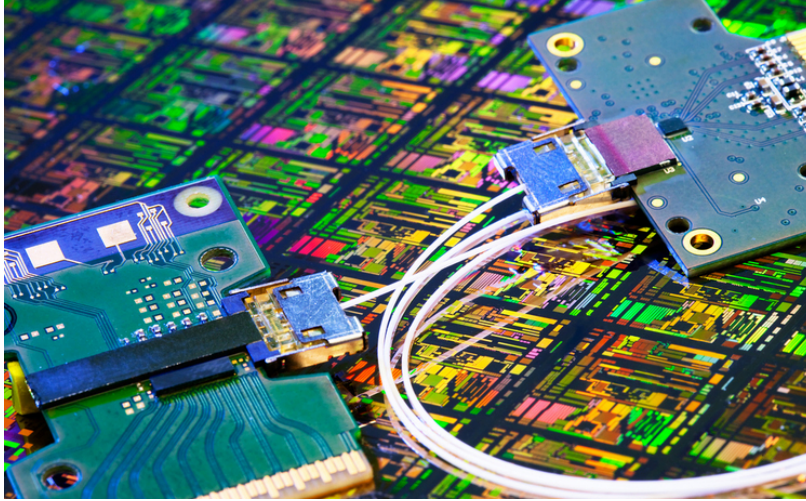


Reshaping insurance's IT roadmap for digitally savvy customers



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Indicative reading time: **6 minutes**

Analysis: Fiona Nicolson examines what it takes to create a transformation roadmap for the insurance industry that will deliver digital-first, real-time, personalised customer experiences for policyholders.

Past, painfully expensive IT transformation projects have revealed updating the insurance industry can be a laborious process.

The task continues into 2024 with insurers currently faced with the combined forces of a challenging economy alongside a rapid evolution towards digital-first, real-time products.

As they seek to deliver ever-more personalised experiences for their 21st century customers, insurers have much to consider, from a technological perspective.

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Tom Lawrie-Fussey, senior director of product management for insurance at LexisNexis Risk Solutions



“Insurers need to leverage more flexible and agile technology, and harness data and analytics to provide customers with the seamless, digital journeys that they expect,” observes Natasha Davydova, chief information officer at Axa UK&I: “This is also vital to ensure insurance products are more personalised, preventative and sustainable.”

It’s also important to take a holistic approach, emphasises Jason Howes, director of transformation at Allianz Holdings: “To undergo a digital transformation, an organisation must look at all areas of the business.

“It’s not enough to do digital, you need to be digital. Implementation of any technology needs to be considered from both a technological and from a people angle,” he adds.

Devil in the data

Behind the scenes, insurers are crunching the data, to be able to provide the digital experience their customers are looking for.

However, the job of extracting and integrating disparate data sets and incorporating the intelligence from that data directly into workflows and products does not happen overnight.

“This is a real challenge for any business,” explains Mark McDonald, personal lines insurance director at Altus Consulting.

“Firstly, the business needs to have a clear understanding of the data landscape. There must be a focused effort to identify all sources of data used and then to evaluate the quality and reliability of the data, to ensure its suitability for integration.”

“Next, businesses should invest in modern and robust data-integration and management tools, allowing for seamless extraction and integration of data from different sources, to create a single, unified view of the data.

“Once the data is integrated, there are a number of techniques that a business can apply to

extract intelligence and meaning from the data, including analytics and artificial intelligence. These can then be used to identify new patterns and insights, to derive the greatest value from the data.

“Finally, to ensure the ongoing success of a data transformation of this type, businesses must implement robust data-governance practices and security controls to ensure quality and consistency, while protecting sensitive data.”

They also need to move quickly, according to Rory Yates, global strategy lead at EIS.

Yates says: “Most insurers have some ability to integrate disparate data sets, but they struggle to make sense of them in a meaningful way, or act on the insight at the speed necessary to derive value.

“The key issue is that their business and the technology architecture it sits on are built around the policy and not the customer. This creates obstacles that block the segmentation, flow, and use of data. Data is a perishable asset. If you can't leverage its value quickly, it's lost forever.”

Tom Lawrie-Fussey, senior director of product management for insurance at LexisNexis Risk Solutions, also pinpoints some data challenges, adding: “Data that is stored in multiple silos as a result of legacy systems risks becoming outdated, incorrect and inconsistent. This can lead to wasted marketing budgets, customer-service inefficiencies, and inaccurate pricing.”

Cost transformation, growth, or both?

Considering how to focus investment and prioritise between cost transformation and growth opportunities could potentially present dilemmas.

However, Yates believes transformation and growth are not mutually exclusive options: “They’re symbiotic, because modern technologies can do both, and create huge efficiencies and operational changes that make experiences better.

