

For the attention of the Chief Executive of the CII

Morgan Owen Medal Entry

Securing a Sustainable Digital Future:

an exploration of customer psychology and perceptions of insurance and innovation with reference to the implications for data use and digital strategy development within the insurance market

2017 Entry

Abstract

The modern world has seen an exponential growth in new technology, which has become increasingly integrated in people's lives (Cusano & Starrs, 2016). New technology is already impacting the way that customers interact with their insurers, through products such as telematics, apps and chat facilities. The use of technology will continue to evolve and develop over time, and it is vital that insurers take early steps to embrace these innovations in order to stay relevant in an ever more digital age (Accenture, 2016).

This essay provides a framework to help insurers to achieve digital transformation in a sustainable way. It reviews the issues that are central to the digital revolution, building the case for a holistic strategy that will address each of these challenges. An overview is first provided on the most prominent topics in insurance at present; data regulations and the technology available to the insurance industry. The findings of these discussions highlight the need to focus on the data rights of customers and the benefits of automation and increased data usage, in order to secure consent through customer confidence.

An exploration of the role of the customer in digital transformation then shapes the argument that the customer should in fact be at the centre of any digital strategy. A culmination of a price driven consumer mentality, poor perceptions of the financial services sector, and recent developments in the retail industry, have compounded the challenges faced by insurers in building trust. In order to secure customer consent to use their data for automated decisions, it is important that insurers address some of the issues with trust that have accumulated over time.

The findings of this essay illustrate the need for a robust framework for formulating a sustainable digital strategy. The customer must be central to any strategy, ensuring that any digital innovations meet their requirements rather than those of the company, offering genuine benefit and value. A consideration of regulation at the design stage will help to embed compliance and minimise the financial and reputational risk. Finally, the strategy must include a focus on building trust, exchanging value for the data shared. This holistic, customer driven approach to digital innovation will help to ensure that the future of the insurance market is secure and stable by addressing both customer requirements, and helping insurers to meet their objectives.

Contents

Abstract.....	1
Chapter 1 - Introduction	4
Chapter 2 - Data Usage Regulations	6
The Data Protection Act 1998.....	7
General Data Protection Regulation	8
Summary	9
Chapter 3 - Digital Innovation in Insurance	10
Robotics	10
Cognitive Computing.....	11
Fraud	12
Subrogation and recoveries	12
Reserving and settlement negotiation.....	12
Litigation	12
Surge management.....	13
Exposure management	13
Trend Analysis	13
ChatBots and Natural Language Processing	13
Blockchain	14
Summary	16
Chapter 4 - Customer Perceptions.....	17
Traditional Insurance	17
The Influence of Retail	19
Automation and Digital Innovation.....	21
Summary	23
Chapter 5 - Customer Psychology and Behaviour.....	24
What is Trust?	24
Obtaining Customer Data	26
Attitudes to Automation	28
Summary	29
Chapter 6 - Developing a Digital Strategy	31
Securing Customer Trust.....	31
Understanding the Customer Journey	32
Sustainable Strategy	33
Summary	34

Chapter 7 - Conclusion 35
Bibliography 38

Chapter 1 - Introduction

In an increasingly digital world, the insurance industry is constantly under threat from disruptive technologies and the influence of customer-focused industries such as retail. To maintain a competitive advantage and stay relevant to its customers, insurers must embrace these changes and develop a forward-looking, agile and digital strategy.

Customers have experienced new levels of communication ease from retail brands such as Apple and are continually seeking new mobile and online forms of interaction (Carey, 2016). This contrasts with sometimes archaic insurance transactions, in which call centres, paper forms and cheque payments are the routine. However, the changes required are far wider than simply investing in new direct communication channels, but rather a cultural shift towards greater customer engagement (Finnegan, 2015).

As awareness grows of their value as a data subject, customers are likely to demand a larger return in exchange for the use of their personal information. An analysis of retail trends demonstrates that this extends beyond the traditional offering of a reduced premium. For example, Google and Amazon offer bespoke deals in exchange for browsing and location data. A recent survey found that 47% of respondents expected an improved experience in exchange for their information (DeNisco, 2017). Hence, it is imperative that insurers offer tangible benefits in exchange for customer data.

This heightened awareness of the value of their data is also likely to lead to customer anxiety over its use and security. High profile cyber-attacks or security breaches such as the recent Equifax hack have influenced the level of trust that the public place on those who store and use their data (BBC, 2017). Furthermore, there is a growing public interest in the implications of The General Data Protection Regulation (GDPR) and the enhanced rights that this brings. Insurers therefore need to account for customer perceptions over data use when building a digital strategy.

This essay seeks to explore the legal framework and public perceptions of data use, alongside customer psychology in order to identify solutions to assist insurers in building a strategy for digital innovation and automation that is built on trust and aligned to customer requirements. This will be done firstly through an assessment of data usage regulations, seeking to identify the key principles that must be met.

The context of digital innovation in insurance will then be explored, considering changes in the industry to date and future innovations. The essay will then explore customer perceptions of the traditional insurance industry, the impact of retail on customer expectations and customer views on automation and digital innovation. An assessment of psychological techniques for building trust and confidence will then follow, providing insights into how insurers might set about securing customer consent for increased automation and data use.

Finally, this essay will consider how each of these themes contribute to the need for a sustainable digital strategy. The framework provided seeks to address each of the core issues in turn, ensuring that the implementation of innovative digital solutions meets the needs of customers, is compliant, and realises business objectives. By considering each of these aspects, insurers can be confident that their digital strategy will offer sustainable benefits to their business in the future.

Chapter 2 - Data Usage Regulations

Despite holding vast quantities of data, insurers have only recently begun to understand the value of this data, which can be unlocked by cognitive, or analytics systems. By merging high-quality data with data insights, these systems use big data to build high-resolution profiles (Bieck & Bedell, 2015). The systems then use this information to make decisions on an automated basis. This is of profound benefit to the insurance industry as it enables more effective underwriting, targeted marketing, and a simplified claims experience (Bow, 2015).

The FCA recently published the findings of its initial investigation into the use of big data within insurance. Broadly, the reception was positive, benefiting customer interaction, product development and the claims process, though the FCA did identify concerns that micro-segmentation could impact the ability of categories of consumers to obtain insurance. They also found that big data might provide greater opportunities to raise premiums for certain customers (Financial Conduct Authority, 2016).

The Government has also expressed an interest in monitoring the use of big data, and has set up a Council of Data Ethics to review the balance of privacy, public benefit and security (Commons Select Committee, 2016). In the long term, this Council may provide additional guidance on what constitutes reasonable capture, use, storage and transfer of data. However due to the rapid growth in the use of big data, the law is on the back foot and so insurers must ensure they adopt a robust ethical model in the absence of clear legal boundaries (Allnut, Dickson, & Webster, 2016).

By far the biggest consideration with big data and automated decision making is customer perception and trust. Allnut, Dickson, & Webster (2016), emphasise that whilst most customers are happy for retailers to use their loyalty cards to build a profile based on their shopping habits, they are far less inclined to allow their insurers or financial service providers to do the same. This is

largely to do with the perceived value they receive in exchange (i.e. targeted discounts versus premium setting).

This was highlighted by the failure of a Facebook-based campaign by Admiral. In this instance, Admiral had planned to use an algorithm to analyse 'likes' and posts to build a profile of a young driver which would produce a premium discount offer. This trial was pulled on the day of its launch after Facebook expressed concerns (Peachey, 2016). Despite Admiral confirming that premiums would never be raised because of social media use, fears over the use of non-financial data by a financial company ultimately made it unviable. Instead, Admiral launched a mobile-friendly quote service targeted at young drivers through Facebook adverts, with a personality quiz to build a profile (Admiral, 2017).

