

# MOBILE CUSTOMER ENGAGEMENT AND THE RISE OF THE APP-BASED INSURANCE LANDSCAPE

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## A NEW GOLDEN AGE OF MOBILITY-ENABLED INSURANCE?

While there's much focus on new technology applications for the insurance industry - including cloud computing, big data analytics and a multitude of new online technologies, there seems to be relatively less focus on harnessing the power of mobile technology to enhance customer service and interaction. The ubiquity of mobile phones makes for an ideal direct customer channel for insurance services - complementing other online technology channels.

It comes as no surprise therefore that Ovum research indicates that global, insurance technology investment into applications, including mobile applications, is expected to achieve a healthy 4.6% compound annual growth rate (CAGR) between 2018 and 2023<sup>1</sup>. Applications represent the highest CAGR of all the various technology groupings in this forecast. Overall spend in emerging markets continues to grow at a faster rate than in the western economies. Emerging markets have proven particularly open to mobile insurance and related financial services as mobile infrastructures in these regions are often more advanced (and less expensive to deploy) than the fixed-line alternative.

### Big opportunities for messaging-based support

Traditionally, SMS-based services have been widely accepted as a customer engagement mechanism for the consumer insurance industry. But there's nevertheless change afoot in developed markets with the advent of smartphones and the rise of the app economy. As mobile apps become ever more sophisticated, mobile customer interaction is being touted as a convenient complement to online insurance services. While Smartphone adoption is well documented, what is significant is the use of SMS based communications channels do not require Smartphones and can also deliver quite sophisticated interaction options for end consumers. As such mobile messaging represents an excellent complement to app based insurance services, particularly in markets where Smartphone penetration continues to lag, such as Latin America, Africa and other developing regions.



<sup>1</sup> Ovum: Insurance Technology Spending Through 2023: Source Segmentation, pub March 2019

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As with other forms of insurance industry innovation, concerns about the use of mobile technology continue to restrain adoption rates. The most important of these are questions over how secure a channel mobile really is. Online security breaches can generate high profile publicity that not only heightens consumer concerns, but also highlights to insurance companies the significant potential for reputational damage.

Despite concerns over mobile security, there's evidence to show that consumers are gaining confidence in mobile financial services. While insurance apps and online transactions are growing in popularity, as indicated above a significant market remains for messaging-based insurance support, both among smartphone and non-smartphone owners.

## CREATING THE RIGHT SERVICE DELIVERY CHANNEL

The rise of mobile app-based approaches to mobility and insurance is to be welcomed if it can stimulate the use of this highly beneficial channel. However, SMS will continue to play a very important part in the structure of mobile customer services. Indeed, when twinned with mobile apps, SMS makes for a much more useful and secure solution.

Most mobile insurance applications require a high level of user pro-activity. In general, users have to log-on to the app to access the mobile services. While this is suitable for policy confirmations, claim checks and the like, it does mean that some other very useful services cannot be mobilised. For example, an insurer can use SMS to send alerts to its customers about claims status. But why not use SMS as a channel to minimise claims in the first place - for example by pro-actively advising policy holders about taking precautions when they go on holiday or move home? Using mobility as a proactive communication channel can save insurers money while reinforcing customer service and loyalty. With a mobile app, a policy holder would only get information if they had been lucky enough to log-in to the app at the correct time. It's clear that for the mobile channel to be used to its full potential, even an app-based system needs an integrated SMS platform to ensure that insurance companies can proactively contact policy holders, as well as allowing them to access services on the move.



### SMS: the benefit of ubiquity

SMS has a major advantage over apps in that it is a service that's virtually as ubiquitous as mobile phones themselves. Unlike developed markets, in developing markets smartphone ownership is not yet so widespread. So this makes SMS of wide appeal to all levels of mobile subscribers, regardless of whether they have a standard phone or smartphone, a pre- or post-paid contract, or mobile data connectivity.

A further limiting factor of app-based mobile insurance services is the lack of standardisation across mobile platforms. Currently, if an insurance company wishes to offer an app-based mobile service it would need to tailor its offerings based on whether they were to be available on the iOS, Android, Microsoft or BlackBerry platforms - re-engineering the app for each platform to maximise service reach. SMS does not have this limitation. It's compatible with even the most basic of phone platforms, and insurance companies and their technology partners can engineer one solution to cover their entire mobile-phone owning customer base.

