

Best Practices for Achieving Hyper-Personalization in Insurance

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By K V Dipu, Senior President & Head-Operations & Customer Service, Bajaj Allianz General Insurance

Imagine a world where insurance providers can anticipate your needs, tailor policies to your lifestyle, and engage with you at every touchpoint. Picture an insurance experience so seamless and personalised that it feels as though the insurer understands you better than you understand yourself. Welcome to the era of hyper-personalization in insurance, where advanced technologies and data-driven insights empower insurers to revolutionise the customer journey.

The Indian insurance market has experienced significant growth in recent years, with a rising middle class and increasing digital adoption. According to a report by the Insurance Regulatory and Development Authority of India (IRDAI), the total gross direct premium income in the Indian insurance industry reached INR 7.32 trillion (approximately USD 99.8 billion) in the fiscal year 2020-2021. To effectively tap into this market and meet the evolving needs of Indian customers, insurance companies must embrace hyper-personalization.

Data Analytics and Artificial Intelligence (AI)

Hyper-personalization hinges on leveraging customer data effectively. Insurance companies should invest in robust data analytics capabilities to collect, analyse, and derive actionable insights from customer information. By employing AI and machine learning algorithms, insurers can process vast amounts of structured and unstructured data to uncover valuable patterns, preferences, and behaviours. According to a report by McKinsey, AI-driven personalisation can deliver a 5-15% increase in revenue and a 10-30% reduction in costs for insurers.

According to a study by Accenture, 78% of insurance executives believe personalised service based on real-time data analytics will be a crucial differentiator in the industry.

Customer Segmentation and Targeted Marketing

Segmenting customers based on their demographics, behaviours, and preferences is vital for effective hyper-personalization. Insurance companies can identify distinct customer segments and tailor their marketing strategies accordingly. By understanding customers' unique needs and expectations, insurers can offer relevant products, personalised messaging, and targeted cross-selling opportunities.

Research by Bain & Company indicates that companies that effectively segment their customers can increase their profit margins by up to 15%. Employ a data-driven approach to segment customers, considering demographics, purchasing behaviour, lifestyle, and risk profiles.

Leverage Predictive Modelling

Predictive modelling is a powerful tool to help insurers anticipate customer behaviour and preferences. Insurers can use historical data and predictive algorithms to forecast future outcomes and proactively personalise their offerings.

Research conducted by McKinsey & Company reveals that companies using predictive analytics outperform their peers by 5% in productivity and 6% in profitability. Leverage predictive modelling to assess risk, identify potential cross-selling or upselling opportunities, and optimise pricing strategies. This proactive approach lets insurers stay ahead of customer needs and offer relevant recommendations.

Embrace Digital Channels and Self-Service Options

Customers expect seamless and convenient experiences across various touchpoints in the digital era. To achieve hyper-personalization, insurers must embrace digital channels and provide self-service options that empower customers to control their insurance journey. According to a survey by J.D. Power, 70% of insurance customers prefer using digital channels for interactions.

Prioritise Customer Engagement and Communication

Effective customer engagement is crucial for hyper-personalization. Insurance companies should prioritise regular and meaningful communication with their policyholders to build strong relationships and foster trust.

Research by Salesforce indicates that 67% of customers are willing to switch brands if they feel undervalued. Employ personalised communication strategies such as targeted emails, recommendations, and relevant content to engage customers at various stages of their insurance journey—leverage automation tools to deliver timely, tailored messages that resonate with individual needs and preferences.

Hyper-personalization in insurance empowers customers by offering them customised solutions, fair pricing, and proactive risk management. Insurance companies can deliver a more personalised and relevant experience by leveraging data and advanced technologies.

Usage-Based Insurance (UBI):

Usage-based insurance utilises telematics technology to track and monitor individual driving behaviour. By installing devices or smartphone apps, insurance companies can collect data on speed,

distance travelled, and driving patterns. This data allows insurers to offer personalised premiums based on a customer's driving habits, rewarding safe drivers with lower rates.

Personalised Policy Recommendations:

Insurance companies can leverage customer data, including demographic information, previous claims history, and risk factors, to provide personalised policy recommendations. Using advanced algorithms and machine learning techniques, insurers can analyse vast amounts of data to suggest coverage options tailored to an individual's needs and risk profile. This helps customers make informed decisions and ensures they have the right coverage.

Conclusion

Hyper-personalization has become necessary in the insurance industry to meet customers' evolving expectations. By harnessing the power of data, embracing AI and ML, implementing effective customer segmentation, optimising digital channels, and fostering proactive communication, insurers can create personalised experiences that resonate with their customers. In this age of customisation, those who successfully achieve hyper-personalization will thrive in the competitive landscape and build long-lasting relationships with their customers. As we move forward, let us remember that the key to hyper-personalization lies in understanding and catering to the unique needs of every individual customer.

Signing off with a quote from Satya Nadella, CEO of Microsoft, "Hyper-personalization is the future of customer engagement. By leveraging data and advanced technologies, we can deliver experiences that are uniquely tailored to each individual, creating a deeper connection and fostering long-term loyalty."