The Data Protection Act 1998

Until new regulation comes into force in 2018, the collection, storage and use of data has been controlled by the Data Protection Act 1998 (DPA). This legislation consists of eight principles, the sixth of which outlines the rights of the data subject. These are:

- a right of access to a copy of the information comprised in their personal data;
- a right to object to processing that is likely to cause or is causing damage or distress;
- a right to prevent processing for direct marketing;
- a right to object to decisions being taken by automated means;
- a right in certain circumstances to have inaccurate personal data rectified, blocked, erased or destroyed;
- a right to claim compensation for damages caused by a breach of the Act (Information Commissioners Office, 2017).

Consumers have had the ability to control the use of their data since the act came into force. It is important to consider that this act was written before most homes had internet access, and before data-rich resources such as Facebook or Google existed. Consequently, these rights are somewhat limited in their scope and, due to their wide meanings, can sometimes be interpreted in a way that favours the data controller rather than the subject. For example, the right to prevent processing for

direct marketing is often satisfied through an opt-out box, hidden in the small print and accompanied by jargon-filled or vague wording.

General Data Protection Regulation

The additional challenges brought by increased use of data has meant that the DPA is now outdated and of limited relevance to modern businesses or consumers. The General Data Protection Regulation (GDPR) comes into force in 2018 and will replace the DPA. This reflects the greater use of data and includes the mandatory appointment of a data protection officer, extra-territorial scope and larger fines. The regulation also extends data protection duties to data processors as well as controllers (DAC Beachcroft). With regards to data subject rights, these have been extended to eight, and have also been expanded to meet the greater requirements brought about by the intense use of data:

- the right to be informed
- the right of access
- the right to rectification
- the right to erasure
- the right to restrict processing
- the right to data portability
- the right to object
- rights in relation to automated decision making and profiling (Information Commissioners Office, 2017).

There are several obvious differences between these rights and those set out by the DPA. The right to prevent processing for example, no longer specifies 'for direct marketing', giving a much wider remit. Data subjects are also granted the right to erasure, replacing the previous right, which applied only to inaccurate data. The right to opt out of automated decision making has also been widened and now includes profiling.

Due to the imminent implementation of GDPR, most insurers have launched programmes to ensure that they are compliant before 25th May 2018. These programmes will address the specific requirements of the legislation and how these will be met. It is important however, to consider the

impact on public perception that GDPR will have. The right to erasure is often referred to in the press as the right to be forgotten. This has led to a view that individuals can ask a company to delete any data held about them. This is not strictly the case, as data can still be kept in certain circumstances, or can be retained if any identifying characteristics are removed. Similarly, many members of the public believe that this legislation will allow them to tell firms to stop marketing to them. In fact, this right already existed under the DPA. What is apparent is that reporting on GDPR has highlighted both new and existing rights to the public. As a result, it is entirely possible that from May 2018, there will be a surge in customers requesting greater control over their data, or refusing access for purposes such as automation or marketing (Ashford, 2017). At a time when many insurers are seeking to implement digital and automation strategies that are data-reliant, the impact of such an attitude shift cannot be understated.

Summary

Clearly, data regulation and use is not new or revolutionary. Nonetheless, a growing customer awareness of the value of their data and their rights over its use have mounted pressure on both insurers and regulators to better manage data. This has led to both greater regulation through GDPR, and roles such as Data Protection Officers becoming commonplace. This heightened awareness has also led to a risk that customers will vote with their feet if they feel that their data is not protected, is used inappropriately, or does not provide a return on investment. Insurers therefore must ensure that their use of data is both transparent and clear to customers, and that they demonstrate added value in return for data use through their digital strategy.

Chapter 3 - Digital Innovation in Insurance

The insurance market has struggled to keep pace with the ever more sophisticated technological advances of the retail sector; as such, many large insurance companies are not yet digitally mature. This can result in poor customer relations and interactions due to systems that do not flex to meet their needs.

Eighty-two percent of insurers agree that Artificial Intelligence (AI) driven automation will be seamlessly embedded into every aspect of business over the next five years (Cusano & Starrs, 2016). With reported cost savings of more than fifteen percent over two years, the benefits of investing in automation are clear (Cusano & Starrs, 2016). As around eighty percent of an insurance company's revenue can be absorbed by the claims function, the argument for driving savings through efficient claims management becomes all the more pertinent (SAS, 2013).

Although in its infancy, 'InsurTech' is rapidly growing in importance as insurers realise the impact that automation and digital customer journeys can have on their profit. A number of small, medium-sized and large companies are exploring multi-channel communication strategies, and some large insurers, such as Aviva, Allianz, and LV are exploring centralised data as a means of attaining a Single Customer View which will allow them to ascertain how best to communicate and engage with the customer. Others are exploring or implementing robotics and cognitive technology in order to reduce costs and lead times. This chapter will briefly outline some of these technologies in order to provide a context for understanding digital strategy and customer perceptions.

Robotics

Robotic automation has already become a staple within the insurance industry. This form of automation uses process flows and rules-based decisions to complete a task. Typically, it is used to automate repetitive or non-value add tasks, such as processing payment transactions, data entry, spreadsheet manipulation or crosschecking to validate information. Its limitations come when a task

falls outside the process it is trained to complete, or where an intelligent decision is required, generating exceptions which require manual input from a human.

While many insurers now employ robotics, few, if any have succeeded in implementing them on such a scale that industrialised benefits are realised. This is clearly the ultimate ambition, given the efficiency and economic savings possible (Lamberton, Brigo, & Hoy, 2016). It is this ambition that causes mixed feelings across the industry. Clearly, the potential return on investment is a major draw for Executives and Shareholders, whilst the rapid processing of transactions is a benefit for customers. Employees are also likely to see the benefits, as they will be able to focus on relationship and 'expert' activities, removing the need to complete menial tasks. That said, those same employees are likely to be nervous about their future, given that a reduced workload will surely result in a reduced workforce. Similarly, companies offering an outsourcing or administration service will be aware that they are competing for business in a shrinking market. This nervousness is compounded by research such as a recent study by PWC which found that over 32% of financial or insurance jobs are at risk of automation by 2030 (PWC, 2017).

Cognitive Computing

Cognitive computing, Machine Learning or Artificial Intelligence, allow more complex processes to be automated. Unlike robotics, which is limited to process flows and rules-based decisions built into a schema, this technology can, not only make complex decisions independently, but also learn from information it is given. For example, where a robot could confirm whether a witness statement has been received or not, a cognitive programme could confirm whether the statement has been received, and then decide to send an email to the witness to remind them to complete and return the statement, using appropriate tone and language learnt from previous interactions.

When combined with robotic process automation, this technology offers an infinite number of possibilities for enhancing the insurance experience beyond improving customer interactions. Some of these opportunities are outlined below.

Fraud

Cognitive solutions are able to blend rule-based decision making, text mining, modelling, exception reporting and database searches to identify fraud (Rose, 2013). This combination allows the system to predict the likelihood of a fraudulent claim or policy with much greater accuracy than rule-based decision making alone.

Subrogation and recoveries

Analysing unstructured data held on claims databases can allow cognitive technologies to identify claims where there is an opportunity for subrogation or a recovery (Rose, 2013). Automated communications can then proactively engage with third parties to maximise loss recovery at minimal cost.

Reserving and settlement negotiation

By utilising historic claims data, cognitive solutions can automatically determine an accurate reserve, which can be updated as new information is received. Furthermore, by automating proactive communication, claims can be managed more effectively, ensuring savings. At the settlement stage, claims data can also be used to predict the optimal settlement figure, minimising the risk of overpayment whilst reducing the time spent negotiating (Rose, 2013).

Litigation

Historic claims data, including third party representative profiles can be used to automatically identify claims that are most likely to end in litigation (Rose, 2013). These claims can then be more effectively managed by an experienced claims handler, assisted by automated communication, reserving and settlement insights.

