

The State of Messaging in Insurance

Conversational apps are here to stay.
Here's what industry leaders should know.



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Executive summary

Today's insurance customers are smarter, savvier, and more informed than ever before. They expect a high degree of personalization and convenience out of their insurance providers.

To meet these expectations, insurers are turning to conversational apps. Conversational apps redefine the way insurers communicate with their customers, helping them embrace a true customer-centric messaging strategy.



01

What are conversational apps?

Conversational insurance is a term that refers to the intersection of messaging apps and insurance processes. It describes the trend towards customers and insurers interacting with one another via chat and voice interfaces.

Behind the scenes, conversational insurance requires the use of a number of different technologies, which are broadly referred to as conversational apps.

Conversational apps are usually built on top of existing messaging platforms (like WhatsApp, Facebook Messenger, or Telegram). The messaging app acts as the interface between the business and the customer.

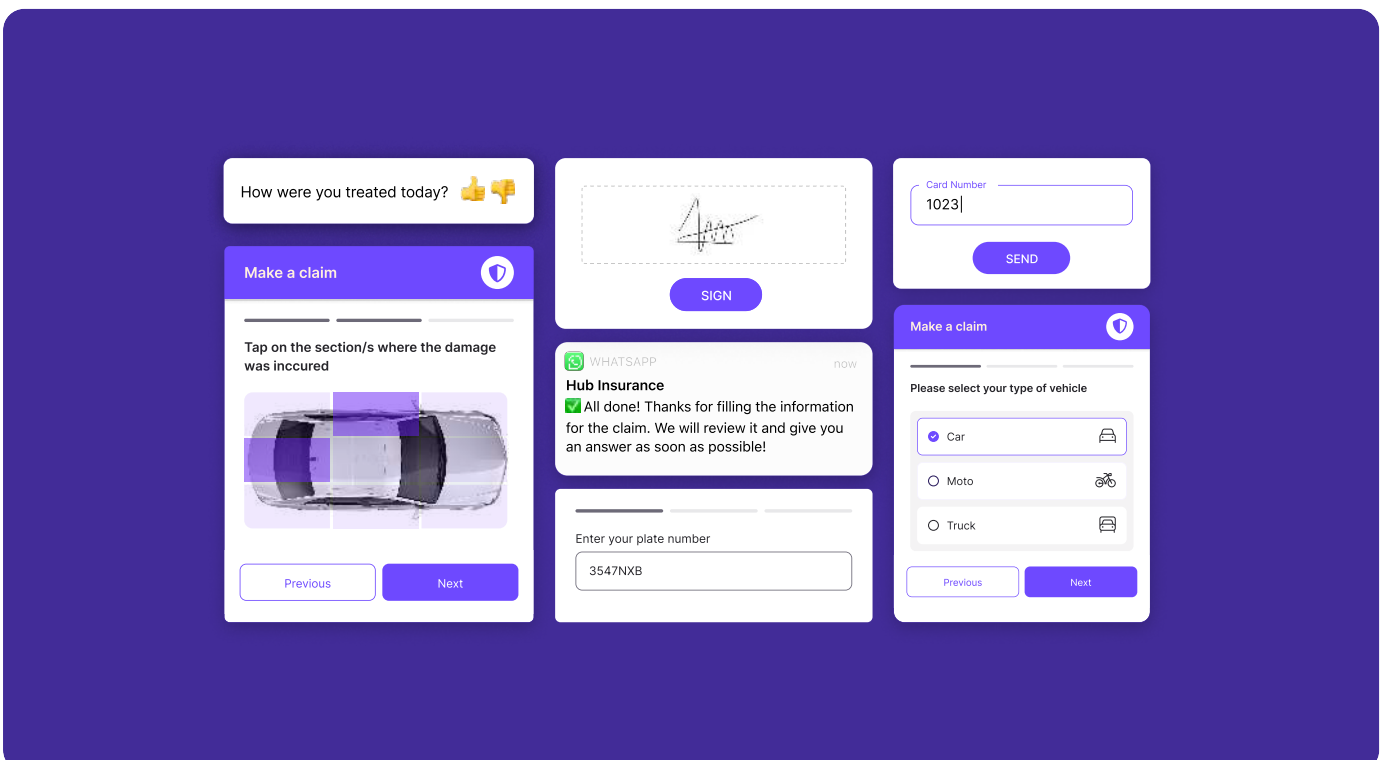
A conversational app is a singular place where people can browse products, get support, make payments--all via natural conversation. Insurance companies love conversational apps because they power truly omnichannel (or unified) customer experiences.

