VIRTUAL

TIN tech

Pre-event report on the key challenges in UK Insurance

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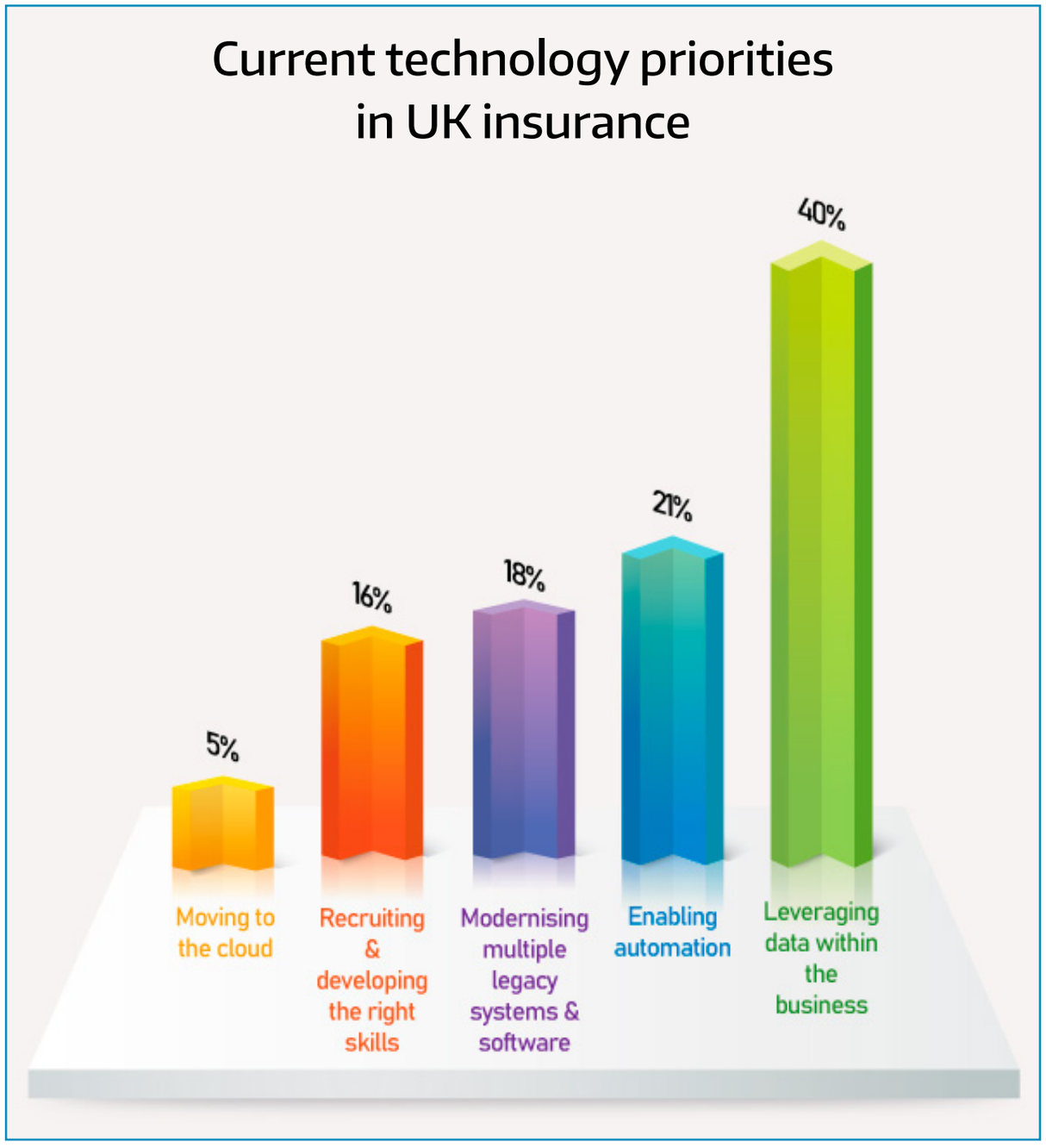
Introduction

In March and April 2021, and in advance of Virtual TINtech 2021 on June 22nd, The Insurance Network and EY conducted a survey with previous TINtech attendees and the wider TIN network in order to establish the major drivers that are setting technology strategy across the market, and identify current key challenges in digital transformation in the UK General Insurance and large complex risk markets.

