Best practices in insurance

Know your customer (KYC)
Identity management (IDM)
Automation

PXL
VISION

Success factor: customer
Identity verification
for the digitalisation
of the insurance industry

THE FOCUS OF DIGITALISATION
IS ALWAYS ON THE NEEDS OF THE CUSTOMER AND NOT THE TECHNOLOGIES, NO MATTER HOW GROUND-BREAKING THEY ARE. THEIR USE MUST ALWAYS BRING ADDED VALUE FOR THE INSURED PARTIES.

Martin Schmelcher, Member of the Board of Directors,
ADAC Autoversicherung AG
(General German Automobile Club)[1]
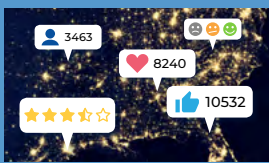
Insurance customers' expectations:[2]

Products
99% extensive range of services
98% customisable products
98% low premiums
96% wide variety of rates
96% simple products
94% short and flexible policy periods

Image
82% good test ratings
70% well-known brand

Digital
68% digital offerings, e.g. an app
68% ability to handle enquiries using exclusively digital means
62% own insurance provider to demonstrate a high level of digital expertise

Personal contact
57% personal consultation
56% home visits
56% customer loyalty programmes
39% local branches

Summary:

Customers want products that suit their needs. Individualization is a major priority.

Tests are a major factor. The importance of the brand is waning.

Growing emphasis on digitalisation.

Customers' desire for digital products now outweighs their wish for personal service.

1   Quote from Bain & Company/Google, Digitalisation in Insurance: The Multibillion Dollar Opportunity, 2016
2   Graphic data based on: Bitkom, Citizens expect more digital insurance, 2020

The digital customer – a key factor for digitalisation

Four billion EUR of growth potential and a possible 14 billion EUR in cost savings generated by digitalisation initiatives for non-life insurers alone. For the insurance sector, digitalisation harbours huge gains. The top factor for success is: focusing the digitalisation drive on insurance customers.[1]

We're all used to using our phones or other digital devices to buy products and services from the comfort of our own homes. And this includes shopping around for insurance too.

> 68% of people want, or rather would prefer, to interact with their insurer digitally.[2]

Digitalisation in e-commerce has hugely influenced customer expectations. It provides the incentive and the benchmarks for creating and speeding up the simple processes that we want as customers.

> But for the insurance industry, the simpler processes need to be, the more complicated it gets.

E-commerce and digital insurance differ when it comes to customer relationships.

The relationship between insurance providers and their customers goes much further than in e-commerce. It (ideally) provides long-term protection, plays a role in people's life plans and is built into their financial livelihood. It is also associated with greater risks for customers and providers than in the e-commerce world. Insurance providers are well aware of this responsibility and are bound by strict legal regulations to protect against improper use. Thus, digitalisation also poses entirely different challenges for insurance providers than for classic e-tailers.

> The success of digitalisation in the insurance industry ultimately hinges on customer identity verification and thus on the establishment of a secure relationship.

It is precisely the digitalisation of often complex processes requiring identity verification that pays off the most for insurance providers.

Digital customer relationship

How do insurance customers benefit?

✔ 24/7 availability
✔ Time savings
✔ Transparency and control
✔ Reliability

How do insurance providers benefit?

✔ Cost savings
✔ Revenue growth
✔ Regulatory compliance
✔ Documentation security
✔ Data management

