

Rethink, Retool & Reimagine.

Critical Strategies for Transforming Traditional Insurers into the Digital Insurer of Tomorrow

Rakesh Parikh
Vice President, Product Engineering
OneShield Software

In recent conversations with Karen Furtado, a partner with the advisory firm Strategy Meets Action.

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Creating an engaging customer experience (CX) in the digital marketplace is increasingly a top priority for insurers. With insurance frequently seen as a commodity by consumers, the capability to connect with customers in the digital world is now key to future growth. From technology and organizational culture standpoints, how then do you evolve into a successful digital insurer?

In the “analog” days before the Internet and social media became important sales channels, the distribution process of offering, selling, advising on and preparing contracts was largely low-tech — typically, involving an agent or broker selling a range of pre-packaged and well-defined products directly to customers.

Today, insurance distribution is rapidly going digital and to remain competitive, insurers must embrace technology designed for direct-to-consumer in addition to providing the tools to allow the agents to perform better - as they are not going away, at least in the near future. Even product offerings themselves are changing from the traditional one-size-fits-all policies to individually customized products mixing business lines, risks, and customer usage preference and frequency.

Evolving to meet the needs of a digital insurance marketplace, involves much more than applying a new user interface on a customer web portal or ramping up a social media campaign. The changes needed to transform an insurer’s CX may not only require a new way of thinking about technology platforms, but also a new way of thinking as an organization.

Are You Ready to Become a Digital Insurer?

Evolving from a traditional insurance distribution world to a digital distribution world requires insurers to understand how their business operates today and the underlying technology required to support it. Because becoming a digital insurer does not just involve reviewing the technology that delivers your CX, but also involves questioning the overall efficiency of your internal operations.

Digital transformation requires a leadership team that takes a new look at how its value proposition(s) and business model affects all levels of customer and stakeholder engagement. Essentially, you need to apply a “digital lens” to all aspects of your organization’s processes and identify the most efficient and effective delivery mechanisms for transforming from a traditional insurer to a digital insurer and making sure you can take measured and incremental steps in your transformation.

A good first step toward achieving a digital transformation is some changes in thought processes — particularly around how an organization structures its products and delivers them through digital mediums, such as the Internet, chat bots, social media, etc.

In recent conversations with Karen Furtado, a partner with the advisory firm Strategy Meets Action, she suggested that insurers need to start thinking about growth strategies with three words in mind — rethink, retool and reimagine. “To create a digital experience,” she explained, “you can’t simply place the digital world on top of a very traditional process. Digital is more than that. It does require you to rethink a process to truly optimize it. It’s not just the displacement of who does the process.”

Furthermore, you may need to completely displace existing processes, and how business is currently being conducted:

- Insurers may have to go back to fundamentals and rethink their overall business strategy, the markets they serve and how they want to serve them.
- There will be a critical need to adopt new tools and technologies — and at times retooling existing systems.
- Most certainly, insurers will need to reimagine who are their customers and how they interact with technology; you can no longer just push a technology out the door and wait for customers to figure out how they will interact with you.

Simplified Choices, On Demand Insurance... Delivering on the promise of Digital

Serving the needs of your customers has never been more challenging and more of an opportunity for insurers. The one size fits all paradigm no longer applies to today’s insurance consumer. Insurance buyers today have high expectations. The need for speed, diversity, tailorable and flexible products sees the industry evolving from product-centric to that of customer-centricity. Whether direct to the consumer or in the hands of an agent, the game changer in today’s market is the ability to provide customers with choice – what they want, when they want it.

What once may have seemed impossible can now be accomplished with our Package Designer. This powerful tool provides the end user the ability to dynamically create product packages based on customer preferences. Package Designer provides your end user with recommended coverage options in simplified terms and give them the power to make selections to meet their needs. In real-time, customers can see the options available, select various coverages {to be packaged together} and then toggle between those choices immediately seeing the pricing impact.

It’s that easy to retain customers by giving them options and the ability to choose in real-time.

Technology's Impact on Organizational Culture

In OneShield's experience, we often see issues arise in the journey to modernize platforms when leaders and their organizations fail to think about the potential need to evolve their culture and reorganize processes around the new technology.

For some, this client-focused approach may call for a serious organizational departure. This is often the biggest obstacle traditional insurance companies struggle with. Some want to enter this new digital age with existing thought processes and workflows. So, they start building on what they already have and try to extend it to the digital realm.

A full review of the cultural impact of introducing digital distribution is key and critical. For example, while becoming a digital insurer may not involve disrupting your traditional distribution methods, such as agents, your view of an "agent" may have to change in the digital marketplace.

With the emergence of artificial intelligence technologies and even chat bots, co-existing with your human agents may introduce the concept of a "digital agent." All the specific services you provide to a traditional agent must also now be accessible to any digital agent accessing your technology platform and suite of products.

Why is Distribution Different in Digital Markets?

In addition to rethinking, retooling and reimagining your internal processes and cultural assumptions in a digital market, you must also rethink, retool and reimagine your technology's role and architecture.

The principal challenge with legacy systems of the past (many of which are still in use by insurers today) is that they are largely inflexible, require complex paths to upgrade and are not easily customized on-the-fly.

OneShield has taken a different path in developing enterprise-class applications for insurers. We've created a highly extensible and flexible transaction automation platform that gives insurers self-sufficiency to run and configure their system as the business environment changes. At the heart of the platform is a scalable metadata driven transaction layer that separates critical data from software functions. That layer is built around a powerful workflow engine with customizable workflows, rules and execution capabilities. Most important, OneShield's platform is easily accessed through Application Programming Interfaces (APIs) — enabling almost any third-party application to exchange data and trigger functionality.