This report aims to summarise the findings of the survey, but also offers some brief comment and analysis, and suggests some issues that warrant further discussion at the event in June.

Current technology priorities

To start the survey, we asked respondents to choose from a number of technology priorities in 2021, and to rank their answers in terms of importance.



As you can see from the results, both 'Leveraging data within the business' and 'Enabling automation' outperformed 'Modernising multiple legacy systems and software'. This is indicative of a shift in focus away from trying to improve / update existing (and outdated) core systems towards leveraging new technologies like automation, which rely very heavily on the availability of accurate data in readily accessible and "leveragable" formats:

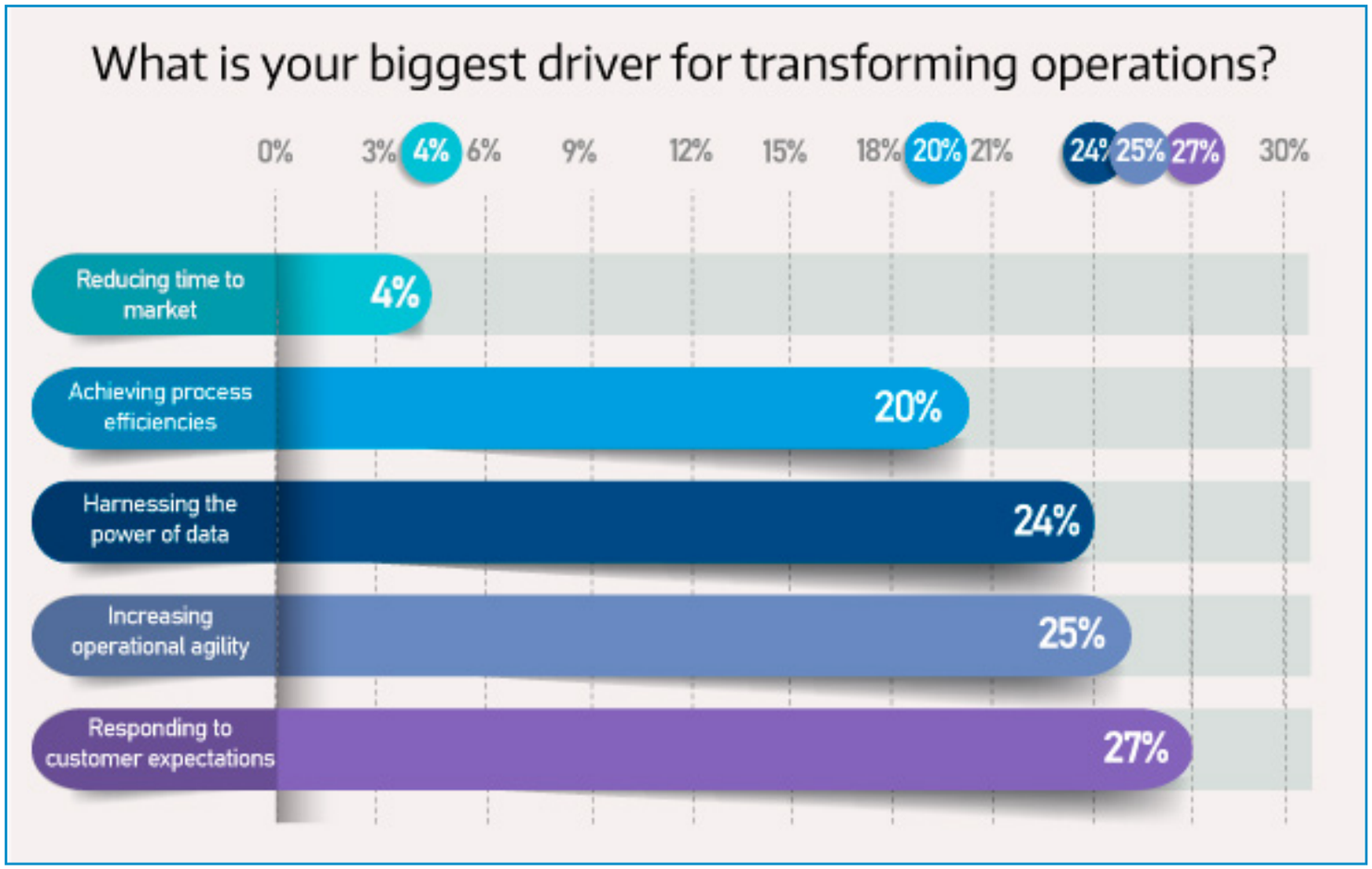
Automation allows for reduced errors, faster processing, meet SLA's, save time and money - therefore this must be a priority. Second on the list is leveraging data as this works on the flip side, allows for the business to strategically outcompete others in the industry and go above and beyond client expectations.

