# THE INSURANCE INDUSTRY 2025:

A Digital Transformation Roadmap

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### Digital disruption is coming to the insurance industry. On the one hand, new technology threatens existing business models, putting more power into the hands of the customers and paving the way for new market entrants. On the other, technology and digitalisation enables new methods for collaboration, optimisation of existing organisational

structures, the emergence of new products and services, and enhanced decision-making abilities.

Technology has always been the key driver

of change. The latter half of the 20th century spawned the invention of the Personal Computer and the Internet, replaced mechanical and analogue technology with the widespread use of digital electronics and ushered in the Digital Revolution and the Information Age.

Today, technology has evolved even further. According to Professor Klaus Schwab, founder and executive chairman of the World Economic Forum, we are living in the Fourth Industrial Revolution. Characterised by emerging technology breakthroughs, including artificial intelligence (AI), robotics and the Internet of Things (IoT), the presentday technological revolution is disrupting industry after industry, compelling organisations to adapt to the changes.

The insurance industry is no exception. During the next five to seven years, the industry will go through more changes than it has done during the last 50 years. Within 2025, new technology that caters to the complexity of the industry will transform insurance as we know it, new products and risks will emerge, and innovative distribution models will be developed.

Indeed, there is much talk about adaptability and the continually increasing speed of change, but the discussion is mostly about regulations, organisation, people and technology trends. However, what good is being best in class, regarding predicting and being aware of how to adapt, if it takes years to implement your strategies into your IT solution and day-to-day work processes? The aim of this e-book, then, is to provide insurers and brokers with a roadmap to navigate an increasingly digital environment and an increasingly digitised insurance industry. In chapter one, I will walk you through the most significant trends and technologies that are making a foothold in the industry. Then, in the three following chapters, we will take a closer look at how insurers and brokers should approach digitisation in practice. This involves getting into the right mindset and establishing the proper business goals (chapter two), key areas I believe every insurer and broker should focus their efforts

Positioning

Decide on an adaptive strategy

Disruptor
 Early adopter
 Follower

rapid changes

- Prepare for adaption to

on (chapter three) and how to successfully implement a digitisation strategy (chapter four). Finally, in the fifth chapter, I will present concrete examples of how a successful digitisation may unlock new opportunities for three different actors in the insurance industry.

Complexity



Implementing

Understand your own business processesChoose the right adivisor

- Choose an adaptable IT platform

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Like many other industries, the insurance industry faces radical transformation. A new generation of digital natives is pressuring insurers and brokers into the digital landscape with higher customer expectations than ever before. FinTechs, tech giants and start-ups looking to enter the market threatens industry incumbents, and P2P insurance and autonomous vehicles will undermine existing insurance models.

Underlying these trends is a rapidly evolving technological development. Blockchain, smart contracts and IoT, amongst others, are all driving the digital transformation. I will begin by examining these trends and technologies, and identify how they will influence the insurance industry.

### InsurTechs and New Market Entrants

Insurance is all about assessing risk. The more data one has available, the better risk analysis one can perform. This makes the insurance market ripe for entrance by tech giants with massive amounts of aggregated customer data. In fact, one-fifth of the respondents in Marketforce's <u>"The Future of General Insurance 2016"</u> believe Google's data capabilities, financial muscle and web ubiquity make it the most likely contender to disrupt the insurance market. However, not only tech giants are threatening to disrupt the insurance market. In their survey <u>"Opportunities Await: How InsurTech is</u> <u>Reshaping Insurance</u>", PwC notes that 74 % of insurance companies believe that some part of their business is at risk of disruption, and as much as 90 % of insurers tell they fear losing part of their business to FinTechs.

In banking, FinTechs – companies that use new technology and innovation to compete with traditional financial institutions – are already disrupting the incumbents. Earlier in 2017, Forbes described how newcomer ClearBank is disrupting the financial industry. Having freed themselves from legacy technology and implemented cloud infrastructure, they deliver open access to payment, current account and transactional clearing services, ultimately engaging the digital consumer in a way that fits their needs.

According to PwC's <u>"Global FinTech Report"</u>, 56 % of financial institutions have put disruption at the heart of their strategy, and 82 % expect to increase FinTech partnerships in the next three to five years. What is more, several FinTechs have their eyes set on the insurance industry.

