

Insurance Practice

Elevating customer experience: A win–win for insurers and customers

Our latest survey of North American insurance customers offers insight into the challenges—and the value—of delivering a winning customer experience in insurance.

This article is a collaborative effort by Mathew Lee, Tim Natriello, Arushee S, Dominique Sanders, and David Schiff, representing views from McKinsey's Insurance Practice.



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What is the value of customer experience (CX) in insurance? What sets the industry's CX leaders apart from the rest—and what can we learn from their examples?

In search of answers, McKinsey launched a survey of more than 8,500 insurance customers of the 40 largest North American insurance carriers across the life and property and casualty (P&C) segments (see sidebar, "About the research"). The results were clear: customer experience is a strong predictor and driver of financial and organizational outcomes. CX leaders, defined as those with above-median customer experience scores, outperform their peers across the board—from TSR and revenue growth to employee and agent satisfaction.

About the research

In early 2023, McKinsey completed the North American Insurance Customer Experience Survey, polling insurance customers of the 40 largest insurance carriers, which account for roughly 80 percent of individual net premiums written. Results were collected from more than 8,500 individuals, split evenly between life insurance and property and casualty customers.

In addition to measuring customer satisfaction, the survey also collected insights on nine customer journeys and more than 40 customer subjourneys, asked about preferences across more than ten channels and modes of interaction (for example, speaking with an agent over the phone and meeting an agent in person), and evaluated more than 30 underlying experience drivers (such as wait times and follow-ups). Our analysis offers a granular view of customers' experiences with insurers across various journeys, channels, and touchpoints.

For insurance carriers, CX matters now more than ever. Customers have come to expect personalized advice, omnichannel experiences, and seamless end-to-end journeys, shaped by their interactions with digital natives both within and outside the industry. Too often, their experiences with insurance fall short of those expectations, especially when it comes to sales and distribution. Meanwhile, rapidly changing consumer preferences, new competitive threats, and a challenging macroeconomic environment have raised the stakes. Insurers must find a way to meet the needs of an increasingly diverse and digital customer base—or they risk watching their customers leave.

Because CX initiatives take months or years to realize their full potential, the time to invest is now. To maximize the value of these investments, insurance carriers should embrace a holistic and agile approach that emphasizes transparency (for example, by benchmarking against peers using customer experience scores and other CX-related operational metrics), data-driven decision making (by anchoring on KPIs across various customer journeys), and a clear sense of urgency that can be sustained throughout the 12 to 24 months it can take to undergo a customer-centric transformation.

Customer experience is a key differentiator and source of competitive advantage in more ways than one. Insurers often find that investing in CX also drives operational efficiencies and that these "stacked wins" combine to improve the bottom line. By harnessing the potential of CX and overcoming its pitfalls,¹ insurers can deliver superior experience and capture the significant value at stake.

A direct link to value creation

The survey revealed that CX drives material financial impact and unlocks step-change improvements in financial and organizational performance for insurers. Notably, CX leaders outperformed their peers in TSR by 20 percentage points for life insurers and 65 percentage points for P&C insurers in the five-year period from 2017 to

¹ Itai Miller, Kevin Neher, Rens van den Broek, and Tom Wintering, "Six customer experience pitfalls to avoid," McKinsey, March 17, 2022.

2022. Compared with others, CX leaders also demonstrated stronger revenue growth (by four percentage points), stronger EBIT growth (by four percentage points), lower expense ratios (by two percentage points), and higher employee satisfaction scores. Our experience shows that improving CX can also lead to higher retention, new business, and operational efficiencies for both life and P&C insurance carriers.

The positive (or negative) impact of CX creates ripple effects beyond the four walls of an insurance carrier. Poor CX is often a primary barrier to purchasing insurance, and life insurance ownership already dropped to just 52 percent in 2021—the lowest rate in a decade.² CX improvements could enable insurance carriers to bridge protection gaps and advance their broader social purpose of protecting lives and livelihoods.

CX challenges and opportunities for insurers

When it comes to consistently delivering a distinctive experience, insurance companies must confront a unique set of challenges. Some are inherent to the complexity of the product and distribution model. Others are the result of chronic underinvestment in specific capabilities and digital offerings. All of them represent a meaningful opportunity for insurance carriers to pull away from the pack and transform CX into a competitive advantage.

Create a seamless, omnichannel customer journey

Customers typically interact with their insurance carrier once or twice a year. This is in stark contrast with other financial-services industries such as banking, in which customer interactions take place ten to 20 times more often. The low frequency of customer touchpoints in insurance means that it's extremely important to get each one right.

In 2023, “getting it right” often translates to offering seamless, omnichannel customer journeys. But this

hardly describes the insurance experience today. The customer journey is typically fragmented from the start: six out of ten customers switch channels prepurchase. Moreover, the transition from online to offline channels can be abrupt or nonexistent. Roughly one in six customers reports no follow-up from insurers after an initial discussion related to financial advice. And of those who do hear back, 40 percent report interacting with two or more people, which can lead to a disjointed experience. Insurers can—and must—do more to close these gaps and ensure that customer interactions can move seamlessly between offline and online channels.

Channel preferences differ between life and P&C customer segments. For example, customers in both industries frequently interact with their insurers through agents, but life insurance customers are significantly more likely to do so. Websites are more popular among P&C customers, who report higher satisfaction and openness toward digital channels than life customers. McKinsey research suggests that life insurance customers would shift toward digital channels if they perceived them to be more secure, reliable, and easy to use. Third-party platforms have the lowest satisfaction scores among channels, however, with an average CSAT score of 5.4 compared with an average CSAT score of 5.8 across all other channels,³ indicating an opportunity to improve CX across the broader digital ecosystem.

