



# Transform to Thrive in a Post COVID-19 World: A Call to Action for Indian Insurers

**Pranay Mehrotra**  
**Pallavi Malani**  
**Phalguni**  
**Raghav Ghosh**

May 2020

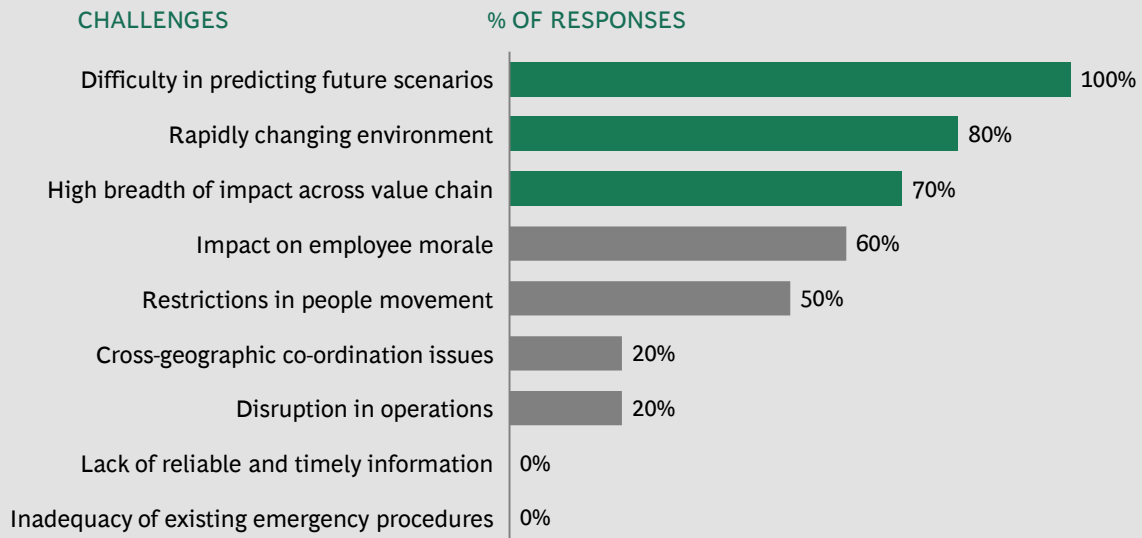
## **THE COVID-19 OUTBREAK HAS CHALLENGED THE STATUS QUO IN THE INDIAN INSURANCE INDUSTRY, DISRUPTING MANY TRADITIONAL WAYS OF WORKING, WHILE ALSO PRESENTING A CATALYST FOR TRANSFORMATION**

The COVID-19 outbreak has caused significant disruption to a gamut of industries, and insurance is no exception. The crisis has challenged several core ways of working for the Indian insurance industry—reliance on face-to-face interactions for sales, dependence on physical infrastructure for many key operations such as agent trainings and customer servicing to name a few. Nonetheless, it has not stopped the industry from adapting to the situation on a war footing, and from launching several measures to ensure business continuity. The question is—beyond the here and now, would the COVID-19 outbreak act as a catalyst for the industry to innovate operating models towards the new normal, a more “digital future”?

## **THE IMMEDIATE IMPACT HAS BEEN A DECLINE IN PREMIUM ACROSS BUSINESS LINES. MOST INSURERS HAVE ACTED QUICKLY TO ENSURE BUSINESS CONTINUITY, EMPLOYEE HEALTH AND SAFETY, BUT FEW HAVE STARTED PREPARING FOR A POST-COVID-19 WORLD**

- **Significant decline in premium income in the immediate term for life and non-life insurance; Stand-alone health insurance (SAHI) growth impacted as well:** As per IRDAI, GWP for non-life insurance players (excluding SAHI) for March 2020 has declined by 13 percent as compared to March 2019. This is a significant trend reversal compared to the trajectory until the end of February in FY20, when GWP grew by 12 percent YoY. SAHIs have also witnessed subdued YoY GWP growth of 8 percent in March versus 31 percent till YTD February FY20. In the life insurance segment, new business premiums have decreased by 32 percent in March 2020 YoY compared to 32 percent growth till the end of February in FY20. This is reflective of the massive disruption caused by the lockdown, social distancing measures, and the industry’s reliance on face-to-face interactions in the traditional agency and bancassurance channels that contribute to 80 percent of life insurance individual new business premium.
- **Protecting employees while ensuring business continuity immediate priority of Indian insurers:** BCG conducted a survey with leading Indian life and non-life insurers in April 2020 to understand challenges faced by them and key measures taken. The immediate response has been focused on ensuring business continuity and safeguarding employee health. All insurers have implemented measures such as enabling remote working, emphasizing on office hygiene and sanitization, setting up a digital information hub for the employees, setting up a rapid response team, and planning contingencies for critical operations like claims settlement.
- **Insurers are wary of uncertainty in emerging business scenarios and need to focus on building organizational readiness for the rebound:** Going forward, unpredictability is a key concern for Indian insurers as they navigate this crisis—all survey respondents called out “difficulty in predicting future scenarios” as the key challenge in front of them. Other commonly raised concerns included “breadth of impact on value chain” and “employee morale” (Exhibit 1). In this context, it becomes critical for insurers to undertake structural changes to prepare for the recovery and the new normal post that. However, we observed high variation across insurers in thinking about demand recovery and its implications in a post-

EXHIBIT 1 | Unpredictable and Rapidly Changing Environment is the Major Challenge for Indian Insurers