There are different levels of conversational technology that might apply, depending on the use case. For example, conversational apps can be built to include:

- Written, or text-based interactions (like chatbots)
- NLP & NLU (AI powered technology)
- Graphic interactions and elements (like buttons and rich media)

While most conversations involve plain text, what makes conversational apps so powerful is the ability to incorporate images, buttons, maps, quick replies, and more within the conversation.

Customers can manage claims, renewals, and more through messaging apps. The result is a rich, interactive experience - and it's the future of insurance.



Conversational apps ≠ chatbots

The term 'conversational app' and 'chatbot' are often used interchangeably. However, they have important differences.

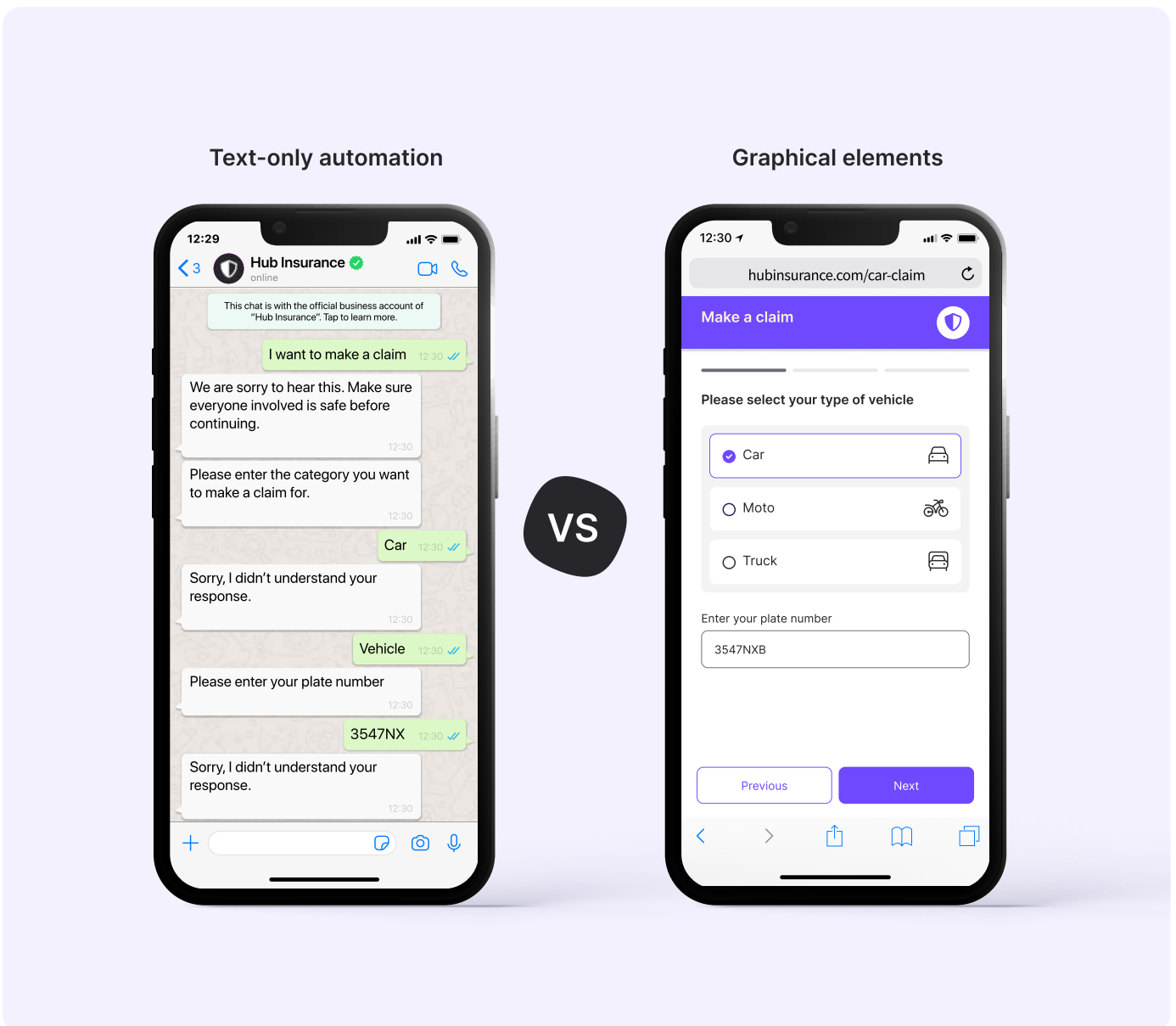
The term 'chatbot' usually refers to a text-based interface and simple automation. The definition of a chatbot is more narrow and usually does not refer to graphical interfaces and UX.

