

Carriers' Guide to CX in the Age of Extreme Weather



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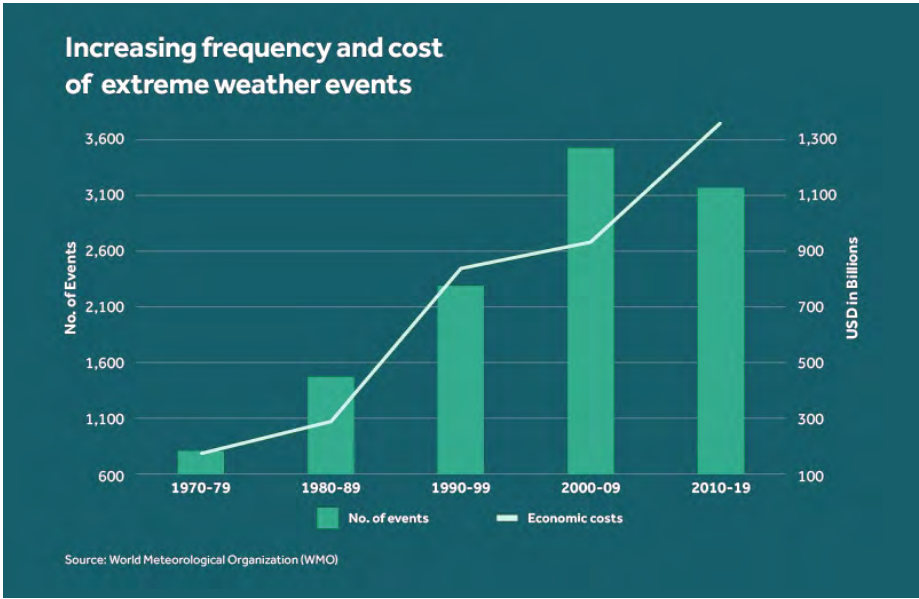


Introduction: Expect more severe weather, more frequently

Climate change is driving more severe, frequent, and unpredictable weather. Because of the magnitude of the damages being wrought, insurers' costs are rising at accelerated rates.

[Swiss Re Institute's annual insurance report estimates](#) that natural catastrophes in 2022 resulted in \$115 billion of insured losses globally, with total economic losses adding up to as much as \$268 billion. [According to Barclays research](#), the 1.5°C of warming we're already close to exceeding could increase catastrophe losses 70% by 2030.

As losses caused by [extreme weather](#) continue to grow, so too does the need for consumers and businesses to purchase adequate insurance. However, Swiss Re estimated that 45% of the total global economic losses was covered by reinsurers, suggesting that a large coverage gap exists and will continue to grow.



Source: [Barclays](#)

A combination of factors – including the catastrophic losses specifically due to extreme weather – meant 2022 was the worst year financially for homeowner insurers in a decade. Amid this economic strain, the combination of more severe events, rising costs, and longer cycle times to complete claims has weakened customer satisfaction, according to the JD Powers 2023 U.S Property Claims Satisfaction Study.

What's more, this change in reality has proved too much for the legacy technology the industry had previously invested in to help it respond more quickly and efficiently, and to more quickly process claims from catastrophes.

One of the biggest challenges carriers are facing is communications with customers.