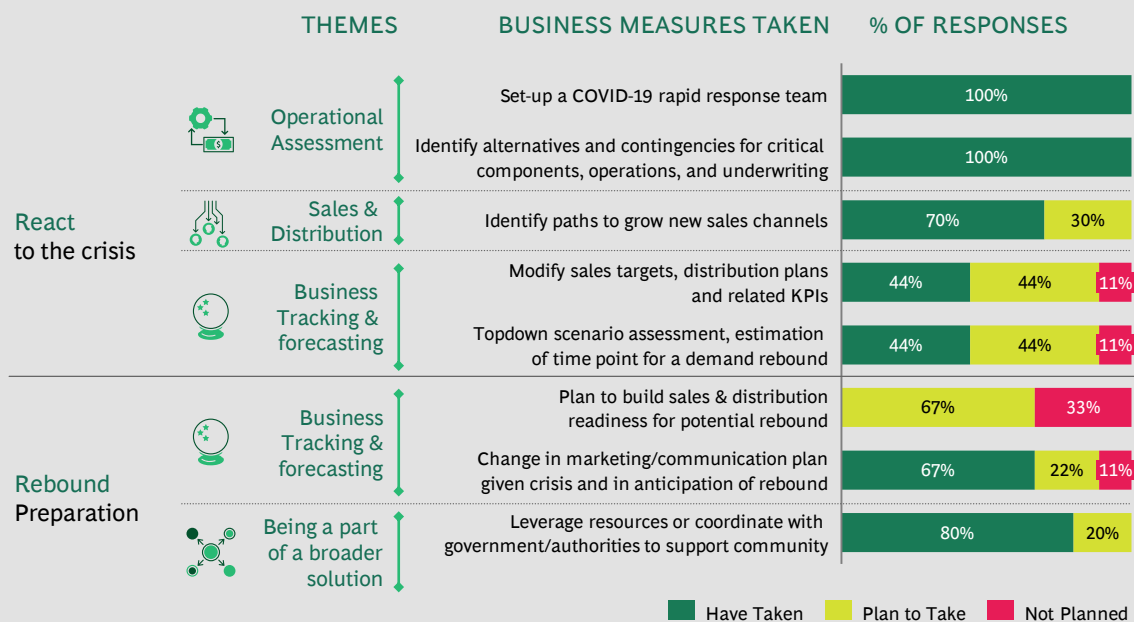
Source: BCG COVID-19 Company Survey; BCG Henderson Institute Analysis. India Insurer survey results (N=10) as of 20th April.

COVID-19 world. For example, in April, only a few insurers had started building distribution readiness for rebound. Rigorous scenario assessment for demand recovery had also been done by only 40 percent of survey participants (Exhibit 2).

**GROWTH OUTLOOK IN THIS FISCAL VARIES BY BUSINESS LINE, WITH MOTOR AND MARKET-LINKED PRODUCTS LIKELY TO SEE THE MOST DISRUPTION; HEALTH GROWTH TREND EXPECTED TO CONTINUE**

- Life Insurance:** Over the next few months, new business demand will be higher for protection products, whereas market-linked products will see reduced demand driven by prevailing market sentiment. The subdued demand for market-linked products is reflected in BCG’s consumer sentiment survey conducted in April, with only 10 percent of the respondents planning to buy market-linked products in the next six months, while 51 percent are planning to buy a term product. In India, financial savings as a share of household savings had seen a decrease from 52 percent to 43 percent during the 2008-09 financial crisis, as consumers preferred retaining cash and physical assets. Overall sentiment on non-market-linked savings products will be also subdued with adverse impact on household savings. However, the demand is expected to increase once the immediate crisis subsides and people look for investment options.
- Health Insurance:** During the 2003 SARS outbreak, China had seen more than threefold YoY growth in health insurance premium for two quarters. In India, health insurance is expected to continue growing this year, and in fact, may see increased momentum beyond that due to higher health awareness among the population post the outbreak. In BCG’s consumer sentiment survey, 83 percent of existing buyers indicated that they plan to spend either the same or more on health insurance in the next six months. More than 60 percent of new or prospective buyers cited necessity to have “financial protection against diseases” as the topmost reason for purchase, reflecting increased health awareness. While this higher demand will require strong underwriting standards to ensure growth is supported without compromising on quality, this crisis

## EXHIBIT 2 | High Variation in Preparation for Business Rebound among Indian Insurers



Source: BCG COVID-19 Company Survey; BCG Henderson Institute Analysis. India Insurer survey results (N=10) as of 20th April.

will reset the market for health insurance. For the first few months in this financial year, the industry may see a blip due to distribution constraints on physical meetings in the traditional channels, however, with phased easing of movement restrictions and business models being adapted to operate in the new normal, the growth trajectory will pick up.

- Non-life Insurance:** New business premium in 4-Wheeler and CV segments will be negatively impacted due to continued slowdown in automobile sales. As per BCG's auto sales projection for FY 21, all segments are expected to de-grow. 2-Wheelers are expected to de-grow YoY between 14 to 22 percent, 4-Wheelers between 19 to 26 percent and CV between 26 percent to 36 percent in the base case and the worst-case scenario respectively. The impact could be relatively lower in 2-Wheeler segment due to preference of consumers to avoid public transport, limited impact of COVID-19 in smaller cities, and improved penetration with multi-year policies. Delay in pricing correction for third-party policies will also contribute to lower premium growth for insurers. Demand for fire and other commercial insurance will see adverse impact due to decline in business activity, slower capital expenditure growth and pressure on corporate balance sheets.