InsurTech, a subset of FinTech looking to utilise technology to transform the insurance industry, has its eyes set on improving customer experience and simplify policy management. These new market entrants will eventually lead to increased competition, change the insurance industry ecosystem for good and force incumbents to become digital.

### Higher Customer Expectations and New Customer Behaviour

The InsurTechs mentioned above largely caters to recent changes in consumer behaviour. Indeed, today, customers expect more from insurers and brokers. The widespread dissemination of information through the Internet has made customers smarter than ever and shifted the power from insurer to consumer. Furthermore, the tech-savvy Gen Y generation, making up a large part of the population, have different expectations than the baby boomer generation. Social media has become a valid arena for providing customer service, and customers are connecting with companies in more ways than ever.

According to CapGemini's <u>"World Insurance</u> <u>Report 2016"</u>, customer experience has improved globally, but Gen Y customers (people born during the 1980s or early 1990s) are holding the overall customer experience level down. Gen Y customers are omnichannel users, engaging with insurers in a wide variety of channels, particularly through mobile and social media. What is more, Gen Y consumers are more likely to purchase insurance from non-traditional insurers.

One survey done by Scratch shows that 73 % of Gen Y customers would be more excited about a new offering in financial services from tech giants like Google, Amazon or Apple, rather than their existing service providers. Not surprising, as insurance companies rank low in trustworthiness, according to a global survey from the accounting firm Ernst & Young. Failing to keep up with the demands of the younger generation, and risk losing customers to the ones that do.





## Blockchain and Smart Contracts

Blockchain has already made headlines. Hailed as the next generation of Internet, blockchain will come to change how we transfer ownership, make decisions, business transactions and even run our communities and cities. While the Internet is designed to move and store information, blockchain moves value. Where the Internet is dependent on middlemen, such as brokers, bankers and insurers, to execute secure transactions, blockchain removes these middlemen.

The potential of blockchain is enormous. Indeed, many finance and insurance executives believe blockchain will be the most significant development to affect financial services since the Internet, according to a survey done by Cognizant, Marketforce and Pegasystems. Future contracts, socalled smart contracts, may be stored in digital code and transparently distributed databases and be protected against deletion, manipulation and changes. Deals, payments and transactions between customers and companies can be given a unique digital signature that can be identified, validated, stored and shared, ultimately threatening to remove brokers, insurers and bankers altogether.

#### Peer-to-Peer (P2P) Insurance

One emerging trend within InsurTech is peerto-peer (P2P) insurance. Closely related to the concept of the sharing economy, P2P insurance is, in short, a risk-sharing network where a group of people pool their premiums together to insure themselves against risks.

Lemonade, a New York-based insurance company, has put a P2P business model at the heart of their business, with self-service technology as its engine. They offer an insurance model where policyholders pay their premiums into a claims pool. Then, if there's any money left in the pool when the policy period ends, the policyholders get a refund.

Insurers can use blockchain to succeed with P2P insurance. Although P2P already is used as a business model within the insurance industry, such as by Lemonade, McKinsey notes in their report <u>"Blockchain in insurance</u> <u>– opportunity or threat?"</u> that blockchain may make P2P insurance even more transparent and trustworthy for consumers as no central authority controls its operation.

## The Internet of Things

We are living in an increasingly connected world. Smart homes, equipped with devices and appliances that monitor various aspects of the household and communicate with each other, is one example. Smart cities, with its technology-driven communications and management of different assets, organisations and utilities, is a second. Even we as humans become more connected as we put on "wearables", such as biometric clothes and smartwatches.

These technological developments are broadly categorised as the Internet of Things (IoT), a network of physical devices able to collect and exchange data and communicate with each other. And the number of connected IoT devices is growing radically. <u>According to Gartner</u>, 8.4 billion connected devices will be in use in 2017, a number they predict will rise to 20.4 billion by 2020. And Gartner resides at the conservative end of the spectrum; <u>Cisco</u> predicts the number of connected devices in use by 2020 to be 50 billion.

In any case, the growing number of IoT devices will transform the insurance industry as we know it. Generally speaking, it will help policyholders reduce and manage risk, ultimately reducing premium income as the demand for insurance lowers.