A lot of companies are in the process of migrating from outdated systems and architectures to new, agile cloud based / SaaS infrastructures. Many are adopting a '2-speed' approach, with existing lines of business predominately on the old systems and new products or lines of business being launched on new data-driven systems that do employ automation and analytical tools than can derive actionable insights from the data.

The drivers for transforming operations

The second question in the survey asked respondents to choose their biggest driver for transforming operations. Whilst the answers were evenly spread across 4 of the 5 answers, it is notable that achieving process efficiency has slid down the list of priorities for respondents, with 'responding to changing customer expectations', 'increasing operational agility' and 'harnessing the power of data' all scoring more highly as drivers for change.

This reflects a shift that has been gathering pace across the sector for a few years, but one that has very much been accelerated by the pandemic: the shift from product-centricity to customer-centricity. This shift has driven by the need to deliver an insurance service across all channels, but especially digital, that matches expectations set increasingly high by consumers experiences in other sectors: the much discussed "Amazon Effect" (although many would say that it's the online banking experience that is most commonly compared to the online insurance experience by the consumer. Sadly very rarely would that comparison be positive).



We are a company with a multitude of legacy systems and trying to migrate to new systems but also keep our new business environments up to date for customers - who want to quote, buy and service through an omnichannel world!!!

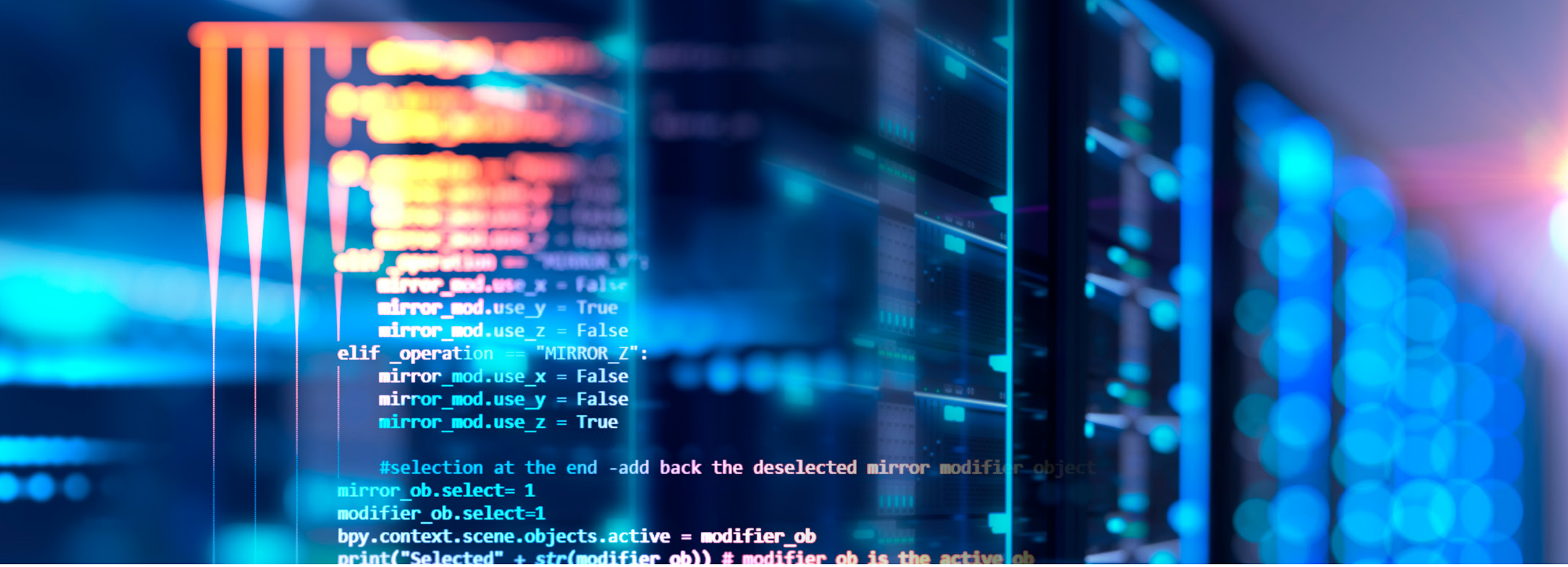
We need more agility to offer products that fit customers' needs, and to service them in a way that meets customer expectations.

