



Accelerating the inevitable

How COVID-19 is speeding up transformation within the insurance market



Stephen Richardson

Market Consultant at SSP

stephen.richardson@ssp-worldwide.com



Contents

Preface	3
Four areas of focus	4
Insurance companies must become more customer-centric	5
Insurance companies must innovate their products	8
Insurance companies must move online	9
Insurance companies must replace their legacy systems	10
How SSP can help	11



Preface

The past response: Improvement, not transformation

The insurance market has been 'poised for transformation' for decades, and admittedly great strides have been made in digitising front-end channels and improving internal systems. The business model however, has largely remained constant for three centuries; insurance companies continue to provide policies that offer fixed-term cover for loss, in exchange for premiums. This model has stood the test of time because no alternative was available, and customers largely accepted it as given.

In recent years, waves of disruption have hit the good ship insurance, driven by a combination of innovative InsurTechs, growing customer expectations and technological advancements.

Despite these disruptive forces being very real, incumbent firms have only adjusted their course very slightly; real, transformative change has yet to be fully embraced by the industry.

Of course, cosmetic changes around distribution and customer communications were brought in as internet usage rose. Moving from green screen to browser-based core systems was deemed another milestone, although many companies are yet to achieve return on investment from these extremely painful projects. The problem is this: these initiatives were merely improvements, rather than transformations.

The new normal: Accelerated transformation

There are numerous theories as to why transformation has been so slow in the insurance market, but I think the answer is very simple: the need wasn't big enough.

However, as a global pandemic has ground the world to a halt, the need for transformation has escalated. Annual, fixed policies are suddenly seen as outdated by customers whose cars have remained unused during lockdown. Organisations that were refused pay-outs for business interruption claims are demanding a new model that is more customer-centric.

The current means by which insurers, brokers and policyholders interact with each other are being highlighted as outdated, as the whole world has been locked indoors.

Finally, the need is there to transform and – as night follows day – action follows need. This report will show how COVID-19 has generated the market conditions that will stimulate and accelerate transformation within the insurance market.

Four areas of focus

Transformation will manifest itself in a variety of ways, dependent on lines of business and distribution models. However, there are four key areas where transformative initiatives will be focused across the board. The specifics will differ, but the models will remain constant.

Insurance companies that respond best to the impact of COVID-19 will embody the following traits:

Customer-centricity

Brand image will far outlive the virus. Those organisations that deliver for their customers in their time of need will be the ones that thrive in a post-COVID world. In the long-term, insurance companies will move from being isolated policy providers to service providers operating within a wider ecosystem.

Product innovation

Traditional products don't match consumers' experiences in other verticals. We have lived in a subscription economy for a while already, but lockdown has brought to light the inflexibility of standard insurance solutions. Consumers will expect more flexible, on-demand products. The most forward-thinking insurance companies will offer flexible products that also take steps to prevent a loss occurring in the first place.

An online first approach

Most insurance companies have already mastered online distribution; any company that doesn't have an online quote and buy function will be forced to add this capability as a matter of urgency. The real impact of coronavirus in this regard however, will go further than quote and buy. Policyholders and brokers will also need to be able to access their insurance policy 24/7 to adjust, renew and notify of claims etc. via self-service portals.

Free from legacy constraints

As workforces are forced to operate from countless home offices, insurance companies are quickly realising the need to be able to access core systems from any location, at any time and via any device. This need, combined with business models which have technology at their heart, means that cloud-based platforms will become the new enterprise software standard. COVID-19 will be the final nail in the legacy system coffin.

Insurance companies must become customer-centric

As global markets shift towards subscription economies, recurring revenue becomes the focus of the most successful businesses. This has led to numerous companies in our everyday lives that truly embody customer-centricity; the service that consumers are experiencing has improved dramatically, and their expectation is for all businesses to follow suit.