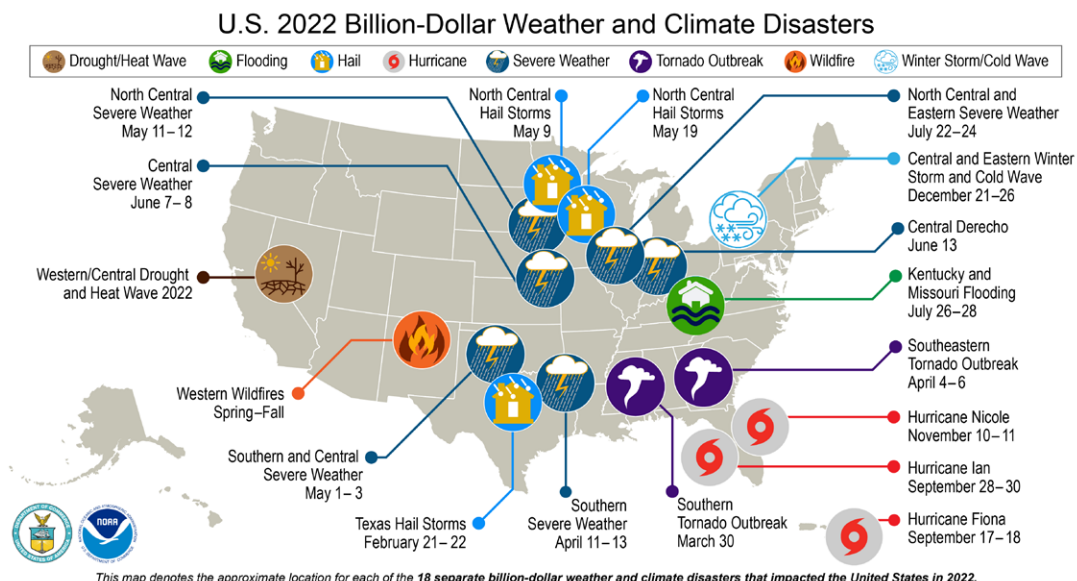
J.D. Powers found that longer times to process the volume and the sheer size of extreme weather claims has made it difficult to keep customers informed – and thus forced a “sharp rise” in the number of customers peppering their insurers with phone calls that are overwhelming call centers and systems.

What’s needed: a way for insurers to facilitate proactive communications to boost the customer experience and stay in touch during the increasingly frequent weather events that can put property – and lives – at risk.

Immense economic losses seen from extreme weather

Insurers covering U.S. properties are bearing the brunt of recent weather losses. [According to a study by Aon](#), U.S. insurance losses account for more than 70% of total insured losses for 2022. [Since 1980, the U.S. has sustained at least 341 weather and climate disasters](#) in which damages were greater than \$1 billion, with a total cost of more than \$2.4 trillion.

Cyclones continue to wreak the most damage. Accounting for just under a fifth (17.6%) of the total number of events, tropical cyclones have caused more than half (53.8%) of the total damages attributed to billion-dollar weather and climate disasters since 1980.



Source: [National Centers for Environmental Education](#).

Top 10 costliest tropical: insured loss 1900-2021

Extreme flooding is also a problem. After years of severe drought, California is now experiencing disastrous flooding from “atmospheric rivers” coming in from the Pacific Ocean, destroying roads and causing evacuations of entire towns. Europe has experienced droughts that are responsible for illnesses and deaths. And flooding caused more than 800 deaths in Nigeria, Niger, and Chad in 2022.

Year	Hurricane	Location	Insured Loss (Nominal \$ billion)	Insured Loss (2022 \$ billion)
2005	Katrina	United States	65	95
2017	Irma	U.S., Caribbean	33	39
2021	Ida	U.S., Caribbean	36	38
2012	Sandy	U.S., Caribbean, Canada	30	38
2017	Harvey	United States	30	35
2017	Maria	U.S., Caribbean	30	35
1992	Andrew	U.S., Caribbean	16	33
2008	Ike	U.S., Caribbean	18	24
2005	Wilma	U.S., Caribbean	13	18
2004	Ivan	U.S., Caribbean	11	16

Source: [Aon](#)

Direct losses from these floods are predicted to add up to more than \$15 billion, with virtually nothing insured, according to Munich Re.

What kind of customer experiences are carriers delivering during



extreme weather events?

There is nothing enjoyable about filing an insurance claim. First there's reviewing and documenting the cost of what the person or business has lost. That includes both calculating the monetary cost and dealing with the emotional loss of something that could be irreplaceable. There's the waiting, the detail-oriented paperwork, the providing of photographs, receipts, and other proofs of the value of their possessions. Almost as tiresome is the opaqueness of the process, when insurance policy holders don't know at which stage in the process their claims currently are in.

Even under normal circumstances, these things are frustrating. But for victims of severe weather events, they can be excruciating, especially if property has been damaged to the extent where people must seek shelter elsewhere, or put their businesses on hiatus.