Because conversational apps can include rich elements, they are more flexible than chatbots. This opens the door for more intuitive experiences.

Below is an example of the types of conversational experiences we build at Hubtype.

You can see that on the right, we're using a combination of graphic and text-based interactions to make the experience easier.

The text-only experience on the left is more rigid and requires more interactions to complete the goal.



Conversational apps make things more human

Automation is a critical part of conversational apps, so it's natural to assume that the experience would be robotic. But brands that use conversational apps actually offer more human, personalized support.

Automation creates space for humans to do more valuable work. It frees up time for skilled humans to provide stellar customer service when it matters most.

Meeting customers on the channels they use every day (like WhatsApp and Facebook Messenger) is impossible for insurers to do at scale without the help of automation. The key to scaling conversational channels is combining automation and humans in a thoughtful way.

With conversational apps, most insurers automate up to 80% of inquiries. They automate the routine and common questions that they already know will be asked. Then, they rely on a human agent to handle the more complex topics.

The reality is, when it comes to simple questions, customers want fast answers. The immediacy that automation brings increases customer satisfaction scores and increases lifetime value. We'll talk more about these metrics later.

In short, businesses that use automation can hire smarter and focus on delivering superior customer service in the areas where it is most impactful.

02

Why conversational apps matter now

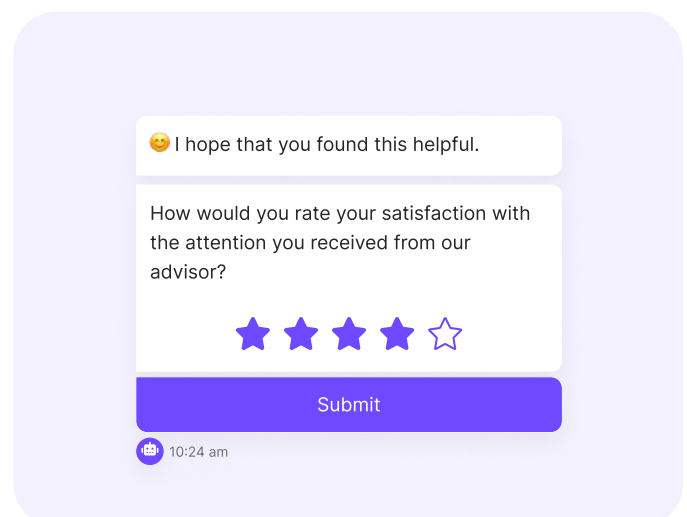
Customer expectations are at an all time high

The insurance industry is still playing catchup when it comes to customer experiences. Customers expect a high degree of personalization and convenience from insurers that, in many cases, they have yet to receive.

InsureTechs are finding ways to meet these unmet needs. They are taking a customer-centric approach, streamlining processes, and removing friction. Lemonade Inc., for example, is disrupting the traditional insurance model by offering its customers complete transparency and more control over their insurance policies.

Using an AI-powered platform, Lemonade customers can buy policies within 90 seconds and get their claims paid within 3 seconds. The value of this quick and convenient service is reflected in the company's NPS score, which is 70. The average for the insurance industry is just 17.

This is a big deal for industry leaders seeking to improve LTV (customer lifetime value) while at the same time, reducing the cost of the claims journey. Conversational apps drive long-term operational cost reductions and savings that can be passed on to the consumer.



Legacy systems aren't the bottleneck they once were

Legacy systems have long been a barrier to innovation. The insurance industry relies heavily on IT systems, many of which need to be modernized.