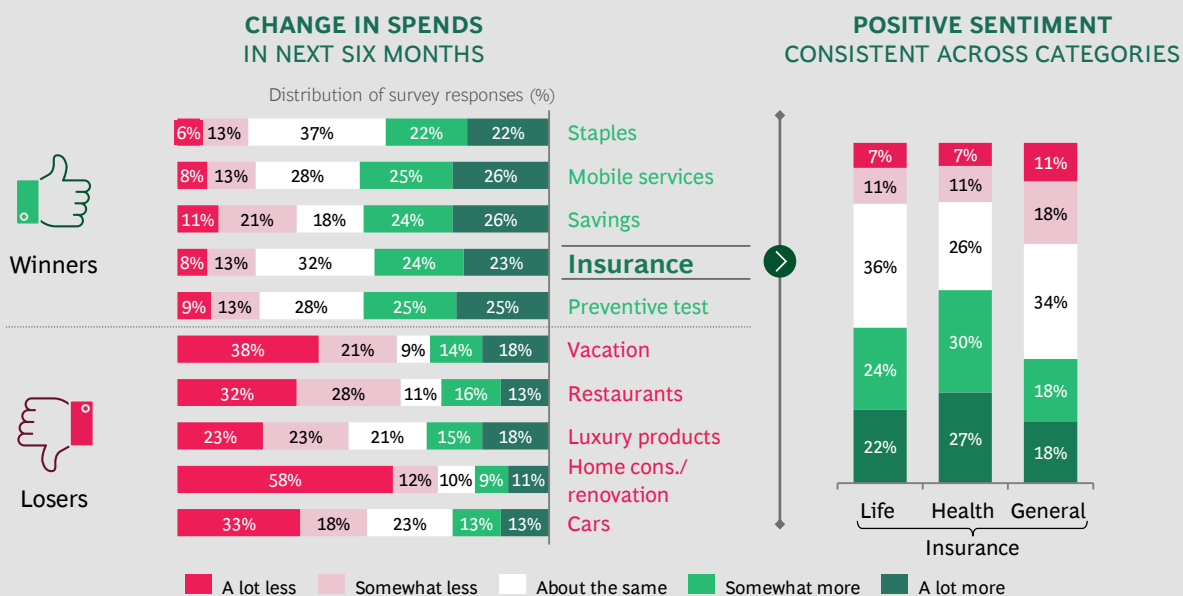
While insurers will see top-line pressures during this financial year, underlying demand fundamentals for insurance continue to remain attractive in the medium to long term with low levels of insurance penetration and increased consumer awareness for most lines of business. However, from a supply side perspective, insurers will need to adapt their business models to be able to capture this demand effectively in the new normal post the immediate crisis.

### IN THE MEDIUM TO LONG TERM, THIS OUTBREAK PRESENTS A KEY OPPORTUNITY—A SPRINGBOARD FOR INSURERS TO TRANSFORM TO THRIVE IN A POST-COVID-19 WORLD

- Business Sentiment:** While there is temporary disruption on both the customer and sales dimensions, business sentiment will recover soon

- BCG's consumer sentiment survey conducted among SEC A/B households indicates 82 percent of respondents are willing to spend the same or more than usual on life and health insurance in the next 6 months (Exhibit 3).
- In another BCG survey conducted with a set of insurance agents in April 2020, 90 percent of them expect movement and in-person meeting restrictions to start easing in less than 6 months. Similarly, two-thirds of insurers polled in the same timeframe expect overall business sentiment to recover within 6 months (Exhibit 4).
- **Customer behavior:** Digital maturity of customers will see a step change as they spend more time online and become comfortable performing various activities including online purchase
  - As social distancing norms continue, agent-customer meetings have been impacted. Similarly, customer footfall at bank branches has also decreased. Greater than 50 percent agents expect "normalcy" to return beyond 4 to 6 months and hence have started changing the way they operate.
  - At the same time, customers are spending more time online, leading to higher digital maturity. As per Nielsen survey conducted among more than one lakh users, there has been more than 40 percent increase in time spent on news and social networking applications compared to pre-COVID-19 period. There is a fundamental reset in customer mindset towards performing different activities online. This is substantiated by BCG's consumer sentiment survey wherein approximately 60 percent of digitally mature survey respondents, who are used to purchasing multiple categories online, indicated online channel as their medium of choice for buying insurance in the next 6 months. Consumers are also searching online for COVID-19 related insurance, as evidenced by fourfold spike in searches on Google, the highest among insurance-related key words (Exhibit 5). Term insurance searches on Google have also seen a 100% increase as compared to pre-COVID-19 period.
  - We have already seen this play out in China where digital first insurers have been able to capitalize as demand recovers. For example, Huize leveraged its end-to-end online distribution platform to

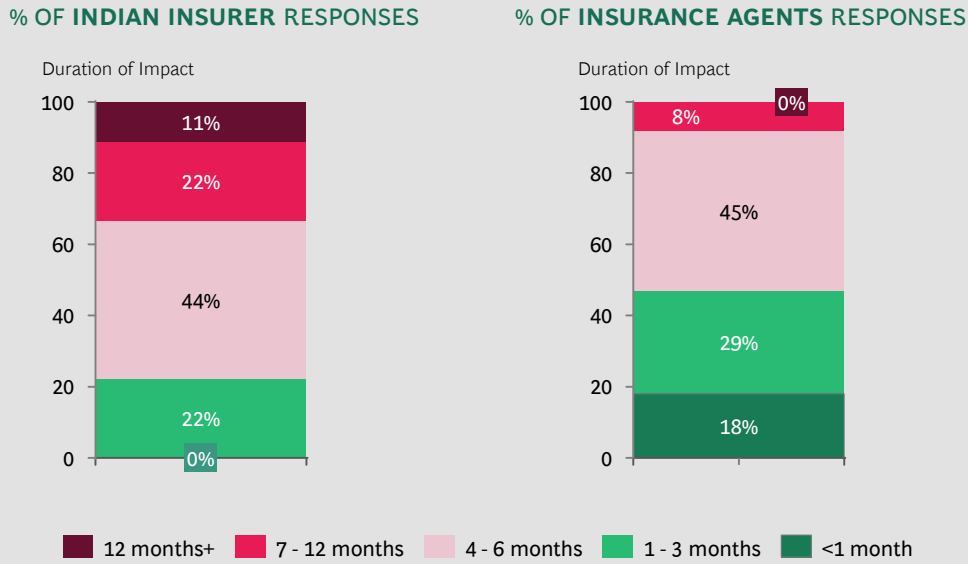
EXHIBIT 3 | Consumer Sentiment for Insurance is Positive



Source: BCG COVID-19 Consumer Sentiment Survey (India), April 30-May 3 2020 (N=1,327).