In a pandemic, customer retention and brand image should be the focus of businesses looking to survive and then thrive. Insurance companies must look to deliver an exceptional service for their existing clients, which match the best customer experiences around.



The benchmark for service is being set not against insurance industry peers, but against the very best of customer experiences in any sphere of an individual's life.



GlobalData¹

What do customers expect?

Truly customer-centric insurance companies must transform their business model.

It is not enough to simply improve the web journey, create an app and speed up internal processes; customers expect their insurance policy to become a fully integrated part of their lifestyle or business operations.

Insurance cover itself will not be sufficient to meet this need; providers must partner across industries to provide a value-adding, personalised service to their customers.

This is insurance-as-a-service.



Today, consumers find their insurance journeys' impersonal, time-consuming, transactional, complex and costly. Insurers will need to pivot and put themselves into their customers' universes if they're to remain relevant.

We believe in a positive future for insurance, where technology transforms the traditional insurance offering into an ingenious platform of services tailored to each user based on a broader set of needs.



PA Consulting²

¹McEwan, S. (2018). The Challenges Driving the Digital. GlobalData.

²Paton, S. Insurance-as-a-service: an ingenious platform for the future.

Insurance-as-a-service: the concept

The 'as-a-service' model refers to the wide variety of products, technologies and services which are delivered to users via the internet.

Whilst IT as a service has been around for several years, we are beginning to see other verticals embrace the model; Uber offers transport-as-a-service whilst Spotify provides entertainment-as-a-service.

The statistics around these service providers are staggering; not only have these organisations displaced incumbents but they have also increased overall market penetration. By providing an easy to use, integrated service that brings numerous providers together via a single platform, Uber, Spotify and others have increased the market's appetite for the product they provide.

Financial solutions, such as insurance cover, require the additional consumption of other products and services to fully meet the client's need. In the past, customers accepted the compartmentalised nature of these products and services – this is not the case anymore.

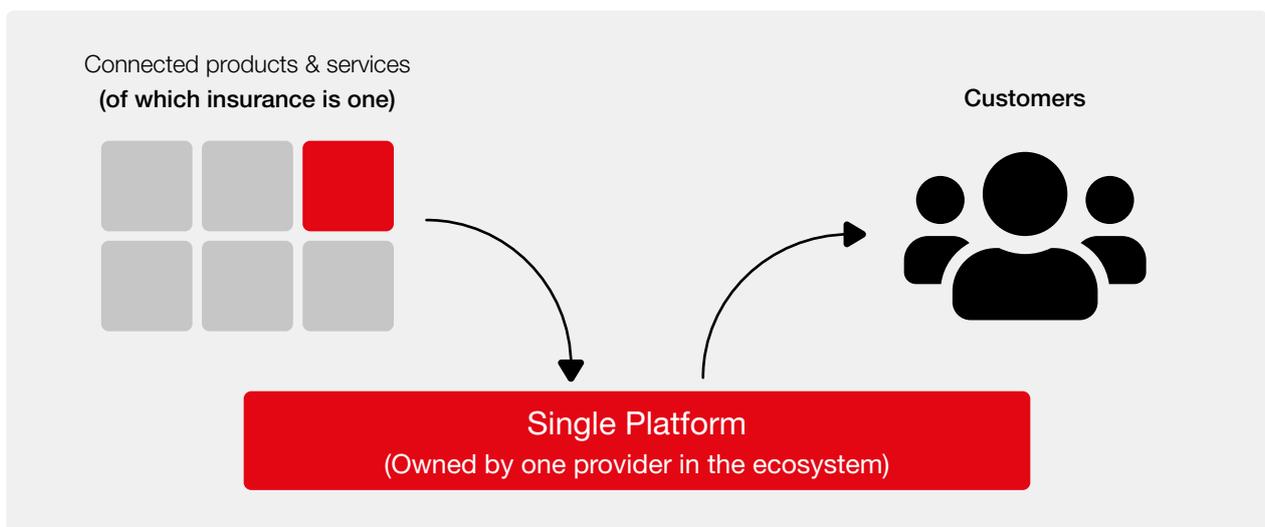


Customers want financial solutions woven into their daily lives. They see no reason why these solutions could not be integrated with answers to adjacent or underlying needs, in many cases, through ecosystems.