On the one hand, this will force insurers and brokers to rethink their existing offers. On the other, it provides valuable streams of data. "The Future of General Insurance Report 2016" notes that data from connected devices have the potential to finely calibrate pricing, improve claims handling, engage policyholder and cut fraud.

#### Autonomous Transportation and Shipping

Autonomous transportation and shipping is one example of how IoT may influence the insurance industry. Self-driving cars have been on the mind of forward-thinking technologists since the 1920s. Today, computer-driven, sensor- and softwarepacked cars are becoming a fact.

Ford, for instance, plans to roll out driverless cars without steering wheels and pedals by 2021, and Tesla is set to make their cars selfdriving and autonomous within 2018. The safety benefits are significant. According to McKinsey, autonomous vehicles bear the potential of reducing car accidents by up to 90 %. For insurers, however, this translates into falling premium prices.

Not only cars will become autonomous. Boats too will become driverless within the



next 15 to 20 years. The Norwegian ship Yara Birkeland, produced by the Norwegian maritime technology firm Kongsberg Gruppen AS and the fertiliser manufacturer Yara ASA, will embark on manned voyages already in 2018 and set sail entirely on its own in 2020. The marine branch of Rolls-Royce has partnered up with the Advanced Autonomous Waterborne Applications in Finland to develop the necessary technology for self-driving ships. With sensor technology, control algorithms and communication and connectivity as the technological fundament, their autonomous ships will set sail in 2020, with a reduced crew and remote support, and be completely unmanned by 2035.

The <u>US Coast Guard</u> attributes as much as 96 % of marine casualties to human error. With ships that can monitor its health, communicate what is around them and make decisions based on that information will undoubtedly impact marine insurers. However, new technology carries with it new types of risk, particularly regarding cyber security and data breaches. both in this chapter. Nevertheless, it seems to be no doubt that digitisation of the insurance industry is inevitable.

The insurance industry has been slow to adopt new digital approaches. One excuse often made about the insurance business' resistance to change is that it is overly conservative. But this conjecture is all too easy to make. The business advantages technology can provide are plain to see, and there is no shortage of smart and innovative people within the industry.

The reason may be that FinTechs are talking more about the trends than explaining how technology can be utilised to create advantages for businesses. It is easy for people in the tech industry to talk about big data and robotics, but to explain how these technologies can be used for specific business advantages for an insurer is harder.

The primary challenge, however, is to adapt to a technological world that is continuously and rapidly evolving. To solve this, insurers should prepare for change and rig their organisation to handle these changes quickly. How to do this, will be the focus of the remainder of this e-book.

### Legacy Thinking and Conservativism Inhibiting Digital Change?

As with all disruption, the transformation of the insurance industry promises both threats and opportunities. I hope to have illustrated

## Getting into the Right Mindset: How to Start a Digitisation Process

The technological developments, the changing customer behaviour and the developing landscape of the insurance industry ecosystem discussed in the previous chapter, are all key drivers behind the need for insurers and brokers to digitise their businesses.

But how should one meet this changing environment? How should one think? What mindset is needed? And what organisational goals should one set in an era where technology is breaking new frontiers every single year? These questions are what I will examine in this chapter.

# The Importance of Adaptability

Although the insurance industry is standing on the brink of disruption, disruption has not yet hit the insurance industry. We can be confident that technology such as IoT, blockchain, AI, big data and robotics will play a crucial role in most sectors of our future societies, but technology will continue to evolve even further. Who knows how the technology landscape will look like in five, fifteen or fifty years?

How, then, does one adjust oneself to these changes? How does one prepare for a future one does not know what will look like? Is starting a 10,000-hour project on big data adapting to change? Is extracting data from all company systems into a data warehouse adapting to change?

The key to successfully thrive in a changing technological environment is to be adaptable, to be prepared to handle the changes one does not see coming. This is equally important on a strategic level as it is when implementing IT systems (as we will see in the following chapters), and raises new questions regarding which position one are willing to take in the digital era and how to approach it.