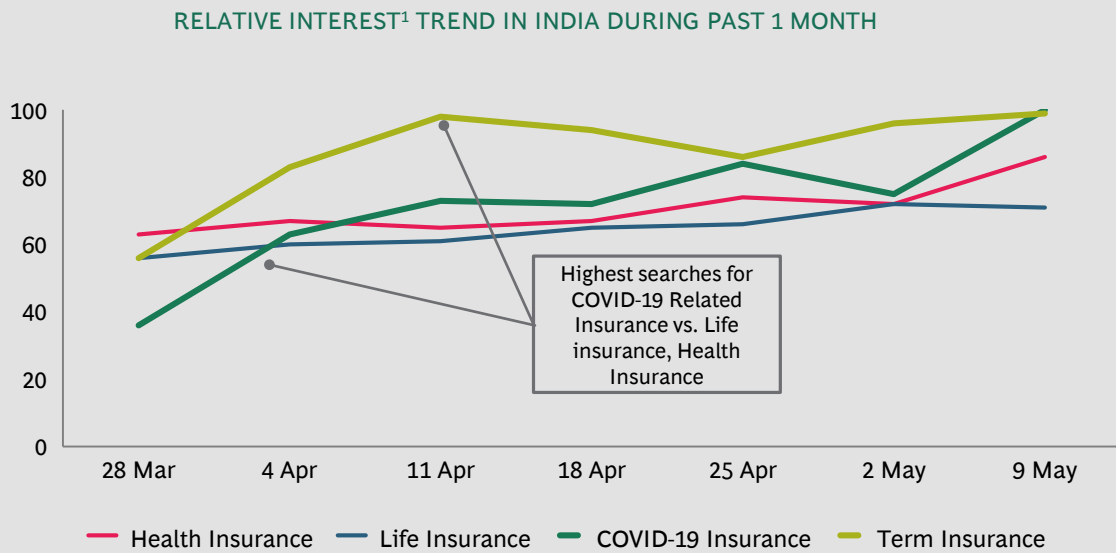
Note: Question text: "How do you expect your spend to change in the next 6 months across the following areas?" Categories with Top 2 Box > 42% (5% more than average) classified as winning categories and categories with Bottom 2 Box > 41% classified as losing categories.

EXHIBIT 4 | Insurers and Agents Expectations Similar, Majority Expect Movement Restrictions to Start Easing In < 6 Months



Source: BCG COVID-19 Company Survey; BCG Henderson Institute Analysis. India Insurer Survey results (N=10) as of 20th April, Insurance Agents Survey results (N=52) as of 20th April.

EXHIBIT 5 | Significant Spike Observed in COVID-19 Related Insurance Search Online



Source: Google web search trend study for the terms over India region in the month of March, April and May'20. Note: Search keyword used was COVID-19 Insurance Search keyword used was COVID-19 Insurance. <sup>1</sup> Refers to search interest indexed to 100 where 100 is the maximum interest in the stated period.

collaborate and serve customers during the crisis. Its online proprietary platform offers remote consulting, intelligent underwriting and end-to-end online services. Huize has experienced rapid growth in insurance product premiums in February 2020 during the lockdown period.

- Channel evolution:** While channel partners are struggling to prospect business, they are also opening up to and in fact demanding digital enablement
  - In the survey conducted by BCG among agents in April 2020, customers’ hesitation to meet face-to-face was the top concern. More than 50 percent agents felt that it will take beyond 4-6 months for them to start meeting customers face-to-face.
  - Hence, it becomes imperative for insurers to enhance agents’ digital business development capabilities. Given that 67 percent of survey respondents indicated that customer willingness to use digital applications and portals has increased significantly as a result of this outbreak, this is an opportune moment for insurers to accelerate the journey towards digitizing their business models (Exhibit 6).
  - In fact, more than 50 percent agents who responded to the survey have already started using digital applications and portals for reaching out to customers, managing renewals and policy servicing. While this proportion might be lower among the overall universe of agents, it is a clear indication of an increasing trend. However, most of the agents expressed need for further training and support to help them sell in the current environment and in the post-COVID-19 world.
- Operations:** While operations relying on physical infrastructure are disrupted, there is no better time to innovate and scale up process digitization
  - Several business-as-usual operations are experiencing disruptions under the lockdown, a common example being medical tests for customers during purchase of life and health insurance. Policy servicing through branches has also come under strain as many branches are shut or are operating with reduced hours.

EXHIBIT 6 | COVID-19 has Accelerated The Push for End-to-End Digital Enablement of Channels



Source: BCG Insurance Agents Survey (N=52) as of 20th April.

<sup>1</sup> Q: By when do you expect customers to meet face to face?

<sup>2</sup> Q: How has customers openness to usage of digital apps / portals changed ?

<sup>3</sup> Q: What activities have you started using technology for?

<sup>4</sup> Q: What (other) help / support would you need from the insurers to sell in COVID-19 scenario?

- At the same time, this can also act as a springboard for insurers to re-imagine operations, for example, a few insurers are already scaling up tele-medicals and pre-underwritten products, and have enabled servicing through digital suite of tools and portals.

The overall sentiment that this crisis will present an imperative to transform is also echoed in our survey of Indian insurers—60 percent believe this outbreak will bring major structural changes in the insurance operating model. While underlying demand fundamentals continue to remain attractive in the long term, insurers need to evolve their business models to be able to meet this demand and emerge successful.

### TEN IMPERATIVES FOR INSURERS TO THRIVE IN THE POST-COVID-19 WORLD











While there are multiple points of view regarding the shape of recovery from this crisis, what can be stated unequivocally is that it will be led by digital. The insurer of the future will be bionic—combining the power of digital capabilities with the strength of human relationships. Insurers with winning aspirations need to transform their operating model and act on key imperatives (Exhibit 7).

#### 1. Drive end-to-end digital enablement of primary distribution channels (agency, bancassurance)

Globally, insurers such as Ping An and Allianz, have been leveraging technology at scale to digitally enable their physical channels across all key activities. This has resulted in significantly higher productivity. For example, Ping An operates at 1.5x higher productivity per agent than peers in China.

