A Forrester Consulting Thought Leadership Paper Commissioned By GMC Software AG

Insurance Companies Are Falling Behind In Delivering Modern Communications

Focus On Customer Experience, Improved Compliance, And Multichannel Delivery

November 2012

FORRESTER®

Headquarters | Forrester Research, Inc.
60 Acorn Park Drive, Cambridge, MA 02140 USA
Tel: +1 617.613.6000 | www.forrester.com

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Executive Summary

Key Findings

Forrester Research drilled into top communication priorities, pain points, objectives, and implementation challenges that insurance organizations are experiencing and received consistent responses. Supporting modern communications is a top priority for the insurance industry. Enterprises surveyed mostly communicate with customers using legacy approaches, but all are worried about smart devices, pervasive video, and social media that give new power to customers — allowing them to interact easily with customer service agents, pass information electronically, and complete business transactions on the run. Primary findings at insurance companies found that:

- **Supporting modern communications is a growing struggle.** Enterprises surveyed communicate with customers using antiquated approaches. And all are worried about smart devices, pervasive video, and social media that give new power to customers — allowing them to interact easily with customer service agents, pass information electronically, and complete business transactions on the run. For interviewed enterprises, there is a disturbing communications gap that is getting worse by the day. Respondents cited legacy systems that still dominate communications as a significant barrier to supporting modern communications.

- **Language and brand consistency is undermined by a fragmented approach to customer interaction.** Enterprises now realize that their brand — driven by traditional corporate messaging — is being undermined by the proliferation of customer touchpoints particularly as digital natives increase their use of social media. A view is emerging that all customer interaction must be more strongly coordinated and the customer experience is the aggregate of all interactions. Communications processes must be viewed in a new way —one that crosses functional, business-unit, and channel boundaries.

- **Insurers plan new investments in communications to manage digital disruption and regulation.** Property and casualty (P&C) is not being transformed by regulation but by digital disruption. Web and mobile access are driving consumers to insurance comparison sites, which ultimately lead them to online account opening. The human element has become secondary to the online experience for P&C — but not for life and annuity (L&A) where the human channel is still paramount for complex life and annuity products. But neither P&C nor L&A will experience the level of change projected for health payers due to healthcare reform that will require communications to support millions of newly insured customers. Top use cases across the three segments differ, but there is consensus on the need for more streamlined processes for correspondence management as well as quoting and policy communications.

- **Communications leadership is fragmented but will depend on IT.** Transformation of communication processes and infrastructure to support it will require leadership. And our research showed an even split among a diversity of roles including eCommerce, customer service, marketing, IT, and the business, with only a small percentage expecting senior executives to sponsor transformation efforts. This lack of clear focus and responsibility may cause this important area to fall through the cracks and make consolidation and governance of communications processes suffer. But one thing is clear from our research. IT will play

a major role in selecting, deploying (with custom development), and supporting required revised communications processes.

- **Enterprises have seen investment in customer communications management pay for itself quickly.** Savings for improved customer communications are sometimes subtle. There are no obvious departments filled with production workers who can be redeployed. And even the reduction in paper has to be looked at carefully. But a little digging is well worth it, as enterprises making these investments are seeing the benefits — and quickly.

What Is Customer Communications Management?

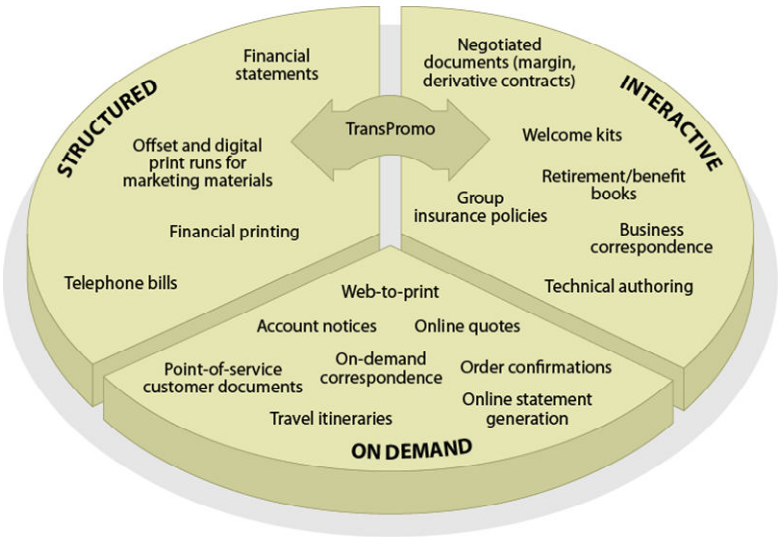
Forrester surveyed 90 insurance organizations regarding customer communications issues and plans. In short, most companies have a broad view of communications, which include any interaction with a customer or business partner. For this research, Forrester defined communications more narrowly as more formal communication that becomes part of the business relationship. As such, phone conversations, customer service email, and social media interactions were not the core focus of the research. Included are content types such as letterhead, invoices, campaign emails, correspondence, marketing materials, policies, statements, and welcome kits as well as the supporting services used to compose, format, personalize, and distribute content to support physical and electronic customer communications and improve the customer experience. From a process perspective, Forrester divides these communications use cases into segments that can help business get a better handle on their diverse application needs (see Figure 1). Customer communications can be divided into:

- **Structured output that runs in batches and often in large volumes.** Structured output is scheduled, consistently formatted, and sent as part of a service relationship (much like phone bills and brokerage statements). It also includes batch digital or offset print runs. For these apps, high-volume batch capabilities with print stream controls are critical. Templates are few and seldom changed, with emphasis on merging variable data from transaction systems.

- **Interactive output that marries custom content or data with preset structure.** Unlike the structured area, interactive output requires the human touch, matching smaller amounts of variable data — often entered by internal staff — with potentially thousands of forms or templates. Business-side control of templates and document structures and document fragments is a strongly desired feature as well as multichannel output. Examples include customer correspondence and negotiated documents like group insurance policies or derivative and margin contracts.

