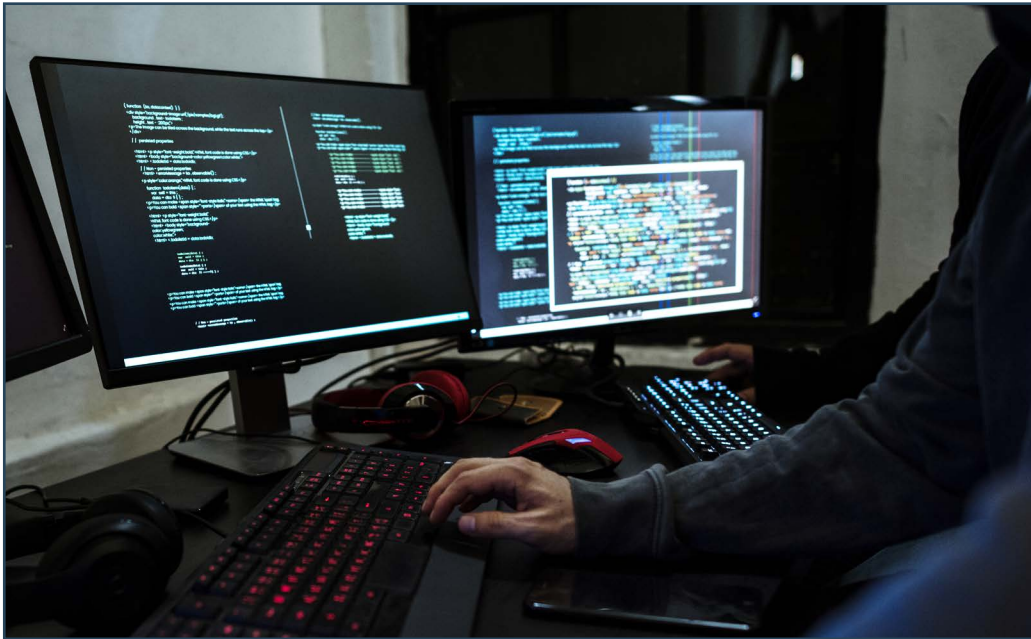
Coming in just behind distribution and InsurTech, topics surrounding regulation were popular in search to start the new year. For one thing, the passage of the California Consumer Privacy Act (CCPA) went into effect on January first. The CCPA requires companies doing business in California to make changes to the way that data is collected, stored and used.

One of the primary rulings of the CCPA mandates that businesses must disclose information collected about a consumer on an annual basis and provide a way for the consumer to opt out of data collection or prohibit its use.

While the CCPA applies only to insurers doing business in California, there is broad speculation that the law could become the framework for privacy and data security acts at the federal level.

Interest in the Gramm-Leach Bliley Act (GLBA) was strong in internet searches through the first of the year, indicating that insurers are considering the issue of data privacy and how to respond to growing consumer concerns.

The GLBA was passed in 1999 at the federal level and requires financial institutions, including insurers, to explain how customer data is used. The GLBA also provides rules governing the protection of consumer information, particularly data that is collected or gained online. To comply, insurers must encrypt electronic information while in storage as well as during transit. Insurers also need to implement dual control procedures and regularly monitor systems for threat of attack.



***“THE AVERAGE TOTAL COST OF A DATA BREACH IS \$3.92 MILLION DOLLARS.”***

The ability to secure customers’ private information is another competitive factor as insurers expand into the digital world. Thirty-eight percent of consumers responding to a study conducted by Accenture said they would leave their insurer over concerns related to data security.<sup>18</sup>

Beyond customer retention, insurers face real threats to profitability as well. According to the 2019 Cost of a Data Breach Report, the average total cost of a data breach is \$3.92 million dollars. Factors included in the hefty price tag include loss of business, regulatory fines, remediation costs and reputational damage.

On average, it takes 279 days to identify and contain a data breach, making security a top issue for insurers in 2020.<sup>19</sup>