For Indian insurers, who have traditionally operated agency and bancassurance channels with dependence on in-person interactions and relationships, it is now an imperative to change. Insurers need to re-invent the end-to-end model (recruitment, engagement, skilling, prospecting, sales and post-sales) to operate in a post-

EXHIBIT 7 | Ten Imperatives for Insurers to Thrive in the Post-COVID-19 World

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|--|--|
| <p><b>1</b>  Drive end-to-end digital enablement of primary distribution channels (e.g., agency, bancassurance)</p> | <p><b>6</b>  Re-imagine customer journeys to operate as digital insurer</p> |
| <p><b>2</b>  Accelerate digital sales</p>   | <p><b>7</b>  Deploy analytics at scale to unlock value</p>                  |
| <p><b>3</b>  Innovate products &amp; offerings to tap demand shifts</p>   | <p><b>8</b>  Organize for rebound and resilience</p>                        |
| <p><b>4</b>  Strive for deeper, engaging &amp; personalized engagement with customer base</p>                       | <p><b>9</b>  Optimize costs with a strategic lens</p>                       |
| <p><b>5</b>  Enhance focus on integrated platforms and ecosystems</p>   | <p><b>10</b>  Build next-generation technology function</p>                 |

Source: BCG analysis and experience.

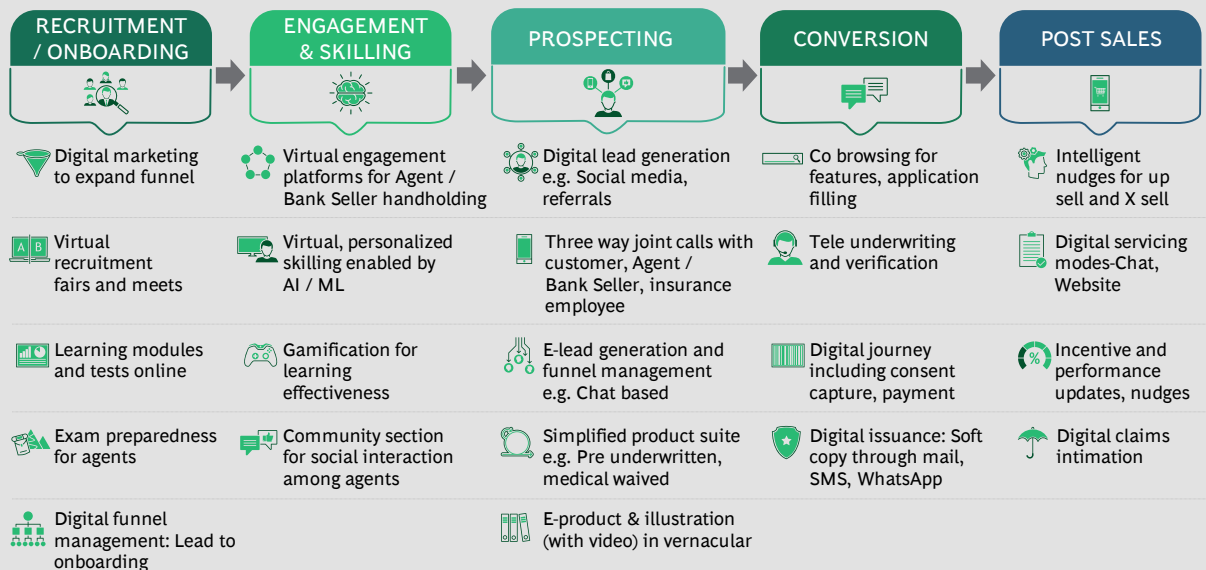


COVID-19 environment, embedded with digital and data, to unlock growth and productivity. While productivity uplift has been an ongoing endeavor for insurers, the need to accelerate efforts is accentuated by the crisis.

Insurers will have to act now to enable both demand generation and fulfilment virtually through digital modes. This cannot be achieved only with quick fix solutions, but needs a strategic reset through actions on three fronts:

- Reinventing the sales journey:** Insurers will need to re-imagine ways of working for agents / bank sellers and the sales employees to operate in the new normal. End-to-end journeys with the right set of triggers delivered through digital solutions at the appropriate touchpoints will be critical to drive focus and quick action. For example, analytics powered triggers delivered to sales managers to drive higher agent / bank seller engagement can improve activation and productivity.
- Embedding the re-imagined value chain with end-to-end digital enablement:** Enable agents / bank sellers to perform the entire gamut of activities like prospecting, lead creation, conversion, engagement with sales employee, training, servicing and renewal through “intelligent” digital and data solutions in line with the re-imagined sales journey (Exhibit 8). While some of these assets exist with select insurers, enabling the end-to-end suite to operate under the new model is critical.
- Upskilling the sales force to adopt the new model at scale:** A vital roadblock for agents / bank sellers and sales employees in using digital and data solutions has been the lack of experience, capabilities and the confidence to prospect and convince customers remotely. This is substantiated in BCG’s agent survey as well. 30 percent agents surveyed said that they needed support on digital business development. Some insurers are already seeing this move with thousands of agents and sales staff joining the daily upskilling

EXHIBIT 8 | End-to-End Digital Enablement of Primary Distribution Channels: Re-Imagining Agent / Bank Seller Lifecycle to Operate Virtually



**Digital tools & data and analytics to support activities across the sales cycle**

Source: BCG analysis and experience.

programs (Exhibit 9). Rigorous monitoring and handholding of the sales force to drive adoption of the new ways of working is necessary.

While some segments of agents / bank sellers and customers may return to the pre-COVID-19 ways of working driven by in-person interactions, digital enablement will facilitate business to operate at a significantly higher productivity. In addition, a material segment of customers and agents / bank sellers will emerge and be ready for a fully digital world in the long run.

