INSURERS & THE POST-COVID TECHNOLOGY LANDSCAPE

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As with so many other industry sectors, COVID-19 has forced insurers into a fundamental reassessment of established business models and practices, and promises to shake up established attitudes to technology, customer service and ways of working.

With continued social distancing and restrictions around face-to-face interaction, we are seeing an acceleration of the push towards e-trading and insurers' transition to being digital businesses, and the adoption of digital technologies to support those goals.

DIGITALISATION GATHERS PACE

Such digitalisation typically takes the form of increased levels of automation and self-service around financial planning and sales, valuations, claims processing and customer servicing needs. A continued reliance on the use of paper, whether in the context of new business generation, queries or information being held in archives, is a specific area of focus.

The quicker information can be digested, the quicker an insurer can decide on the scope and relevance of individual or corporate cover, and the type of financial support they will need.

If that is incorporated into a self-service capability via web or mobile, whereby the customer can extract single valuations and so on, there is then an opportunity to build that out further to cover more servicing-type transactions and claims. And beyond the front end, there is also a focus on technologies supporting enhanced automation and STP through the middle and back office.

Firms are looking towards optical character recognition (OCR), machine learning and robotics to extract unstructured data from policy documents, or to back-scan in older archived records. Examples include policy submission details or slips for new business, and historic policy details for life and pensions cover so customer service teams can access when working remotely. It is a matter of getting that unstructured data into an e-form.

FOCUS ON QUICK DEPLOYMENT

Insurance companies do not want to be a burden or complicate what is can often be a difficult situation for customers. In the current environment, there is an onus on them to move quickly in addressing claims, and accordingly they are adopting established and hence proven technologies or techniques. Shifting customer interactions to video, for instance, to handle medical claims or bereavements allows firms to engage in a more personal and compassionate fashion at key points in the claims process.

For some insurers, the technology focus has been more basic: ensuring staff can connect and collaborate by getting laptops out to customer service teams and enabling remote working technologies like Zoom, Microsoft Teams or Slack. At the other end of the spectrum, firms are now looking to set up virtual deal rooms that provide access to a secure and transparent environment that facilitates collaboration between businesses.

Regulations require that many activities be conducted face to face or through brokers. Needless to say, this has been impacted by social distancing; accordingly firms are deploying technology to allow advice to be offered remotely and then to manage certificates and document handling via scanning or email attachments. That type of digital enablement is not aimed just at colleagues inside insurers but also at the external sales force, with a view to maintaining growth during this period.

SHIFT AWAY FROM BIG PLATFORM REPLACEMENTS

Conversely, we are not seeing firms prioritising investment in policy systems or other core system replacement unless such projects were already underway. As noted, the priority is instead those enabling technologies that facilitate better communication, e-servicing, robo-advice and e-trading.

For some firms it is no longer merely about end-to-end automation, but rather understanding where in the process some form of human interaction is required or beneficial. Automation efforts can then be focused elsewhere, deploying bots that are smart enough to manage the process, call out to a human being when required, and then take back control of the process. In some instances personal contact is going to be required, if not mandatory, particularly where big life changes are involved.

In the past, we have seen insurers push ahead with massive systems implementation programmes, replacing entire policy management or claims systems and investing tens of millions into a single programme. We are now seeing such initiatives being reassessed, with firms instead exploring how they might deliver new or better customer outcomes via a different ecosystem of technologies that sits alongside the existing technology landscape.

Such new ecosystems might include cloud native technologies that incorporate robotics, data management (including data science), and AI; at the same time, firms will also be looking to leverage APIs. Some challenger component-based policy platforms are also being considered. So rather than a massive ‘rip and replace’ exercise, firms are looking to enhance the existing ecosystem over time with new components that offer the same or better level of automation or STP.

FORECASTING AND DATA

As a part of their IFRS 17 planning, firms are also implementing technology suites to better understand the cashflows within their business - not just over the next couple of months, but over the typical 30 to 40-year duration of life and pensions liabilities. Technologies to assess those cashflows can be linked to capital forecasting projects that seek to better determine longer term capital needs on a more regular basis (monthly/quarterly).

That in turn will help them better understand what their investment strategy should be. Currently, this capability is quite limited within firms, and this will allow them to pull the data up from their policy admin systems to a group level. Firms are also extending IFRS17 support into broader actuarial transformation programmes - moving models to the cloud, for example, as banks have done for risk analytics.

More broadly, investment in data capabilities is certainly a key focus in the longer term. Many of the systems within an insurer are essentially there to push data through a process, and firms are prioritising spend on data projects to better understand their customers, their liabilities and their assets. Data is often stuck in policy admin systems, the ability to lift it up to group level to model investment and cash flows over that 30 to 40-year period has historically been a challenge. Data virtualisation facilitates that in a real-time fashion.

THE SHAPE OF THINGS TO COME

Given the ongoing flux and uncertainty surrounding COVD-19 and the industry's initial reaction to the pandemic, any longer-term and lasting impact of the virus remains open to question. That said, the crisis has clearly demonstrated that employees can work effectively in a remote or distanced fashion. Accordingly, many firms are looking more closely at new and better ways of working, and technology is a key part of that - different workstyles will mean a greater reliance on technology as part of the' new normal'.

Customers themselves will not want to lose the benefits around greater convenience and flexibility they have become used to during this period. At the same time, while we are now entering a new digital age, it will not be 'zero to one hundred' overnight. It is still critical to have an omni-channel approach. Even in this crisis, a 75-year-old pensioner who wants to raise a query may well not want to do that via an app - they may want to go through a call centre where there is some form of personal connection.

Anecdotal evidence from the banking sector indicates that, among the section of the population that had not previously used internet banking or mobile servicing, 80% of those individuals who have made the switch during COVID will continue to use those channels. Certainly, there is a clear imperative to build enquiries functionality into mobile app or portals to deal with a wider variety of queries more efficiently as your 'digital savvy' client base increases.

Given that digital shift, customers that would have previously engaged with a financial adviser for new policies will be increasingly open to transacting directly via digital channels. Firms that invest in digitalising new business customer journeys will be well placed to take advantage of a willingness to transact on an 'execution only' basis. There is also is a burgeoning opportunity to provide a tailored 'robo advice' offering for individuals that need help in deciding on long term savings and retirement planning vehicles, but who are unwilling or unable to pay financial adviser fees.

Information security will remain a key consideration. Insurers have moved to remote working with staff logged in via VPNs, so calls are now going to an employee on a sofa or at the kitchen table. That is good news to keep people and society safe, but there is a downside around information security. In the insurance space there is sensitive information being accessed, so how firms beef up security around that will be key to prevent information leakage.

Finally, a broader reassessment of their technology strategy should be a priority. In particular, this present inflection point presents the opportunity for a concerted shift away from an unwieldy legacy 'monolithic' technology infrastructure to a microservices-based architecture. Such an architecture will enable multiple teams to work in parallel and deliver business value independently and at greater speed. A well-defined microservices strategy can help to remove delivery bottlenecks, to provide scalable and resilient software, and to be highly responsive to changing business demands.

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