Boston Consulting Group³

To deliver 'insurance-as-a-service', providers need to consider which other products and services are connected to the specific life event that the cover relates to. They must then establish partnerships with these players in order to create a single, holistic service offering – as described below.



³Bodo von Hülsen, J. S. (2019, October 8). When Will Insurers Go Agile?

Insurance-as-a-service: some case studies

Having understood the concept, let's have a look at how some forward-thinking insurance companies are beginning to embrace this business model. It should be noted that most of these offerings are in their infancy; I mention them not necessarily because of their success to date, but rather to highlight the level of service that could be delivered – and hopefully inspire some strategic thinking amongst the readers of this paper.

The examples used relate to general insurance products. It should be noted that the health insurance market is ahead of the curve; many health insurance providers have partnered with gyms and wearable device vendors to create a lifestyle product that encourages good health.

Case Study One

Cyber Protection as a Service

Cisco / Apple / Aon / Allianz
– for full details, [find the product here](#).

Cisco, Apple, Aon and Allianz have teamed up to produce a fully integrated cyber security and insurance product, which combines a variety of related services:

- **Cyber Resilience Evaluation** provided by Aon cyber security professionals
- **Enhanced Cyber Insurance** underwritten by Allianz
- **Cisco Ransomware Defense** that leverages industry leading threat intelligence
- **Apple Products** for employees, with in-built strong security
- **Incident Response Services** from Aon and Cisco in the event of a malware attack

Case Study Two

Home / Renters Service

Flix / Zurich Connect / Various Services
– for full details, [read a related article here](#).

Virtual assistant Flix and Zurich Connect are partnering with several home service providers to deliver a holistic service offering – known as HomeFlix – aimed particularly at renters:

- **Online Advice** through the intelligent virtual assistant, Flix
- **Renters / Home Insurance** underwritten by Zurich Connect, Zurich Italy's digital arm
- **Various Related Services** such as laundry, plumbing and electric
- **Planned Additional Services** such home delivery, babysitting and cleaning

To adopt this model, insurance companies need to think about which product and service providers they can partner with to create a service offering which adds real value to the customer's life. There is no reason why this model cannot be adopted across all lines of business.

By doing this, insurance companies finally have a way of increasing the number of customer touchpoints and thus differentiate on service rather than just price.

Insurance companies must innovate their products

We live in a subscription economy. Whether it's consumers' Netflix accounts or the SaaS solutions that help drive businesses, monthly subscription services are part of our everyday lives. We can turn them off whenever we want and increase the level of service by upgrading at the touch of a button. This level of flexibility is what customers are increasingly demanding from their insurance providers. InsurTechs and forward-thinking insurers and brokers have already begun to dabble in this area.

COVID-19 has further highlighted the inflexibility of traditional insurance products. Whilst an annual motor policy might make sense when you are driving every day, it seems excessive when journeys suddenly become restricted to weekly shopping trips. Equally, commercial property insurance for inactive buildings is paid even more begrudgingly than usual. Now, more than ever, insurance organisations need to focus on product innovation.

There are three types of insurance products that insurance companies should look to develop:

Usage-based

Insurance cover which is priced based on the customer's usage. The most common example is 'Pay-per-mile' motor insurance.

Customers like these sorts of products because they can directly influence their premium by altering behaviour.

On-demand

Cover that can be switched on or off, or reduced and increased, when triggered – usually by an app.

This is particularly useful for those operating in the gig economy, such as Uber drivers, who can turn additional insurance on when working.