- **On-demand output that gets triggered by multichannel requests.** Events from the Web, fax, phone, email, transactional systems, or enterprise applications drive on-demand output, and on-demand events may also be initiated by a human being via a keystroke, as in call center correspondence.

Figure 1
Customer Communications Management Categories And Applications

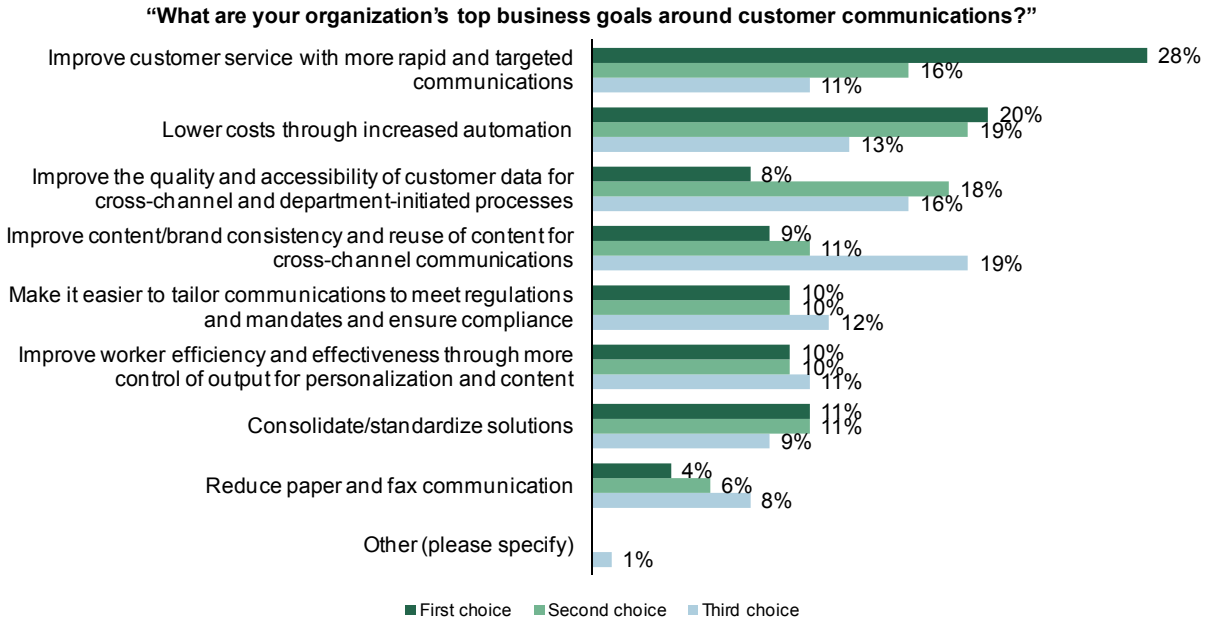


Source: "The Forrester Wave™: Document Output For Customer Communications Management, Q3 2011," Forrester Research, Inc., September 14, 2011

Priorities For Improved Customer Communications

Organizations clearly strive to improve customer experience with more rapid and targeted communication. In fact, customer experience is the top metric category in insurance today for measuring successful transformation projects (see Figure 3). Customer experience goals topped the list of key communication goals, reflecting the advanced communication that customers now expect that is driven by accelerating mobile and online adoption. And possibly reflecting a sense that we have not turned the economic corner in the business cycle, lowering costs through automation was the second highest priority. Improving the quality and accessibility of customer data was third.

Figure 2
Improved Customer Service Is The Overwhelming CCM Objective



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Figure 3
Customer Experience Metrics Lead Over Cost Savings For CCM Success

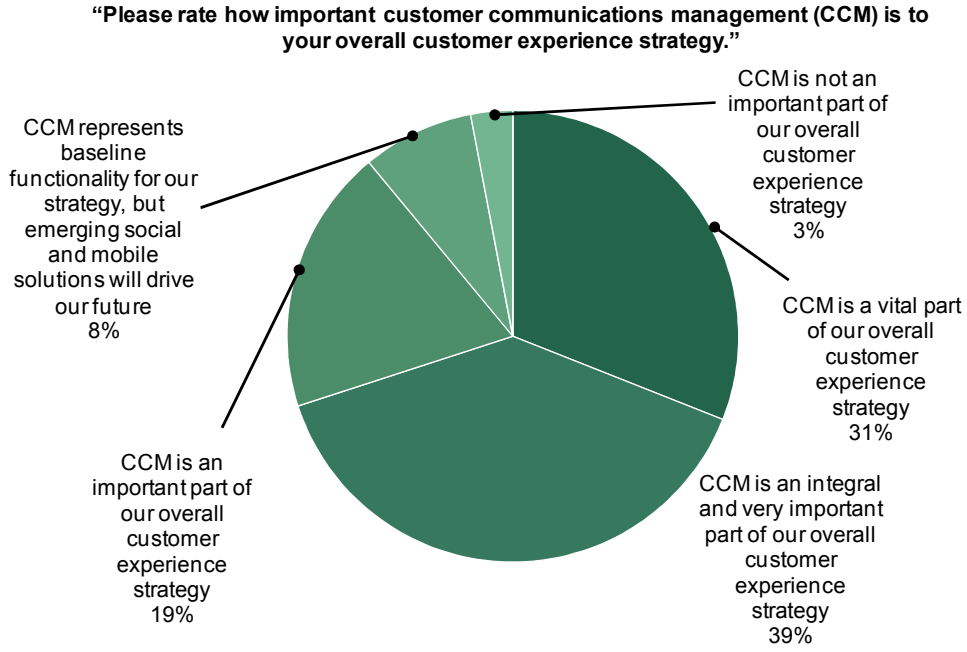
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

And CCM Is At The Center Of This Business Driver

Surveyed companies placed a growing importance on customer communications management (CCM), with 31% of firms citing CCM as vital to their customer experience strategy. This reflects the growing acceptance that customer experience — often defined by communications — is a prime determinant of loyalty and future revenue — particularly as many products move to commoditization and become difficult to distinguish. Another 39% found it an integral and very important component (see Figure 4). Only 3% of those surveyed dismissed CCM as not an important part of the CCM strategy.