This type of open-ended, interoperable technology is exactly what's needed to succeed in a digital insurance marketplace. The ability to independently deploy services with discrete and narrow functionality to complete a transaction or to perform as single task is paramount.

Leveraging micro-services in enterprise platforms will have a very direct impact on the ability of organization's to quickly launch new products, customize offerings for customers and remain an agile business. Micro-services, however, need a technology architecture or platform such as OneShield's that is receptive to their plug-and-play attributes.

Are One-Size-Fits-All Policies at An End?

For digital insurers, each customer will eventually be truly unique in their insurance needs, demands and product requirements. From Millennials to Gen Ys to Baby Boomers, digital insurers will need to take different approaches to marketing to each of them.

Look for technology platforms that offer that flexibility to engage with each customer differently. In a highly segmented market, you will need tools, such as micro-services, that give you the flexibility to deal with many different constituents in a different way.

Micro-Services Examples

In the digital marketplace and the technologies that drive it, micro-services are like building blocks for applications; whether a simple user interfaces in a web portal, internal workflows, or even a broader policy administration system.

What's valuable about micro-services is they are adaptable to different end-purposes. They can be reused in different ways, depending on the task at hand. For example, data lookups can involve different approaches depending on the type of transaction, such as a commercial truck fleet or a personal auto policy. Or, a micro-service could be dedicated to rating multi-vehicle or multi-location policies. Regardless, the same type of micro-service can be reused in any type of transaction so long as it can access the technology platform.

Companies like Amazon and Netflix are already using micro-services to quickly adapt to changing market opportunities. For Amazon, micro-services allow their systems to cope with large events, such as Black Friday sales. For Netflix, micro-services are used in the cataloging area of their platform, allowing them to add new categories or listings without requiring a major upgrade of the technology each time.

In many ways, the growing use of micro-services allows for continuous upgradability — something that will prove valuable for digital insurers targeting new opportunities and customers.

SOAs vs. Micro-Services?

Understandably there is confusion in the market in that micro-services sound a lot like service-oriented architecture (SOA) technology. SOAs are a popular approach to software design application components, through a communication protocol over a network, link up with specific functional capabilities. Like micro-services, SOAs are independent of vendors and specific products.

At some level, there is no difference. Micro-services, however, are really the next generation of SOAs. SOA largely focused on functional capabilities whereas micro-services, in addition to having functional capabilities, also focus on delivery and deployment of services. Delivering data to an agent portal, for example. In the end, a micro-service is far more adaptable to technology platforms than an SOA and are better designed to meet the needs of our direct-to-consumer world.

Does Your Technology Platform Support Micro-Services?

This is an important question to ask as you consider your core technology platform's capabilities. Core system vendors will need to support both consuming, as well as providing, micro-services to enrich the functionality in their platform.

Depending on the flexibility a system offers an insurer, they will need other technologies — perhaps systems that just focus on one piece of the puzzle and combine these technologies with the core system to provide a suite of micro-services to different digital channels.

The fact is, the speed of development and speed of deployment these days is radically different from even 10 years ago. In a digital world, speed and the capability to transform your business and offerings will be critical to success. These “digitally native” core insurance systems will power your business for the foreseeable future.

Recommended Approaches for Potential Digital Insurers

Understanding how dependent your organization is on your existing core technology systems and how does that impact or influence your current and future plans is important to gaging how flexible your technology is to meet all your business needs. Knowing your advantages and your limitations will help you make informed decisions and not just replace technology with new technology that may not meet your objectives.

Once you understand your current system landscape, look for opportunities to manage technology gaps through creative and possible temporary solutions. Perhaps creating a “façade” services transaction layer in your system to help bridge any upcoming transition period may help address immediate needs.

Finally, if you choose to go-to-market for newer technologies, look for core systems that not only has insurance functionality, but also have an architecture that separates the business and technology layers. Most of these modern systems also have components that can be deployed independently — allowing insurers to operate easily in this multi-channel, micro-services-based digital world.

To be certain, many insurers are about to go through a significant number of unknowns as they shift their existing technologies to be more digitally enabled and this could be a good short-term stop gap. But to compete in the future, insurers’ core systems must be digitally native. As insurers adopt more digitally native approaches to technology and operations, they can also start to go down the path of rethinking, retooling and reimagining their organizations for greater future success. That said, while these newer technologies can help transform your businesses, they don't transform your business alone — ultimately, you do.

In summary, all of us will become digital businesses in the future. What will separate the best from the rest of the pack is the ability to leverage powerful technologies and to reshape business culture to meet not only the broader market’s needs but also those of the individual consumer.

To learn more about OneShield and to book a demo, connect with us at info@oneshield.com or call us 1 888 663 2565.

OneShield Software Global Locations

OneShield Corporate Office

62 Forest Street
Marlborough, MA 01752-3028
United States

Toll Free: 888 663 2565

Direct: 774 348 1000

Fax: 774 348 1001

Info@OneShield.com

OneShield India Pvt. Ltd

Unit 401, 402, 4th Floor, Tower A
Unitech Cyber Park Sector 39
Gurgaon, Haryana Pin 122002
India

+091 124 4856100

hrindia@OneShield.com

OneShield Australia

Level 2644 Market Street
Sydney NSW 2000
Australia

+61 2 9089 8708

infoau@OneShield.com

OneShield Canada

888 663 2565
infoca@OneShield.com

