The need for speed in insurance product testing

Thomas Illum, CIO, Tia Denmark

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In an innovate-or-die market environment, some of today's most successful insurers are expediting product testing to get targeted products to consumers faster.

Insurers around the world are facing a more competitive marketplace than ever before. As consumers hunt for better service and more personalised insurance products, traditional insurers know they need to innovate to stay in the game.

InsurTechs are delivering ideas and solutions that in some cases are launching insurers onto a more competitive playing field. But many insurers are simply unable to take advantage of emerging technologies and basic innovation because they are struggling with legacy IT systems and traditional operating processes.

CIO at Tia Technology Thomas Illum explains, "Many of today's traditional insurers have been operating for 50 to 100 years or more. They know their business and they know their customers – and over all of this time, the have been adopting the relevant technology to meet their business needs. But this has resulted in a plethora of products and processes that have added complexity and slowed down their systems. Unfortunately, their legacy systems are no longer equipped to take advantage of today's most compelling competitive technologies such AI or machine learning."

To combat some of these issues, many insurers are partnering with InsurTech players to help spearhead their internal innovation. They are forming internal innovation groups, led or staffed by InsurTechs, and restructuring the way they work in order to foster idea development and promote the faster implementation of new processes across the organisation. Yet they still face some of the same challenges.

InsurTechs lead the way
goBundl is an InsurTech company, recently acquired by Tia Technology, that has developed a digital frontend for insurance companies. Using AI and machine learning, the frontend allows insurers to quickly and easily show consumers the exact products they are searching for online. Founder of goBundl Jakob Vang Glud has worked with several Danish and international insurers as part of his own product development process.

"The challenge many traditional insurers are facing is really three-fold," says Vang Glud. "First, they have no APIs, so in many cases, the InsurTech needs to build the APIs from scratch to be able to integrate their technology with the insurer's core system – this takes time. Secondly, they are not ideally set up for product testing, so when they want to take a new product to market, it takes up to six months to analyse the market, create the product and finally launch it. Thirdly, they are not in the habit of setting up simple products and testing them in just a matter of days. If they could change this, they could become inherently more innovative."

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It's no secret that the InsurTech world is fast-paced and competitive. "It's really a different world than working with a corporate," says Vang Glud. "At goBundl we spent 14 days building our product and testing it. We, of course, spent much more time validating and pitching our idea, but the idea is that you can get really far really fast by simply building test products and pushing them out online. It's how the whole InsurTech community operates. You can get instant feedback on whether there is a market for your product and how to develop it accordingly."

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Setting a new benchmark in China

While some traditional insurers struggle to adopt a fast product testing mindset, others have embraced it as part of their competitive strategy. ZhongAn, China's first online-only insurance technology company, established in 2013, is one such company.

ZhongAn is known for offering products unheard of in other markets. The Financial Times reported the company sold 5.8 billion policies to 460 million customers over a three-year period. On a single day in November, it sold 100 million shipping return policies during an online shopping holiday.

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"They're small, simple products," says Christopher Dennis, Tia's Managing Director APAC, "so they don't take a lot of time to create. But ZhongAn is really good at being first to market – and reaching the right people with the right product faster than the competition." The company tests products as soon as it identifies a new target audience and usually gets those products to market in a matter of one or two days.

"Insurers across Southeast Asia are watching ZhongAn to see what they do next," says Dennis. "Many believe they will need to develop more complex products at some point and it will be interesting to see how they tackle that challenge. But for now, their go-to-market capabilities are seen as the most innovative in the global market."

Becoming a test-friendly organisation

How can traditional insurers get their products to market faster? Thomas Illum says they simply need to pick up their development pace, test faster and deliver more.

> **Thomas Illum's 'Just do it' mantra**
>
> 1. Develop some concepts
> 2. Build some minimum viable products
> 3. Take a multifaceted, agile approach
> 4. Develop in small intervals
> 5. Fail fast, do it again
> 6. Become a test-friendly organisation

"Consumer behavior is changing at an incredible pace. In order to keep up, insurers need to be able to change product information on a client level, without making changes to the core system. That allows you to test a product fast and get it to market within days instead of going through the traditional 6-month development process. It also lets you keep the stability and security of your core system intact while taking advantage of add-on technologies."

Illum's advice for achieving product agility and faster time to market is quite simple. "You should just do it," he says. "Get a small innovation team together, preferably from across business functions. Develop some concepts based on an identified need in the market and build some minimum viable products. Take a multifaceted approach to your development or do it in a way that lets you change directions fast if you need to. It helps if you're working with an agile product development platform. Then develop in smaller intervals. Plan for three months instead of three years and just see what your team can achieve. If you fail, do it again. Learn from your mistakes but try again. Taking this approach will also help change the culture to be more test-friendly – and soon the whole company can have the mindset that to test is good.

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