And its not just the insurers...

Independent brokers win business by meeting or exceeding customer expectations. In order to stay ahead of the big multinational brokers we need to continue to exceed expectations and to do that we need to become more efficient everywhere which means transforming our processes and systems.

The interconnectedness of operational agility, customer centricity and leveraging the power of data is highlighted in the 2021 Global Insurance Outlook published by EY in March, which explores how both the strategic and tactical priorities are intrinsically connected:

"Purpose-driven strategies cannot be separated from enhanced customer experiences and digital transformation initiatives, nor investment plans from cost optimization efforts. Insurers must establish a lean, flexible cost base that boosts margins and ratios in the near term and sets the stage for scalable innovation and sustainable growth. To put this concept into management terms: adjusting one lever may move all the others."(2021 Global Insurance Outlook, EY)



In this context, the drivers of 'increasing operational agility' and 'harnessing the power of data' may well in fact be part of the same shift in priorities. Delivering the fabled "seamless omni-channel digital customer experience" requires far more operational agility than the old product focused call centre dependent approach where process was king. As discussed above, without reliable data that can be made readily available and accessible at the time of need in order to service the customer, and that can be 'mined' for actionable insights, that seamless digital experience is impossible to deliver, as we all know from personal experience!

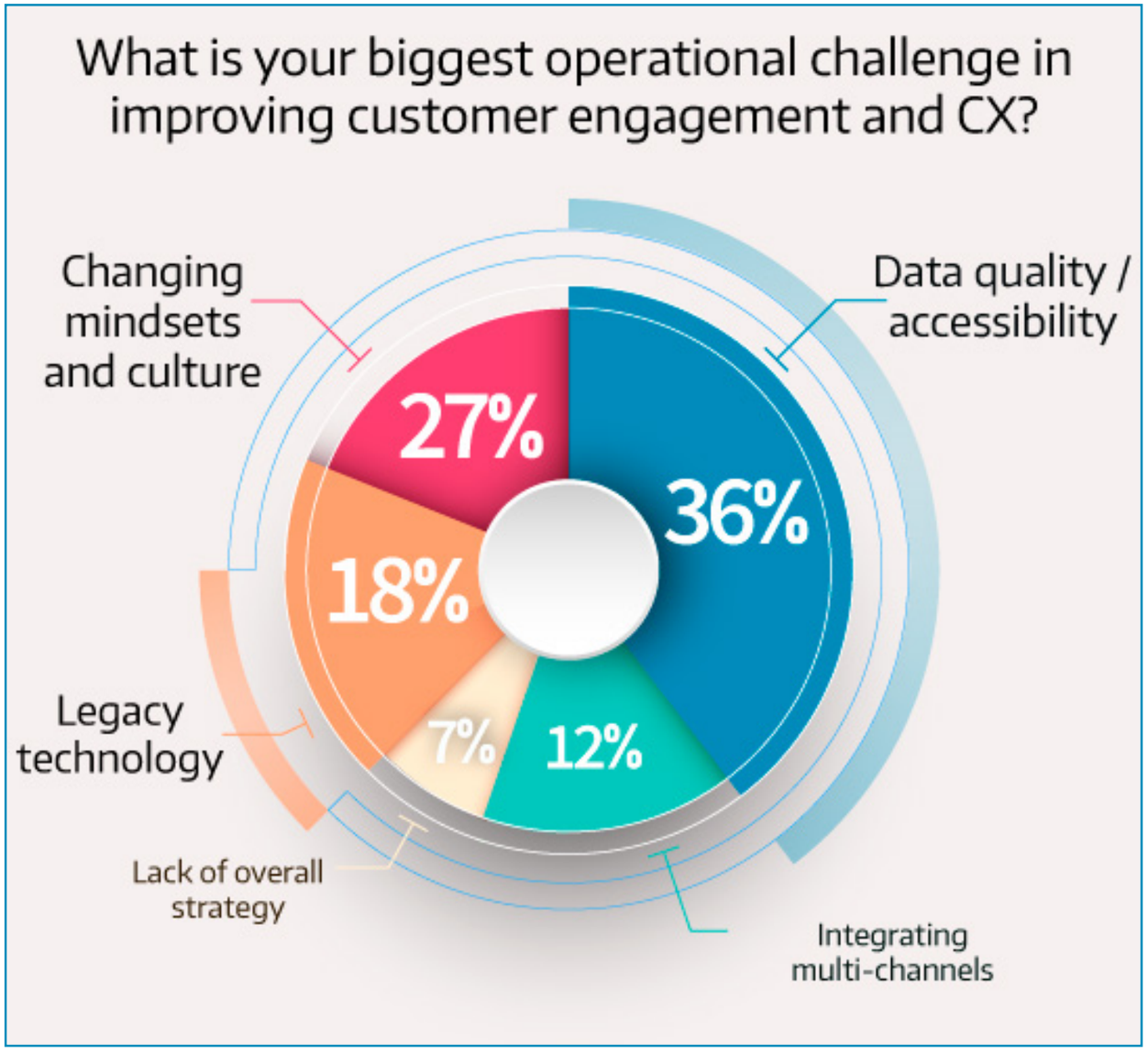
Agility is no. 1. We need to have this in order to respond to changing customer expectations, as well as changing internal needs, sudden business opportunities both new and with existing partners. Legacy systems and culture has meant we can be slow to react and bring new products or adaptations to fruition. With legacy systems generally lacking open APIs we are unable to make use of new technology out there, including the ability to enrich data from third parties (leading to slicker customer journeys), to dig deeper into how the public are interacting with our website or transactional pages and finding those sticking points, to personalise interactions effectively with customers and offer the channels they wish to use.

The major operational challenge in improving customer engagement and the customer experience

Exploring the shift from product- to customer-centricity further, the third question in the survey asked respondents to choose their biggest operational challenge in improving customer engagement and the customer experience:

The fact that only 7% of respondents chose 'lack of overall strategy' suggests that most players in the market have seen the need to improve the customer experience and are taking steps to to do so, which is reassuring at least.