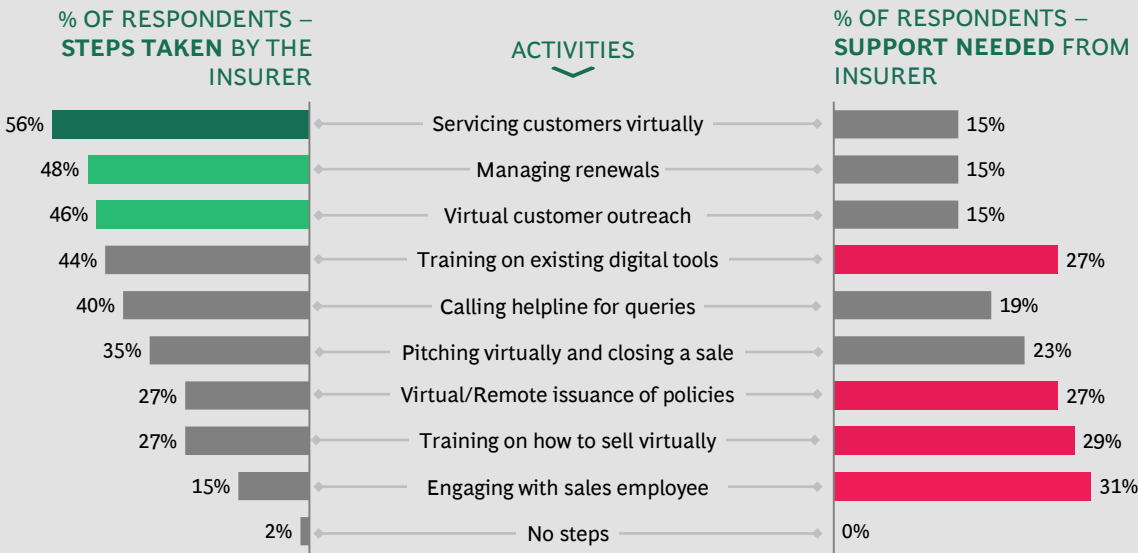
**2. Accelerate Digital Sales**

With extended period of the lockdown, consumers are spending more time online and hence increasingly becoming digitally mature. They are getting comfortable with online research, comparisons and end-to-end purchase thus bringing in a new era for digital sales across a wide base of population—not just a few pockets. Digitally mature customers show a significantly higher propensity to buy insurance online, including from non-conventional channels, as per the BCG-FICCI survey conducted in October 2019. Building a robust digital sales channel will become core to adapting to a post-COVID-19 world.

**Direct platform:** Targeted effort to enhance the end-to-end sales funnel can lead to 1.5-2X growth over the underlying market growth

- Driving relevant traffic through a rigorously executed digital marketing strategy covering SEO, SEM and other emerging sources. For example,
  - Monitoring search volumes for emerging keywords, designing high quality search ads and optimizing SEM spends to induce high conversions. In our experience, 20 to 30 percent of such spends can be

EXHIBIT 9 | While Some Insurers have Taken Steps to Enable Agents On Policy Servicing and Managing Renewals Virtually, Support Still Needed on Virtual Policy Issuance and Engagement with Sales Employee



Source: BCG Insurance Agents Survey (N=52) as of 20th April.

- optimized even for insurers with a good starting position
  - Improving SEO scores for specific keywords through crafting engaging content on own pages, back-linking to popular third-party pages and strong performance on technical factors. SEO strategy should aim for top 3-4 ranks for priority keywords since majority of traffic is concentrated among the top 3-4 ranks
  - Targeting the right customers on social media using custom audiences, look-alike marketing techniques for generating leads efficiently. In our experience, using personalized creatives and constant A/B testing can lead to better returns
- “Customer first” lens to journey design
  - Simple, easy to understand product explanations and minimalist form-filling
  - Assistance on demand through an efficient contact center
- Seamless issuance
  - Optimized underwriting and medical process (for example, analytics based pre-approved offers, AI / ML based under-writing, digitized medical scheduling, tele-medicals)

**Aggregators:** Aggregators account for roughly 50 percent of all digital insurance sales. Certain aggregators have seen 30 percent growth in health insurance and around 20 percent in life insurance new business premiums after the lockdown. Beyond just listing on them, insurers should create deep partnerships through new cross-sell propositions, and have end-to-end technology integration for purchase, servicing, claims and custom underwriting of policies.

**Partnerships:** Traffic to platforms such as online shopping and wallets will continue to increase and as digital maturity of customers increases, so will their willingness to buy insurance and other allied products from such platforms. Insurers must carve out personalized value propositions for such customers:

- Who to target: Targeting customers basis propensity to buy by harnessing partner data (for example, income surrogates, life stage triggers)
- When to target: Embedding within partner journeys at the right stage (for example, login, wish list, checkout)
- What to offer: Personalizing the product and ensuring seamless conversion leveraging partner data for underwriting proxies (for example, pre-approved single click issuance)

Digital sales is poised to become a core channel for insurers. In our experience, the right digital marketing spend mix combined with a well optimized lead funnel can deliver a cost of acquisition that is comparable to traditional channels. Moreover, digitally acquired customers typically have a higher lifetime value. This should be one of the highest priority areas for insurers to double down on.

### 3. Innovate products and offerings to tap demand shifts

The current environment is shaping demand evolution as we speak. Customer needs are changing—for example, there is a surge in awareness for products covering loss of jobs, business disruption and health insurance, to name a few. Insurers’ product development efforts need to be closely synchronized to this evolution. The regulatory sandbox created by the IRDAI is a significant enabler in this regard as it offers the opportunity to innovate in a focused manner and build proof of concept.

- **Radical Simplification:** The over-arching theme we observe is a radical simplification of insurance products to a point where buying insurance is fast, intuitive and ready to be sold on a digital platform without significant assistance.
- **Bite sized:** With rapidly evolving scenarios and uncertainty, small ticket bite-sized products can generate customer interest due to reduced commitment. As per the BCG-FICCI report on insurance published in October 2019, more than 60 percent customers mentioned that they would find it useful if they had access to short tenure, low ticket products. In China, Ping An is using a low ticket-size health insurance strategy as a hook to acquire customers during the COVID-19 outbreak, and plans to upsell and cross-sell to these customers in the future.
- **Flexible and modular:** Customers prefer flexibility in products like investment and savings with option to move funds in and out at frequent intervals similar to mutual funds. In the BCG-FICCI survey, 70 percent customers found flexible products to be useful for their needs.