Behavioural driven

Premiums are adjusted based on the consumer's behaviour. Safe drivers are rewarded thanks to their black boxes, whilst health insurers reduce the premiums for those adopting healthy lifestyles.

Consumers enjoy the personalised nature of these products.

Prevention is better than the cure

With the rise in use of Internet of Things devices, more and more data is available to monitor risks in real-time. Insurers can use this data and the relationships with partners within their ecosystem to prevent or limit loss.

Connected home products which use sensors to monitor for leaks and trigger a plumber callout already exist.

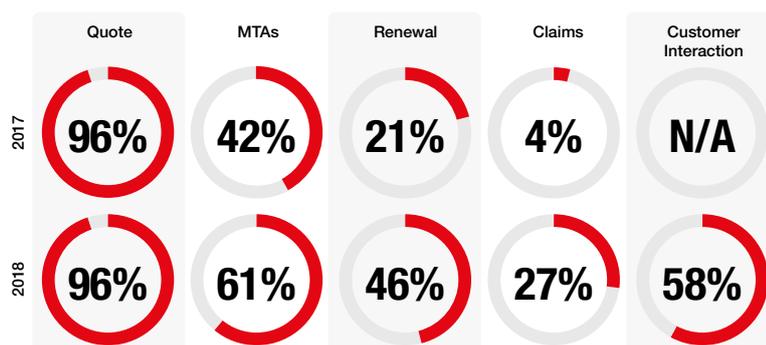
Insurance companies will increasingly look to develop these sorts of value adding services within their products as they compete for customers by attempting to deliver the best experience. Lines such as commercial property, cyber, motor and fleet are primed for product innovation in this way.

Insurance companies must move online

At time of writing, thousands of job cuts across the retail sector are being announced. At the same time, Amazon's share price is soaring like never before. Physical high street retail has been clinging on to its existence for over a decade, but it seems that a global pandemic might have been the straw which broke the camel's back.

Shopping online is quicker, easier and a more enjoyable experience; now even the least tech savvy consumers have come to experience the benefits. The ability to buy, track and query online means that the entire customer journey is catered for on the internet – this is what has driven the mass uptake of online retail.

Overall % of leading insurers offering services digitally:



Quote: Quote & Buy policy online.

MTAs: View and Change policy details.

Renewal: Renew straight through or with changes.

Claim: Notify online, track, report and update.

Customer Interaction: Webchat, Smart FAQs and Chatbots

Altus⁴

The insurance industry is in its relative infancy in terms of online capabilities. According to Altus⁴ research, as of 2018 96% of leading insurers offered an online quote and buy option. However, only 61% gave customers the ability to make MTAs online, and a mere 46% allowed policyholders to renew via the internet. Most strikingly, just 27% of leading

insurance companies allowed their customers to notify, track and update claims online. Of course, that research is a year out of date and some steps have been taken by insurers to improve their online capabilities in the interim, however the industry is still lagging severely behind many industries, including banking.

“

73% of Asia-Pacific consumers believe they should be able to accomplish any financial task on a mobile.

”

Forrester⁵

Full-cycle, self-service portals are becoming a hygiene factor

In order to deliver the required online service to their customers, insurance companies must adopt consumer and broker portals that cover the entire value chain. Policyholders and agents need to be able to notify of claims, adjust, renew and access documents simply and easily via the internet, at any given time.

These portals, therefore, must be seamlessly integrated with the core administration system; changes need to be made instantly and actions triggered automatically.

This is one of several reasons that legacy systems need to be replaced with systems that are open and flexible – a topic which will be covered in the final section of this document.

As well as improving customer experience, by providing online portals, insurance companies will experience efficiency gains and protect themselves from any future outbreaks that make online the only viable channel of interaction between insurer, broker and policyholder.

⁴Altus Consulting Research. (2018). General Insurance: The Digital Experience. Altus.