### Meeting the security challenge

SMS also goes a long way towards solving the challenge of securing mobile insurance services. While for a policy holder an app may be a convenient and feature rich way of interacting with your insurance company, security levels are variable. The rise of smartphone hacking and a new age of malware written specifically for smartphones has thrown this issue into the spotlight. In March 2013, the US Federal Reserve published its second annual survey of consumers' use of mobile financial services. Nearly half of respondents said that they were not using mobile financial services because they were concerned about security.

A combination of public awareness together with enhanced security can therefore help to unlock this significant group of consumers who prefer not to use financial services on their mobile device. At the same time, a constant stream of stories about mobile hacking, cyber-crime in general and question marks over smartphone operating system and app security continue to remind consumers that more needs to be done to fully secure mobile services. SMS-based insurance processes remove the security concerns associated with apps and mobile insurance services - encouraging users to interact with their insurance company via mobile.



## WHAT ROLE WILL TRADITIONAL SMS SERVICES PLAY IN A NEW MOBILE INSURANCE LANDSCAPE?

SMS technology has the potential to make an insurance service more secure - both in terms of mobile insurance and through access to regular online insurance services. Firstly, you can use SMS alerts as a type of early warning system to alert policy holders to potentially fraudulent activity - drastically reducing both the incidence and cost of fraud by letting insurance companies identify potentially fraudulent transactions earlier. Secondly, SMS can authenticate policy holder transactions, the mobile device creating a further security level.

In the financial sector, mobile passwords are best known as One Time Passwords (OTPs) or mobile TANs, which enable consumers to authenticate transactions associated with policies or claims. OTPs offer second-level authentication for online insurance transactions, guaranteeing that the transaction is being carried out by the legitimate policy holder. OTPs are dynamic, session-based and time-restricted passwords that make unauthorised access to restricted assets more difficult than with common static passwords. By using OTP via SMS to authorise transactions, companies ensure a two-factor authentication and avoid malicious attacks from phishing emails and destructive software such as pharming and Trojans.

SMS, therefore, has the power to make mobile a truly secure channel for online and app-based insurance - a claim that cannot yet be made by app-based insurance services on their own.

## OVERCOMING THE BARRIERS

However, despite the apparent strengths of SMS-based mobile insurance services, the technology has yet to live up to its potential in developed markets. For insurers, as well as consumers, barriers remain. Perhaps the most powerful barrier is the question mark around who controls the relationship with the customer in the mobile commercial environment: is it the insurance company, the technology solution provider, the handset manufacturer or the communications service provider? The traditional model requires insurance companies to hand over at least some control of the customer to a third party, whether an app platform provider or the communications service providers managing the SMS platform. Unsurprisingly, many insurance companies are not prepared to share this relationship, preferring instead to retain complete control of the customer interaction.



There is, however, no longer a need for this barrier to remain. By eliminating the SMS middleman (including mobile marketing agencies and SMS aggregators) insurance companies can work direct with a global messaging carrier and run their own services over a 3<sup>rd</sup> party transaction network. While this is an outsourced model, the global messaging carrier has no interest in 'owning' a portion of the customer, and the financial relationship is strictly 'service provider to customer'. Moreover, this model removes much of the complexity insurance companies can encounter when setting up an SMS customer engagement strategy.

To ensure that they can reach all of their customers, insurance companies have been required to set up working relationships with all of the potential mobile network operators and MVNOs to which their customers might subscribe. As well as adding operational costs for the insurance company, this takes them away from managing their core competencies. But by working with a global messaging specialist, insurance companies can effectively outsource this complexity. Instead of having multiple relationships with multiple network operators, they have just one relationship to manage with a partner that can immediately provide connections to all of their customers in one go - reducing costs, as well as freeing them to concentrate on their core business.

