

## **Digital or human-centered? Why “or”? On future opportunities for insurers.**

The new normal of life during a pandemic has taught us many things. One of them is that remote work and digital sales channels function better than most dared to expect – even if perfection is still a long way off.

This was one of the points insurance professionals agreed on in a recent panel discussion. Staff and employers across the insurance industry are – largely – pleasantly surprised at the productivity of digital workstyles and acceptance of online sales consultations.

A further aspect is the great potential of artificial intelligence (AI) and analytics tools in optimizing sales and underwriting processes. Digital underwriting, specifically, has already proven its value through enhanced accuracy and efficiency in relatively straightforward products. As AI continues to improve, we can expect an increasing role for digital underwriting in virtually all lines of business. In addition, developments like IoT, wearables, Telematics, Smart Home and Industry 4.0 offer insurers vast opportunities for mitigating risks, efficiently handling claims and otherwise interacting with insureds.

### **Recruiting 4.0**

This trend toward digitalization is also good news for HR departments seeking to recruit career entrants with fresh ideas that can rejuvenate the industry. After all, today’s young professionals expect a digital work experience. But insurers clearly need to step up their online game to signalized that they can meet those expectations and effectively attract millennials: a [2019 study](#) of career entrants by the German publisher Springer Verlag showed that gen Y sees insurers as largely absent from social media channels. This lack of digital presence could explain why only a tiny fraction named insurance as a career of choice, although the majority of the young talents surveyed were not averse to employment in the insurance industry. Even German market leader Allianz was named by just 6% of respondents as a preferred employer.

So is digitalization – a topic the entire industry has already been talking about for years – the answer? Are insurers with strong digital strategies succeeding in attracting more customers and fresh talent? The solution is not quite that simple. The Springer Verlag study concludes: “The insurance industry needs a clearer face as an employer, one that convinces talents of strengths and has better emotional appeal.” This cannot be achieved through digitalization alone.

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### Reconciling digital and human processes

A further point that came up during the panel discussion was the importance of leveraging technology to create a genuinely superior customer experience. And what goes for the customer journey applies equally to career entrants: impersonal and anonymous digital processes will get us only so far. There comes a point where the magic of human interaction is indispensable.

The FinTech TransferWise is an excellent example of how this combination works wonders. The online bank transfer service is easy, fast and – thanks to the efficiency of its digital processes – very cheap. The vast majority of transactions are processed fully automatically. When inevitable occasional questions do arise, the customer isn’t forced to wade through a sea of FAQs, but rather receives a personalized answer by e-mail. If this doesn’t resolve the uncertainties, the very courteous and knowledgeable customer support team is readily available by phone – no drawn-out waiting accompanied by mind-numbing “on hold” music. The London-based company, founded by two Estonians in 2010, is now valued at US\$ 5 billion. Co-founder Taavet Hindrikus received the [2020 Pathfinder of the Year](#) award.

### What insurers can learn from the restaurant industry

But to gain deeper insights into the perfect balance between digitalization, individual service and human interaction, it pays to look beyond financial services. Bestselling author and surgeon Atul Gawande has explored process and supply chain optimization in the restaurant industry and how the learnings could be applied in healthcare.

Gawande, who has been appointed to the Biden Administration’s COVID-19 Advisory Board, wrote about the high-end restaurant chain Cheesecake Factory in a [2012 article](#) that appeared in The New Yorker. (The name “[Cheesecake Factory](#)” may at first be misleading. It is a publically listed corporation that has made a name by providing a full range of affordable savory dishes and desserts that come close to Michelin-Star quality at dozens of locations across the USA and in other countries.) “The company’s target last year was at least 97.5-per-cent efficiency: the managers aimed at throwing away no more than 2.5 per cent of the groceries they bought, without running out,” Gawande writes. “This seemed to me an absurd target.”

Gawande’s skepticism was warranted: the US hospitality industry wastes up to 10% of its food stocks, according [Foodprint](#), a nonprofit dedicated to sustainable food. Cheesecake Factory is able to achieve its ambitious goal thanks to a field of data analytics known as “guest forecasting.” The algorithms have even learned how to adjust for weather or sports events that keep people at home.

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Work in the kitchen is equally high-tech. Gawande describes how each dish is presented on a touchscreen monitor. “The recipe has the ingredients on the left part of the screen and the steps on the right,” he writes. “A timer counts down to a target time for completion. The background turns from green to yellow as the order nears the target time and to red when it has exceeded it.”

But perhaps what’s most fascinating about this harnessing of big data and digitalized processes is that the customer sees absolutely none of it. The technology enables the restaurant chain to deliver exceptionally high-quality, creative and contemporary cuisine along with excellent service at mid-range prices. In other words, the customer experience is all about traditional high-end hospitality, while behind-the-scenes processes are at the cutting edge of technology.

Throughout the insurance industry, the rush is on to go digital – and that’s a good thing. But we also need to put ourselves in the customer’s position and ask, “What’s in this for me?” The future belongs to the insurers that can answer that question as readily and convincingly as TransferWise and Cheesecake Factory.

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