## Determining One's Role and Course of Action

Before embarking on a digitisation process, it is crucial to determine which role one is willing to take in the changing ecosystem and what one's course of action will be. There are primarily three roles every actor in the industry may take: all depends on the particular situation of one's business. In the insurance industry, with its long traditions, however, we are likely to see many followers, a few early adopters and a limited number of disruptors.

This choice should not be underestimated. To move forward in an increasingly technologydependent and soon-to-be disrupted industry, this choice should be a conscious one.

- Disruptor: These are the insurers and brokers who want to reshape the future through innovation. These disruptive innovators are the ones who pave the way for new products in the market, the visionaries willing to try new ideas and take risks along the way.
- Early adopter: The thought-leaders and technology champions. The ones who invest early in new technology, not as the technologists themselves, but to address their concrete problems. These are the insurers and brokers who understand the importance of change.
- Follower: These are the ones who are only willing to jump on board on change as soon as they see the demonstrated benefit of new technology. Followers will naturally never become thought-leaders.

Neither of these roles is superior to the others. There is no set, ideal one-size-fits-all solution for approaching the digital future. It

### Insurance 2.0: 4 Essential Changes for the Future Insurance Industry

Although the future may be uncertain, there are a few important changes that we already know will impact the insurance industry in a significant way.

### New Level of Data Analysis

Traditionally, insurers have mainly relied on internal, structured data to influence their decisions on relevant matters. This will undoubtedly change. The amount of data generated from connected IoT-devices is growing radically, and insurers can tap into these new sources of data to more precisely predict future events and decide on important tactical, operational and strategic matters.

Automation, risk assessment, fraud detection, marketing, better customer insights and

improved customer experience, are among the things that new sources of data will unlock for insurers. However, as the amount of data needed to be handled for these purposes grow so does the need for IT systems and platforms that can store, analyse and utilise the data for actual business purposes. This should be a critical area of focus for insurers in the years to come.

#### **New Level of Efficiency Requirement**

Insurance providers and brokers are heavily reliant on back-office operations and regularly spend time on repetitive business practices that prevent them from performing valueproducing work. According to NTT Data Consulting's <u>"The AI Revolution in Insurance:</u> <u>A Reality Check"</u>, underwriters spend as much as 70 % of their time performing low-value tasks, such as searching for, aggregating and selecting data, and as little as 30 % of their time in risk selection.

This too will change in the years to come. As tech-driven market entrants threatening to create an Uber- or AirBnB-like disruption in the insurance industry, the level of efficiency required to stay ahead in an increasingly competitive environment rises to a new level. To combat this, the insurance industry is preparing for investments in robotic process automation (RPA) to improve existing business applications. <u>McKinsey</u> even predicts that up to 25 % of full-time positions may be consolidated or replaced over the next ten years as a consequence of automation. Adapting to an automated future should indeed be a focus area for insurers in the years to come – particularly for brokers as we will see in one of the following chapters.

#### **Changed Customer Behaviour**

As in any other industry, excellent customer service is vital to attract new prospects and reduce customer churn. As <u>Ernst & Young</u> notes, insurance is lagging behind in this area, as 14 % of consumers are very satisfied with the communication they receive from insurers.

According to McKinsey's article <u>"The Growth</u> <u>Engine: Superior Customer Experience in</u> <u>Insurance</u>", companies that offer best-in-class customer experiences consistently tend to grow faster and more profitably. Top-notch customer service, however, means much more than just adding a new member to the company's call staff. Let me give you a few examples.

 Real-time reports and statistics: Self-service portals for customer overview has been a central part of improving the customer experience for some time now. Lately, however, there have been developments such as providing 'live' management reports and statistics. Innovation in this area will be a critical success factor going forward.



### Omni-channel communications:

Consumers have gone digital. In fact, <u>48 %</u> consider comments on social media when making their insurance-buying decisions. Furthermore, <u>McKinsey</u> notes that 71 % of consumers who've had a good social media service experience with a brand is likely to recommend it to others.

 Value-added services: Personalised services or incentives based on consumer behaviour through data from IoT devices will soon revolutionise the insurance industry. Aviva's driving app is one example. The app ranks drivers based on their cornering, braking and acceleration, giving car insurance savings to the safest drivers.
 <u>"The Future of General Insurance Report</u> 2016" notes that 53 % of insurers plan to have an IoT-based offering within the next five years.