⁵Barry, Z. Y. (2019, August 7). Asia Pacific Financial Consumers' Digital Coming Of Age Is Here — Is Your Firm Ready?

Insurance companies must replace their legacy systems

No insurance white paper would be complete without at least a mention of the problems that legacy systems cause to insurance organisations. In the past, wrapping legacy systems with digital technology delivered enough short-term benefits to postpone the inevitable replacement of outdated technology. Equally, two-year implementation projects with multiple million-dollar implementations meant legacy replacements didn't ever achieve returns on investment.

However, with the required changes to the business model outlined in this report, we have entered a new age of insurance technology. Whereas in the past technology would help service a traditional model, now it lies at the very heart of the business model. As technology becomes increasingly vital, insurers need cloud-based platforms that act as the foundation upon which they can develop new, innovative applications that cater to the increasing demands of the modern customer.



In the Platform Age, technology and the business become fundamentally inseparable. Cloud technology is a given and APIs have allowed technology to be much more easily componentised. This means technology teams can focus their time and effort on new customer and colleague facing functionality and application development – core infrastructure and commodity components are handed over to other technology providers.



Oxbow Partners⁶

By adopting cloud-native platforms, insurance organisations can operate in a more agile, intelligent, efficient and cost-effective manner:

- **Agility for business users** is achieved by the no-code nature of platforms, which puts the user in control of change and innovation
- **Intelligent decisions** can be made by leveraging platform technology for data analytics. All data across the platform is pooled into a cloud-based data lake in real-time, which can provide business intelligence and be subjected to machine learning and AI tools
- **Efficiency gains** can be realised due to the open architecture and API layers, making for seamless integration with internal and external ecosystems
- **Reduced cost of ownership** through reduction of IT staff and use of multi-tenanted (shared) software paid for using an 'as-you-use' model

By finally ridding themselves of legacy systems, insurance companies will be able to act in a customer-centric manner, providing innovative products as online-first entities.

⁶Brown, G. (2020, May 16). The Four Ages of Insurance Technology

How SSP can help

As the leading global supplier of technology systems and software for the insurance industry, our role is to help insurers and brokers operate more efficient businesses. So, whether you're a global insurer or an MGA (known as UMAs in Africa), broker or a start-up with a smart new idea, we can be trusted to support you on your journey, whatever the destination.

SSP in the cloud

The SSP Cloud solution offers greater innovation, agility and most of all a better experience for clients, by allowing us to provide a more resilient and higher quality service.

By partnering with Amazon Web Services (AWS), this industry-leading cloud technology is at the core of our infrastructure, facilitating improvements in engineering and infrastructure processes, whilst reinforcing security to safeguard clients' critical data. You can rest assured that SSP Cloud allows you to

take advantage of a hosting solution which delivers the highest levels of reliability, service availability and performance.

Our continuing investment and partnership with the best of breed suppliers ensures that we offer an unrivalled service and experience unmatched by any other in the industry.

SSP Insurance Platform

SSP has invested \$40m+ and 3 years' development time to re-engineer our multiple policy administration systems into a single cloud-native platform to serve all market segments – insurers, MGAs/UMAs and brokers – globally.

The SSP Insurance Platform includes four modules:

- **Engage:** Full-cycle customer and broker portals, as well as contact centre tools
- **Quote:** Rating, pricing and data enrichment orchestration hub
- **Admin:** Robust policy administration, finance and claims core system
- **Intuition:** Data lake, real-time MI dashboards and AI / Machine Learning tools

The platform is then specifically tailored to suit insurers, MGAs/UMAs and brokers respectively. We have done the hard work so that you don't have to.

Whilst the iterations are different depending on the entity, by using shared components SSP's R&D is focused on continually improving this one platform. And, thanks to the automatic updates every 10 weeks, our customers will never be on legacy technology again!

For more information on SSP thought-leadership events and white papers, contact us at marketing@ssp-worldwide.com or visit www.ssp-worldwide.com