Surge management

Information from external sources, such as weather forecasts, traffic information and crime maps can be used to proactively involve customers in managing their own risk. Cognitive computing can combine this information with customer profiles to predict potential claims, spikes in call volumes, or peaks in demand for certain policies (Accenture, 2016). Automated communications can then be used to help customers mitigate their losses and manage incoming claims reports or calls during a surge event.

Exposure management

As with surge management, external data can be combined with policy information held by the insurer to identify potential exposure risks at the quotation stage. For example, monitoring flood data against a commercial property portfolio could instantly identify a high concentration of at-risk policies, preventing a quote from being generated.

Trend Analysis

Cognitive computing enables insurers to learn from their data. By automatically analysing claims and policy data, emerging trends can be identified. This can trigger changes to policy wordings, pricing, or exposure management, ensuring that the portfolio is rebalanced before a claim is received.

ChatBots and Natural Language Processing

Cognitive technology can be harnessed to enhance customer interactions through the use of Natural Language Processing (NLP). NLP allows a computer to understand some of the more complex nuances of the human language, including contextual awareness. As humans, we learn to understand language by assessing the syntax (grammar), semantics (meaning) and pragmatics (goal or purpose) of a statement (Yao, 2017). This allows us to understand complex concepts such as homonyms to interpret phrases such as “A bat can't bat with a bat”. The word bat has several potential meanings – a winged mammal, the process of hitting something, an object with which you hit something, and the process of fluttering ones eyelashes. By understanding the syntax, semantics

and pragmatics, we understand this to mean that a bat (animal), cannot hit something with a bat (the object). NLP works in a similar way – the computer must be trained to follow a logical sequence to be able to correctly extract the meaning of a sentence. Advanced systems are also able to understand different languages and colloquial or imperfect language (i.e. slang, spelling mistakes, or grammatical errors).

This ability has had a profound impact on the possibilities for automation in the insurance industry. Whereas robotics can simply replicate information that it is provided with (i.e. if payment is not received, send an email containing the following text), NLP would tailor correspondence to address the specifics of the situation.

NLP applications are able to learn from customer interactions and adopt a tone and language to suit the customer's communication style and the subject of the conversation, as a human would do. For example, a complaint could be detected using sentiment analysis, triggering a change in tone and language to diffuse the situation and allow the computer to understand the root cause, identifying a solution.

This technology can be applied to traditional emails and letters. It can also be applied to voice technologies to automate phone conversations, or ChatBots to allow customers to discuss their policies or claims online. It has also been applied as a desktop assistant to help customer service agents manage conversations, and as part of a solution which uses Optical Character Recognition (OCR), robotics and cognitive computing to interpret medical reports for injury claims (Neghaiwi & O'Donnell, 2017).

Blockchain

A Blockchain is a shared register used to store transaction records using a consensus-based process to validate transactions. At its heart, Blockchain builds on four characteristics:

- Decentralized validation - New data is packed into blocks, which are only added to the Blockchain after the action is validated through consensus.
- Redundancy - The Blockchain is continuously replicated and therefore has no single point of failure.
- Immutable storage - Each stored block is time and date stamped, and is linked to its previous block in the chain. This makes it almost impossible for hackers to change blocks, as they would have to also change any linked block, plus any replications.
- Encryption – Digital signatures allow those within the network to validate which participant(s) opened the transaction, own the transaction, signed the transaction or registered data within the Blockchain (Lorenz, et al., 2016).

In short, Blockchain provides a tamper proof way for people and organisations to record and share information and transact without the need for third parties. There are three ‘generations’ of Blockchain:

- First generation - captures unique identities, protects sensitive data and maintains a transaction audit trail.
- Second generation – stores contracts, documents, claims forms and invoices, and links transactions with client and policy or claims documents. Accesses third-party information.
- Third generation – enables programmable services such as indexation of assets or verification services and internet of things data reporting (Crawford, Meadows, & Piesse, 2016).

Currently, first generation Blockchain is the most utilised. As use increases and penetration expands, the second and third generations will become more plausible in the real world. Within the insurance industry, work is already underway to not only implement Blockchain, but also to understand potential applications. Aegon, Allianz, Munich Re, Swiss Re and Zurich have launched the Blockchain Insurance Industry Initiative B3i aiming to explore the potential for faster, more convenient and secure services through Blockchain (Swiss RE, 2017).

The advantage of a tamper-proof record for insurance is clear. A contract can be recorded, which at the claims stage can be relied on as being an accurate record of what the parties agreed at inception. For simple, standardised contracts such as Personal Lines Motor, this facilitates automation. Data security could be improved due to encryption and immutable storage, reducing concerns over cyber-attacks on financial institutions. There are also compliance benefits as all transactions are recorded in the chain, which could facilitate SOX audits.

Blockchain can also facilitate the sharing of records between parties, e.g. the fraud register. At the claim or quote stage, the chain can be searched for matches. Records such as weather or market performance could also be automatically crosschecked for claims validation. Subrogation could also be streamlined by allowing outlays to be shared. Similarly, records can be kept of claims history, which can be used with analytics for claims prediction and prevention, or for portfolio management. Premium and claim transaction times can be reduced as third parties (e.g. clearing) could be removed. This, alongside automation can enhance the customer journey at transactional stages.

Summary

Clearly, the insurance industry has a gamut of tools at its disposal, which have the potential to revolutionise the way that business is transacted, policies incepted or claims handled. Some of these, such as robotics, are now well embedded and continue to grow in use, whilst others such as Blockchain are in their infancy. Over the coming months and years, the industry will continue to implement these technologies in novel ways to develop the customer experience and reduce costs through efficiency savings. As automation and digital tools are applied on an industrial scale however, the risk of negative perception by customers rises. Given the context of an increased consumer awareness of the use of personal data and concerns about automated decision making, it is vital that the industry does not pursue automation at the expense of customer trust.

Chapter 4 - Customer Perceptions

So far, this essay has addressed the context of innovation and regulation in insurance, and the challenges and opportunities presented. This information will directly influence any automation or digital strategy as insurers seek to remain competitive and compliant. Although traditional strategy may focus on product and business benefits, to be sustainable, any strategy must work in the favour of customers. In a digital world, this is a complex area which must receive due attention from insurers. This chapter will explore customer perceptions of traditional insurance, how these may be affected by the retail market, and how customers may react to automation and digital innovation.

Traditional Insurance

The insurance industry is entrenched in history and has offered security and stability to individuals and commercial enterprises since the 1600s. This has helped to drive innovation and has contributed to the economy through investment and tax. The London Market and Lloyds are living demonstrations of the traditional values of insurance, offering bespoke policies and coverage for emerging or unique risks. This legacy, combined with the professional standards of the Chartered Insurance Institute, the oversight of the regulatory bodies, and the influence of the trade bodies should allude to strength, stability and security. In reality, the public perception of the industry is that it is often slow to respond, expensive and unfair.

Historically, Insurance has been viewed as part of the wider Financial Services Industry. Since 2008, this has had a negative impact, as customers are likely to permit their Insurers the same level of trust that they would for banks. In fact, in 2014, 53% of UK consumers stated that they had complete or moderate trust in insurance companies. This figure was 55% for banking companies (Evans & Cullen, 2015). As the economy recovers, there is a chance that customers will recognise the value of insurance as a distinct industry, which supports individuals and the wider economy. This will be a long process and the insurance industry and its professional and regulating bodies must therefore work hard in the interim to raise the profile of the industry and build public trust and understanding.