Figure 4
CCM Is A Primary Customer Experience Business Driver



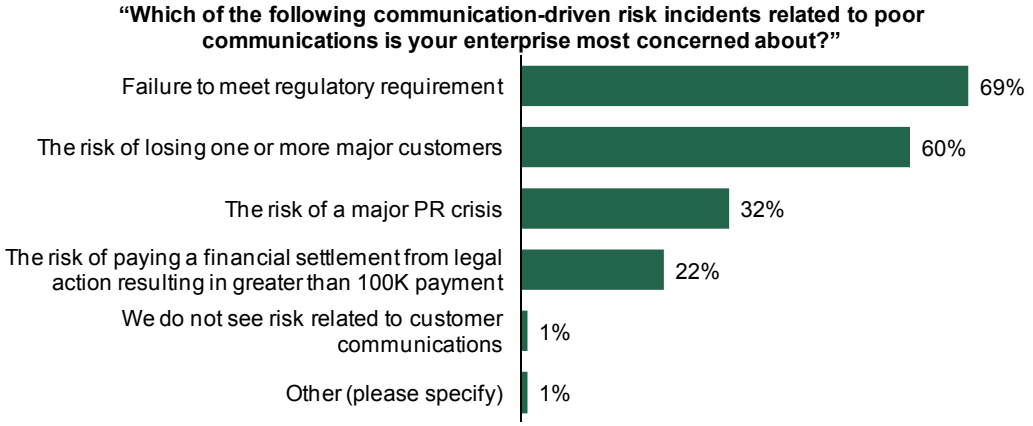
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Compliance And Consistency Lead The CCM Conversation

Compliance and security are a never-ending battle for firms, particularly in the service sectors. Enterprises in heavily regulated industries such as healthcare are constantly worried about HIPPA violations. The recent passage of Dodd-Frank will ensure that consumers are informed in language they can understand without a lawyer present. This means that sending the right information to the right person at the right time with proper audit trails is a priority. In fact, the top selection for risks related to communication was a failure to meet regulatory requirements, which beat out the risk of losing a customer (see Figure 5). Also, compliance and security are equally important as consistency of information in the delivery of communications. Communications sent to a customer should be consistent visually (in terms of the usage of logos, images, and other brand elements) and content-wise (such as the degree of personalization, language, and contact information). This is true whether communications are received via email or regular mail, fax, or voicemail. Surveyed organizations — still dependent on the print channel — have made the multichannel customer experience a top priority, and they will push their organizations to consolidate the technologies used to support content's delivery across individual channels (see Figure 6).

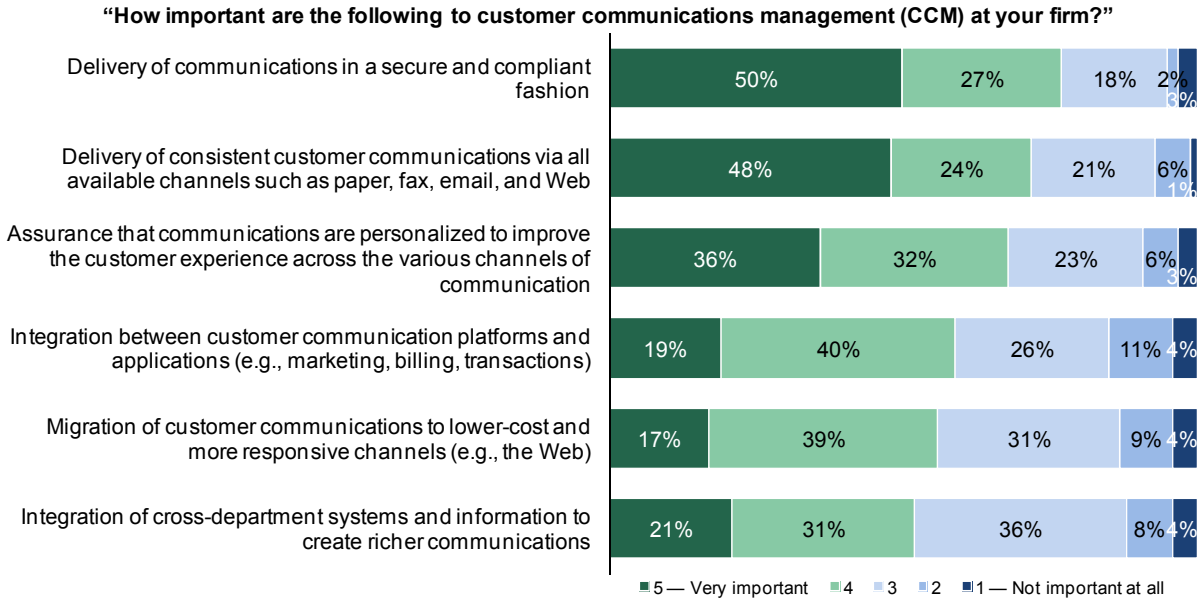
Figure 5
Poor Communications Create Compliance Exposure For Enterprises



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Figure 6
Compliance Dominates The CCM Conversation