How capable are insurers at providing a satisfactory customer experience (CX) during these difficult times? Not very.

According to [The State of Connected Customer report](#), 84% of customers believe that the CX provided by a business is as critical as the products and services it sells. But there is a gaping chasm between customer expectations of CX and what most businesses actually deliver.

As a [recent report](#) from the IBM Institute of Business Value (IBV) showed, 42% of insurance customers don't fully trust their insurer, with 60% of insurers admitting that they don't have a coherent CX strategy.

Insurers clearly have a long way to go. And yet it's a no-brainer opportunity for insurance companies to differentiate themselves and stand out by demonstrating how responsible and high-quality carriers act during weather catastrophes.

Happily, the insurance industry today is attempting to adopt a more consumer-centric model with superior CX as its goal. In the IBV survey, IBM found that 85% insurers are beginning to deploy CX initiatives to make the customer journey more seamless and satisfactory. Indeed, 90% of the insurers surveyed have created a C-suite position dedicated to CX, such as a Chief Customer Officer (CCO).

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Communications are at the heart of many of these CX changes. What insurers particularly need to do:

- Add new channels for better communicating with customers about claims, or to answer other



questions they might have.

- Provide seamless “hybrid” CX experiences that combine self-service with automated systems – using artificial intelligence (AI) – as well as direct access to human support reps.
- Engage with customers frequently rather than only when soliciting renewals – and especially reaching out proactively when severe weather is predicted that might affect customers in a particular geographic area.



Why insurers should take a proactive stance towards CX during severe weather events

Obviously, insurers could do a better job communicating overall. But what about **proactive communications** in the face of an incoming weather event?

How can insurers help their customers try and drive a better outcome from these disasters?

According to Accenture, today's customers want to travel simple, accessible, and continuous journeys in which the insurance company and the customer manage risk together, to replace the "fragmented, complex, opaque, and transactional experiences" of yesterday.

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Imagine this: A Category 3 storm is predicted to hit a coastal region of Georgia in two days. Severe flooding is expected. Rather than simply wait until the claims of ruined carpets and damaged roofs roll in, an insurer sends emails and text messages out to its customers in the storm zone ahead of time, giving them the latest updates on the weather, tips on protecting their possessions, and advice on keeping themselves and their families safe. As a result of this proactive communication, actual claims are reduced by 30%.

Or this: an owner of a high-end shoe store in Oregon with especially large display windows gets a text warning of heavy rains with wind gusts of 100 miles per hour coming within the next 24 hours. In addition to providing real-time information about the coming storm, the text provides the names and contact info of local businesses that specialize in boarding up commercial windows. The shoe store owner contacts one of them and protects her storefront and pricey shoe inventory from damage.

Focusing on prevention

Like in health insurance, where preventive care is typically free because it reduces costs in the long run, insurance firms are beginning to reach out to their customers who are in danger zones from extreme weather and giving them help preparing. Doing so minimizes damage and therefore costs for both insurer and customers. It's a win-win situation.

Then there's the claims process itself. Policyholders are extremely vulnerable during this time, especially if their insurer doesn't frequently communicate the status of their claims. Proactive communications that provide claim updates and include an option to connect with a human to answer any questions has been shown to increase policyholder retention rates.

The good news is, insurance companies are already experts in this. This is a great opportunity to leverage what they already know how to do. They have massive libraries of preventative information on their websites, along with downloadable pamphlets and brochures, and stream-able videos. Once consumers and business customers start searching online, they can find all this great information. But why make them search? All the insurer needs to do is push out this information through the right channels at the right time. Unfortunately, few of them are doing this, despite an avid appetite for such reach outs from customers. Indeed, proactivity in communications is one of the top attributes outlined by the Chartered Insurance Institute as critical to modern insurers' success.

Another piece of the puzzle is for insurers to reach out after the weather event has passed to check on customers. Insurers in the past have perhaps been reluctant to do this, for fear of triggering claims. But if a customer needs to make a claim, they are going to make a claim. And the sooner a carrier knows about it, the sooner they can get their team ready to handle it.