Atkins & Bates (2014), state that reputational damage is considered one of the top risks to financial services and general insurance companies. If a company fails to perform or behave in the manner expected by its stakeholders, it can have devastating consequences for the future success of the business. Recent events such as PPI mis-selling and the collapse of Equitable Life have damaged public perception of the financial services industry, meaning that insurers must work harder than ever to restore trust through good reputation (Atkins & Bates, 2014; Wright, February 2006).

Despite stronger regulation and an industry-wide commitment to drive strong customer service, it is not possible to guarantee that every customer will receive perfect service every time. In the insurance industry, where trust is low, and mutual understanding is not always achieved this can be of particular detriment (Atkins & Bates, 2014). Often, if customers do not understand the product, they may feel that the insurer is to blame. This can lead to complaints, and increasingly, media or social media criticisms, which damage both insurer and industry reputations. This has entrenched the view that insurers do not pay claims. In reality, ABI figures for 2016 show that £44 million was paid each day for Motor and Property claims, and that 97% of protection claims made were paid (Association of British Insurers, 2016).

Poor customer service may also lead to other problems such as accidental mis-selling (if the insurance agent does not take the required time to explain the product) or fraud (if the customer feels that the agent is not paying attention, they may be more inclined to lie) (Atkins & Bates, 2014). This can lead to complaints and regulatory fines or enforcement, further damaging the reputation of a company and perhaps the industry.

In addition to the challenges brought about by the perception of the industry, Insurers must also contend with the critical and ingrained issue of customer perception of the insurance product. Insurance is unique in that customers purchase the product, hoping never to use it. As a result, they do not receive the same gratification that they would from any other purchase. This is further

compounded by high premiums (driven by fraud, tax and insurers expenses) and compulsory enforcement (e.g. Motor or Employers Liability), which mean that the product is often a 'grudge-purchase' (Evans & Cullen, 2015). The result is that insurers are starting on the back foot in trying to build a relationship with their customer.

In an ideal world, insurers would be able to build a trusting, long-term relationship with their customers. This would benefit the customer through allowing them to better understand the products available, better manage their risks, and in turn receive lower premiums. It would also be an advantage to the insurer through increased retention and reduced risk, in turn lowering costs. This reality will require a fundamental shift in customer mentality and is not an instant solution. Recent campaigns such as those by Aviva and Zurich have begun this process through educating 'millennials' on the importance of insurance in their financial health (Aviva, 2016; Zurich, 2016). These are long-term strategies aiming to raise awareness and build a teacher-pupil relationship with customers. Short-term and compulsory insurance purchases such as motor may face a tougher challenge in moving away from a price-driven, low retention model.

The Influence of Retail

"Customers' expectations when arriving at GI transactional sites are set by their experiences on retail e-commerce sites, not predominantly by financial services." (ninety, 2014)

The permeation of the internet on day-to-day life over the last 20 years has had a profound impact on customer attitudes and mentality. Historically, purchases were made face to face in a shop, allowing customers to see the product, ask questions of the retailer and physically exchange money for the product. Comparing price or products involved visiting other retailers, a commitment of time and effort. Similarly, insurance purchases were made via a broker, or by manually applying for quotes from multiple insurers via phone or forms. Consequently, making a purchase was a labour intensive process, made through human interaction which built relationships and brand loyalty. The

growth of digital retail has transformed the purchase process. Modern customers can compare prices and products or access reviews with a single click. This has empowered customers, allowing them to make informed purchases, which previously would have taken significant effort. This has reduced the need for experts such as store clerks and brokers, who are sometimes perceived as pushing sales, rather than offering advice. The ability to quickly make informed purchases has also led to an uptick in impulse sales (rewarding customers with instant gratification), and a reduction in brand loyalty as customers chase a good deal.

Despite the competitive nature of the modern retail process, certain brands have succeeded in creating levels of brand loyalty that would not have been possible in a historic setting. For example, Google has become synonymous with searching the internet, Uber with taxis, and Amazon with delivery. Apple and Tesla have built a cult-like following through innovative design, despite having a higher price point and smaller product range than competitors. Although these brands represent very different industries, they have one thing in common. They have all identified a gap in the market, or an issue to address, then built a proposition or product to present a solution, better than anything offered by their competitors. They are not necessarily the first to make the product (Apple by no means were the first to offer a smart phone), but they were able to offer something better than what was on the market. Their campaigns focused on these benefits, and made customers feel as though they were missing out on something great by purchasing from a competitor.

This brand loyalty is also driven by a shift in customer perceptions. Historically, customers might make a purchase based on the merits of the product. Modern customers however, are increasingly likely to make a purchase based on the products that they already have (i.e. better connectivity between a smart watch and a phone from the same brand), peer influence (driven by social media), or a positive previous experience of a brand. In fact, a positive customer experience is one of the biggest assets of a successful brand. In a connected world, a social media post can have a profound impact on sales. Forty-seven percent of millennials stated in a recent survey that they are influenced

by social media during their shopping journey (Lobaugh, Simpson, & Ohri, 2015). This drive to sell not only the product, but also the experience, is best demonstrated by the NPS scores of the successful brands listed previously. For example, Tesla has a score of +97 and Apple a score of +89 (NPS Benchmarks, 2017). These brands are easy to interact with, and focus on every aspect of the customer journey, from physical contact in-store, to digital or telephone transactions.

This approach, combined with the empowerment of customers has led to an expectation of joined-up conversations or 'two-way' dialogues at a time that suits the customer via the channel that is most convenient for them at the time (ninety, 2014). These conversations span across both digital and physical channels as customers view the organisation holistically, rather than as separate touch points. In order to enhance the customer experience, it is therefore vital that content across all communication channels is accurate, aligned to the brand and relevant to the customer. This includes documentation such as invoices and statements and information provided by staff (Forrester Consulting, 2015).

Given the context of the traditional perceptions outlined in the previous section, it is easy to understand the challenge that the retail mind-set presents to the insurance industry. To meet with the expectations of modern customers, who use experience experts such as Tesla, or innovators such as Uber as their baseline, insurers must not only overcome the pervading perceptions of the industry, but also provide products and services which delight customers, rather than simply meet their expectations (Naylor, 2017). Progress is being made in this respect. In 2016, seven of the twenty most improved organisations listed in the UK Customer Satisfaction Index were from the insurance sector, and eight insurers featured in the top 50 organisations list (Weston, July 2016).

Automation and Digital Innovation

A recent study found that 85% of British adults would welcome insights from their insurer to help lower their premiums (Carey, 2016). Another survey found that over 50% of participants would be

happy to provide additional personal or lifestyle information to their insurer for a better deal (Law & Butler, 2014). This mind-set comes from experiences with retailers such as Amazon, which uses automation to proactively deliver a personalised list of products customers may wish to purchase, the option to review purchases, or to ask questions. This shows the proliferation of retail influences on the insurance market through customer attitudes.

However, this additional information comes at a price. Customers are aware of the value of their data, and expect an incentive or reward in exchange for their data. This is not necessarily as simple as a lower premium, or loyalty rewards. Law and Butler (2014), state that customers want ease of access, better tailored products and a personal experience, as they have come to expect from their retail experiences. Furthermore, they need to be able to trust their insurer with the additional data. As mentioned earlier, this is an industry-wide issue, which remains prevalent. Add to this the heightened awareness amongst the general public of threats to cyber security and customer data driven by recent high-profile hacks, and the challenge intensifies in complexity.

In addition to concerns over their data, customers are more aware of the technology being used by insurers and the financial services. Whilst many embrace the greater use of technology as it can support accessibility, provide a better experience and reduce the time spent on transactions in line with their retail expectations, there will naturally be some who see the negative stories. Perhaps the most visible of these is the anxiety around automated decision making. Although this can help to reduce premiums, expedite claims or enrich the experience, there are concerns that it could also be used to the customers detriment. The example provided earlier of Admiral's failed Facebook quoting service is a great example of this. Although promises were made that the service would never lead to an increased quote, this was not enough to reassure customers. It is clear therefore, that whilst automation and digital solutions are already being used in the insurance industry, customers must be proactively engaged in order to build trust, and offered sufficient reward from automated processing to motivate them to purchase a product.