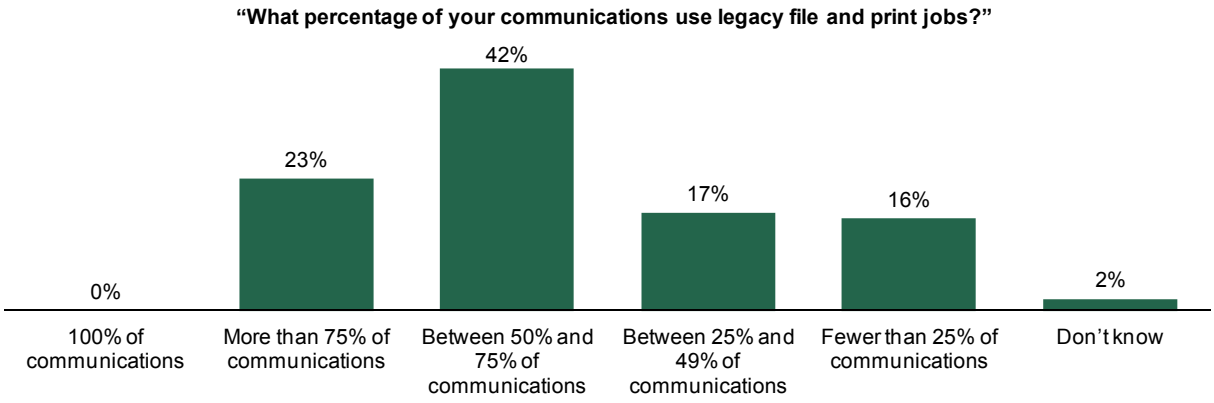
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Challenges Start With Legacy Communications Infrastructure

The print channel still dominates customer communications despite the rapid increase in connected and mobile customers. While no surveyed firm exclusively relies on the print channel anymore, 65% of surveyed firms rely on legacy systems and the print channel for 50% or more of their communications (see Figure 7). This is consistent with Forrester's data that shows a gradual migration from print to electronic for communications of record between an enterprise and its customers.

Figure 7
The Print Channel And Legacy Transaction Systems Dominate The Experience



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

And No Surprise — Current Systems Lack Flexibility And Do Not Meet Real-Time Communication Goals

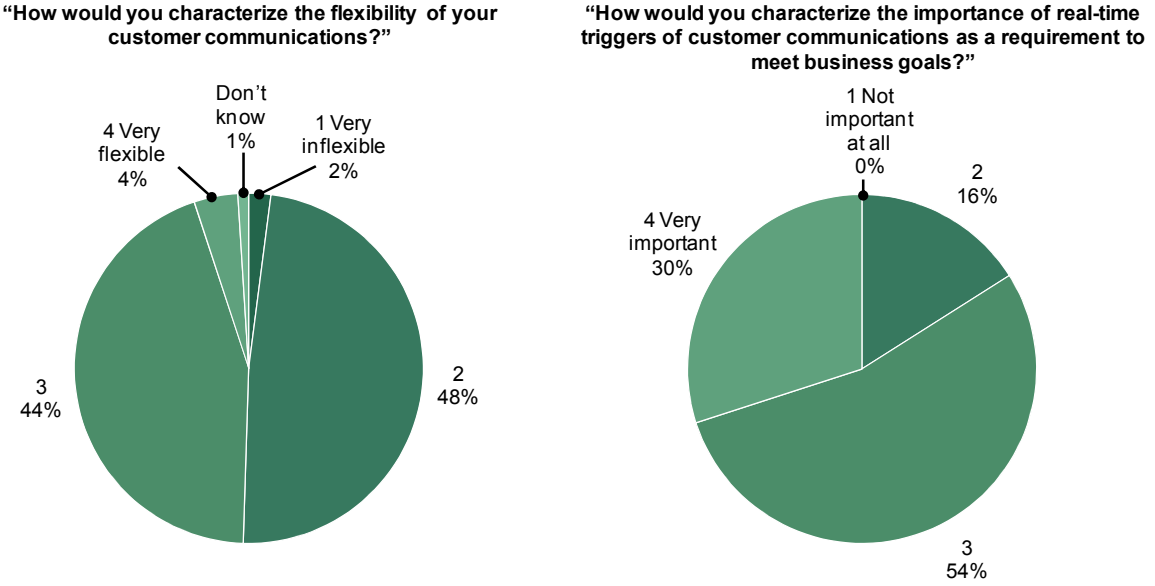
Companies that Forrester Consulting surveyed were very concerned with improving the ability of business users to make changes to customer communication business processes. Today's systems require IT intervention to make key business-driven changes to templates, business rules, authoring workflow, and the insertion of new content. Empowering business users to have greater ownership of templates and business rules frees up expensive IT resources and enables business users to be more responsive to market demands and regulations as well as improve the customer experience. Companies want IT development resources to concentrate on connecting core systems and maintaining infrastructure and have limited involvement in functions required for maintaining multichannel consistency, improving personalization, updating regulatory language, revising templates, and altering business rules and logic. But this is not yet the case today, with 50% of firms characterizing their communications capability as being less then flexible (see Figure 8).

In addition, the ability to generate real-time communications is limited by legacy deployments, and this is very important for most respondents. In terms of costs and the need for human interaction (e.g., touching a

document), real-time output drives the level of human interaction to zero. Increasingly, customer-oriented events — from the Web, fax, phone, mail, transaction systems, or enterprise apps — need to trigger on-demand output such as getting a quote on demand, a proposal on demand, or travel itineraries on demand. Customers will soon expect output delivered to a number of channels and devices — on demand (see Figure 8).

Figure 8

No Surprise — Current Systems Lack Flexibility And Do Not Meet Real-Time Communication Goals



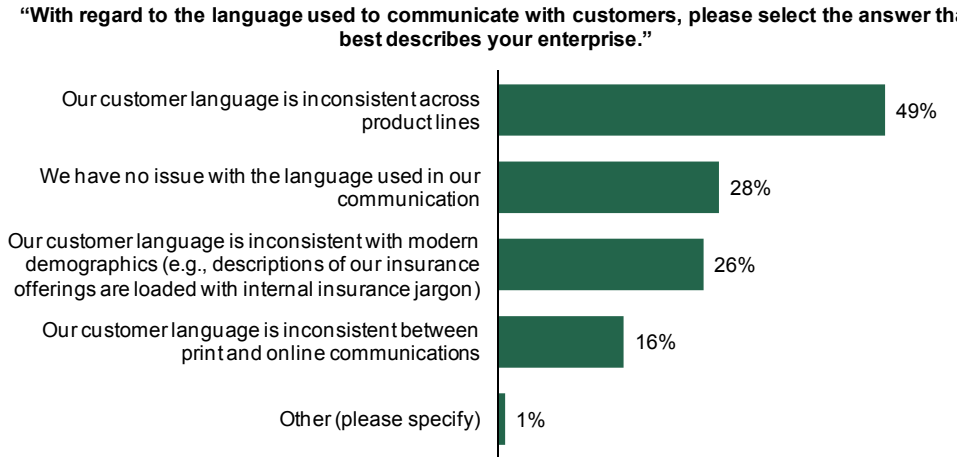
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Most Organizations Struggle With Language Consistency