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1   Bain & Company/Google, Digitalisation in Insurance: The Multibillion Dollar Opportunity, 2016
2   Bitkom, Citizens expect more digital insurance, 2020 (Germany)
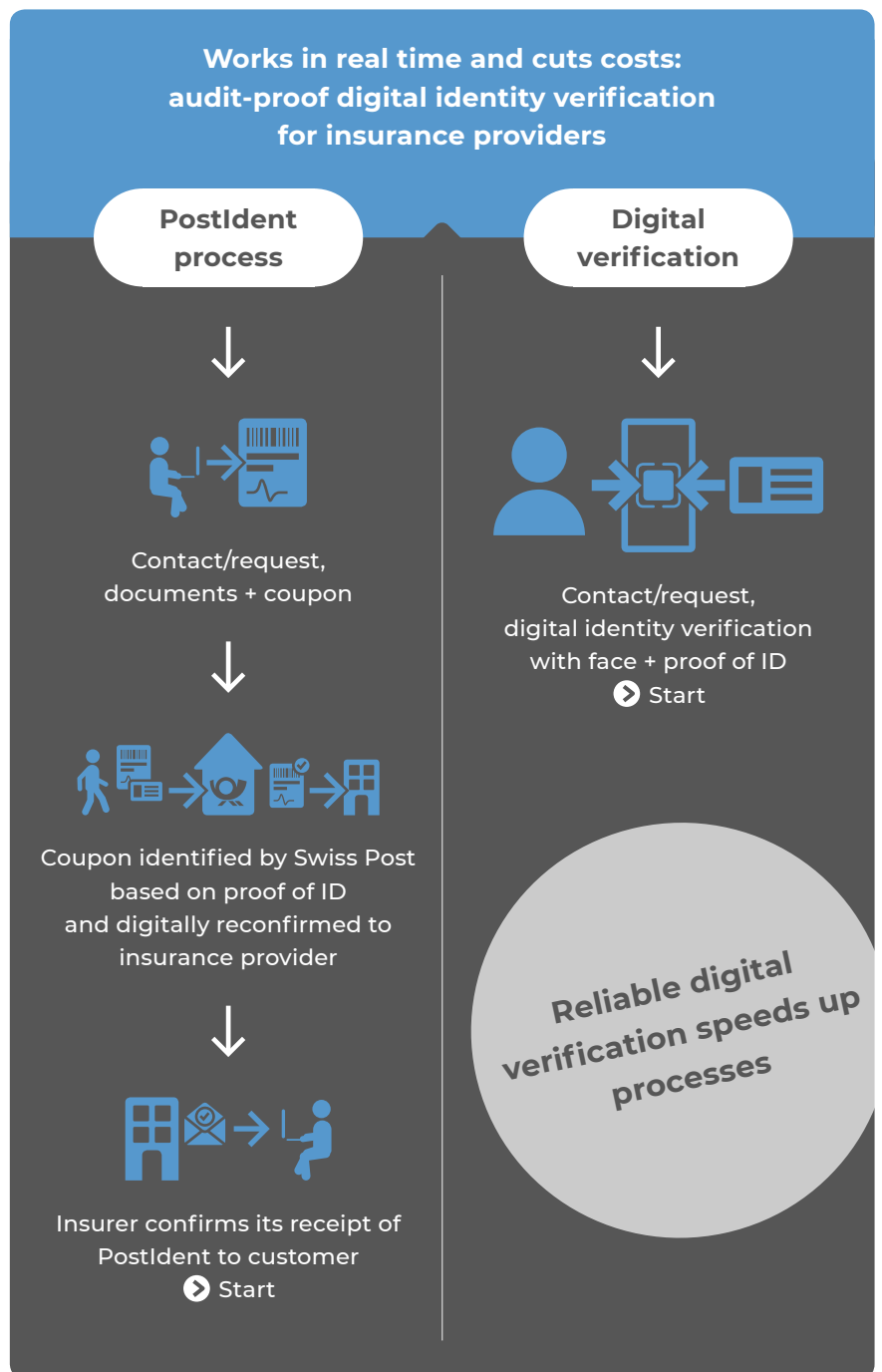
Vision: conversions in real time

When it comes to insurance sales, services or claims settlement, visions for the future abound. They emphasise flexibility, customisation, simplicity, automation and innovation by means of new technologies. But none of them include the issue of customer verification. This is a major oversight, as this is precisely where lucrative digitalisation projects in sales and service are hampered by time-consuming process interruptions or expensive personal interaction.

> Digital identity verification is the central focus for insurance providers when considering their innovation and digitalisation plans.

Sales processes as well as the digital interaction that customers want require extra precise identity verification with a two-stage verification process. This involves high administrative costs for the insurance provider and a delay before customers can access services – not a great basis for a digital relationship.

> Based on the conversion rate of a website rising or dropping in a matter of seconds, is a delay of one week acceptable for completing an insurance policy sale?

Successful digitalisation needs digital identity verification to be as simple and robust as it

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Works in real time and cuts costs: audit-proof digital identity verification for insurance providers

PostIdent process

Contact/request, documents + coupon

Coupon identified by Swiss Post based on proof of ID and digitally reconfirmed to insurance provider

Insurer confirms its receipt of PostIdent to customer
▶ Start

Digital verification

Contact/request, digital identity verification with face + proof of ID
▶ Start

Reliable digital verification speeds up processes

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is through a face-to-face process. But digital identity verification happens in real time, with no delays. The customer can use the service they want straight away. If identity verification is integrated into existing systems and processes, the benefits filter through to other transactions and customer services – for example, add-on insurance policies or complex administrative processes.

Onboarding sales agents and brokers

Easy onboarding of sales agents and brokers cuts costs and increases sales. Sales team productivity increases.

Result:
Faster processes, less complexity and effort, simple access control to CC systems

Benefits:

Cost savings | Rapid deployment | Greater performance

Marketing sales agents and brokers

Digital new purchases or supplementary policies can be concluded locally and directly integrated into the systems.

