

HOW CAN DIGITAL PLATFORMS DISRUPT THE TRADITIONAL APPROACH TO INSURANCE DISTRIBUTION?



Never has there been a stronger use case for digital platforms in UK insurance than the onset of COVID-19, which rendered many workplaces empty, with jobs lost, call centres closed and customers increasingly going online for products and services as a consequence. A record number of claims were paid out in 2020¹, some premiums fell, some subsequently recovered, but insurers everywhere were left wondering how to bounce back after the slump. The answer, in almost every industry scenario, continues to be through digitalisation, i.e., a digital-first mindset to insurance distribution and innovation.

In this article, Capco and Instanda share the industry's state of play and what incumbents must do to conquer the digital inflection point.

THE INDUSTRY TO DATE

The insurance industry has never been at the cutting edge of tech, but over the years, we have seen firms making headway towards the digitalisation of business processes, such as cloud-based data storage, straight-through processing or parametric insurance to automate the claims process. Given the paper-based nature of many insurance markets, coupled with the siloed approaches to working internally due to legacy IT infrastructure, headway has however been gradual.

At the start of 2020, insurance firms were busy preparing for Brexit and new GDPR compliance procedures. Then mother nature threw a curveball – COVID-19 – highlighting the truly fragmented approach to digital in many incumbent organisations today. The pandemic forced many insurers to embrace remote and more virtual working environments.

It also demonstrated the proven use case for digital tools and processes.

From a customer perspective, that use case has been well-documented. As Jessie Burrows, Managing Director of Claims at Direct Line Group (DLG) told The Insurance Times, by the end of 2020, 55 percent of DLG's claims were completed through digital channels, up by over double the rate pre-pandemic.² However, not all insurers are using digital to revolutionise their ways of working.

Matthew Hutchins, Capco Partner and Head of Insurance said: "While most large insurers have seen the benefits of digitisation for some time, digitalisation has remained a challenge."

Digitisation: taking an analogue process and making it digital.

Example: *sending insurance policy documents by email instead of through the post*

Digitalisation: transforming processes to harness the full potential of digital innovation.

Example: *managing all customer services through an online interface (desktop or mobile app.)*

1. <https://www.theguardian.com/business/2020/sep/10/lloyds-of-london-expects-5bn-in-covid-19-insurance-payouts>

2. <https://www.insurancetimes.co.uk/analysis/jessie-burrows-in-a-fast-changing-world-doing-nothing-is-a-very-dangerous-strategy/1437230.article>

INTERNAL CHALLENGES

In both Capco and Instanda's conversations with firms, insurers have expressed the difficulty in funnelling data from the front office to the back office, which is preventing them from using their data to make data-driven decisions and presenting a consistent customer experience.

Matthew continued: "Just as we have witnessed in the banking industry, many insurance incumbents are struggling with justifying the cost and disruption of upgrading their IT infrastructure, which is sometimes decades old. It is not seen as a top business priority when the costs and risk of failure can be high."

However, there are many proven benefits to making the leap to digital transformation. Those organisations which aren't embracing a digital-first mindset, are quickly reaching the inflection point.

Another incumbent shared with us: "If you're developing new products in the traditional way, it can take anything from 12 to 18 months to get it out to your broker distribution. We know this is in stark contrast with other industries and even new market entrants."

Indeed, insurance software companies such as Instanda have been able to demonstrate that the shift to using digital tools needn't disrupt business as usual nor generate unnecessary risks.

Alongside implementation partners like Capco, Instanda are able to help insurance companies to move away from legacy hardware gradually to the Cloud while designing, building, testing and launching new products on a low-code-no-code platform in a matter of weeks.

The Instanda platform also works alongside pre-existing systems and platforms, is more cost effective, faster and has more capabilities than if an insurer were to build internally; solving the problem many traditional firms experience where they cannot use multiple technologies due to existing legacy systems.



DON'T FORGET THE CONSUMER

Steven Haasz, Partnerships Director & Chief of Staff at Instanda remarked, "Consumers want more flexibility and variety within products and services, and insurers need to meet this demand. This has never been more prominent than it is today due to the pandemic, which has created a highly volatile environment with new customer needs."

With Instanda and Capco making it sound so simple, what is the real challenge in disrupting the traditional approach to insurance, you might ask?

Steven shares: "Having worked in large insurance organisations, our teams know it's not always a tech challenge, as much as it is a governance challenge to embrace digital transformation. Insurers and their IT departments not only have lengthy sign-off processes but are required to demonstrate pound for pound returns in an often-inflexible budgeting context."

Matthew continues, "At one point or another in our careers, we have also all experienced the banes of business case

development, which can use up more energy and resource than the digital product development process itself. Projected outcomes are rarely achieved because of this, not least to mention customers losing out and eventually voting with their wallet."

Steven adds, "That is why with any big change, strong leadership and a digital-first mindset is required. Once they take this chance, they will start to reap the benefits of deploying lower cost technology to accelerate testing new products and services with their customers and quickly seeing what sticks."

Find out how to build partner ecosystems, make more innovative offers, provide a better customer experience and step away from today's commoditised, low-margin environment with Capco and Instanda.

CONTACTS

Matthew Hutchins

Partner & Head of Insurance
Capco UK

Steven Haasz

Partnerships Director & Chief of Staff
Instanda

WWW.CAPCO.COM



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