Then there's the process of coaching the customer what to do and what not to do: for instance, warning customers not to throw any insured items away, or rip up a wet carpet, or do anything substantial until the insurance inspection is finished, and to save receipts for housing or other incidentals incurred because of the tornado, or flood, or typhoon. Proactively coaching customers saves them from being frustrated.

As one example of a proactive communication that might not be universally known: customers are contractually obligated to prevent further damage from happening while waiting for the adjuster to approve repairs. If a tree penetrates a policyholder's roof, they are responsible for putting a tarp on top of the hole. They don't have the luxury of waiting for the adjuster while rain continues to soak their house and belongings.



In one survey, 63% of consumers said they would like to hear more often from their insurers, and 73% expressed interest in receiving targeted product and benefits recommendations.

However, only 46% reported being contacted by their insurance provider on a frequent basis, and fewer than two in three (61%) consumers received relevant recommendations on how to cope with extreme weather events from their providers.

Respondents for the study said their exchanges were mostly limited to transactional matters like renewals notices (79%); policy updates (67%); and terms and conditions amendments (37%).

The result of this lack of open communications? Low customer engagement.

According to the [J.D. Power 2023 U.S. Property Claims Satisfaction Study](#), [managing expectations via digital channels is critical](#) when processing claims. Customers are three times more likely to say the claims process was “slower than expected” when they fail to get regular updates via digital channels like text and email. Conversely, they are nearly two times more likely to say the claims process was “quicker than expected” when they are provided with regular updates.

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And most importantly, satisfaction levels of customers who were required to call their insurers for updates includes some of the lowest scores recorded.

The insurer experience should be like the Amazon experience, where customers know exactly where they are in the buying journey. What just happened? What will happen next? In the best of all worlds, the customers should never need to ask a question – the insurer will provide everything they need to know, just before they need to know it.

Contact customers using their preferred channels

Modern consumers have numerous options when it comes to communication: phone, text, email, chat, and apps, among others. They also have some pretty strong preferences about which one – or ones – they prefer.

Today, most people choose text as their top communication option, according to various industry studies. Email is the second most popular channel, and phone is the third most popular. But communication preferences can vary by generation. For example, [a survey by HighSpeedInternet](#) found that Millennials in particular hate talking on the phone.

Here's what else the survey found:

- 88% of millennials prefer texting over calling.
- 52% of millennials say they feel anxious taking a phone call, versus only 23% of boomers.
- 50% of millennials have asked their parents to call and make appointments for them.
- 60% of Gen Zers and millennials say they hate calling people. Americans over 35 say they don't mind.

Despite this evidence of customer preferences, according to the IBV report, insurers today primarily rely on phone (51%) and traditional mail (50%) to communicate with their customers. Yet these methods are not only expensive, but they caused delayed and asynchronous interactions that end up being disjointed for customers

[And JD Powers also found](#) that forcing digital communications on customers who prefer phone slashes customer satisfaction. For customers who like to communicate with their insurer via phone or in person when seeking the status of a claim, satisfaction is substantially lower when they are forced to use digital channels.



7 steps for carriers and customers to manage extreme weather risks together

Insurers and those businesses and individuals they insure need to change their attitudes towards dealing with the aftermath of extreme weather. They need to forge partnerships with each other rather than view their relationship as transactional alone. Both sides must understand they have skin in the game, and that they are equally invested in satisfactory outcomes.

Here are some steps you as a carrier can follow to build that partnership:

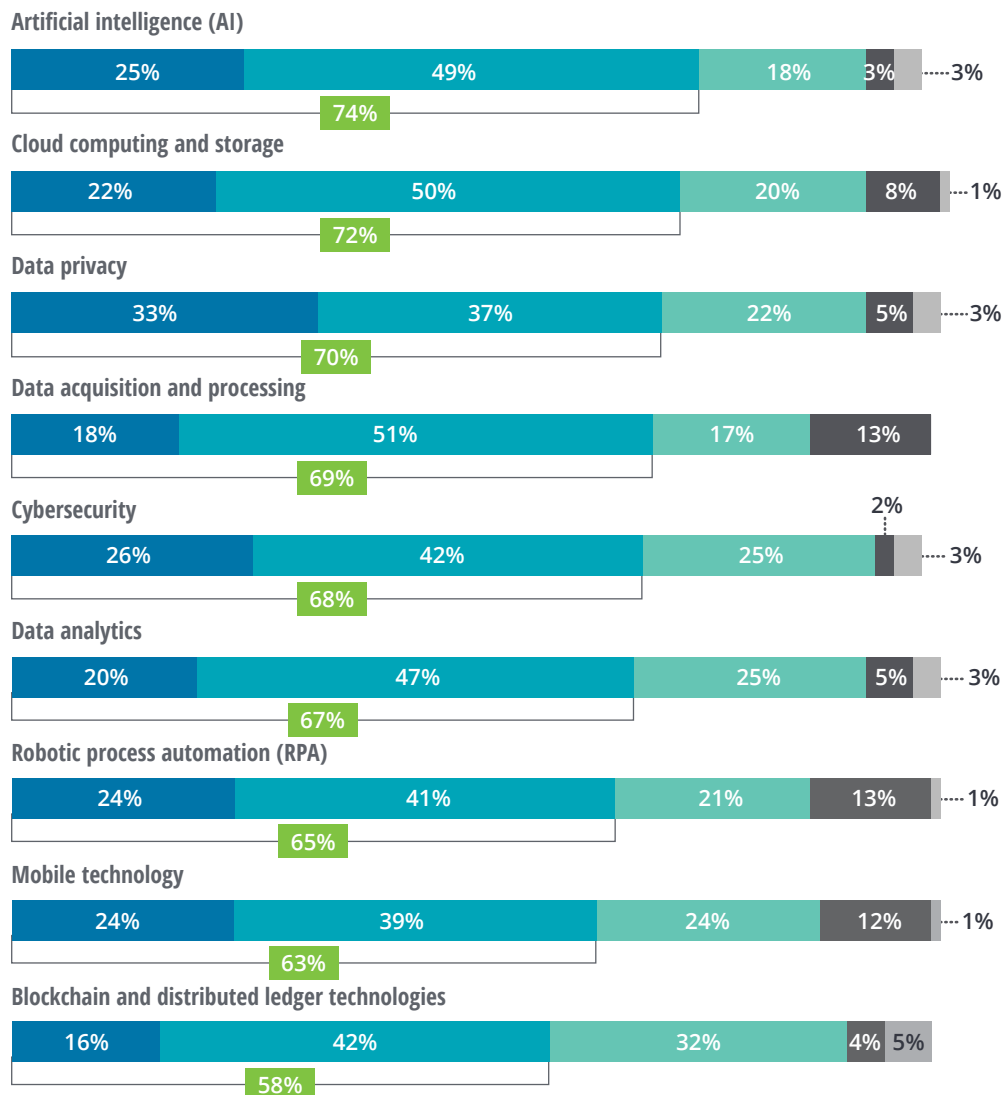
- 1. Make sure the customer has specified their correct contact info and communications preferences:** How would customers prefer to hear from you? Do you have the necessary information to do so? The best time to do this is when you don't need it – so don't wait for the next extreme weather event to rush to get this data from customers.
- 2. Monitor severe weather alerts.** This is typically already being done by your company in some capacity. Find out who or what department is responsible for doing this and tap into their knowledge, dynamic data, and real-time alerts.
- 3. Identify which of your customers are potentially at risk.** Find the intersection of the storm trajectory and your customers. This is the sort of task that can be automated using a customer experience management software solution that integrates weather data with customer address data.
- 4. Build tailored messages:** Send safety tips, numbers to call, and links to resources in customized messages you build using the data you have in your various systems. In addition to tips and advice on preventing damage, you should above all provide the phone number they should call should there be urgent and catastrophic damage.
- 5. Circle back after the weather event is over:** After the storm has passed or the flooding subsides, make sure to check in with each customer that lived or did business in the affected zone. This is a critical step that many insurers ignore as they are fearful of instigating claims. But if a claim is going to be filed, it's much better to know sooner rather than later.
- 6. Reach out again.** Check in again after the claim has been paid and the issue supposedly resolved. Note that this is in addition to the constant flow of status messages and alerts that have been programmed into your system to be sent out to keep the customer informed of the progress of their claim throughout its entire lifecycle.
- 7. Get feedback and improve your processes:** Always ask for a review of your performance and use the feedback to examine your processes and make them more effective. Throughout all this, try to send a strong message to all customers that you are there for them.