Furthermore, it is essential that digital solutions used by insurers are driven by customer preferences, not policies or guidelines. A recent survey asked participants about their preferred communication channels at each step of the insurance cycle. Digital interactions scored over 50% only for researching and obtaining quotes. Telephone or email were the preferred methods for every other step (scoring almost 60% for claims) (Law & Butler, 2014). This demonstrates that whilst many customers will value agile and flexible interactions, some will prefer to communicate via traditional channels (Bisker, 2014). This is particularly true of vulnerable customers, a focus of the FCA (Financial Conduct Authority, 2015). Innovation must not come at the cost of excluding customers, but rather with the view of developing service across all channels.

Summary

This chapter has outlined the environment in which insurers must deploy their digital and automation strategies. Whilst there is a clear argument for new technology in the insurance industry, as this will bring improved experiences, greater access, better product offerings and reduced timescales, there are a number of challenges that need to be addressed. Traditional views must be looked at, and steps taken to build trust. Customer expectations also need to be understood in order to ensure that innovations meet their needs and enhance the experience. Insurers must also be sure to engage customers through highlighting the benefits of automation, data use and digital platforms in order to mitigate feelings of distrust. This is by no means a small task; however, through ensuring that customer perceptions are understood, and that proactive steps to engage customers are built into digital strategies, insurers can build a robust and sustainable solution that will be valued by customers.

Chapter 5 - Customer Psychology and Behaviour

The previous chapters have provided context on data protection regulations, the digital revolution in insurance, and customer perceptions. This has demonstrated that, whilst regulated, the insurance industry has a fantastic opportunity to streamline operations and to make products both more accessible and more enticing for customers. To achieve this and capitalise on the technology available, insurers must not only overcome internal barriers such as legacy systems and data compliance, but also secure customer trust. Given the challenges outlined in the previous chapter, changing perceptions for the long-term requires more than advertising campaigns or gimmicks. This chapter will evaluate some core concepts in customer psychology and how they might help insurers and the wider industry to start this process.

What is Trust?

Before investigating means of building trust, it is important to first understand what trust is. In doing so, an objective is defined which can be used to measure success. The dictionary definition of trust is; *“to believe that someone is good and honest and will not harm you, or that something is safe and reliable”* (Cambridge University, 2013). The key aspects of honesty and reliability are central to insurance. Indeed, insurance is based on the premise of a promise to pay. For insurance to work, there has to be trust that the promise will be honoured. This concept is directly aligned to another fundamental principle of insurance; *uberrimae fidei* (utmost good faith) (Parsons, 2013). This is the belief that someone is good and honest, and is the basis on which contracts are made. Taking this definition of trust, it could be argued that any insurer is achieving the objective of securing trust. Transactions are taking place because there is trust between the customer and the insurer. Given the perceptions outlined in the previous chapter however, one must challenge whether this meaning is the most appropriate when framing success in building trust.

Gibb (1978) provides an alternative definition that *“Trust is instinctive, and, as a feeling, is so close to love”*. This description is closer aligned to the retail-mind-set described previously. Customers

make purchases seeking gratification and often affiliate their view of a product or brand with emotions and social perceptions. Looking at successful brands, often their customer experience and advertising will focus on fulfilling emotional needs. Recent adverts for Amazon, for example, show people purchasing gifts for others to solve a situation in a novel way. In one such campaign, a small child is scared of the family dog, but likes a stuffed lion, so the father purchases a mane for the dog (Amazon Prime – Lion Dog, 2016). The focus is not on the features of the product, but on the emotional fulfilment the buyer receives. This affiliates positive emotions with the brand, building a long-term trust which is then realised through the delivery of quality products and experiences. In a similar way, car manufacturers often focus advertising on the safety features of their vehicles. In recent years, this has shifted from technical specifications to highly emotional demonstrations of the real-world impact that these features have. A campaign by Volvo interspersed clips of a small child walking to school with snapshots of her future, alongside scenes of another woman driving her XC60. As the advert builds, the viewer becomes invested in the small child, who then steps out in front of the vehicle as the driver is distracted. The automatic braking is activated, saving the child (Nudd, 2017). This instantly associates the feeling of relief with the technology and the brand, building trust through emotion. Retailers have clearly successfully exploited this definition of trust as an emotional instinct. By taking this meaning, insurers can begin to address some of the challenges faced in improving customer perception.

Another aspect to trust is the social-economic understanding that not only will the other party do as promised; they will not do anything to exploit the contract. This is outlined by James (2002) who stated; *“Trust viewed from an economic standpoint is an expectation that people will not be exploited by others, which exists when there are no strong incentives for people to behave opportunistically”*. This view can also be summed up by the well-known quote that *“Integrity is what you do when no one is watching”*. Anderson and Naurus (1990) similarly encapsulated this concept as; *“... the firm belief that another company will perform actions that will result in positive outcomes*

for the firms as well as not take unexpected actions that result in negative outcomes". Given the increasing customer awareness of their data value and security, it is clear that this definition should resonate with insurers wishing to embark on a digital journey. Often insurers will have a value or cultural focus on integrity or honesty, however if this is not prominent and visible to customers through delivered actions, the value is limited. In order to alleviate customer concerns and build trust, this definition of trust should be central to any digital strategy.

Taking these alternative meanings, there is a clear argument that the traditional view of trust being about doing the right thing is limited. When referring to building customer trust, insurers should consider the emotional aspect and the relationship that they have with their customers beyond contractual or regulatory requirements.

Obtaining Customer Data

Given the previous discussions on customer perception and data use, it is clear that any digital strategy will need to focus on building trust around the use of customer data. This is rooted in the definition of trust that focuses on not exploiting the relationship, and using the relationship to work towards positive outcomes. Mayer et al. (2007) outline a model of trust based on a willingness to be vulnerable to another party, which is driven by the perceived trustworthiness of the other party (assessed as integrity, benevolence and ability). This model was developed for a face-to-face relationship, though it has clear applications to a modern, digital situation. Lauer and Deng (2007) explored this through a study that assessed customer perceptions of online companies based on their privacy policies. This study found that a stronger privacy policy correlated to higher perceived trustworthiness, which in turn led to greater trust. A rise in customer truthfulness and loyalty was subsequently observed. This study is somewhat limited in its scale (269 subjects), and used privacy policies as the test subject, which are rarely read in full by customers. That said, the results clearly demonstrate that customers are more likely to trust a brand if they are assured that their

information is safe. This is a crucial consideration for insurers when understanding how to improve customer engagement with digital or automated data-intensive solutions.

It is important that measures to build this trust do not detract from the customer experience. A recent study by Atorough (2013) found that, whilst customers are influenced by risk and regulatory focus when shopping online, they can be distracted by security features or strategies designed to reduce risk perception, such as CAPTCHAS or acceptance checks for terms and conditions.

Consequently, there is a risk that too great a focus on data security could act as a detractor. For this reason, insurers must consider how to make data security prominent to customers, whilst retaining the focus on the factors that will delight a customer, satisfying the retail mind-set.

