

# Digitizing the Auto Insurance Customer Relationship

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## Executive Summary and Key Findings

Digitization of the business–customer relationship is a key element in the continuing efforts to increase productivity and promote economic growth. The financial services industry has been a leader in digitization efforts.<sup>1</sup> However, progress within this industry has not been even.<sup>2,3</sup>

Sectors such as banking have rapidly developed and deployed the tools and technologies necessary to automate and digitize customer interactions. According to a 2017 survey, 62 percent of adults with a bank account who also own a smartphone reported using a mobile banking app—up from 48 percent in 2015.<sup>4</sup> Recent evidence suggests that digitization in personal banking continues to grow.

In the private passenger auto insurance sector, results have been more mixed. While many auto insurance companies have introduced web-based apps and customer portals that enable policyholders to communicate and interact digitally with their insurer, not all companies have done so, and some have implemented tools with only limited functionality—enabling customers to digitally perform some tasks but not others. This report presents findings from a survey of auto insurance consumers who were asked about recent interactions with their auto insurance company, the methods used to communicate with the company, and the methods they would prefer to use in the future for the same tasks. By focusing on recent practices and future preferences, the report highlights opportunities for enhancing customer satisfaction and realizing new productivity gains.

For this study, 2,000 auto insurance consumers nationwide participated in an online survey conducted on behalf of the Insurance Research Council (IRC) by Survey Sampling International, LLC (SSI) in February 2018. The survey sample was representative of the United States’ general population with respect to age, gender, education, income, region, and ethnicity. Complete survey responses can be found in the appendix.

<sup>1</sup> Forbes Insights, “Digitizing Financial Services, Mastering Digital Differentiates Leaders from Laggards,” 2017, [https://i.forbesimg.com/forbesinsights/cognizant\\_financial\\_services/Digitizing\\_Financial\\_Services.pdf](https://i.forbesimg.com/forbesinsights/cognizant_financial_services/Digitizing_Financial_Services.pdf) (accessed June 15, 2018).

<sup>2</sup> Manyika, et al., “Digital America: A Tale of the Haves and Have-Mores,” McKinsey Global Institute, December 2015, [www.mckinsey.com/~/media/McKinsey/Industries/High%20Tech/Our%20Insights/Digital%20America%20A%20tale%20of%20the%20haves%20and%20have%20mores/Digital%20America%20Full%20Report%20December%202015.ashx](http://www.mckinsey.com/~/media/McKinsey/Industries/High%20Tech/Our%20Insights/Digital%20America%20A%20tale%20of%20the%20haves%20and%20have%20mores/Digital%20America%20Full%20Report%20December%202015.ashx) (accessed June 15, 2018).

<sup>3</sup> McKinsey & Company, “Digital Disruption in Insurance: Cutting Through the Noise,” March 2016, <https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Time%20for%20insurance%20companies%20to%20face%20digital%20reality/Digital-disruption-in-Insurance.ashx> (accessed June 15, 2018).

<sup>4</sup> Bank of America, “Trends in Consumer Mobility Report: 2017,” August 2017, [https://newsroom.bankofamerica.com/system/files/August\\_2017\\_BAC\\_Trends\\_in\\_Consumer\\_Mobility\\_Report.pdf](https://newsroom.bankofamerica.com/system/files/August_2017_BAC_Trends_in_Consumer_Mobility_Report.pdf) (accessed June 15, 2018).

## Key Findings

- Respondents reported extensive online engagement with their banks, and 9 out of 10 indicated that they would like to engage with their auto insurer in a similar manner. Older respondents reported significantly less online engagement with their banks.
- About two-thirds of respondents (69 percent) said that they had communicated with their insurer in the previous year for one or more reasons. For every task noted, most respondents contacted their insurer by phone. Digital methods, including mobile apps, website portals, and email, were used much less frequently. For only two tasks, checking on the status of a claim and obtaining a certificate of insurance, was any digital method used by at least 30 percent of respondents who engaged in those tasks. In both instances, the primary digital method used was the insurer's website.
- Seventy-eight percent of all respondents said that if they were applying for auto insurance with a new company, they would be interested in doing so online. Interest varied by age, however, with only 52 percent of those aged 65 or older expressing such interest, compared with 93 percent of those aged 25 to 34. Half (51 percent) of all respondents said that even if they did apply for insurance online, they would still expect to speak with a person before finalizing their purchase decision.
- Respondents revealed significant gaps between the methods used in the previous year to communicate with their insurer and their preferred methods for communicating in the future. Based on a composite measure of all tasks examined, 58 percent of those who engaged with their insurer for any task in the previous year did so using a phone, but only 48 percent prefer using a phone in the future. In contrast, while only 20 percent engaged with their insurer through the company's website, 36 percent said that they would prefer communicating that way in the future. Similarly, a mobile app was used by only 9 percent of respondents engaging with their insurer in the prior year, yet 19 percent expressed a preference for using a mobile app in the future. Email use saw a smaller gap: 19 percent used it in the previous year, while 23 percent indicated a preference for email in the future.
- Engaging with an insurer in person at a local office was a preferred future method for 19 percent of respondents, essentially the same number who said that they had engaged with their insurer in person during the past year (20 percent).
- Past methods used to communicate and preferences for the future varied by the task involved, as did the differences between the previously used methods and future preferences. However, for most tasks, the widest differences involved the use of a company website. Many more respondents expressed a preference for communicating through a website in the future than actually used that method in the previous year.