Setting up the right process for discovering customer needs and testing concepts will serve insurers well to promptly respond to evolving demand.

#### 4. Strive for deeper, engaging and personalized engagement with customer base

With outreach through traditional channel partners limited during and in the aftermath of this outbreak, reaching customers directly and engaging with them will be key to building customer loyalty. This is especially relevant for certain categories like health insurance where customers are likely to have many questions about coverage. This crisis is a moment of truth, and a valuable opportunity for insurers to get closer to their customers.

Customers want an experience that is efficient, personalized and engaging with expectations from insurers very similar to those they have on other digital platforms. A good starting point would be to create an engagement plan with specific use cases (servicing, claims, renewal), key messages, communication frequency and target channels (email, call center, distributors). For example,

- Conducting financial advisory sessions for customers and agents through avenues like webinars, podcasts to guide them in making informed decisions on their coverage and portfolio during the crisis
- Given liquidity for customers may come under pressure, a targeted renewal / persistency communication strategy is important. Insurers can identify high risk customers by occupation, geography and create a personalized engagement and communication plan for retention
- Specific outbound efforts can be used for analytics based cross-sell / upsell of the right personalized offering (such as top-up on health / life, coverage for additional family members)

Customer interactions are already traversing multiple media. A critical enabler to engagement in future will be the capability to interact on diverse platforms with consistency in messaging.

#### 5. Enhance focus on integrated platforms and ecosystems

While conversations on digital platforms and ecosystems have been on leadership agendas for a while, this crisis presents a clear imperative to accelerate action. With consumers spending more and more time online,

customer touchpoints through traditional channels reducing especially for digitally mature customers, and InsurTechs expanding their playing field, the need for an ecosystem play has never been greater.

This is especially relevant in the health space, where insurers can pivot from being insurance product providers to being a complete health and wellness services platform. Discovery, for example, through its Vitality program has successfully orchestrated a large shared-value health insurance ecosystem with multiple partners to build a profile of clients' lifestyle and behaviors. This has been successful in driving growth, lowering lapse rates and achieving a better claims experience.

There are a few key elements for insurers to create winning partnerships through ecosystems:

- Determine insurer role in ecosystem: Typically, three archetypes—orchestrator (for example, Ping An in its health platform), partner (for example, partner with public hospitals, pharmacies) and contributor (for example, AI provider for smart diagnosis)
- Create the right set of ecosystem partners and prioritize use cases for insurance propositions. Insurers need to navigate the mechanism to monetize these use cases within the existing regulatory framework and beyond, as it evolves over a period of time
- Create the technology backbone to enable a digital play—acquiring significant traffic at low cost, directing traffic to partners for cross-sell and seamlessly integrated journeys for fulfilment

## **6. Re-imagine customer journeys to operate as digital insurer**

Remote working and contactless selling is driving the need for insurers to fundamentally re-imagine customer journeys. While several insurers have made a start on this dimension, the urgency to accelerate journey re-imagination and do this at scale is now more than ever. Just to take one use case as an example, a digitized new policy issuance process will become table stakes in the new normal. And there are many more such instances.

Crisis or not, digitization creates significant value in the long term. Basis our experience with insurers in India, re-imagination of journeys unlocks significant value across the value chain, for example:

- Approximately 80 percent reduction in turnaround time, consequently improving customer experience and employee productivity
- More than 50 percent increase in customer satisfaction
- 30-40 percent reduction in front line operations cost

While companies have pivoted to a more “digital” process as an immediate fix to the crisis, a need to apply a “customer / distributor first” lens is needed to truly digitize at scale for the emerging segment of users. These include, for example:

- Personalization to customer context and needs (for example, regional language, screen flow, product offers)
- Simple and minimalist approach to forms for different segments (for example, older population, digitally mature customers)
- First time right to minimize drop offs
- Leveraging ecosystem and data partnerships to smoothen the journey (for example, auto-filling of customer data, auto-validations, pre-approved offers)
- System-driven checks to minimize operational risks in a digital environment

The above must be implemented in an agile, MVP based approach to reduce time to market, lower development costs and drive higher employee engagement.

## 7. Deploy analytics at scale to unlock value

Few, if any, of the outcomes mentioned in this paper can be achieved without the right data. More so in today's environment, when organizations must take decisions promptly. This has brought about a critical need for timely and accurate data.

While analytics can be deployed for a variety of use cases, some of them become highly relevant in this crisis. Insurers must act quickly in the next few weeks to industrialize these use cases and deploy them at scale. For example (Exhibit 10):

- Reducing churn by identifying profiles most at risk, particularly in geographical hot spots
- Protecting revenues through cross-sell and upsell
- Enabling smooth issuance through underwriting excellence—for example, creating pre-approved offers

In parallel, insurers must also prepare for the new normal and start putting in place key enablers for a data-centric organization:

- Prioritization of the right use cases to drive maximum business impact
- Continuous enrichment of data: This can be done through partnerships with members of the broader ecosystem like med-tech players, bureaus. Additionally, customers have also shown willingness to share data. More than 70 percent of digitally mature customers, who are used to purchasing multiple categories online, are willing to share data for a personalized offer as per the BCG-FICCI survey

EXHIBIT 10 | Analytics Use Cases Across The Value Chain;  
Given COVID-19, Two Key Immediate Priorities for Insurers: Revenue Boost, Underwriting Excellence

	1 Revenue boost	2 Underwriting excellence	3 Claims suite	4 Customer Service	5 Others
TYPICAL IMPACT SEEN AMONG INSURERS	<ul style="list-style-type: none"> <li>• 25-50% higher cross sell/ upsell</li> <li>• 10-15% lower churn</li> </ul>	<ul style="list-style-type: none"> <li>• 2-4% pricing uplift</li> </ul>	<ul style="list-style-type: none"> <li>• 50-100 bps loss reduction through fraud detection</li> <li>• 20-400 bps loss reduction from ML based underwriting basis 3rd party data</li> </ul>	<ul style="list-style-type: none"> <li>• 10-15% increase in reinvestment</li> <li>• 10-15% cost reduction</li> </ul>	
BUSINESS ISSUES & USE CASES	Key priorities given COVID-19		Claims optimization	Maturity reinvestment	Attrition management
	Sales force 're-activation'	Renewal price optimizer	Fraud detection	Request prioritization, categorization	Investment risk modelling
	Churn predictor (incl. lapse)	Pre-underwritten	Reserving	Complaints analytics	Branch footprint optimization
	Product optimization	Medical waivers	Risk prevention prioritization	Capacity planning	Training suggestions
	Need analysis and targeting	UW fraud detection	Data driven claims assignment	Text/ voice analytics	Vendor risk profiling
	Preferred prospecting	Surrogate income models	...	...	...