Thankfully, those legacy systems aren't the obstacle they once were. Today, APIs (application programming interfaces) make it possible for businesses to adopt new technology without ripping out their old systems.

In short, APIs even the playing field. They make it possible for traditional insurers to compete with new market entrants who are starting from scratch with modern and simplified systems.

Conversational apps drive cost efficiency, not just cost savings

Enhancing financial agility is as critical as cost control. Insurers are focusing on innovations that optimise costs and align closely with evolving customer expectations. Conversational apps play a pivotal role in this strategy by streamlining communication channels and enabling more efficient customer service processes.

This approach reduces operational expenses and boosts customer satisfaction by providing timely and effective responses. As a result, these tools are vital for insurers looking to meet and exceed consumer expectations in a competitive environment by improving their efficiency and customer engagement.

03

How conversational apps add value to the bottom line

They reduce the average cost per claim while increasing NPS

Insurance buyers are overwhelmed with information and coverage choices. They also have trouble understanding their current policies and claims processes. More than 75% of insurance customers reveal they struggle to understand the information provided by their insurer.

This increase in confusion has led to more friction in the customer journey and longer time to resolution. To be successful, insurers must address the friction at the root of these issues.

Conversational apps reduce the cost of a claims journey by as much as 80%. With Hubtype, our insurance partners resolve claims 5x faster than with other methods. Again, achieving both of these goals at once is what makes conversational apps so powerful.

They unlock personalization at scale

Conversational apps unlock a level of personalization that was previously difficult (if not impossible) to achieve on a large scale. The personalization that people expect today requires a large amount of data--data that often lives in organizational silos.

Siloed data leads to a limited view of customer behavior, intent, and ultimately creates a lack of relevance. While customer relationship management (CRM) tools have helped to alleviate these challenges, most still fail to meet the expectations of today's connected insurance customers.

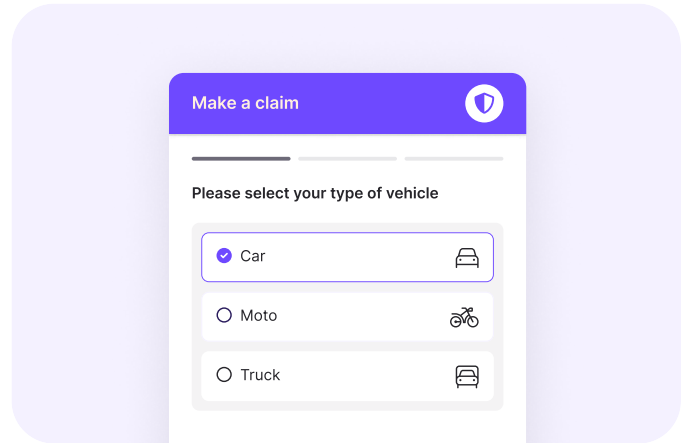
Today, personalization plays a big role in helping insurers stay competitive against digital disruptors. Tailored outreach can help guide customers through their unique needs and life situations.

Conversational applications make this possible by enabling a 1:1 natural dialogue between insurers and customers. More than that, they can integrate information from vendor and product systems, customer satisfaction surveys, and essentially any other software with an API (Application Programming Interface).

They increase operational efficiency and sales

Conversational apps use purposeful automation that improves operational efficiency. They automate repetitive questions and free up human agents for higher value work.

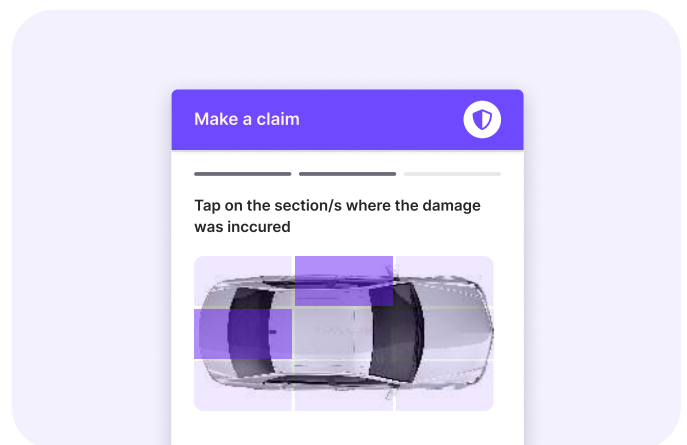
On average, conversational apps help our clients cut down on 49% of support calls while simultaneously increasing sales. This combination of cost savings and added makes means that brands see exponential returns on conversational app investments.