#### **New Products**

A connected, smart and IoT-enabled world will undoubtedly reduce existing risks. Wearable devices will help policyholders reduce risky behaviour and improve their health. Autonomous cars will reduce traffic accidents. Sensors in factory plants will contribute to predict, identify and act on mechanical faults. What is more, smart homes will reduce the risk of both burglaries, water leakage and fires.

The massive adoption of IoT-devices indeed threatens to undermine existing insurance models. However, new risks will likely emerge. This means insurers should spend time on discovering new needs and risks that require new insurance products and services. This is critical to surviving in an increasingly competitive market.

Several insurance companies are already leveraging the new opportunities inherent in the digital transformation to develop and launch new products for their customers. Before we head off into the next chapter, shifting our focus from the strategic level to the operational, let's look at some of the new developments for inspirational purposes here:

- The US-based company <u>BetterView</u> combines insurance services with innovative engineering by using drones to capture aerial images. These images then help insurers identify problems and file reports to their clients.
- <u>Carpe Data</u>, an American risk assessment and life insurance company, use information from social media, online content, wearables and connected devices to predict the outcome of introducing new products in a market.
- The above-mentioned American property insurance company <u>Lemonade</u> offers an on-demand mobile service with monthly subscription charges, enabling customers to get insured in as little as 90 seconds through their AI-powered company bot.
- The UK-based InsurTech <u>Trov</u> offers an alternative solution for the mobile generation by giving them access to an ondemand platform that generates real-time prices for different insurable items.

## Key Areas of Focus: How to Digitise

Digital disruption, IoT, robotics. Analytics, big data, AI. Social media, cognitive computing, machine learning. There are so many trends and buzzwords at the moment that it is almost impossible for a mere business manager to follow and understand all of them.

I have already mentioned a few of these technologies here, but a central point in this e-book is that too many talks about these buzzwords without explaining how it may benefit the insurance industry. It is easy to sit down and read a book about big data and robotics and go out and talk about it. However, it is immensely harder to explain how it may be used within the industry.

When it comes to digitising your business, then, here is a short list of key areas I believe you should be focusing your digitisation efforts on.

# 1. Think End to End and Single Data Entry

Most companies organise themselves according to function with processes and systems that rarely communicate with each other. Sales work certain systems and according to their processes, while marketing work with theirs. IT has their own, and HR yet others.

It is the same within the insurance industry. Most larger insurance companies and brokers usually operate a significant number of different disconnected systems and struggle with fragmented business processes. Indeed, they might even have as many work processes as they have employees.

Take data entry within the customer onboarding process as an example. Data entry is one of the most time-consuming tasks performed on a daily basis. From prospecting via sales to implementation, employees are likely to punch the same numbers several times into various documents and software systems. Additionally, they are likely to spend time searching for, aggregating and selecting the correct data. This is a massive waste of time and a potential source of human error.

For improved data quality and efficiency, data should not be entered into several systems. Use one data source to maintain your customers' policies, claims and reinsurance, which will simplify government reporting, management reporting and enhance the analysis of customer history.

However, thinking end to end not only include your work processes in-house. **End to end is the entire communication flow to and from customers as well as stakeholders further down the value chain.** Your customers are after all not particularly interested in how you are organised. They are merely interested in the end to end processes. They place an order and expect it to be delivered within the estimated time and to the agreed-upon specifications.

End to end, then, encompasses the customers' ability to visualise and maintain their own data and automate communication between brokers and insurers. Let the client maintain their own data on a user-friendly self-service portal, and give them additional value by providing real-time data analysis within this same portal.

### 2. Automate Everything!

If your business is like most insurance firms, you rely heavily on back-office operations and regularly spend time on repetitive business practices that prevent you from creating value. Ideally, you should spend your time and business knowledge on work that produces value, not punching numbers into a spreadsheet or manually set up reports.

Examine your business processes and look for routine tasks that add little value and are prone to error. Do you have paper-based processes? Do you need to rework various tasks because of human error? Do you have bottlenecks, such as verification steps that lie unhandled for days? These are processes likely to benefit from automation.