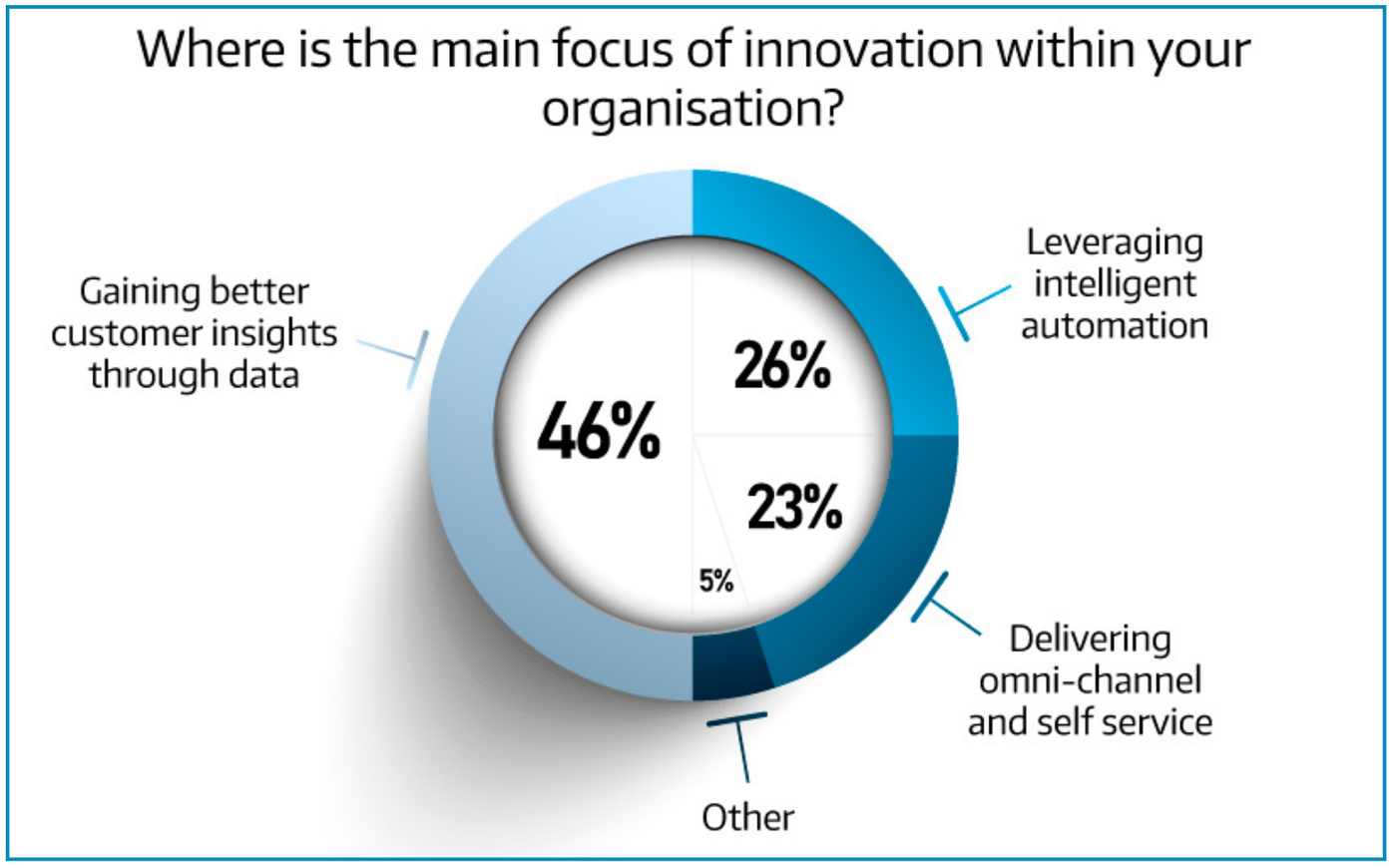
Once again data is the major challenge here, reflecting the drag on improving CX created by the inaccurate and badly organised data that many players in the market are still struggling with. Perhaps more informative is what has happened in the battle for second place here: changing mindsets and culture is perceived to be a bigger challenge than legacy technology: legacy thinking is now holding the sector back more than legacy technology.



