

## Insurers have a choice - to be disrupted or be the disrupter

### The reality

Regulation, complexity and insurers' large balance sheets have previously prevented digital innovators from entering the insurance market. Times are changing and in order to survive and gain competitive advantage, insurance companies will have to move swiftly and decisively.

### The shift

For a long time, the traditional insurance business model has proved to be remarkably resilient. But it too is beginning to feel the digital effect. It is changing how products and services are delivered, and increasingly it will change the nature of those products and services and even the business model itself. Insurers have a choice: be disrupted or be the disrupter with new products, services and business models.

### The current challenges

Many InsurTech (insurance technology) organisations continue to engineer their solutions using the 'out of the box' model, creating fully bespoke products for every client. This can take an incredibly long time, sometimes upwards of 18 months, making the delivery of the product very slow. This can result in huge expenses and resources feeling strained, while accruing a lot of consultancy time and risking competitive advantage loss.

While some organisations offer products to enhance the business model and integrate technology, a lot of the issues are connecting different device types and this can be a challenge.

It is difficult for large companies to innovate as they have so much to contend with on the legal and regulatory front. Furthermore, it is hard to find organisations with a digital skillset that also understand insurance market.

### Do we have unrealistic expectations of what technology can deliver for our businesses?

Our expectations of what a new piece of technology can deliver are quite often

unrealistically high. We read articles in the media about great advances in technology, about the incredible abilities of robots and artificial intelligence, all of which raise our expectations far higher than the actual performance of current technologies warrants. Potential users quickly grow disillusioned when much touted innovations perform below expectations. Leading companies are using data and analytics not only to improve their core operations but also customer experience. Furthermore, it enables the organisations to launch entirely new business models. The issues that consistently arise though include lack of transparency, bias in datasets and the lack of ability to convert into meaningful, conceptual thinking.

### So, how can you make sure the InsurTech you implement really makes a difference to your business?

When it comes to upgrading systems, organisations quite often buy a new piece of software and then try to implement it without first having reviewed its own processes and people. Many organisations which follow tried and tested processes and working methods, which might not have been updated for many years, then buy a piece of technology and tailor it to match the existing technology within their business. The result? The vast majority of the time, the project doesn't live up to expectations: it exceeds the budget, takes longer to plan than to finish, or fails to meet the original goals. Even when 'successful', too many times the new technology functions and feels much like the previous technology.

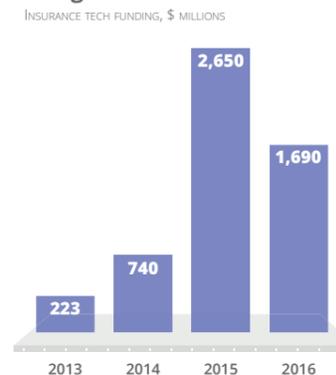
There are however organisations that are providing innovative and practical InsurTech solutions within 12 weeks. By combining stability, product variety, customer knowledge with data enrichment, user experience and modern platforms, quality InsurTech firms can build an amazingly rewarding experience for financial and insurance organisations and its customers. By digitising processes, a large incumbent could more than double profits over five years.



### Looking forward

The global insurance industry represents a staggering \$4 trillion premium volume according to the McKinsey Global Insurance Pool.

#### The growth of insurtechs



Source: CB Insights

With competitive landscapes changing

fast, it can be hard to know just how digital technology will play out, and hence where to place big bets. Insurance products are now becoming more tailored to customers who, in turn, are demanding coverage for specific locations, uses and timeframes. This development in expectations and the resulting advances in the technology applied, enable businesses to collect and analyse additional data about its clients. This previously unavailable information can then assist organisations in delivering effective and efficient cross selling and upselling strategies.

Digital technology can cater to demand more precisely so that customers are no longer obliged to buy elements of a package they do not want, enabling them to purchase what's needed. New value propositions can lead to the establishment of new markets,

by matching supply and demand in pioneering ways. Businesses need to empower the right InsurTech organisations to deliver speed to market, giving competitive advantage. The real challenge is to find the right tech provider enabling the organisation to transform its business.

The ultimate winner will be the customer and their desires for low-cost, transparent, high-quality digital services. Seeking a tech company with proven financial and insurance expertise, will in turn make it possible to launch products to market swiftly and in a cost-effective manner. For insurance and financial organisations, it is important that they understand and regularly review their business so that they lead a wave of disruption as it gathers strength and don't drown in it.



By Jensen Nixon, CEO, WARM Solutions