Result:
Digital sales transactions completed locally, high-level data quality, automation

Benefits:

Higher conversions | Fewer policy drop-outs due to incorrect customer data | Avoidance of attempted fraud[1]

CustomerIdent in practice

The secure customer identification process underpins insurers' strategic goals: multi-channel sales, more efficient claims management, expansion of online or app sales

Claims management/self service

Digital service provision:
costs drop and service quality improves

Example – health insurance bills:
Easy onboarding, better data quality, greater volume of data, electronic health record (EHR) and ePrescription preparation

Benefits:

Avert insurance fraud | Save on postage

App-based/online sales

Introduction and expansion of digital direct purchase by customer (online/in the app)

Simplifies start of online/direct sales:
Immediate policy activation, competitive online sales, customer loyalty

Benefits:

Fewer drop-outs at identity verification stage | Minimisation of drop-outs during policy conclusion process | Greater use/ successful onboarding (compared to PostIdent)

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1 E.g. Via manipulation of the VIZ (visual inspection zone) or MRZ (machine-readable zone) and photo

Security vs. usability

There are a great many identity verification methods. Traditional methods are often caught between the need for the highest possible level of security and the customer's desire for user-friendliness. Given the high risk involved, insurance providers have to maintain a healthy degree of caution towards customers until their identity is verified beyond a doubt. But what length of time and amount of effort is viable? And what value does security have when only a few customers use the process because identity verification is too complex or is viewed as a hassle?

On the one hand, secure identity management in the context of digitalisation and automation is essential for the zero-trust policy currently called for in the IT sector. On the other, customer service – as in online retailing – is about speed and minimal effort for the customer.

Digitalisation decision-makers must therefore find digital identification methods that meet these needs or continue combining analogue and digital identification.

Below, we have described the three most common remote identity verification processes to provide an overview: On-site identification, Video-ID and Auto-ID

Key factors in choosing a method are: reliable initial identification, regulatory compliance, transferability to subsequent processes and automation.

On-site identification
Identity verification by means of a code sent by post and physical verification against ID documentation by a postal employee. Each step of the process involves time delays. There are breaks in the process.

Video-ID (with human agents)
Identity verification by means of a code sent by email. Verification against ID documentation is conducted by an employee on a video call. Each step of the process is conducted in a different format.

Auto-ID (with ML/AI)
Identity verification of the actual person and their ID documentation using artificial intelligence in real time. There are no interruptions to the process and further steps of the process can be automated.

Key standards and regulations
Standards of the European Telecommunications Standards Institute (ETSI) and the electronic Identification, Authentication and Trust Services (eIDAS), as well as Anti-Money Laundering (AML), Know Your Customer (KYC), EU Payments Services Directive (PSD2), GDPR, ISO 27001, ISO/IEC 30107.

Key questions: choice of technology

For digitalisation to help drive growth, the identification technology must be instrumental to the project's success. There are key factors to selecting successful technology for digital identity verification.

Reliable verification/automation

- ✓ How reliable and precise is the identity verification process?

- ✓ Which regulatory requirements does it meet?

- ✓ How does automated verification or data storage work?

- ✓ Does the identity verification method support or simplify common security concepts?

The scalability and flexibility of the solution increases ROI and simplifies portability to other processes, as customers do not have to get used to additional processes

- ✓ Can the outcomes of the initial identification stage be carried over to subsequent processes?

- ✓ Is the customer experience a seamless one?

- ✓ Can an identification method be adopted in other areas and processes?

Conversion: successful completion of identity verification and, with it, the digital process

- ✓ How reliably can the customer complete the identity verification procedure and thus finalise the conversion or service process?

- ✓ How long does identity verification take and how simple is it?

- ✓ How often do customers quit the identity verification process and drop out of the purchase?

- ✓ How much sales revenue and profit does your company lose on average per year?

Integration into insurance systems and customer terminal devices

- ✓ Does the technology work seamlessly on all of the customer's terminal devices and across all channels?

- ✓ Do customers require specialized hardware?

- ✓ Can the identification process be integrated into all relevant systems?

More on identity verification for insurance companies

Experience in the market

Insurance companies have the greatest security requirements when it comes to verifying customers' identities.
What are companies' practical experiences with digital identification and artificial intelligence for customer onboarding?

Swiss Life is a leading provider of comprehensive pension and financial solutions.

Fabian Baldinger,
Business Analyst and Project Manager Private Clients at Swiss Life Switzerland

CASE STUDY

Why is Swiss Life switching to a digital onboarding process?

For insurance companies such as Swiss Life, it is crucial that the personal data on the application matches that of the applicant. Correct recording of the date of birth is particularly important in the case of life insurance policies, as the calculation of the policy is based on this data. In addition, it must be taken into account that Swiss regulation requires employees of the insurance company to view the original identification document for the purpose of customer identification.