Develop best-in-class digital capabilities

Today, a majority of insurance customers are open to using digital channels for routine servicing such as payments and account changes—a trend that has only accelerated since the COVID-19 pandemic. Yet when customers take advantage of digital channels, they are often left wanting more. More than 30 percent of insurance customers are not satisfied with the digital channels available, and only 20 percent of customers say that digital channels are their top choice for interacting with their insurer. In the meantime, new challengers,

² Maggie Leyes, James T. Scanlon, and Stephen Wood, *2021 insurance barometer study*, LIMRA, November 1, 2021.

³ On a CSAT scale from one to ten.

including insurtechs and large financial players, are leading with digital and technology capabilities and are threatening to erode the market share of incumbents.

One insurer developed leading digital capabilities with the goal of decreasing underwriting turnaround time for customers. As a result of this CX initiative, the insurance carrier not only experienced higher straight-through processing rates but also made improvements to the overall enrollment experience.

Harness the power of the human touch

Despite the shift toward digitalization, insurers cannot sacrifice the human touch in CX—especially for life customers, who rank agents as the most trusted source for learning about insurance products. Our survey found that agents and advisers are still the highest-rated channel when it comes to customer satisfaction, and 20 percent of customers report that they would likely switch insurance carriers if their adviser left. Life customers who speak with their agents at least once a quarter have an average customer experience score of approximately 50—compared with roughly 30 for those who speak with their

agent annually and zero for those with even fewer touchpoints. Yet only half of insurance customers interact with their agent or adviser on an annual basis, suggesting that insurance carriers—especially life insurers—may be missing out on opportunities to deepen their customer relationships.

Solve for a diverse set of customer preferences

A closer look at the data reveals that channel preferences vary significantly by customer journeys and by customer segments. For customer journeys such as researching and learning about insurance or making an account change, roughly half of survey respondents prefer to speak with an agent or customer service representative, while the other half prefer to use digital channels (such as websites or chat features). At the same time, for more-complex journeys such as buying a policy or resolving an issue, more than 70 percent of customers prefer in-person interaction with an agent or third-party representative. It is important to note that as insurers level up their digital capabilities and channel interactions, these preferences may change over time.

The low frequency of customer touchpoints in insurance means that it's extremely important to get each one right.

Insurance carriers must solve for the preferences not of the average consumer but of a diverse range of customers. There is no one-size-fits-all solution. Tired of general product pushes, customers also expect advisers to understand their needs and provide personalized advice. Yet this becomes more difficult as the insurance customer base grows more diverse. In this environment, insurers must effectively deliver solutions for multiple customer types and develop multiproduct relationships that can satisfy a diverse population.

Help customers navigate product complexity

Buying insurance can seem daunting. Customers often find themselves confused and overwhelmed by the plethora of options. The survey found that on average, customers contact their insurer four times in the process of learning about and considering different insurance products. Even after a purchase, customers may not fully understand the value that insurance provides. Roughly 40 percent of insurance customers who considered canceling their policy were considering doing so because they believed the policy was not necessary or did not provide sufficient value. Complicating matters further is the highly intermediated distribution system of traditional insurers that can include agents, brokers, aggregators, and B2B2C (group channels). All of these factors can hamstring an insurance carrier's ability to deliver a superior experience to its customers.

The inherent complexity of insurance products requires a more deliberate effort from insurers to inform and educate customers. Products need to be simplified and transparent, and product information must be widely accessible and easy to understand. Insurers should also harness the expertise of their agents and advisers to provide personalized advice that can help customers navigate the process and understand the various trade-offs of their decisions.

Actively engage employees and agents in CX initiatives

Customer, employee, and agent experiences are symbiotic. In our experience, the most effective organizations should involve employees and agents as cocreators of change. CX initiatives often call for new ways of working that alleviate the pain points of employees and agents on the front line while equipping them with the visibility and the tools to better serve their customers. Delivering better CX can also tap into a powerful source of meaning for employees,⁴ which can, in turn, lead to higher rates of employee satisfaction and retention. Indeed, our experience shows that successful customer-centric transformations in insurance typically lead to a 20 percent uplift in employee satisfaction.

As part of its customer-centric transformation, one insurer trained 35 percent of its employees and virtually all of its agents on CX capabilities. In addition to doubling its customer experience scores, the insurance carrier experienced a 25 percent reduction in processing times as well as meaningful improvements in cross-sell and retention rates.

A recipe for successful CX transformations

Customer expectations have soared in the past few years. Noninsurers are raising the CX bar by offering personalized recommendations, omnichannel advice, and digital end-to-end journeys. As more and more companies adopt these new rules of customer engagement, why should customers expect anything less from insurers?

Like their peers in other industries, insurers can follow a proven formula for executing customer-centric transformations. The approach comprises three building blocks: a clearly defined aspiration and road map, an agile transformation approach,

⁴ *People & Organization Blog*, "Making work meaningful from the C-suite to the frontline," blog entry by Timothy Bromley, Taylor Lauricella, and Bill Schaninger, McKinsey, June 28, 2021.

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and a thoughtful deployment of new capabilities and ways of working. In the initial aspiration-setting phase, leaders can run a rigorous diagnostic to size and validate the full potential of the transformation. This is followed by an execution phase, which involves designing the new CX organization and operating model, reimagining the highest-value customer journeys, and launching CX initiatives with cross-functional teams and agile principles. Such initiatives often target areas that both improve customer experience and deliver operational efficiencies—another way in which CX is a win-win proposition. In the final stage, the insurer scales these initiatives across the organization and builds the capabilities required to sustain CX excellence well into the future.

CX leaders deliver more value to their customers, their employees, their agents, and their bottom lines. Despite the challenges, insurance carriers have an opportunity to invest in their people and their capabilities to drive CX improvements and capture significant value while better serving their customers.

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