Insurance CX automation tools are here

According to Deloitte, insurers are increasingly deploying technologies and data sources to capture process efficiencies in both the front and back office. But the spotlight is increasingly moving toward enhancing the customer experience in particular. Automation technologies that integrate data from various systems and push communication out to customers on their preferred platforms are thus becoming more common in the insurance industry.

Emerging technologies where respondents expect to increase spending the most in 2022

- Expect a large increase in spend
- Expect a slight increase in spend
- Expect no change
- Expect a slight decrease in spend
- Expect a large decrease in spend



Source: [deloitte](https://www.deloitte.com)

Here are some of the technologies that insurance companies are using to reach out to customers proactively:

- **Customer relationship management (CRM):** Insurance companies use their CRM systems to manage customer interactions and data. These systems can typically integrate with data sources from policy systems, claims systems, and marketing data systems, to deliver 360-degree views of customers. This enables companies to automate communication with customers based on their preferences and history, and even to tailor messages for specific customers.
- **CX automation platforms:** These platforms allow companies to create and send targeted messages to customers in an omnichannel framework that includes email, social media, and mobile apps. They use data from CRM systems and other data stores to create personalized messages and to automate the delivery of these messages to customers.
- **Customer communication management (CCM) systems:** CCM systems enable companies to automate creation and delivery of policy documents, invoices, and renewal notice, among other customer communications. These systems can integrate with various data sources to provide personalized and relevant communications to customers.
- **Chatbots and intelligent virtual assistants:** Chatbots and virtual assistants can be used to automate communication with customers. These tools can integrate with CRM systems and other data sources to provide personalized assistance and messaging to customers.

But are these platforms working as advertised? Not particularly. Especially when there's a new kid on the block to automate CX for insurers.



Customer Experience Automation: A new kind of CX software

Artificial intelligence (AI) is increasingly essential to customer communication. Combining AI with customer data and offering it across every channel means you can create intelligent communications that are automatically adapted to the customer's behavior in real time. Customer experiences and communication can then be sent to the channel of choice of the customer.

In this way, AI is foundational for a new kind of CX technology for insurers. Called **Customer Experience Automation (CXA) software**, this new class of software solution produces easy-to-learn and use platforms, and pre-built capabilities designed by industry experts. Insurance companies can use CXA technology to build workflows for tasks like claims processing and customer support and use AI flexibly when it's needed most.

Imperatives for insurers

According to Ernst & Young's 2021 Global Insurance Outlook report, insurers need to do more proactive communications with customers by taking the following actions:

- Dramatically expand the intake of third-party data to enhance personalization in both underwriting and marketing.
 - Identify steps in the customer journey that can be eliminated or simplified
 - Create integrated digital services, platforms, and ecosystems that lead to stronger customer engagement
 - Handle the majority of claims via no-touch or straight-through processing
- Leading customer experience automation software solutions are plug-and-play platforms that enable IT teams to hook up their existing systems – both legacy and

cloud-based – to APIs and data connectors before securely handing off the work to business teams. Such business teams can then build automated experiences on top of templated workflows.

[A 2022 survey found](#) that businesses using customer experience automation software projected that they would double their revenue in the coming year compared to those using legacy email marketing, marketing automation, or CRM tools. The same survey established that customer experience automation resulted in better retention and customer acquisition than other types of automation software.

Why Ushur?

Ushur customer experience automation software is purpose-built from the ground up to intelligently automate the entire customer journeys of insurance carriers and their customers, end to end. Designed to deliver hyper-personalized and fully-automated customer experiences through rapid issue resolution and unified, omnichannel engagement, Ushur is the first-of-its-kind system of intelligent automation for insurers.

For more information on what other customer experiences insurance carriers are already automating, visit www.ushur.com.





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