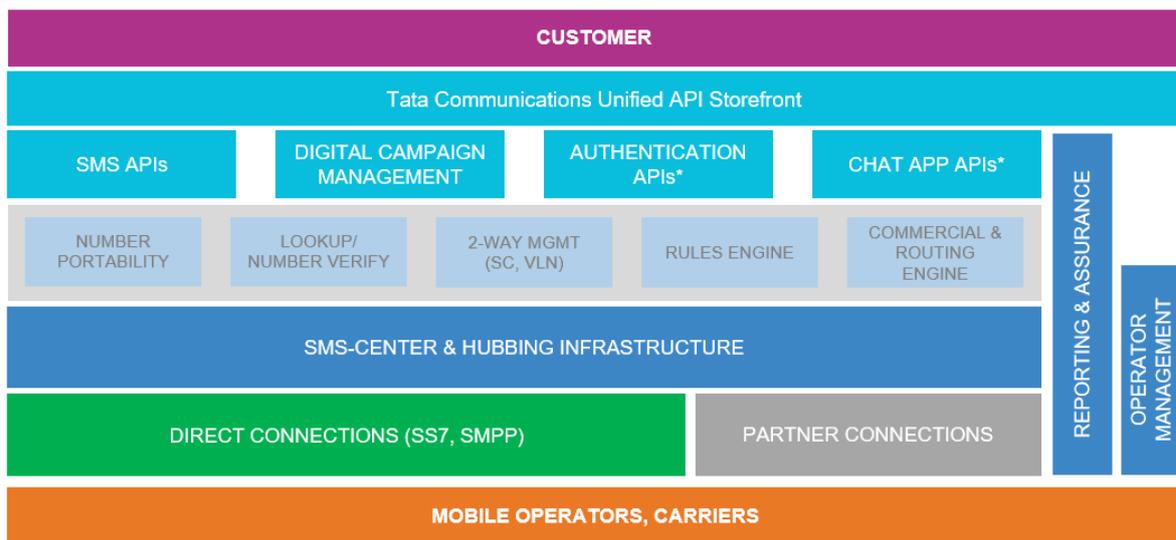
## WORKING WITH TATA COMMUNICATIONS FOR MOBILE CUSTOMER ENGAGEMENT IN THE INSURANCE INDUSTRY

Tata Communications **Mobile Messaging Exchange** is a dedicated A2P mobile messaging hub, with access to global, secure messaging routes. It makes the most of our commercial relationships with hundreds of Mobile Network Operators (MNOs) and delivers A-Z network reach.

The way Mobile Messaging Exchange works is simple:

1. You buy capacity to terminate SMS into mobile networks from Tata Communications.
2. Tata Communications provides comprehensive rates for each destination.
3. You connect via Mobile Messaging Exchange and send A2P SMS to Tata Communications for agreed destination network termination.
4. A user portal gives you control and access to online information about sent and delivered messages.
5. Tata Communications raises an invoice for the settlement based on the number of mobile messages sent and rates agreed at the end of an agreed cycle.

## ROBUST PRODUCT STACK BUILT ON CARRIER-GRADE NETWORK



\* FY20 Roadmap

Adopting Mobile Messaging Exchange for A2P messaging means working with a single party for global message distribution. This makes it easier to gain access to secure global routes, along with more commercial flexibility through payment options that include per SMS charging, as well as pre-paid and post-paid charging models.

You can choose per destination pricing and send to as few, or as many destinations as required. There is a three day standard price change advance notice, as well as fixed duration price options, offering pricing stability as required.

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Because we manage our own signalling network, it means you gain direct, global destination reach, secure quality routing and termination - you maximize the advantage of our trusted service provider relationships. Mobile Messaging Exchange offers a transparent A2P mobile messaging only business model with no blending of P2P and A2P messaging traffic. You can access APIs, which can be used to integrate between the mobile messaging platform and your CRM or other customer engagement systems. You can also use our integrated campaign management platform, to help manage all customer marketing campaigns online. We connect with MNOs around the world. We extend our direct global connectivity via peering agreements, ensuring all licensed MNOs and MVNOs are reachable. Well established relationships with hundreds of global MNOs and MVNOs means reduced time to market, to get your mobile customer engagement activity up and running quickly and efficiently.