Metrics that drive companies to speak less to their customers are part of the previous process focus. That being said, it does an enterprise no good to have meaningless conversations created by poor communications. Several firms have tracked inconsistent language with increased calls to the call center and increased time per call. Inconsistent language plagues content types such as letterhead, invoices, correspondence, marketing materials, policies, statements, and welcome kits. A renewed focus on consistency, with visuals (such as logos, images, and other brand elements) and content (such as the degree of personalization, language, and contact information), should be a focus (see Figure 9).

Figure 9
Most Organizations Struggle With Language Consistency



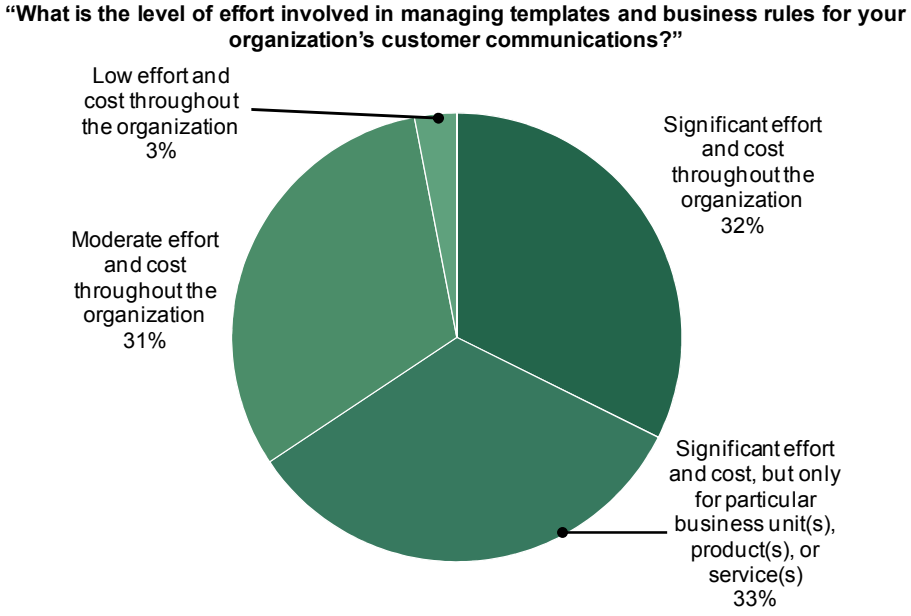
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

And Template Management Is A Sore Point

Correspondence management is a fundamental business function for enterprises across industries. Companies can use thousands of templates for various correspondence such as contracts and insurance policies, account notices and correspondence, marketing collateral, and proposals. Enterprises must update, version, and track templates and individual document fragments, such as a logo. Today, most enterprises store them in different environments and use an average of six separate point solutions to manage them. Benefits accrue when a worker can retrieve a document, enter data, or make selections that will alter and personalize the output in real time. But few companies operate effectively in this way today. As a result, business-side control of templates, document structures, and document fragments is a key driver of many current business cases (see Figure 10). As a dramatic example, one credit card company took 162 days to make a change to a letter with three different groups involved, which is not a sustainable business process with consumers expecting real-time communications.

Figure 10
Template Management Is A Sore Point



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Insurance Investment Will Blend New And Traditional Communications

Mobile multichannel communication has created a disturbing communications gap that is getting worse by the day. Many employees use tools in their personal life and at home such as text messaging, instant messaging, and social networks, but they aren't able to deploy these tools when responding to customers. Employees can't send a message to a smartphone or tailor communications to the customer's preference. Basically, few employees are as empowered as they need to be to respond to growth in consumer technology.

The three segments of insurance are very different, but all share a common challenge in meeting cross-channel communications goals. While 40% provide good cross-channel communications, the majority are not able to effectively communicate with customers on mobile or consumer technology. Thirty percent recognize the problem and are investing in new solutions, but a large percentage (30%) does not have adequate mobile support and doesn't seem to care (see Figure 11).

Figure 11
The Majority Of Insurance Companies Do Not Meet Multichannel Requirements

Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

However, interest in online and social communications remains strong and tops the list of projects that insurance companies will evaluate and deploy in the next 12 to 24 months. Interestingly, these new channels elicit more interest than traditional customer self-service applications. In addition, communications reporting and analytics with improved visibility into cost and effectiveness of communications is a high priority across companies (see Figure 12). This reflects that enterprises now realize that their brand — driven by traditional corporate messaging — is being undermined by the proliferation of customer touchpoints, particularly as digital natives increase their use of social media. A view is emerging that all customer interaction must be more strongly coordinated and the customer experience is the aggregate of all interactions. In short, mobility, consistency, and personalization lead business drivers for CCM and will require strong multichannel solutions (see Figure 13).