Another consideration is that of stigma based on fear. Schulze & Wansink (2012), state that when something goes wrong, there is often media coverage, and reactions by governments, regulators and companies, which can lead to stigma. In recent history, the UK has seen the mass-slaughter of thousands of cows and poultry due to mad-cow disease and salmonella. In addition to the loss of livestock, there was long-term damage to the industry because of fear and stigma. In contrast, there remains heightened security at airports some sixteen years after the terrorist attacks on 11th September 2001. Despite the challenge of whether these measures are reasonable given the time and resource required to screen every passenger, weighed against the number of incident-free flights, these measures remain in place because they offer assurance to customers and manage their fear (Schulze & Wansink, 2012). Given the potential risk of hacks, misuse of customer data, or loss of data that insurers face, it is vital that steps are taken to mitigate stigma. Too often following a failure, companies will seek to crisis-manage, apportioning blame, taking care of the affected customers and making statements to express that the damage has been contained. A more successful strategy is to seek a long-term solution to resolve the issue for all customers, and focus communications on the positive features of the brand or product, reinstating trust by relieving fear (Schulze & Wansink, 2012).

Attitudes to Automation

In addition to consenting to their data being captured, customers must also be assured that any automation will work in their favour. The example given in chapter 2 of the failed Admiral Facebook launch, illustrates the impact that customer trust can have. The previous section described the model defined by Mayer, and refined by Lauer and Deng. This describes trust as a willingness to be vulnerable. When insurers automate decisions based on data, this will be carefully scrutinised by customers, who will want to know that this is not to their detriment, and does not in any way exploit the relationship. Given that GDPR gives customers the right to refuse to automated decision making, this is a key consideration for insurers.

Méndez-Aparicio, et al. (2017), articulate that customers typically make decisions around purchases based on reputation, experience, trust and the perceived benefits. The concept of trust has been addressed previously in this chapter; however, the power of experience and benefit should not be underestimated. Customers are aware that they, and their data are valuable. Trust and reputation alone are therefore not sufficient incentives for customers. Consequently, insurers must consider how they illustrate the benefits of allowing automated use of data, whether through enhanced service, improved experience, or lower premiums. This is again, best illustrated by retail experts such as Amazon and Apple. Customers will readily allow them to use information such as purchase history and location because they know this will augment their experience (Gordon, 2013).

It is important to consider, when developing automation or analytics tools, the source of the data. Facebook and other social media services provide a wealth of information, including location, exercise history, age, social behaviours and educational background. This can be invaluable for insurers when developing pricing using aggregated data on customer groups. It can also be used as a marketing resource, allowing targeted campaigns to reach out to suitable customers. Despite the potential business benefits, care must be taken to consider customer sentiment towards such use of their data (Gordon, 2013). Some may be happy for their data to be used if anonymised, or to receive

bespoke adverts from insurers on products that they may find useful. On the other hand, some may find the use of their data for such purposes intrusive, and may feel that they are being screened for products without their consent. Without fully understanding customer sentiment, and articulating to the target customers in a clear way how their data will be used to their benefit, such campaigns are likely to create distrust.

Recently, some retailers have adopted pedagogy – the practice of teaching customers new behaviours, in their marketing campaigns. Examples include Blackberry and Apple, who reshaped the way that customers interacted with their phones (Gordon, 2013). This was achieved through campaigns that focused on the benefits of the product, presented in real-world scenarios. This demonstrated in a meaningful way that the product would improve situations for customers, increasing their receptiveness to any data requirements. There are different models to pedagogy, dependant on the end-goal. These models are Emotional, Cognitive, Behavioural, and Social. Emotional pedagogy focuses on the feelings attached to a product, linking to Gibb’s definition of trust, outlined earlier in this chapter. Cognitive pedagogy is closer to a traditional teaching model, where customers are provided with a piece of information, followed by a benefit, building understanding of a product by creating a sequential train of thought. Behavioural pedagogy follows a model of rewards for behaviour, and can be associated with gamification or ‘giveaway’ campaigns. Social pedagogy looks at the customer as an individual and how the product can fit with their unique lifestyle or requirements (Gordon, 2013). These models have potential applications for customer engagement strategies when implementing digital or automated solutions. By understanding the gaps in customer knowledge, benefits can be highlighted in the most appropriate way, educating customers and building trust.

Summary

This chapter has explored some key concepts that insurers must address when developing a digital strategy. It is vital that trust is understood and that insurers consider its multiple facets when

defining whether they are trustworthy. This will influence the relationship that they develop with their customers, and how successfully they can address the challenges presented by customer perceptions. There is no simple solution to these challenges; however, by understanding customer behaviours, insurers can better develop strategies to support a long-term relationship.

Chapter 6 - Developing a Digital Strategy

This essay has so far explored a number of themes, which must be central to any digital strategy. It is clear that the industry faces significant challenges, which will need to be addressed with long-term solutions in order to build a sustainable future. Arguably, the easiest challenge to define is that of data regulation. Although GDPR presents a significant change in regulation, it is possible to measure how successfully the requirements are met. Perhaps more complex are the issues faced in overcoming technological hurdles such as poor data quality and legacy systems. By far the greatest test though, is whether customers will engage with any digital innovation. The industry has a number of reputational issues to overcome, and must make significant strides in order to build customer trust. This chapter will bring together the key findings from each of these areas to demonstrate how insurers can formulate a sustainable digital strategy.

Securing Customer Trust

The previous two chapters outlined current customer perceptions towards the insurance market and the ways in which these might be influenced. Any digital strategy must first and foremost understand customer opinion and what drives this. There are a number of ways of achieving this, from traditional NPS analysis, focus groups and surveys to social media sentiment analysis (Gordon, 2013). Regardless of the mechanism, it is vital that this data is scrutinised and challenged (Garcia Pont & Rocha e Oliveira, 2014). Too often, data collection is a reporting exercise. Outliers are analysed, but expected results are taken as a success. This will lead to important feedback being missed.

Once customer sentiments are understood, insurers can start to look at ways of developing the relationship. This might be achieved to some extent through better experiences and automation, but will have limited success without mutual trust. The next step must therefore be to investigate how trust can be built through identifying barriers in the current relationship. For example, customers may wish to see clearer terms and conditions, have better transparency around the claims process,

understand how their premium is used, or receive more regular communication. Without dedicating adequate time to understanding the customer, identifying a successful strategy for building trust will prove challenging. The value of these steps cannot be understated, as they are fundamental to ensuring that a digital strategy delivers real benefit for customers.

Understanding the Customer Journey

Having built an awareness of customer perceptions and implemented steps to build long-term trust, insurers can begin to investigate opportunities for digital or automation technologies. Whilst some of these may be 'back-office', such as inputting data, there must be a customer benefit, such as reduced call time. Technology implemented purely for the benefit of the insurer is unlikely to have any long-term sustainable impact, as the implementation costs will probably outweigh any return on investment.

Familiarity with customer perceptions of the organisation will provide benefits at this stage, as insurers can identify pain points within the customer journey. These can then be analysed in greater detail, looking at the root cause of the issue. This step is critical, as the underlying issue itself must be resolved in order to achieve sustainable benefit. Simply adding technology to a pain point without resolving the root cause will only mask the issue and is likely to cause further problems in the future. Customer analytics, driven by big data will play an increasing role in this step. As data becomes richer and is available in real-time, it will become easier to detect opportunities for enhancements, or for providing a more bespoke service (Gordon, 2013).

Regulatory requirements must also be considered at this stage. Whilst GDPR by no means prohibits automation or digital technology, it does provide clear rights to customers and rules on the collection, storage and use of data. These must be fully understood when investigating the potential benefit of applying technology to a process. Failure to do so at an early stage may result in the

termination of the project, or regulatory fines if a breach is caused. This will have a financial and reputational impact, undoing any previous achievements in building customer trust.

Once opportunities have been identified and assessed for compliance, customer trust must once again be considered. If a digital solution, such as online purchases or claims are implemented, consideration must be given to whether customers will be willing to enter their personal and payment data. Insurers must also understand whether alternative options are available, for example telephone or email. If automated decisions will be made, insurers must determine how value and security can be illustrated to the customer. As described previously, customers must understand that any automated processing is to their benefit. Should customers object to this processing, appropriate alternatives must be made available to them.