As soon as you have analysed your business processes, perform a cost/benefit analysis. How much do you gain from automating the processes you have identified? Then, prioritise your processes and automate them one by one.





### 3. Perform Business Specific Data Analysis

The amount of data generated from IoT devices, social media and other sources of data is massive. According to Marketforce's <u>"The Future of General Insurance Report</u> <u>2016"</u>, this data-rich world will force insurers to reboot their offers to offset a fall in premium income, finely calibrate pricing, improve claims handling, engage policyholders and cut fraud.

The potential of this data is significant. However, the amount of data is so massive and complex that traditional data processing tools are unable to handle them. A wellstructured, coherent and comprehensive data storage will allow for advanced analytics that enables innovation of data-driven valueadded services.

## 4. Improve Customer Experience

Customers expect the same from you, as you expect from the companies you interact with. Fast response times, easy access to relevant customer information and an easyto-use interface are among the critical focus areas for developing an up-to-date customer experience.

Thinking end to end, increasing the quality of your data, automating your processes and performing advanced analytics will eventually improve customer experience. However, valuable data analysis should not just be utilised for the streamlining and improvement of your business processes in-house. It should also provide added value for your customers. Visualising the value of your products for your customers with an automated, userfriendly interface, will likely improve customer satisfaction, experience and loyalty.

## Navigating the Digital Landscape Successfully: A How-to-Guide for Implementation

A successful digitisation process relies on more than just getting into the right mindset, building the proper strategy and setting the right goals. As I mentioned in the introduction, it is useless being able to predict future technological changes if it takes forever to implement them in your IT systems. When it comes to correctly implementing a digitisation process, then, there are a few best practices to follow and a few common pitfalls to avoid. What these are, is the focus of this chapter.

## 1. Understand Your Business Processes

The first thing you should do when implementing a digitisation strategy in your organisation is to understand and document your work processes. What does your company look like? What are your pain points? What are your advantages? This might seem obvious, but surprisingly enough it is not. In fact, I once worked on an IT project which came to an abrupt halt a year into the process after the organisation realised they lacked the proper understanding of their own business processes.

Indeed, many who embark on a digitisation process quickly realise they lack the

necessary insight into their work processes and how to correctly digitise them. Perhaps you have attended a conference about digitisation and though "we need to do this!", looking for an area within your organisation where digitisation might seem fitting? If so, you should pause for a second and ask yourself what real business value this project will give you. Remember, if your system does not support your business processes, creative employees will find ways to work around it.

Furthermore, there is no shortage of C-level executives in the industry desperate to implement a digitisation process for the sole purpose of simplifying their business processes. It is easy to propose "simplification" as the primary motto for a modernisation project, but it is nonetheless naïve. Instead, properly understand how your business works on all levels of your organisation, and include the people who work with these processes on a daily basis. More often than not, they will see things in a different light than yourself. your business, preferably one with deep knowledge of banking and insurance, as well as IT.

### 2. Choose the Right Advisor

Choosing the wrong advisor for your digitisation project might take you on a journey you wish you hadn't embarked on. Worst case scenario, the wrong consultant will digitise your business the wrong way, addressing the incorrect needs while deploying the improper technology.

To advise on advantageous technology, your advisor should have a combination of in-depth industry knowledge and practical experience with applying the proper technology within a complex business environment. This mix of competencies is hard to come by.

Allow me to be your advisor for a moment: Stay away from "book-smart" advisers lacking substantial practical experience. Even though they can sound very convincing, their lack of hands-on experience makes them unable to identify risks and apply changes where they will provide the most value. Instead, choose an advisor that properly understand

### 3. Choose a Flexible IT Platform

In chapter two I emphasised the need for adaptability in the face of a changing technological environment on a strategic level. The same applies to your IT infrastructure. In fact, the biggest barrier to innovation remains legacy IT. Customers' demand for easy access to real-time information from multiple sources is in most cases incompatible with legacy systems. Additionally, legacy systems may limit efficiency and productivity, require timeconsuming rewriting of legacy code and prevent you from developing new products and services. In their article <u>"What Drives</u> Insurance Operating Costs?", McKinsey notes that complex legacy systems lead to both unnecessary high costs and low productivity.