Figure 12

There Is Strong Interest In Online And Social Communications

Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees
(Does not include 'Don't know' and 'Other' responses)

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Figure 13

Mobility, Personalization, And Consistency Lead Business Drivers For CCM

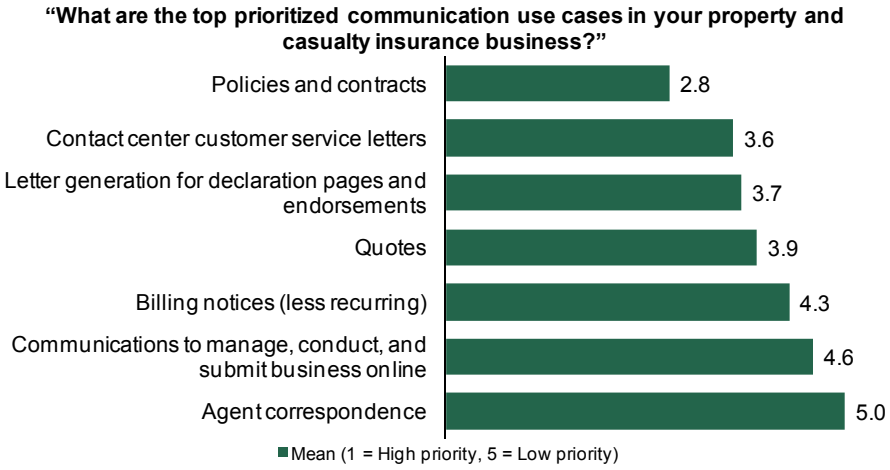
Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees
(Does not include 'Don't know' and 'Other' responses)

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Contracts And Customer Service Communications Are Top P&C Priorities

P&C is not being transformed by regulation but by digital disruption. Web and mobile access is driving consumers to insurance comparison sites, which ultimately leads them to online account opening. The human element has become secondary to the online experience for these largely commoditized and simpler offerings than the L&A counterparts. Many P&C firms have reduced agent populations by half, and compared with L&A and health payers, P&C is more aggressive in addressing multichannel needs. Basically P&C is rapidly moving in this direction. For P&C, this means core system upgrades and replacements to support modern communications and investment in social and mobile applications. Communications is taking center stage, with the most investment foreseen in policies, contracts, and letter generation (see Figure 14).

Figure 14
Contracts And Customer Service Are Top Priorities



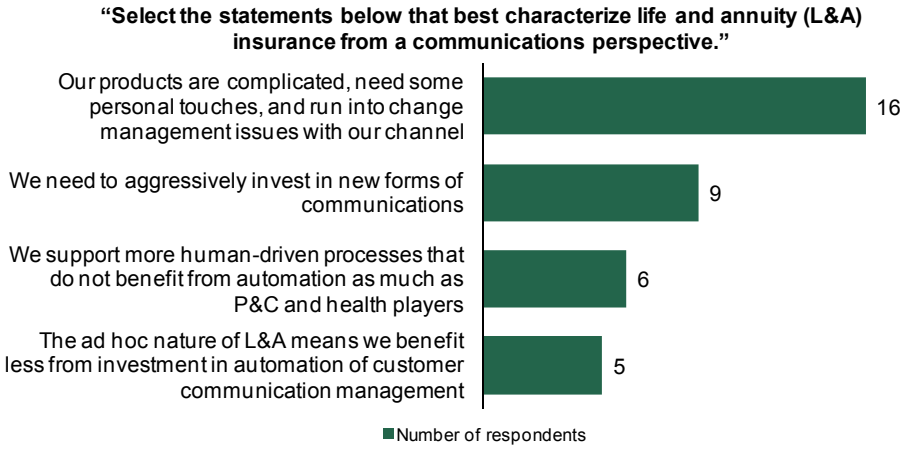
Base: 36 business and IT decision-makers at P&C insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

L&A Struggles With Service-Channel Integration Issues

L&A is the least technology-enabled of the three insurance segments. L&A supports more human-driven processes that do not benefit from automation as much as P&C and health payers. This is due to a human-centric channel that distributes high transaction value and more complex products then P&C and health payers (see Figure 15). In fact, life insurance policies and annuity products are becoming more complicated each year and are also under more regulatory scrutiny due to the target demographic — being seniors. The actual insurance policy and quotation are the top prioritized use cases for communications improvement (see Figure 16).

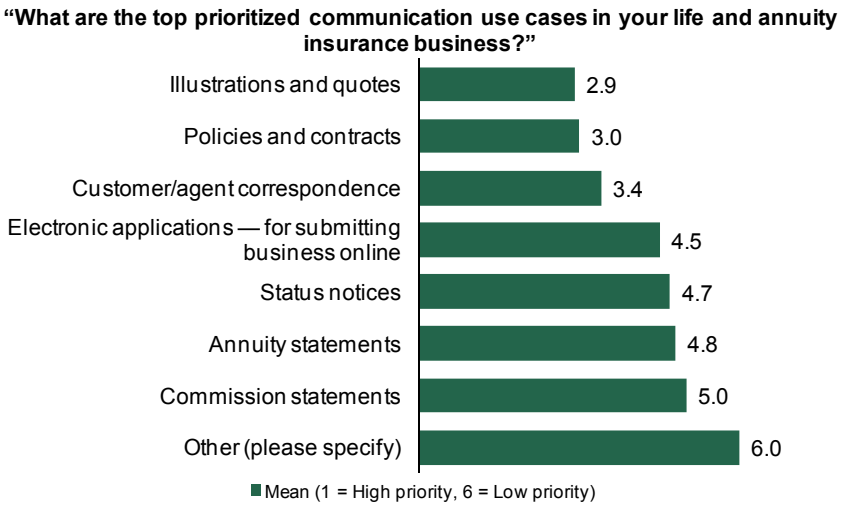
Figure 15
L&A Struggles With Service-Channel Integration Issues



Base: 24 business and IT decision-makers at L&A insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Figure 16
L&A Focuses On Quotes And Contracts



Base: 24 business and IT decision-makers at L&A insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

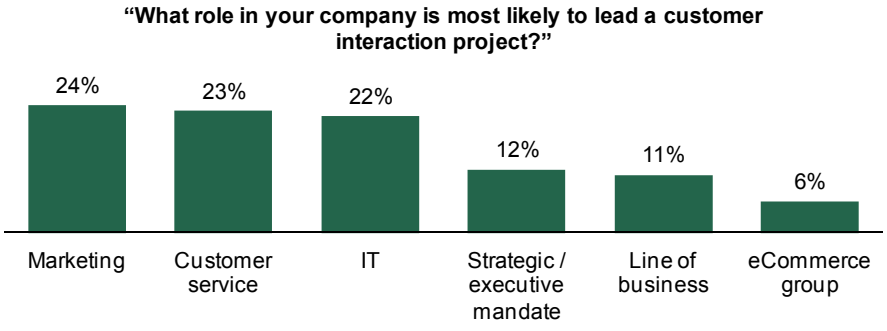
Plan Communication Is A Current Hotspot And Will Accelerate With Healthcare Reform

Few insurance payers are prepared for the level of change projected by healthcare reform in the US. The extent of mandates due to Health Care Reform, ICD 10, and HIPPA is dramatically affecting payers, and while the conversation centers around building healthcare exchanges and systems to support millions of new healthcare participants, communication is fundamental to both. New entrants will need not only communications to help shop online for the lowest-price insurance but also rapidly-generated quotes, plan communication, and estimates of benefits (EOBs) — listed as the top communication use cases for insurance payers. All of these will require much more flexible change due to shifting regulations than current legacy communication systems support.