*CHAPTER*  
**04**

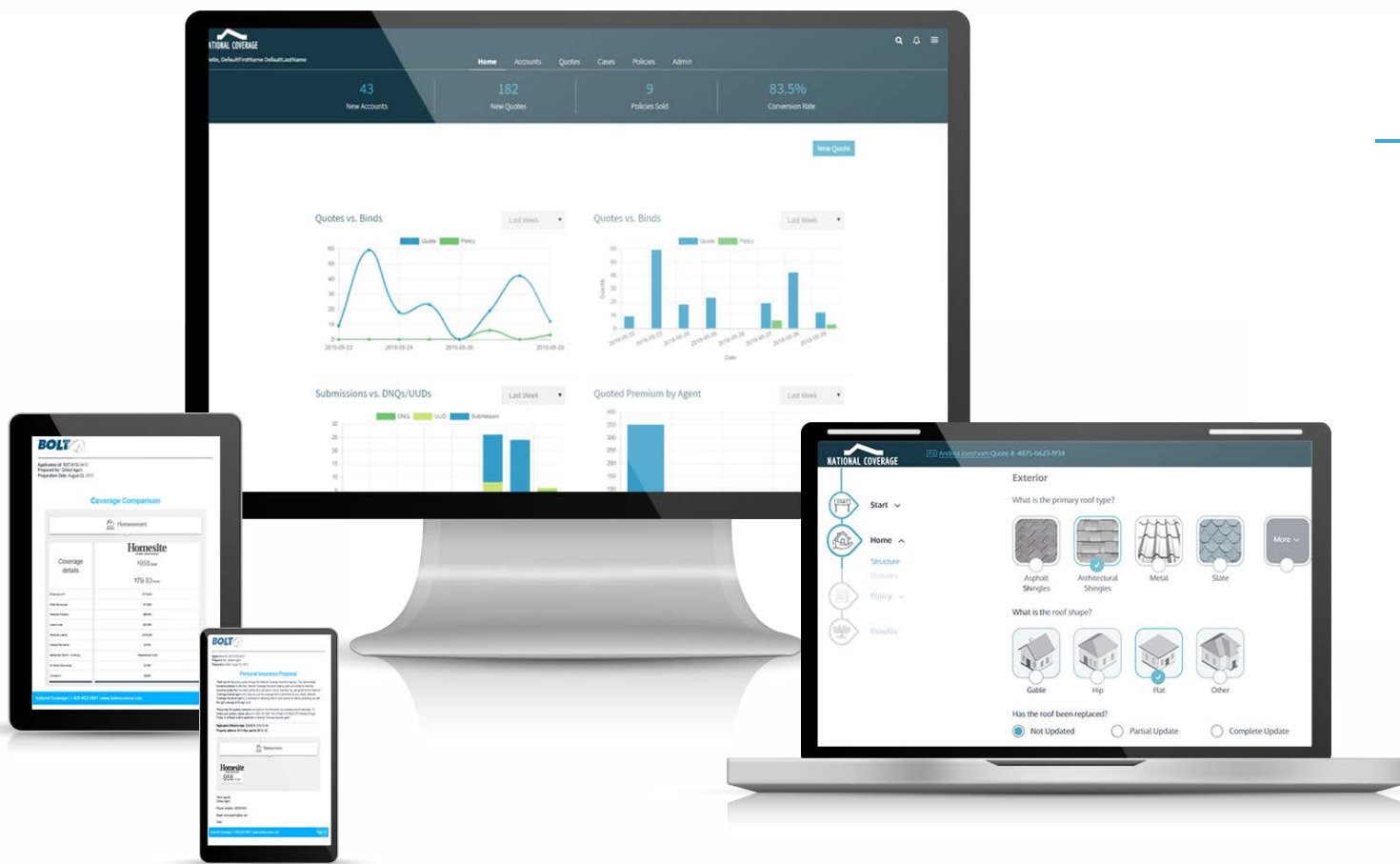
*LOOKING AHEAD IN 2020*

# 04

## LOOKING AHEAD IN 2020

Search interest in insurance distribution, InsurTech, and regulation indicate a busy year ahead for insurers. Stronger emphasis on gaining digital capabilities through InsurTech partnerships will enable insurers to meet current challenges faster and remain competitive through the next decade.





