

Mastering your digital destiny

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CXP Group (2017) Harnessing Innovation in European Insurance

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Tealium (2017) 100 Data and Analytics Predictions for 2021

The future of the insurance industry will be dominated by those who master the art of the ecosystem – and the masters will be twice as profitable as everyone else. How do insurers prepare for this future? And how do they create an ecosystem that serves their future customers and builds their competitive edge?

The 2008 financial crisis had a profound impact on the insurance industry. Non-life insurers suffered sharp drops in capital and solvency, and raising capital became exceptionally challenging at a time when insurance companies needed it most. As a result, insurers needed to drive revenue more determinedly on their core business. They began focusing on business efficiency and reducing combined ratios using straight-through processing, automation and IT optimisation.

Around 2013-2014, as customer behaviour further gravitated to online and mobile purchasing, insurers began to focus on creating attractive self-service scenarios – offering more innovative, flexible products through a smooth and intuitive digital journey. This trend is continuing strongly today. A survey performed by Tia and Pierre Audoin Consultants (PAC) earlier this year showed that 60% of European insurers saw improving customer engagement as the primary focus of their innovation strategy.

Combining customer experience with business efficiency

Business-process efficiency remains in focus as insurers continuously look for more innovative distribution channels, streamlined sales processes and new business models for selling increasingly innovative product offerings. Over the long run, we expect the relationship between insurers and their customers to become increasingly dynamic.

Today, insurers are beginning to use AI to tailor products and services to the precise needs and risk profiles of their customers – even as those customer profiles change from day-to-day and even minute-to-minute. The current uptake of AI in the insurance industry is somewhere between 1-5%. Gartner predicts that by the end of 2019, 30% of online insurance sales and services will be supported by AI and cognitive computing. Business algorithms, IoT and Blockchain are also driving these possibilities and becoming the key ingredients of the insurance digital ecosystem.

Ecosystems: the key to the future

As insurers work to attract new customers with tailored offerings and new distribution channels, customer insight will continue to be key to their success. The digital ecosystem will be the tool insurers use to mine, maintain and leverage their customer data, which is why the ecosystem has become so important to the future of insurance companies.

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Mihindukulasuriya R. (2016 October 24) 'After Fintech, 'InsurTech' Startups Look to be the Next Big Thing' [BW Disrupt]

To create the most effective and agile ecosystem, insurers will need to partner with various third-party technology providers and/or InsurTech companies. Gartner predicts that by the end of 2018, more than 80% of life and P & C insurers worldwide will partner with or acquire InsurTech startups to improve their competitive positions.

This is a bigger change than it appears on paper – a change that will be easier for more agile, innovative organisations to adopt. For insurers to engage in such large-scale partnering and the seamless integration of various technologies, they will need to be agile, they will need to be strong, and they will need a core software system engineered to support a plethora of third-party technologies that support both customer engagement and business efficiency. With this type of core system, insurers can more openly engage with and master the opportunities of the ecosystem, secure an assertive foothold into the digital future and gain a decisive edge over their competition.