Many companies invest large sums of money in responding to or following a new





market trend in a successful way, but few can set up an IT infrastructure that can indeed support such activities effortlessly. Fewer still will have systems that can quickly follow a paradigm shift in the market, support rapid product launches or perform advanced data analysis that foresees unexpected changes or provides insight to reduce operational risk.

Customised or Off-the-Shelf?

When choosing a flexible IT platform, should you go for a customised solution or an offthe-shelf one? Before it is possible to answer this question, it is important to decide which criteria you go by when making this decision. Will it be a low cost, quick implementation, maximum flexibility solution, or something else?

Off-the-shelf solutions will indeed give unparalleled value for money, in the form of low initial cost and yearly cost of ownership. However, there are not many off-the-shelf solutions that can adequately handle the complexity of insurance. Most are just frameworks that need bespoke assembly for your specific requirements – a process which can prove costly and time-consuming.

A customised solution, on the other hand, is more likely to give you what you want today, but the cost of implementation and future maintenance may be huge. Further, what happens if or when your business requires changes or the technology become obsolete? You will likely end up bearing the total cost of these necessary modifications.

## 4. A Digitisation Project Journey

The three previous steps help you establish the proper groundwork. The following four steps show you how to approach the digitisation project journey in more concrete ways:

- Design the new digital customer journey with a customer-centric focus
- 2. Redesign and simplify internal processes, end-to-end in an agile way of work, ending up in new processes with high degree of automation and collaboration including significant reduction in complexity and cost of operation
- 3. Introduce and implement "smart" digitisation and process technologies
- 4. Introduce a collaborative and agile culture and organisation to replace existing organisational and functional silos

According to The Boston Consulting Group (BCG), you need to advance several fundamental strategies to harvest the full value inherent in digitisation. The four most critical are as follows:

#### Harness the Power of Data

Data is flowing from all kinds of IoT-enabled devices, whether it is from smartphone apps, website browsing, social media or customer transactions. This data will provide valuable insights and enormous opportunities to harness the power inherent in big data. However, this data needs to be stored and managed in a way that yields predictive modelling and meaningful customer insights.

Data lakes, data management platforms that can hold and analyse large amounts of data information from different sources can be used to store and structure data from multiple sources into a single repository and model data so that it supports decision making, research and innovation. If you don't have the proper analytics skills in-house, you should consider hiring new talent to create value for your business.

#### **Redefine the Customer Journey**

As previously noted, customer expectations have changed, and the customer journey is more complicated than ever. 24/7 availability and seamless interactions across platforms are expected, and the tolerance for service delays and handoffs is limited. To meet these demands, you need to put the end user at the centre of your focus. This means mapping the customer journey, identifying customer pain points, developing prototypes and testing solutions. Through this kind of "design thinking" you can create a superior user experience and establish a base of loyal customers.

### Transform Governance and Explore Collaborative Ways of Working

The technological development moves fast, and to stay in the race for digital, you need to adopt new ways of working. In practice, this means the following:

- Establish collaboration between cross-functional teams to brainstorm ideas
- Conduct prototyping
- Run A/B testing
- Incorporate feedback from your users

To do this, you will need a new form of governance, in which your teams are given more autonomy. Management still defines the goals and sets the strategic objectives, but your local teams should be given the freedom to operate in a way that ensures effectivity and a contribution to the overarching corporate goals. It may even be relevant to develop partnerships with other digital players to kickstart the digital transformation.

### **Reinforce Innovation Capabilities**

You should explore any new opportunities that arise concerning open innovation, incubators, innovation centres and corporate ventures. This will enable you to carry out your digital transformation across three critical dimensions: (1) to become more digitally sophisticated by transforming the core, (2) to become more agile and flexible by restructuring your business and (3) to explore new avenues for cutting-edge innovations.

## The Digital Opportunity: 3 Case Studies

The digitisation of the insurance industry seems to be inevitable. On the one hand, it will give insurers and brokers new challenges. On the other, it may unlock new opportunities, new sources of revenue and improve your overall competitive edge in an industry that is bound to become more competitive.

Let us close off this e-book by taking a look at how these challenges and opportunities may affect three different actors in the insurance industry.