“You can no longer divorce cost from customer experience. That’s just a bad business model. Skewing transformations towards one or the other creates problems and missed opportunities.

“Transformation shouldn’t be driven by the value of the policy, but by the value of the customer,” he adds.

McDonald suggests taking a deep dive into the detail before making any decisions: “It is key to consider the complete operating model before deciding on where to prioritise investment.

“A clear view across technology, capabilities, data, process, and organisation provides a robust starting point for an organisation to build on, allowing visualisation of where an organisation’s costs are, the impact of investment in each area and any indirect benefits or impacts of activity.

“This view can provide insight into which areas to focus investment and balance growth with transformation across the business.”

Shifting mindset

It has taken considerable amounts of time, effort, skill, and budget, over many years, to undertake the job of shifting the centuries-old insurance industry into the digital age.

Having done the groundwork, the industry is adjusting from major transition to business-as-usual mode.

However, there is further progress to be made, as Macdonald says: “In most organisations, the shift from a transformation-project mindset to continuous updates is happening.

“But a number of steps need to be taken by organisations, which, if not done as a whole, will risk the overall transition,” he warns, adding: “These include the embedding of new methodologies and practices; shifting the

culture to one of continuous learning and innovation; and providing strong leadership commitment to this change.

“Building a scalable and flexible architecture, putting in place robust risk-management processes and embedding the right KPIs and measures will be critical steps. Finally, establishing feedback mechanisms for customers and staff will ensure that any updates are aligned with user needs.”

Emulating other sectors

As products such as wearable technology and virtual-assistant technology like Amazon home hubs become the norm, insurers could also change the buying and claims experience for customers by building products that adapt to customers' needs and mitigate risks.

But Macdonald warns this might not be the right approach: “When you start with a trending technology and believe you have to create value from it, you're starting from the wrong place.

“You should start with the right questions. How do we make ourselves more valuable to our customers? How do we make the claims experience better? Then, how do we use data to drive valuable outcomes related to both?”

He adds: “The reality is, that should an insurer integrate these devices, they'd probably use the data to assess the price to risk and leave the rest dormant in a policy spreadsheet somewhere.”

André Symes, group chief executive at Genasys Technologies, also emphasises the importance of focusing on the customer when considering how to make the most of emerging technology.

He says: “People engage with big tech companies on a regular basis and these companies have raised the bar when it comes to what customers expect.

“It's time to be bold and ask: what do our customers really want and how can we deliver that? This will provide a roadmap, guiding insurers to deliver a truly personalised customer service for their policyholders.”

Chris Kitchener, vice-president for product management at Applied Systems Europe, takes a similar view: “The key is not to be tech-focused, but customer-focused.”

Hurdles towards a digital organisation

Average score ranked with five, lowest with one.

Source: Strategy& analysis; PWC survey, 2021

Share

Embedded insurance

A Deloitte Insight paper, published in July, reported embedded insurance is “poised for exponential growth.”

The firm predicts that if 20% of the US personal auto market focuses on embedded insurance by 2030, “at least \$50bn (£39.8bn) in premiums could be diverted away from the industry’s traditional distribution channels.”

But it won’t become the dominant form of distribution, says Yates: “Distribution will continue to expand and will remain multifaceted.

“However, I think embedded insurance is going to proliferate in lots of

ways. We estimate that it's a \$3.7trn (£2.9trn) opportunity. A large chunk of that will be new value and a lot will be existing value but generated in a different way.

"It'll be generated at the point of sale. We're already seeing that working. However, there's the risk the consumer might not understand what they've bought or find themselves doubling up on insurance they already have. We need to account for that. The regulator certainly will."

René Schoenauer, director of EMEA product marketing at Guidewire, observes for embedded insurance to become the dominant form of distribution, insurers must show its value to customers.

Schoenauer says: "It becomes more useful when it aligns with customer needs and pay-as-you-go models.

"Insurers need to be transparent with their customers and clearly communicate what the embedded offering includes."

At the moment, though, many customers don't even know it exists. Duck Creek Technologies' 2023 Global Consumer Insurance Insights survey of more than 2000 policyholders, found that nearly half (46%) were unaware of embedded insurance.

Of the 37% who said they were aware of it, half said they trust it because of retailer or product quality. Those who don't trust it (26%), find it unnecessary and expensive.

Regardless of whichever technology or channel insurers use, the importance of 'people skills' should not be underestimated, as Tom Burroughs, chief technical officer at Synergy Cloud, explains: "The key to effective personalisation for policy holders means seeing them as individuals with unique expectations."

Equally important, Burroughs observes, is recognising the limits of technology.

He says: "No matter how advanced our tools may be, in certain claims there's a point where human insight and empathy are irreplaceable in delivering truly personalised experiences."

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