Source: BCG analysis and experience.

- Right infrastructure enablers to aid quick industrialization of use cases at scale
- End-to-end tracking of in-market performance: Change management and tracking pilot and implementation results is as critical as the model itself
- Rigorous governance and democratization for more extensive use of insights within the organization and improving speed of decision making

## **8. Organize for rebound and resilience**

One of the most obvious implications from this outbreak has been the way organizations have had to adapt everyday ways of working and employee management. While Indian insurers have acted rapidly to enable remote work, it is just one element of a comprehensive people strategy needed to stay ahead of the curve in this crisis. We encourage insurers to think of interventions across two areas:

### **A structured rebound program to effectively adapt to the crisis**

- Institutionalize “smart working”: Adapt policies, establish explicit remote working norms, provide suite of virtual working tools and visualize changed “way of working” for key roles
- Accelerate skilling: Combination of upskilling, re-skilling and cross-skilling, delivered virtually helps increase outreach in a cost-effective manner, particularly in small towns and cities
- Drive engagement: Build virtual social intimacy, create clear communication channels
- Revisit role of physical infrastructure (for example, future role and footprint of branches)
- Identify roles which can “work from home” permanently, move to hot-desking for specific roles to optimize costs; also adjust recruitment volumes and manage employee downtime effectively

### **A resilient approach to make the organization future-ready**

- Adapt organization structures to be “disruption resilient”—flexible, responsive and decentralized
- Make agile ways of working a habit, not just in the technology function but throughout the organization
- Set up virtual and “always-on” learning programs (for example, mobile application based with learning goals)
- Re-think employee journeys such as recruitment, onboarding, performance management, career planning and affiliation to drive employee satisfaction

## **9. Optimize costs with a strategic lens**

Insurers need to adopt a strategic perspective on cost optimization in the post-COVID-19 era due to 3 key reasons:

- Subdued demand will increase pressure on profitability
- Imperative to re-look at the cost base in the light of the new model, as the business model evolves (for example, higher levels of digitization, remote working)
- Funding new initiatives such as digital and data transformation

Insurers have to fundamentally re-look at cost from a zero based approach to become “fitter for the future”:

- Build leaner, nimble future operating model embedded with digitization, new and remote ways of working leading to significantly lower costs
- Revisit branch footprint and office occupancy model for the future from a clean slate (for example, modularized job which can work from home)



- Revamp cost structures for categories such as local and air travel, printing and postage in light of the digital ways of working
- Accelerate right-sizing with appropriate spans, layers and optimal management bandwidth
- Identify ways to move to flexible, variable cost models (for example, flexi recruitment with increased hiring during peak business months)
- Reallocate planned spends from offices / branches and other heads that are lower in the immediate priority to critical future infrastructure needs such as data and analytics, next generation technology stack

## 10. Build next-generation technology function

Finally, the very foundation of a bionic insurer must lie in a state-of-the-art technology function. The current crisis has only emphasized this need further. Technology can no longer be seen as an enabler for insurers but must take centre stage—it will be the critical differentiator between laggards and champions in the digital future. To undertake this transformation, the key imperatives are:

- Alignment between technology and business on key use cases and journeys that are most value creating and hence shaping the technology strategy around it
- Building new age capabilities in the technology team—dev-ops, agile, change management, UI / UX, etc. Such capabilities not only increase speed to market but also reduce the cost of development. Reorienting the team is critical to meet the ever-changing customer needs that can no longer wait for a “waterfall” approach
- Setting up a future ready technology architecture—lean, modular with a service layer to enable quick integration with external partners

**A**S PER BCG’S study with 200 insurers globally, companies which have invested ahead of the curve in creating future ready digital capabilities deliver 2X higher customer satisfaction, have 300-400 bps higher growth and 200-400 bps lower cost ratios compared to peers. Digital champions consistently outperform peers on all crucial business metrics, and will be even more relevant in a post-COVID-19 world. This crisis presents the perfect opportunity for Indian insurers to accelerate their digital transformation.



## About the Authors

**Pranay Mehrotra** is a Managing Director and Senior Partner in the Mumbai office of Boston Consulting Group and leads the insurance practice in India.

**Pallavi Malani** is a Managing Director and Partner in the Mumbai office of Boston Consulting Group.

**Phalguni** is a Project Leader in the Mumbai office of Boston Consulting Group.

**Raghav Ghosh** is a Project Leader in the Bangalore office of Boston Consulting Group.

## Acknowledgments

The authors thank their colleagues Abhinav Kumar Anand, Alpesh Shah, Aniruddha Marathe, Kartik Yadav, Sarajeet Kanungo, Shreya Gupta, Shobhit Kumar, Siddhant Mehta and Snehil Gambhir for their support in the development of this paper. The authors also thank Jamshed Daruwalla, Pradeep Hire and Ratna Soni for their support in the editing and formatting of the paper.

## For Further Contact

If you would like to discuss this paper, please contact one of the authors.

### Pranay Mehrotra

Managing Director and Senior Partner  
BCG Mumbai  
+91 22 6749 7143  
Mehrotra.Pranay@bcg.com

### Pallavi Malani

Managing Director and Partner  
BCG Mumbai  
+91 22 6749 7260  
Malani.Pallavi@bcg.com

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