Sustainable Strategy

Having identified opportunities for securing customer trust and enriching the customer journey, insurers must embed these as part of a well-designed, long-term strategy. Simply implementing a robotic process or simplifying the terms and conditions on a webpage will have limited impact over time, as they are unlikely to resolve the root cause or fully address customer concerns (Naylor, 2017).

The insights gleaned from investigating customer perceptions and the customer journey must be used to form the basis of a digital strategy. This needs to include clear objectives to measure success and to align activity to achieve a common goal. It is important to identify the desired end state to articulate to employees, managers, and customers what is being done to develop the organisation. By providing this clarity on the benefits to be gained from implementing technology, insurers can build trust from all stakeholders, ensuring a sustainable strategy.

This strategy should also provide clarity on regulatory issues, such as GDPR. This will help to ensure that any projects are compliant, mitigating the risk of any breaches and subsequent fines and

reputational damage. It is also beneficial to define how customer trust will be improved. For example, by providing customers with clear and visible opportunities to opt out of automated decision making, or by using plain English in any communication. By building this into a long-term strategy, insurers can make sure that their customers remain central to any innovation.

It is imperative that insurers understand that whilst the objectives of the strategy are long term, the information that drives it is time-limited. A single review of customer sentiment and experiences will quickly become redundant, particularly if the insurer makes changes to the customer journey or contact points (Gordon, 2013). Thus, it is essential that these review exercises are constantly repeated, feeding into the strategy and influencing the details.

Summary

In order to successfully deliver digital and automation innovations on an industrial scale and realise the benefits, insurers must first overcome a number of challenges. This is best achieved through the use of a clear, long-term digital strategy, monitored through continual customer reviews. By building this around customers and ensuring that measures are implemented to build trust, insurers can make sure that their strategy is sustainable. It is vital that such strategies are developed and implemented early in the innovation journey in order to mitigate the risks presented by disparate projects with no common goal. Such projects may deliver minimal financial return, poor customer benefit, and great regulatory and reputational risk. By building a strategy around customers, insurers can achieve superior benefits as innovation will address genuine issues, build customer trust and realise combined benefits.

Chapter 7 - Conclusion

The insurance industry is at a crossroads. Innovation is driving reduced customer contact and greater operational value for insurers whilst customers are demanding an ever more innovative and digital experience. In addition, a heightened awareness of the security and value of data has led to intensified regulation. This poses real challenges for insurers who are attempting to embed new technology in an industry that has technological and reputational challenges. In order to successfully implement digital and automation technology on an industrial scale, it is critical that insurers fully understand each of these challenges, and define a strategy that addresses them fully.

Undoubtedly, the greatest concern for insurers at present is GDPR. This is the first major change in data regulation for two decades, and includes significant increases to fines. It is only natural therefore that insurers be concerned about this change, particularly given the technological landscape to which it will be applied. Many insurers still use legacy systems that are complex to update, making compliance with the new regulations all the more challenging. As this essay has illustrated, many of the rights given to customers are in fact not that different to those available under the DPA. These rights will help to build customer confidence in the way that their data is handled, which should in turn, help to enhance perceptions of insurers' automated and digital processes.

This use of data is central to many of the technologies described in this essay. Successful implementation of these technologies will change the face of the insurance industry, bringing it into line with the retail experience that many customers now expect. Automation will also deliver benefits to insurers through streamlined operations, reduced costs, greater accuracy, and faster processing. To realise these benefits insurers must secure authority from customers to use their data.

Customer views of the insurance industry may present a barrier to implementing these technologies. Customers often view insurance as a 'grudge-purchase', focusing on the premium rather than the

security offered. Poor perceptions of the financial services sector generally, combined with recent changes in the retail market which provides a digital journey and excellent customer experiences, have compounded the challenges faced by insurers in building trust. Nonetheless, these challenges also provide an opportunity for insurers. Customers are familiar with automation and digital technologies through engagement with online retailers, and recognise the benefits that they bring to their experience. Research has shown that they would welcome similar experiences from their insurer.

In order to secure customer consent to use their data for automated decisions, it is important that insurers address some of the issues with trust that have accumulated over time. In a modern world, customers look at businesses on a holistic basis, expecting them to not only honour the specified terms of their contract, but also to do the right thing on a more general basis, such as in being transparent about how their data will be stored and used. By considering how customers feel about their products, relationship and business, insurers can identify gaps in trust. This broadens the traditional definition of trust to include non-contractual activity and customer emotions. By extension, when considering the rights given to customers by GDPR, it is clear that it is no longer sufficient for insurers to simply state that they comply with data regulations. Instead, insurers must demonstrate the value that customers will receive in exchange for their data, and that this will only ever be used for positive purposes.

By understanding the influence of each of these themes, insurers can begin to understand the impact of automation and digital technology on their future success. This illustrates the importance of a long-term, sustainable digital strategy. This must be built around the customer in order to meet the expectations that they have acquired from retailers. Regulation must also be central to the strategy, to ensure compliance and minimise the financial and reputational risk, which is exaggerated in a data-driven market. Finally, the strategy must include a focus on building trust, exchanging value for the data that is shared.

Modern customers expect more from their insurers, are aware of their rights, and are more and more price and value driven. Insurers face significant regulation whilst seeking ways to reduce operating costs and grow their customer base. This holistic, customer driven approach to digital innovation will help to ensure that the future of the insurance market is secure and stable by addressing both customer requirements, and helping insurers to meet their objectives.

Bibliography

Accenture. (2016). *Accenture Technology Vision for Insurance 2016*. Retrieved 11 16, 2016, from

Technology Vision for Insurance 2016: People First: <https://www.accenture.com/gb-en/insight-insurance-technology-vision-2016>

Admiral. (2017). *Firstcarquote*. Retrieved from Admiral: [http://www.admiral.com/car-](http://www.admiral.com/car-insurance/firstcarquote/)

[insurance/firstcarquote/](http://www.admiral.com/car-insurance/firstcarquote/)

Allnutt, H., Dickson, C., & Webster, R. (2016). *Automated decision making, connectivity and ethics*.

DAC Beachcroft LLP.

Amazon Prime – Lion Dog. (2016, 11 15). Retrieved from TV Ad Music:

<https://www.tvadmusic.co.uk/2016/11/amazon-prime-lion-dog/>

Anderson, J. C., & Naurus, J. (1990). A model of distributor firm and manufacturer firm working partnerships. *Journal of Marketing*, 54, 42-58.

Ashford, W. (2017, 12 01). *Businesses bracing for GDPR data deletion requests*. Retrieved from

Computer Weekly: <https://www.computerweekly.com/news/450431134/Businesses-bracing-for-GDPR-data-deletion-requests>

Association of British Insurers. (2016). *UK Insurance & Long-Term Savings Key Facts*.

Atkins, D., & Bates, I. (2014). *Insurance Corporate Management 990*. London: CII Learning Solutions.

Atorough, P. (2013). *Consumer behaviour in online shopping - understanding the role of regulatory focus*. Aberdeen: Robert Gordon University.

Aviva. (2016, 10 10). *New campaign challenges Brits to face up to their older selves*. Retrieved from Aviva.co.uk: <https://www.aviva.co.uk/media-centre/story/17682/new-campaign-challenges-brits-to-face-up-to-their-/>

BBC. (2017, 09 15). *Equifax says almost 400,000 Britons hit in data breach*. Retrieved from BBC News: <http://www.bbc.co.uk/news/technology-41286638>

Bieck, C., & Bedell, C. (2015, 10 22). *Three Ways Cognitive Computing Will Help The Insurance Industry*. Retrieved 01 15, 2016, from Forbes: <http://www.forbes.com/sites/ibm/2015/10/22/three-ways-cognitive-computing-will-help-the-insurance-industry/#2715e4857a0b51d2df9fa990>

Bisker, J. (2014, 09 09). *Thinking About Cognitive Computing*. Retrieved 01 15, 2016, from Insurance & Technology: <http://www.insurancetech.com/data-and-analytics/thinking-about-cognitive-computing/a/d-id/1306893>

Bow, M. (2015, 11 25). *City watchdog to look into the use of 'big data' by insurers*. Retrieved 01 15, 2016, from Independent: <http://www.independent.co.uk/news/business/news/city-watchdog-to-look-into-the-use-of-big-data-by-insurers-a6747716.html>

Cambridge University. (2013). *Cambridge English Dictionary*.