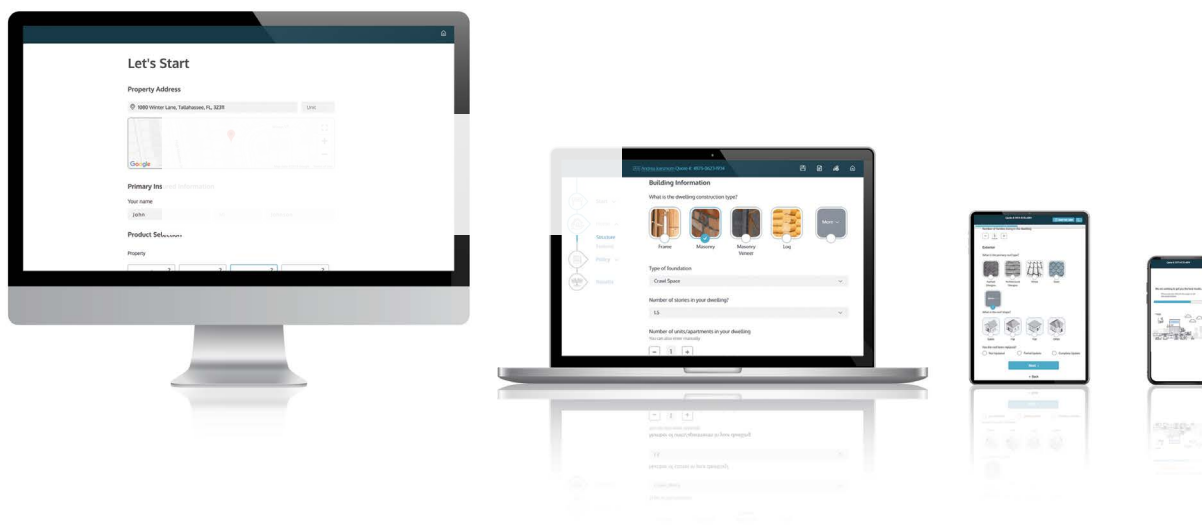
## ABOUT BOLT

BOLT is the first InsurTech innovator, leading the industry since 2000 with solutions that help P&C insurance carriers overcome legacy obstacles, excel against market headwinds, and respond to industry disruption.

The BOLT Platform was created to propel carriers into the 21st century by easily appending to existing technology, seamlessly connecting back office systems, simply powering insurers' digital brand, and offering a tightly integrated market network of robust product choice. Insurers boost acquisition and retention rates by efficiently bundling their offerings with those from other carriers and grow revenue by meeting the unique and evolving needs of their customers.

BOLT is the only digital distribution platform that supports both personal and small business insurance lines and is the trusted partner of best-in-class insurers.

To learn more about BOLT, click [here](#).



<sup>1</sup>Emma Stevenson. "2019 P&C Consumer Survey Highlights Importance of Digital Capabilities, Rise of Emerging Technologies." Corporate Insight, Nov. 5, 2019. Web. <sup>2</sup>"Mobile Gains Traction with Insurance Customers, But Digital Interactions Fall Short of Expectations. Power Finds." J.D. Power. J.D. Power Press Release, May23, 2019. Web. <sup>3</sup>"Progressive & GEICO Capture 54% of Auto Premium Growth in 2018 as Direct-to-Consumer Model Gains Traction." J.D. Power. J.D. Power, P&C Insurance Industry Insight, Apr. 2019. Web. <sup>4</sup>The Progressive Corporation | 2018 Annual Report. The Progressive Corporation, 2019. Web. <sup>5</sup>The Progressive Corporation | 2019 Third Quarter Report. The Progressive Corporation, 2019. Web. <sup>6</sup>Emma Stevenson. "2019 P&C Consumer Survey Highlights Importance of Digital Capabilities, Rise of Emerging Technologies." Corporate Insight, Nov. 5, 2019. Web. <sup>7</sup>Temkin Experience Ratings Industry Snapshot: Insurance." Temkin Group acquired by Qualtrics. Experience Matters by Qualtrics, Apr. 3, 2018. Web. <sup>8</sup>"CX in the Insurance Industry." Qualtrics. Qualtrics XM Institute, Jan. 2020. Web. <sup>9</sup>ibid. <sup>10</sup>"Crash and Burn." TechSee. 2019 Customer Churn in the Insurance Industry Survey Results, 2019. Web. <sup>11</sup>"Lowering Customer Acquisition Costs in the Insurance Industry." BOLT, Jun. 19, 2019. Web. <sup>12</sup>ibid. <sup>13</sup>ibid. <sup>14</sup>"Digitization, Automation, and Value Creation in the Insurance Industry." Acord/Salesforce, Oct. 2017. Web. <sup>15</sup>"World Insurance Report 2019." EFMA, 2019. Web. <sup>16</sup>ibid. <sup>17</sup>"World InsurTech Report 2019." EFMA. EFMA Infographic, 2019. Web. <sup>18</sup>"2019 Global FS Consumer Study-Insurance." Accenture. <sup>19</sup>Accenture Customer Insights & Growth, Jun. 26, 2019. Web. Retrieved from: <https://www.accenture.com/us-en/insights/insurance/consumer-study-2019>. <sup>20</sup>"Cost of a Data Breach 2019." IBM Security, 2019. Web.