

Building your digital insurance ecosystem from the ground up

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Planning the digital future of your insurance company? With consumer demands constantly evolving and competition increasing, you need an agile, flexible digital ecosystem that can grow and change with your business. Here’s where you can start.

An ecosystem is defined as a network of companies, individual contributors, institutions and consumers that interact to create combined services and mutual value. The digital ecosystem is gaining traction in insurance companies across the globe. That’s because consumer expectations for more personalised, sophisticated products are growing and new digital technologies, designed specifically for insurers, are becoming increasingly available – opening up new commercial opportunities.

Game-changing distribution channels

New insurance distribution channels are increasingly changing the insurance market. Banks, brokers and travel agencies are adding insurance to their core offerings. Even football clubs, grocery stores and petrol stations are offering micro-insurance products to their customers. These third-party distributors are building their own partnerships and ecosystems and participating in other ecosystems – and everything is connected via open technologies.

Some of these third-party insurance providers are in a better position to attract and keep customers thanks to the ubiquitous nature of their customer engagement. They have developed sophisticated customer journeys and already have the technology infrastructure in place to support faster, personalised customer service.

However, these third-party providers still rely on insurance products that deliver the exact level of coverage they need – and they need to be able to get them to market fast, as new insurance target groups are being created constantly. They rely on strong, agile insurance partners. Meeting these demands, with a focus on cost and efficiency, will keep insurers competitive. Managing partners and distribution channels will be one important key to future success.

Specialisation drives standardisation

As part of a massive effort to manage the technological fragmentation and complexity that is building up, products, sub-processes and data are all converging towards standards. The need for specialisation is driving this standardisation, and we see niche players actually becoming the standard.

For example, many markets are dominated by one or two recovery companies who take care of all major containment and clean-up projects after a major storm. These

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companies are connected to all the insurance companies and third-party suppliers, so their digital platforms have become the standard in the region. If a new recovery company wants to enter the market, in order to compete and serve customers and insurers, they need to be able to plug into this standard digital landscape. In this way, standard digital ecosystems are gaining power in many regions.

Getting targeted products to market fast

With such a fragmented market and so much competition for each individual insurance purchase, there is a growing need to protect and grow market share. Time to market is becoming paramount for both third-party distributors and insurers. If, for example, a chain of supermarkets needs to back up a new offering with an insurance, they will want to push this offering to the market as soon as possible to capture the revenue faster. They will choose the insurer that's quickest to respond with the tailored product they need.

An increasingly digital marketplace is also driving the need for flexibility and faster time to market. The sales and marketing staff need to be empowered to define and execute sales strategies in order to keep up with digital demand. Insurers need a digital infrastructure that supports creative, quick and easy product configuration, allowing sales staff to reach the customer base in different channels with the right tailored products.

Capitalising on data

Ecosystems and their processes need to be managed with well-defined KPIs. It's business critical that insurers have access to the correct data to handle complexity while, at the same time, working to get new products to market fast.

Leveraging old and new data is at the heart of many of today's digital propositions. Increasingly, insurers are working to ensure the right data is available to their staff at the right time, embedding data visualisation and business intelligence views directly into their operational systems. The trick is to leverage data effectively in ever-tighter feedback cycles. This requires data analytics and modelling processes¹.

Thanks in part to ecosystems, the amount of data and access to it is increasing. Unless the data is properly understood, however, it is useless. That's why more and more 'data brokers' are appearing on the market – companies with dedicated offerings that interpret and package data. One example is telematics companies that not only aggregate driving data but also analyse it and deliver driver scores.

The ability to reduce risk exposure by using data captured by new technology is also changing the game. The insurance business will become more data-driven, based on real-time data instead of backward-looking data, leaving behind the more traditional insurers with less attractive risk pools. New ecosystems will have the advantage to control and minimise risk exposure over traditional insurance companies because they monitor and manage risk in real time. Self-driving cars combined with telematics is an example of a technology that makes risk more predictable.

HealthyHealth, an InsurTech startup that collects digital data on physical activity, diet, mental health and more to create individual health-risk profiles, is another

1. Celent: Emerging technologies for core systems: 2017 Edition

example. Simply having access to data turns insurers into proactive claims preventers.

IT system requirements of ecosystem insurers

To establish a competitive position, avoid falling behind new entrants into the market and seize on opportunities presented by the digital transformation, insurers need to orchestrate or join ecosystems. The spine of any future-proof, flexible ecosystem is a standard, open core insurance platform that connects devices, applications, data, products and services across the insurance value chain.

In a segmented landscape, the core platform provides fundamental data control for all channels. For example, data protection regulations need to be adhered to when taking new initiatives to market in different channels. That means data compliance needs to be built into your entire ecosystem. But this is not a problem because the functional aspects of controlling data are taken care of by the core system. This enables innovation across channels without the risk of breaching personal data protection laws or stifling time to market.

To protect market share and ensure business growth, insurers need to invest in an IT strategy that can help them execute their business strategy in an efficient and flexible manner. That does not always mean the core platform needs to be extended. It could also be about engaging in the right partnerships that enable the right integrations for the insurance ecosystem.

3 attributes to look for in a core ecosystem solution

1. A scalable, future-proof solution

In a fast-evolving market, it is impossible to know how long current technology and customer behaviours will dictate business workflows and channels. The best way to future-proof an IT system is to consider scalable solutions that don't lock you into technologies that will hinder future business development. Look for an open core system with integration points and digital portals, independent of the core system technology, that provides full scalability to expand and adjust channels to meet market demands.

2. A flexible set-up

A core system that meets customised business needs should be a key component of your business strategy. A locked proprietary system will not enable quick adjustments, and a single platform will not be able to meet all your business needs. At the same time, it is important to be able to onboard new partners and system interfaces while also providing one seamless, solid customer experience. Look for a core system that provides several readily available integrations to industry-leading and standardised service providers. This enables quicker, easier deployment and maximum agility.

3. Cost efficiency

As insurers look for ways to expand existing solutions, they are, of course, looking to keep TCO low. Operational efficiency can drive costs down, but it can also keep service levels competitive. An open, flexible core system can help shape workflow to meet business needs for claims handlers, policy handlers and sales people. This provides smoother service to your call-in customers and increases overall

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Market perspective

productivity. Readily available integrations to market-leading data providers and service partners also helps save costs.

Industry experts from Gartner to Celent believe that ecosystems are the key to future competitiveness. Although they may seem like a huge investment in technology, they don't have to be. To build a flexible, future-proof digital insurance ecosystem, an open, agile core system together with a range of smart, strategic partnerships are required. Aligning your ecosystem wishes with a clear business strategy is the perfect place to start.