## Captives: More Than Risk Management?

Captives are mainly set up for risk management purposes, but could captives provide additional value that may prove even more beneficial to their parent companies?

How often does a big industry corporation have all data about their main risks and their claims history available from the same source, which can then actively be used to predict where the next accident may happen and how to prevent it? Moreover, why do only a few percent of captives have this data readily available, despite the fact that it of great value and could provide the stakeholders with invaluable insights? There are a few main reasons for this:

- Firstly, most captives have not structured all the available data within a source that can easily be used for data analysis.
- Secondly, there can be a lack of understanding in the captive about how available data can be used to assist the parent company with proactive risk management.

There are, moreover, no simple ways to perform advanced analysis of your business data without the in-depth business understanding only you can provide. A competent advisor can provide guidance and useful tools for the job, but the real value comes from your own business understanding which, together with the ability to extract and combine data, can create the necessary insights that will result in a better understanding of risks.

## Marine and Energy: Adaptability and Data-Driven Customer Relations

Standardisation has been a significant trend within the IT world the last ten years. For a complex industry such as marine and energy insurance, this trend has proved to be unfitting. On the one hand, the industry is always challenged by its customers to deliver tailored solutions and products. On the other, it is an industry where traditional customer relations are still valued deeply.

How, then, can this complexity meet the requirements of standardisation and a new level of efficiency, while at the same time maintaining traditional customer relations and diverse customer needs? Let me propose two solutions.

Firstly, existing legacy IT systems should be replaced by an adaptable and flexible IT system. In short, this means a system that is not only able to handle standardised products but also allows for creative solutions and customer-tailored products. Furthermore, it entails reduced time to market for new product launches, quick implementation of new products into web solutions and documents, seamless upgrades and easy access to customer statistics.

Secondly, customer relations should become data-driven. Marine and energy insurers have a vast amount of data at their disposal which they are just not using. For instance, several banks are now turning towards open banking technology to make financial data available to third-party actors. Insurers and brokers can leverage this data to get better insights into their customers' financial situation.

## Non-Marine Brokers: Fighting Automation with Automation

Imagine a future where everyone can place all their insurance needs, including all relevant information, in a portal-based marketplace where insurance providers can bid on your request. If this were to happen tomorrow, many traditional brokers would suddenly have a hard time justifying their role in the insurance industry value chain.

This automated future will likely materialise within few years. It is not a question of if it will happen, but when it will happen. What, then, will happen to brokers? What role will they play in this future insurance ecosystem?





An automated future may indeed force the traditional broker out of the insurance equation as they may become an unnecessary intermediary between the insurer and the insured. However, if brokers were to leverage the opportunities in automation themselves and exploit the data they process, manage and store better than they currently do, they may very well find a renewed role in the changing industry environment.

For instance, agents sit on data that is valuable both to customers and insurance

companies. However, most brokers do not utilise this in their day-to-day operations as their current data usually are scattered across various sources. By automating their work processes, brokers may find room to offer new services outside of negotiating insurance policies. And by utilising wellstructured, coherent and comprehensive data storage and perform advanced analytics, the underutilised data may be used to leverage improved customer experience and provide additional value to both customers and other stakeholders in the value chain. Whether you are a captive, an insurer or a broker, digitising your business is no easy feat. Still, if you embrace the digital future and successfully digitise your operations, you are more likely to meet the new customer demands, develop new products, harvest the real value of your data and set new standards for efficiency in the industry. The possibilities indeed seem endless.

If you are interested in finding out more about how you should approach the digital transformation of the insurance industry, we in Noria Group are more than happy to talk with you. Comprising three companies, we deliver a full-stack service of software applications, consulting and digitalisation services within banking and the insurance industry. We have more than 30 years of experience in developing standardised off-the-shelf solutions for complex marine, energy and industrial insurance companies and deliver complete end to end digitisation processes for the banking and insurance sector.



### About the Author

**Ronny Reppe** joined Noria as the CEO in 2014 and has since then been responsible for strategy and new business in the company. Prior to Noria, he served as the manager of an organisation that develops tailor-made software solutions for the insurance and finance markets. He has more than 15 years of experience within business development and leading large technical teams. Reppe holds a degree in software development from Sør-Trøndelag University College (HiST) in Norway.

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