They increase revenue per policyholder

Conversational insurance helps you cross-sell and upsell to increase revenue. Through better data and automation, you deliver the right offer to customers at the right time.

Because insurers face high customer acquisition costs, increasing revenue through existing policyholders is critical.



04

How to create conversational experiences that customers want

What all use cases should have in common

To be truly disruptive, conversational apps must simplify the user experience or otherwise make it better. Planning your conversational strategy starts identifying a source of friction, or customer pain point.

While the end goal is to unify all experiences across the entire user journey, you want to make sure each individual touchpoint is optimized to make things as seamless as possible for the user.

These are the types of questions that should guide the development of your conversational app:

- > Can your conversational strategy help you solve your customers' problems faster?
- > Can you integrate data to make experiences more contextual?
- > Could your customer experience be more personalized?
- > Can you anticipate what the majority of your customers want to ask?

The fast track to success



Identify your use case(s)

Start with questions that are repetitive and fairly predictable. Usually 20% of FAQs generate 80% of your traffic; start with these and add more later.



Lean on existing conversational infrastructures

You don't have to start from scratch. Conversational infrastructures like Hubtype's remove entry barriers to conversational strategies. We have the tools and experience you need to build a conversational app without reinventing the wheel.



Get started with a Minimum Viable Automation

Once you've defined your use cases, start with minimal viable automation. This is just enough automation to make things easier, not more complicated. Most companies dive headfirst into artificial intelligence (AI), which is usually overkill. They end up spending thousands of dollars when there's a cheaper alternative that will work just as well, if not better.

ROI study for the banking industry

Predictive analytics based on current customers in the banking industry.

- > This ROI calculation is based on a basic Customer Service use case from one of our current insurance client.
- > These numbers are just a general assumption of how much cost saving your brand can generate thanks to conversational apps.
- > If you want to go more in depth with a customized study, you can book your demo [here](#) with one of our conversational apps experts.

Average cost per ticket	2,525
> Telephone	5
> Email	3
> Webchat	1.5
> Messaging	0.6
Monthly Total Tickets	100,000
Yearly Total Tickets	1,200,000

Current Scenario					
		% of tickets	# tickets month	# yearly tickets	Cost/Year
Phone		75%	75,000	900,000	4,500,000€
Email		25%	25,000	300,000	900,000€
Webchat		0%	0	0	0€
Messaging		0%	0	0	0€
TOTAL			100,000	1,200,000	5,400,000€

Short Term Scenario (6 months)					
		% of tickets	% of tickets	% Automation	% Automation
New Messaging Scenario		20%	20%	20%	20%
		% Phone	% Email	% Webchat	% Messaging
% after webchat		60%	20%	20%	0%
% after messaging		48%	16%	16%	20%
Channel		% of tickets	monthly tickets	yearly tickets	yearly cost
Phone		48%	48,000	576,000	2,880,000€
Email		16%	16,000	192,000	576,000 €
Webchat		16%	16,000	192,000	288,000€
	% Automation	3.20%	3,200	38,400	57,600€
Messaging		20%	20,000	240,000	144,000€
	% Automation	4%	4,000	48,000	28,800€
TOTAL			107,200	1,286,400	3,801,600€
TOTAL SAVINGS					1,598,400€

Long Term Scenario (1 year +)					
		% of tickets	% of tickets	% Automation	% Automation
New Messaging Scenario		50%	50%	60%	60%
		% Phone	% Email	% Webchat	% Messaging
% after webchat		37.50%	12.50%	50%	0%
% after messaging		18.75%	6.25%	25%	50%
Channel		% of tickets	monthly tickets	yearly tickets	yearly cost
Phone		18.75%	18,750	225,000	1,125,000€
Email		6.25%	6,250	75,000	225,000€
Webchat		25%	25,000	300,000	450,000€
	% Automation	15%	15,000	180,000	270,000€
Messaging		50%	50,000	600,000	360,000€
	% Automation	30%	30,000	360,000	216,000€
TOTAL			145,000	1,740,000	1,674,000€
TOTAL SAVINGS					3,726,000€