Carey, S. (2016, 04 04). *How UK insurers are embracing digital innovation with mobile apps, gamification and customer data analytics*. Retrieved 08 27, 2016, from Computer World UK: <http://www.computerworlduk.com/it-vendors/how-uk-insurance-industry-is-embracing-digital-innovation-3637605/>

Commons Select Committee. (2016, 04 26). *Government agree to set up 'Council of Data Ethics'*. Retrieved 05 25, 2016, from Parliament UK:

<https://www.parliament.uk/business/committees/committees-a-z/commons-select/science-and-technology-committee/news-parliament-2015/big-data-dilemma-government-response-15-16/>

Crawford, S., Meadows, I., & Piesse, D. (2016). *Blockchain technology as a platform for digitization*. EY.

Cusano, J., & Starrs, A. (2016). *People First: The Primacy of People in the Age of Digital Insurance*. Accenture.

DAC Beachcroft. (n.d.). Insurance Market Conditions & Trends 2016/17.

DeNisco, A. (2017, 04 17). *Despite privacy concerns, 43% of consumers offer personal data in exchange for discounts*. Retrieved from Tech Republic:
<http://www.techrepublic.com/article/report-despite-privacy-concerns-43-of-consumers-offer-personal-data-in-exchange-for-discounts/>

Evans, P., & Cullen, M. (2015). *The Changing Landscape for Insurance and Long Term Savings*. Retrieved from ABI.

Financial Conduct Authority. (2015). *Occasional Paper No. 8*.

Financial Conduct Authority. (2016, 09 21). *FCA publishes feedback statement on Big Data Call for Input*. Retrieved 10 03, 2016, from <https://www.fca.org.uk/news/press-releases/fca-publishes-feedback-statement-big-data-call-input>

Finnegan, M. (2015, 03 17). *Insurance firms slow to adapt to digital disruption, warns Forrester*. Retrieved 10 25, 2015, from Computer World UK: <http://www.computerworlduk.com/it-vendors/insurance-firms-slow-adapt-digital-disruption-warns-forrester-3601885/>

- Forrester Consulting. (2015). *Overcome Document Communication Roadblocks To Boost Customer Experience*.
- Garcia Pont, C., & Rocha e Oliveira, P. (2014). *Overcoming Hidden Barriers to Innovation*.
- Gibb, J. (1978). *Trust, a New View of Personal and Organizational Development*. Los Angeles: Guild of Tutors Press.
- Gordon, I. (2013). *Managing the New Customer Relationship: Strategies to Engage the Social Customer and Build Lasting Value*. New Jersey: Hoboken.
- Information Commissioners Office. (2017). *Individuals' rights* . Retrieved from ICO:
<https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/individuals-rights/>
- Information Commissioners Office. (2017). *The rights of individuals (Principle 6)*. Retrieved from ICO:
<https://ico.org.uk/for-organisations/guide-to-data-protection/principle-6-rights/>
- James, H. S. (2002). The trust paradox: a survey of economic inquiries into the nature of trust and trustworthiness. *Journal of Economic Behavior & Organization*, 47, 291-307.
- Lamberton, C., Brigo, D., & Hoy, D. (2016). *Impact of Robotics, RPA and AI on the Insurance Industry: Challenges and Opportunities*. The Journal of Financial Perspectives: Insurance.
- Lauer, T., & Deng, X. (2007). Building online trust through privacy practices. *International Journal of Information Security*, 6, 323–331.
- Law, D., & Butler, S. (2014). *Insurance 2020: The digital prize – Taking customer connection to a new level*. PWC.

Lobaugh, K., Simpson, J., & Ohri, L. (2015). *Navigating the New Digital Divide*. Deloitte Digital.

Lorenz, T., Münstermann, B., Higginson, M., Braad Olesen, P., Bohlken, N., & Ricciardi, V. (2016). *Blockchain in insurance – Opportunity or Threat?* McKinsey.

Méndez-Aparicio, D., Izquierdo-Yusta, A., & Jiménez-Zarco, A. (2017). Consumer Expectations of Online Services in the Insurance Industry: An Exploratory Study of Drivers and Outcomes. *Frontiers in Psychology*.

Naylor, M. (2017). *Insurance Transformed*. Cham: Palgrave Macmillan.

Neghaiwi, B., & O'Donnell, J. (2017, 05 18). *Zurich Insurance starts using robots to decide personal injury claims*. Retrieved from Reuters: <https://www.reuters.com/article/zurich-ins-group-claims/zurich-insurance-starts-using-robots-to-decide-personal-injury-claims-idUSL8N1IJ3L0>

ninety. (2014). *Market & Strategic Analysis*. Commissioned by Endsleigh . City of London: ninety.

NPS Benchmarks. (2017). Retrieved from <https://npsbenchmarks.com>

Nudd, T. (2017, 06 09). *Volvo Travels Through a Lifetime in 3 Minutes in This Showstopper of an Ad*. Retrieved from Ad Week: <http://www.adweek.com/creativity/volvo-travels-through-a-lifetime-in-3-minutes-in-this-showstopper-of-an-ad/>

Parsons, C. (2013). *P05 - Insurance Law*. London: CII.

Peachey, K. (2016, 11 02). *Facebook blocks Admiral's car insurance discount plan*. Retrieved 11 02, 2016, from BBC News: <http://www.bbc.co.uk/news/business-37847647>

PWC. (2017). *Up to 30% of existing UK jobs could be impacted by automation by early 2030s, but this should be offset by job gains elsewhere in economy*.

Rose, S. (2013). *Six ways big data analytics can improve insurance claims processing*. Retrieved 01 15, 2016, from SAS: http://www.sas.com/en_us/insights/articles/risk-fraud/big-data-analytics-improves-claims-processing.html

SAS. (2013). *Predictive Claims Processing*. SAS Institute Inc.

Schoorman, D., Mayer, R., & Davis, J. (2007). An integrative model of organizational trust: past, present, and future. *Academy of Management Review*, 32, 334-354.

Schulze, W., & Wansink, B. (2012). Toxics, Toyotas, and Terrorism: The Behavioral Economics of Fear and Stigma. *Risk Analysis*, 32.

Swiss RE. (2017). *Insurers and reinsurers launch Blockchain initiative*. Retrieved from http://www.swissre.com/reinsurance/insurers_and_reinsurers_launch_Blockchain_initiative.html?mobile=iPad

Weston, B. (July 2016). *UK Customer Satisfaction Index*. The Institute of Customer Service.

Wright, M. (February 2006, 02). A question of trust. *The Journal*, 1-2. Retrieved from The Journal.

Yao, M. (2017, 03 21). *4 APPROACHES TO NATURAL LANGUAGE PROCESSING & UNDERSTANDING*. Retrieved from Topbots: <https://www.topbots.com/4-different-approaches-natural-language-processing-understanding/>

Zurich. (2016, 12 07). *Zurich FutureYou launched to help people take control of their financial wellbeing*. Retrieved from Zurich.co.uk: <https://www.zurich.co.uk/en/about-us/media-centre/life-news/2016/zurich-futureyou-launched-to-help-people-take-control-of-their-financial-wellbeing>