What has changed?

The previous process was complicated and prone to error. The consultants had to scan the applicant's ID on a copier, print it out, and then sign & stamp it. Copies and pictures were often of poor quality. Expired IDs were not recognized, and there were privacy issues when counselors used smartphones to make copies of IDs from clients and then kept them on their phones.

What does artificial intelligence do in the identification process?

With the tool from PXL Vision, Swiss Life automatically checks the data, compares it with that on the application. The digital ID copy and the corresponding data are sent to the head office.

No further authenticated copies need to be submitted. In case order-relevant data such as gender, nationality or date of birth do not match the calculated insurance plan, the order cannot be completed. After transmission to the backend system, all data is automatically deleted from the advisor's cell phone.

Project planning: introducing CustomerIdent and automation

CustomerIdent coupled with automation is set up at the intersection of online sales, the sales app, partner sales, sales and IT departments. As the primary added value derives from the business, the above departments are usually the project initiators.

Setting up an Ident technology can take anything from three days to several weeks, depending on the degree of customisation required. Scalable solutions allow for rapid rollout without a major internal workload and can later be expanded upon as needed or upgraded to on-premise hosting with detailed customisable steps relating to rules and processes.

The example used here is centered on the establishment of audit-proof customer identification, including automation, based on PXL Vision's project experience.

1. Step
Needs analysis: selecting project area and objective

◯ Online direct sales
◯ In-app direct sales
◯ Agent partner sales
◯ Broker partner sales
◯ Service area
◯ Required speed of the Ident process
◯ Elements of the customer experience

Contents: project layout with milestones and comprehensive advice regarding legal, technical and process requirements
Parties involved: specialist department or product owner of website or app, provider's project manager and consultant

▶ **Outcome:** transfer of expertise from provider to insurer; project plan

2. Step
Needs analysis: customising and process planning from an economic and legal perspective

◯ Required process stages
◯ Adaptation of default for business rules to specific requirements
◯ Type and sensitivity of the data transferred
◯ Legal requirements
◯ Speed and customer experience requirements
◯ White label decisions
◯ Hosting decisions: on-premise, internal hosting, provider hosting

Contents: description of requirements, assessment of risk levels and required system setup and identification of technology modifications needed for existing processes.
Parties involved: project manager or product owner for website/app and/or legal department, provider's consultant

▶ **Outcome:** ready-to-use workflow + customised definition of rules

3. Step
Integration: process support relating to IT

◯ Included IT systems
◯ Transferred data
◯ Speed and customer experience requirements
◯ Hosting decisions: on-premise, internal hosting, provider hosting

Contents: description of requirements, assessment of risk levels and required system setup and identification of technology modifications needed for existing processes.
Parties involved: project manager, IT representative, provider's consultant

▶ **Outcome:** ready-to-use system workflow

4. Step
Technology adaptation and validation

Contents: communication with the insurer's back-end, to complex processes and systems integration. Implementation of system connectivity aspects and any necessary process parameters. Also, implementation of white labelling and hosting requirements. The time required varies from 0.5 days for standard solutions to several weeks for complete white labelling and on-premise hosting, incl. testing.
Parties involved: project managers, IT managers, provider's consultants, provider's developers

▶ **Outcome:** ready-to-use customised technology

5. Step
Implementation

Implementation in the first agreed-to sub-area, e.g. the app. Subsequent expansion to other areas possible.

▶ **Outcome:** measurable, verifiable onboarding results

More options
with identity verification for
the insurance industry

Customer onboarding
More conversions across all online channels – through insurance brokers or over the phone – and expansion of digital business.

Registration for online services
Added value for customers: easily purchase new products online, request insurance policy documents, use the online portal and much more.

Password reset and account recovery
Through biometric authentication that is linked to the existing solution for systems with sensitive data.

Account access and management
Secure access and self-management for customer accounts through identity verification and authentication based on facial biometrics.

Remote workforce verification
Verification of the identity of external staff prevents contractor fraud. Integrated with SAP Fieldglass.

Privileged account management
Protection against cybercrime: only verified individuals have privileged access to critical resources, systems, accounts, sessions and devices.

PXL VISION

> **THANKS TO PXL VISION, WE'VE DONE MORE THAN JUST SIMPLIFY THE IDENTITY VERIFICATION PROCESS. WE'VE ALSO SIGNIFICANTLY RAISED OUR QUALITY LEVELS. THAT WAS PRECISELY OUR GOAL.**

Fabian Baldinger, Swiss Life Switzerland

Find out more about PXL Vision and what we can do for you.

🌐 **www.pxl-vision.com**

Send us a mail. Our experts will come back to you as soon as possible:

✉️ **info@pxl-vision.com**

www.pxl-vision.com/insurance