Transformation Will Save Money And Require A Mix Of Leaders

Transformation of communication processes and infrastructure to support it will require leadership. And our research showed an even split among a diversity of roles including eCommerce, customer service, marketing, IT, and the business (see Figure 17). Only 12% of companies will use senior executives to sponsor transformation efforts. This lack of clear focus and responsibility may allow this important area to fall between the cracks as roles compete for or seek to avoid responsibility, and particularly with senior leadership not helping. For decentralized companies, this diversity may make consolidation and governance of communications processes suffer. But one thing is clear from our research. IT will play a major role in selecting, deploying (with custom development), and supporting required revised communications processes (see Figure 18). And the majority will look to specialized CCM vendors for help (see Figure 19).

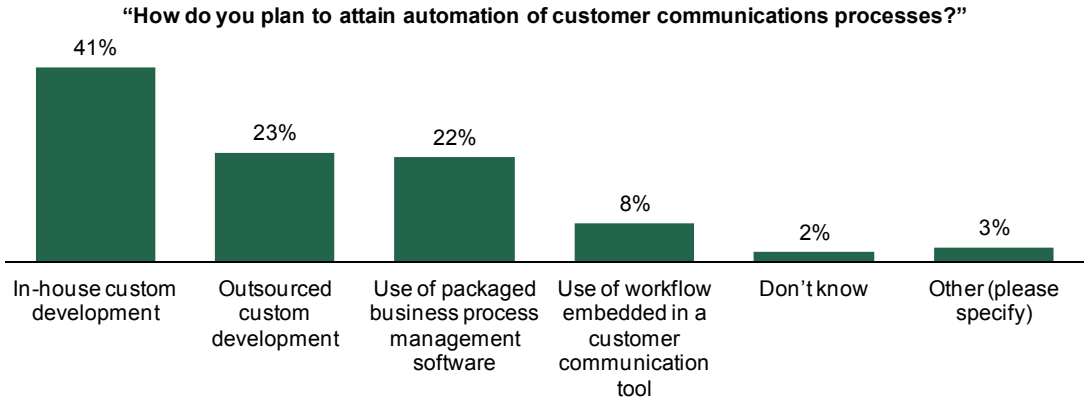
Figure 17
A Diverse Set Of Roles Will Lead Transformation



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

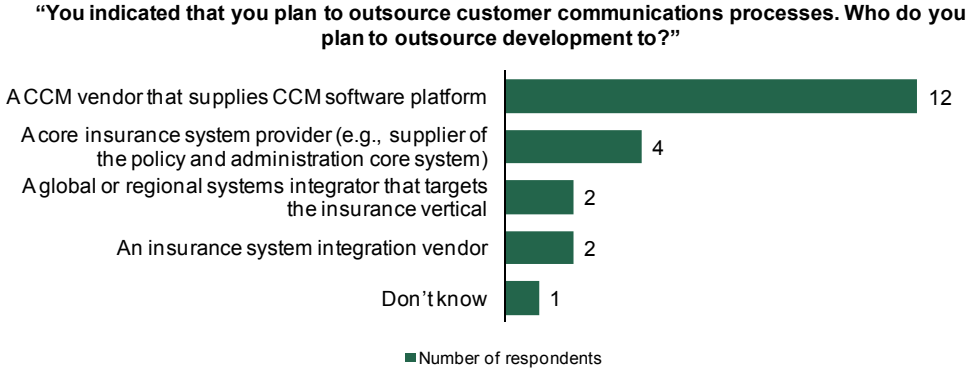
Figure 18
IT Will Play A Major Role



Base: 90 business and IT decision-makers at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Figure 19
Look To Specialized CCM Vendors For Help



Base: 21 business and IT decision-makers planning to outsource customer communications processes at insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

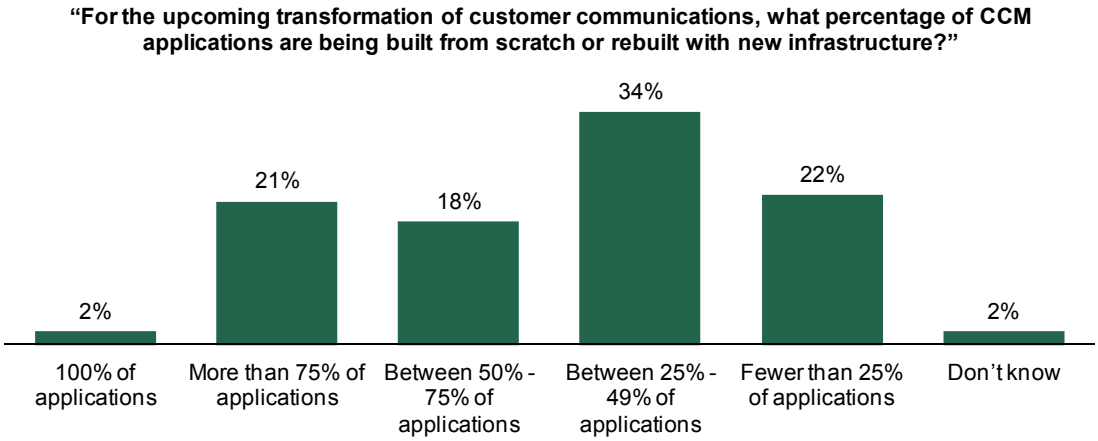
Transformation Will Require New Infrastructure