- When asked about preferences for the future, communicating by phone was the most preferred method for 5 of the 10 tasks examined. For the other 5 tasks, using a company website was the most preferred method. For 4 of those tasks, however, communicating by phone was the second-most-preferred future method. While phone communication will not be as important in the future, many auto insurance consumers are likely to continue to prefer it over digital methods.

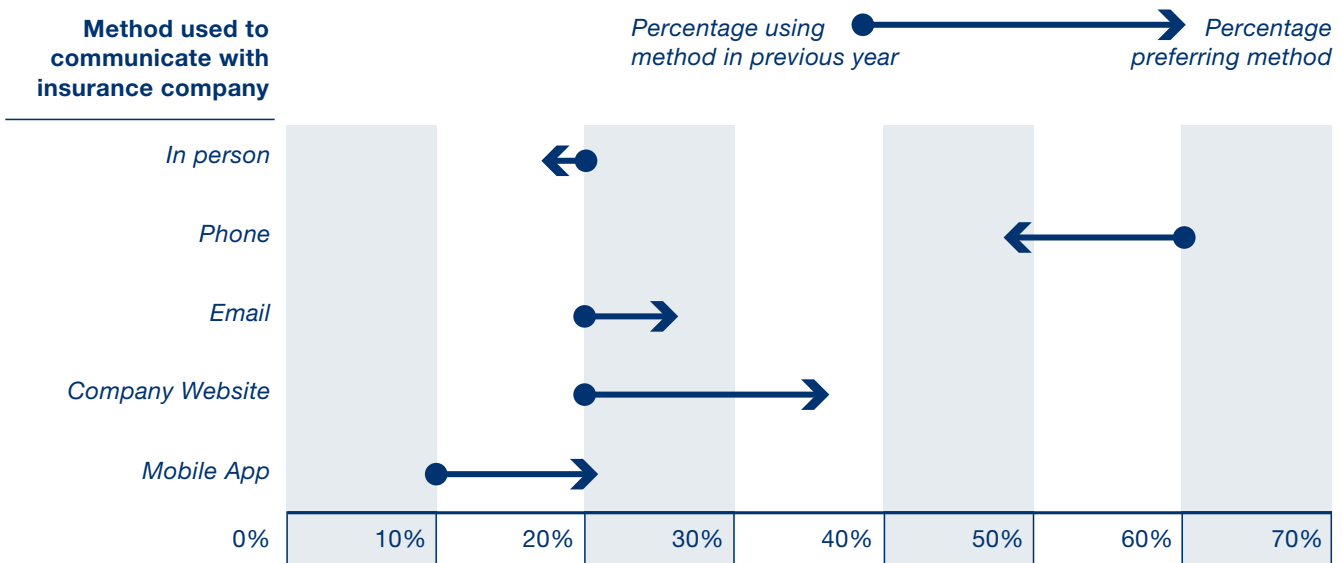
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Based on a survey of 2,000 licensed drivers countrywide.

## Communication preferences shift toward digital methods

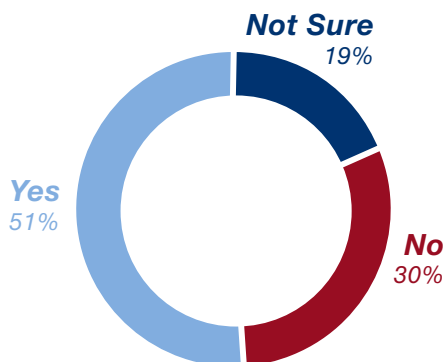
Composite of 10 Tasks related to auto insurance, such as requesting a quote, adding a vehicle, or reporting a claim.



For example, when performing a variety of tasks related to auto insurance, 20 percent of respondents used a company website in the past year, while 35 percent would prefer that method in the future.

## Human touch still important

If applying for insurance online, would you still expect to speak with a person before finalizing the purchase?



## Interest in digital methods declines with age

Interest in applying for insurance online