In ‘The New Normal’ the strategic direction has changed, and the focus has shifted from products and process to the customer, the data we have about them, and how we can use that data to better serve them – but the ways of thinking and the attitudes of the people translating those changes in approach into operational action are still shaped by The Old Normal – and that needs to change.

Critically, it is not a change that can be achieved soley through investment or technology: it will be about leadership and change management skills, and it will be about convincing our people that the digital technologies that can enable a 21st century customer experience will do so by enabling them to do their jobs better, and will in fact enable them to do better jobs better – and not take those jobs away.

The final question in the survey focussed on innovation, and if we needed another result to underscore the importance of data we got one:



Nearly half of respondents chose gaining better customer insights through data. What's more, both 'leveraging intelligent automation' and 'delivering omni-channel and self-service' are very difficult if you are working with unreliable data in multiple systems across different departments.

Developing a successful data strategy that delivers better customer insights and enables improvements in the digital customer experience starts with data quality and ensuring that there is a high level of data literacy running across the organization. In Peter Jackson's article, "Understanding the insurance data value chain" (Feb 2021), he argues that employees must understand the data value chain and their role in it, or else data quality, consistency and opportunities will be lost.

> *"At its simplest, data literacy is getting people to understand that data has value—that what they're doing with data is one link in a bigger value chain. There are different types of data, with different branches of value that are important to be aware of."* (Jackson, 2021)

Critically Jackson considers data governance as the key component to leverage the strategic value of data within insurance:

> *"I consider this to be the solution for ensuring that you are on the right path to data literacy and eventually data maturity: by wrapping data governance around the value chain, you have a methodology for understanding what you can and can't do with data, and for making sure you can trust—and understand—your data from end to end. It takes some strategic vision, but by understanding its full data value chain, an insurance company will be well on the path to data literacy. These days, that's fundamental."* (Jackson, 2021)

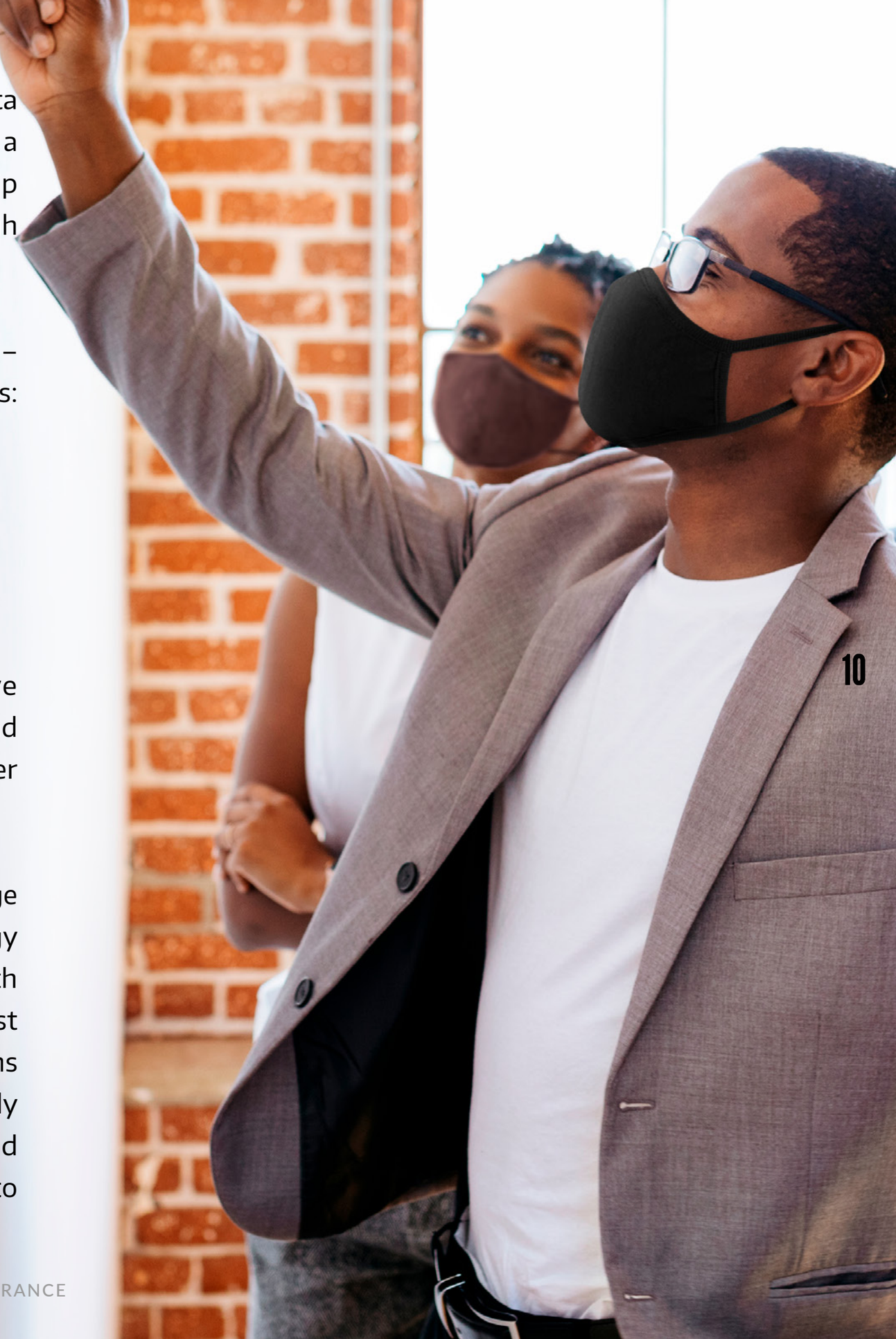
Given insurers legacy technology architecture, disparate data sets and the siloed nature of many of their businesses, this will be a challenging undertaking for many. It will need strategic leadership to prioritise activities, and new skill and capabilities to drive through this new way of thinking about data.