New infrastructures for communications will address multichannel needs with advanced features, architectures that allow dynamic generation of content and clean separation between templates and the channel, as well as a clear multichannel strategy. Key infrastructure components include customer communication management software — defined as software used to compose, format, personalize, and distribute content to support

physical and electronic customer communications and improve the customer experience. In addition, technologies such as business process management, dynamic case management, business rules, and even enterprise social platforms will move communication controls away from legacy and core systems to more agile environments. A full 41% of surveyed enterprises will build at least 50% of new applications from scratch or with new communications infrastructure (see Figure 20). Refreshed infrastructures will help communications be consistent. Infrastructure investments will not be driven by cost reduction but by the absolute demands of consumers to get information the way they want it. In short, today's customer experience will drive new infrastructure.

On-premises solutions with specialized CCM vendors will dominate deployment for the foreseeable future. Software-as-a-service (SaaS) was seen as a plus to provide stronger business control and relieve limited IT resources, but security — as always — leads SaaS concerns, as 44% of respondents selected security as the leading barrier to SaaS deployments of new CCM solutions. CCM will drive strong savings.

Figure 20
Transformation Will Require New Infrastructure



Base: 82 business and IT decision-makers planning to transform customer communications at insurance organizations with more than 100 employees

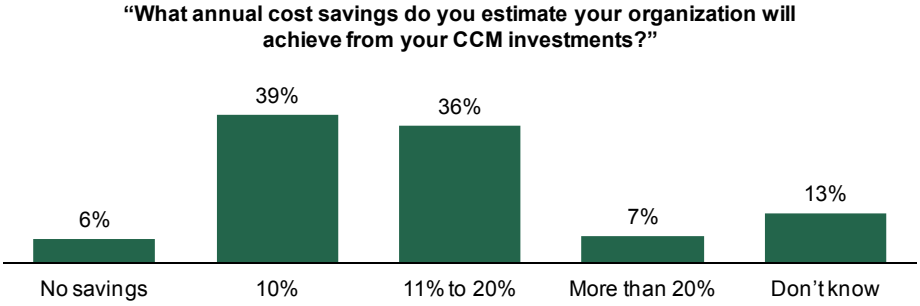
Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

Infrastructure Investments Will Pay Off

Savings for CCM are sometimes subtle. There are no obvious departments filled with production workers who can be redeployed. And even the reduction in paper has to be looked at carefully. But a little digging is well worth it, as enterprises making these investments are seeing the benefits — and quickly. Customer experience and retention are now part of the return-on-investment conversation, as improved language consistency, clarity, and personalization can help retain customers and are a growing focus of enterprises. Improved language will reduce calls to the call center, and annual cost savings estimates were positive for CCM investments, with 82%

showing savings ranging from 10% to more than 20% (see Figure 21). In addition, on the IT side, consolidation of systems and improved time-to-deploy CCM applications can add up to substantial savings.

Figure 21
Transformation Will Require New Infrastructure



Base: 90 business and IT decision-makers at property & casualty insurance organizations with more than 100 employees

Source: A commissioned study conducted by Forrester Consulting on behalf of GMC Software AG, September 2012

KEY RECOMMENDATIONS

Consumer Technology And Future View — Move to next-generation communications infrastructure

Leading insurance companies will build relationships with customers by having conversations that embrace social, video, and mobile devices. They will be challenged to enable systems and staff to respond to customer needs and exceptions that stem from new forms of communication — to provide needed information anytime and anywhere and through any channel. Required infrastructure must be integrated with transaction systems that drive traditional statements, call center correspondence, and other customer service communication. To get there, insurance companies must:

- **Take an end-to-end process perspective and keep the iWorker front and center.** Document communications are too often viewed as an afterthought to a process that ends when the enterprise app, transaction system, or other system of record gets what it needs. But the communication around the process — more than anything — defines the customer experience, and in far too many enterprises, these processes remain untamed. Business process professionals can use their training to align managers, marketing, and IT for reinventing the business processes and implementing needed integration among transaction systems, output systems, and emerging managed text services.
- **Health payers — prepare for electronic communications.** Many state regulations make it difficult for payers to move customers to electronic fulfillment. Forrester estimates that while 80% of inbound claims are electronic, the reverse is true for outbound communications. This will change as the individual mandate floods insurers with new customers who must be serviced at very low costs. Payers face enormous change with key claims systems and preparation for state and federal exchanges, but don't overlook customer communications.
- **L&A and P&C — work toward corporate solutions.** Mainstream insurance is plagued with too many diverse communications systems. Many of these are embedded in core policy and administration systems. Build a road map to corporate communications solutions that separate communications infrastructure from core systems. Manage multichannel communications to include email and text messages. Think of communications as less for the print channel and more about management of overall customer communications with a broader definition of documents (e.g., print, email, text messages, faxes, video clips, and links to community sites).
- **Remove the "print first" mentality.** This is easier said than done. But there is a change management challenge with all of this. Those generating communications have been doing it a certain way for a long time. Changing the attitude to servicing the newly empowered customer will take internal leadership and communication. Some will be ready, but most will not be.
- **Drive consent management programs for electronic adoption.** Too often, enterprises focus on building the new web experience and forget they have to convince the customer to change behavior. Rope in marketing and spend time building winning consent management programs. These can take many forms, but tangible approaches — like discounts and special offers — to suppress paper seem to work better.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 90 insurance organizations in the UK, the US, and Germany to evaluate current investments in CCM solutions to overcome customer experience challenges. Questions provided to the participants asked what their business goals and challenges were around customer communications, how important they felt CCM is to help overcome those challenges, and their future investments in CCM to improve communications. The study was completed in September 2012.

Appendix B: Supplemental Material

Related Forrester Research

"The Forrester Wave™: Document Output For Customer Communications Management, Q3 2011," Forrester Research, Inc., September 14, 2011