It then becomes a question of deriving insights from the data – and not just about the customer but also about your own processes:

Understanding the data will help identify the areas that need addressing in process and operational agility. No point optimising an operation only to find you are missing some critical data elements...

To achieve profitable growth and sustainable competitive advantage, insurers are rethinking their insurance propositions and developing operating models that will deliver them in a customer centric and efficient way.

From our survey, and wider industry reports, there is a clear change in the mindset of boards and leadership teams. From a technology perspective this is incredibly exciting as digital innovations are both driving and enabling the changes highlighted...and we are only just embarking on this transformation journey. Successful organisations will need to overcome the data challenges, and not just the gnarly issues of data quality and governance, but also the cultural and capability paradigm shifts that our people need to make in order to deliver the new data and customer centric vision.



The agenda of Virtual TINtech on June 22nd will reflect this change in focus. The keynote session will explore 'enabling tomorrow's insurer' and look at how technology can enable future insurance business and operating models, and some of the people and process challenges that need to be overcome on the way. Subsequent sessions will unpick how customer expectations are changing, the challenge of keeping pace and the role that technologies like automation have to play. And in the light of this report, we have included a session on leveraging structured and unstructured data to improve organisational performance.

As we emerge from Lockdown it seems the customer might finally have been crowned as king, and that the new battleground for competitive advantage in insurance is meeting customer expectations. For market leaders this is now the biggest driver for digital transformation, and the golden thread running through all strategic thinking.

We will leave it to one of the survey respondents to have the last word:
...post pandemic we need to move from an ROI to a ROX - return on experience! it's about the customer - it always has been.

References

2021 Global Insurance Outlook, EY.
www.ey.com/en_uk/insurance/2021-global-insurance-outlook-accelerating-change-to-create-value

Peter Jackson, "Understanding the insurance data value chain" *2021*
www.dig-in.com/news/understanding-the-insurance-data-value-chain

Additional reading

For EY's latest insight on technology transformation for insurers, including:

- How insurers can transform by adopting public cloud
- EY Nexus - a cloud-native platform offering access to the most advanced technologies in insurance
- How insurers must change to thrive in the next normal

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