



THE INSURANCE RENAISSANCE

By Tammy McInturff Appel

It is a time of significant disruption and opportunity in the insurance industry. Is your company ready for the changes ahead?

Insurers must look to reinvent the business model to operate and succeed in a new business paradigm. At the recent LOMA Tech Conference, Denise Garth, Senior Vice President of Strategic Marketing, Industry Relations and Innovation, Majesco, discussed how insurers need to keep their current business viable and growing to fund the future with a platform of integrated solutions that provides a foundation for reinventing the future, laying the groundwork for a renaissance of insurance.

NEW PRESSURES

The insurance marketplace is changing rapidly with new pressures on insurers driven by new expectations, innovations and competition. Insurers have to find a way to deal with changing market demographics, changing risk profiles and shifting customer expectations. “Today we are no longer compared to our competitors, we are compared to anyone that consumers are regularly doing business with,” Garth said. “There is a whole different perception out there in the industry.”

MAJOR MARKET SHIFT

According to Majesco’s research, today’s Insurance Renaissance is being driven by the convergence of three key areas—people, technology and market boundaries. “New consumer expectations, emerging technology and innovation as well as new competition are disrupting and redefining the insurance industry,” Garth said. “These interconnected forces are combining to create disruption in the industry like we have never seen before. Insurers can no longer afford to take a wait and see approach to change or to rely on minor process and product adjustments to remain competitive.”

“These three forces are really creating a seismic shift,” Garth said. Majesco’s research looks at five generations—the Silent generation, Baby Boomers, Generation X, Millennials and Generation Z and the shifts from the Industrial Age to the Information Age and now to the Digital Age. “During the Industrial Age, innovations like railways, the telephone and the automobile transformed the economy,” Garth said. “In the Information Age, we saw the personal computer, the Internet and Service Oriented Architecture as gamechangers. Today in the Digital Age things like mobile, the cloud,

social media, the Internet of Things, autonomous vehicles, wearables, AI (artificial intelligence), drones and block chain technologies are changing how companies do business. Technology is now the foundation of our business.”

“Today industries are merging and creating new opportunities. It is all about innovation. It is not doing what we have always done; it is taking in context all that is changing around the world and rethinking and reinventing insurance. It is truly a renaissance of insurance.”

CHANGING CONSUMER NEEDS

As the makeup of the insurance market continues to shift, insurers will be hard pressed to retain customers by simply doing things as they have always done. The needs of our customers, in particular the newer generations of buyers, are changing which is presenting the industry with new challenges and new opportunities. “Insurers need to rethink their strategies, products, channels, and processes to reach new consumers,” Garth said. “Customers today are creating new expectations of how to interact. They are also creating new risk profiles. Customers want simplicity, transparency, speed, value and they expect online and mobile access.”

It is less common today for employees to stay at one company for the majority of their career. As employees increasingly move around from job to job over their career they want to have portability of their insurance policy. “Going forward, maybe the best place to capture new customers might be in that employer environment or in a new environment where they are working on a consulting basis or a contract basis,” Garth said. “They may initially have group coverage but they are going to want to have portability of that policy into an individual plan. What kind of products are you going to be able to provide to them to capture them first as a client, and then to be able to grow with them as a long term customer? Thinking as we have in the past that consumers will buy life insurance when they get married or buy a house may not be the first place that they necessarily want to buy insurance and wherever they do first buy insurance may be where they end up staying.”

“Up until now, consumers have interacted less with insurers than with any other industry,” Garth said. “Research by BCG Global shows that consumers think that the digital experiences offered by insurance are among the worst. To back that up further in our research at Majesco, when we asked consumers to rate their research, buying and service experience among a number of industries including online retailers, mobile phone providers, banks, streaming TV companies and cable TV providers, insurers ranked consistently at the bottom. The bottom line perspective is that insurance is not easy to do business with.”

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The reality is consumers are already doing things that impact risk and needs. “Our research looked at the use of fitness trackers like Fitbit and Garmin, among Gen Z, Millennials, Gen X, Baby Boomers and the Silent Generation and the use of ride sharing services like Uber or Lyft,” Garth said. “We looked at which generations are using ApplePay, SamsungPay or something similar. We also looked at which generations are purchasing auto, home or life insurance from a website. We found that there is substantial use of some of these technologies especially among the Gen Z and Millennial generations but what was really interesting was to see how Generation X is really the “swing” group. In our research we found that everybody is expecting the Millennials to have radically different buying preferences and everyone is trying to figure out how they are going to provide a product to capture the Millennials because they are the next buyer group. I am here to tell you that Generation X swings with those Millennials and Gen Zs. To put it in context, Millennials and Gen Zs are the children and grandchildren of many Gen Xers. Gen Zs were born digital; Millennials were raised digital. The Gen Xs have more rapidly adapted and accepted digital in their lives. This highlights the growing gap between traditional insurance over the last decades to insurance today and looking forward.”

“As an industry our business models and, as a result, our products, processes and technology have been built the last 30 years or more around the needs and expectations of the Silent Generation and the Baby Boomers,” Garth added. “The generational gap reflects an insurance industry steeped in tradition, where business models, business processes, channels and products are becoming rapidly irrelevant for the younger generations. The result is everything that we have held dear regarding the way insurance operates is increasingly irrelevant, opening the door to fresh, culture-savvy competition.”

INSURTECH

“InsurTech is the new competition and is redefining the business of insurance. They are throwing nearly every assumption that we have built our businesses, our systems and our products on out the window. There is a lot happening today around InsurTech,” Garth said. “In the last year it has actually increased to 4.5 to 5 billion dollars that are being invested into the InsurTech marketplace. S&P just came out with a report late last year that basically said InsurTech is real and it will have

a profound impact on insurance. Traditional insurers need to recognize that InsurTech is not a new fad but a collaborative movement that is just getting started. You have to figure out how you are going to interact, react and proactively work with it. There are somewhere between 400 and 500 entities that we are tracking right now and they range from true technology startups, to MGAs or brokers, to those that are truly innovative insurance company startups.”

“With significant capital investment, InsurTech is fueling massive innovation in products, services and business models. Of course they still have to meet regulations but there are some really innovative regulatory commissioners in the U.S. that are aggressively and very actively involved in InsurTech and meeting regularly with some of these insurance startups to help guide them through the regulatory process so that they are really very adept at it when they do launch the product.”

SOLD OR BOUGHT?

The other interesting aspect is that for life insurance in particular it traditionally has to be sold because it is so complex and difficult to buy. “Based on our research, most of our customers use at least two sources of information to research and more than two methods or channels to buy and to renew insurance whether it is auto, home or life insurance,” Garth said. “For life insurance, 60 percent use two methods and channels and about 70 percent use two or more sources of information. Those sources of information could be friends and family or it could be online compare sites or websites. There are a lot of different places that they are doing their research but they are going to research before they actually go and buy and they may still use an agent in that process or they may not.”

There is business value when the whole customer experience and journey is easy. “When all three aspects—the research, buying and service aspects are identified as easy the Net Promoter Scores (NPS) are positively influenced and if they are not easy then the NPS are negatively influenced with a swing of up to 76 points,” Garth said. “Net Promoter Scores have long been held as the gold standard for us as an industry. We want very strong NPS. As compared to other industries who actually may become your competitors and offer insurance, our Net Promoter Scores are not good. In fact, in comparison to other industries life insurance is 25 to 60 points behind other industries like banks or Amazon.”

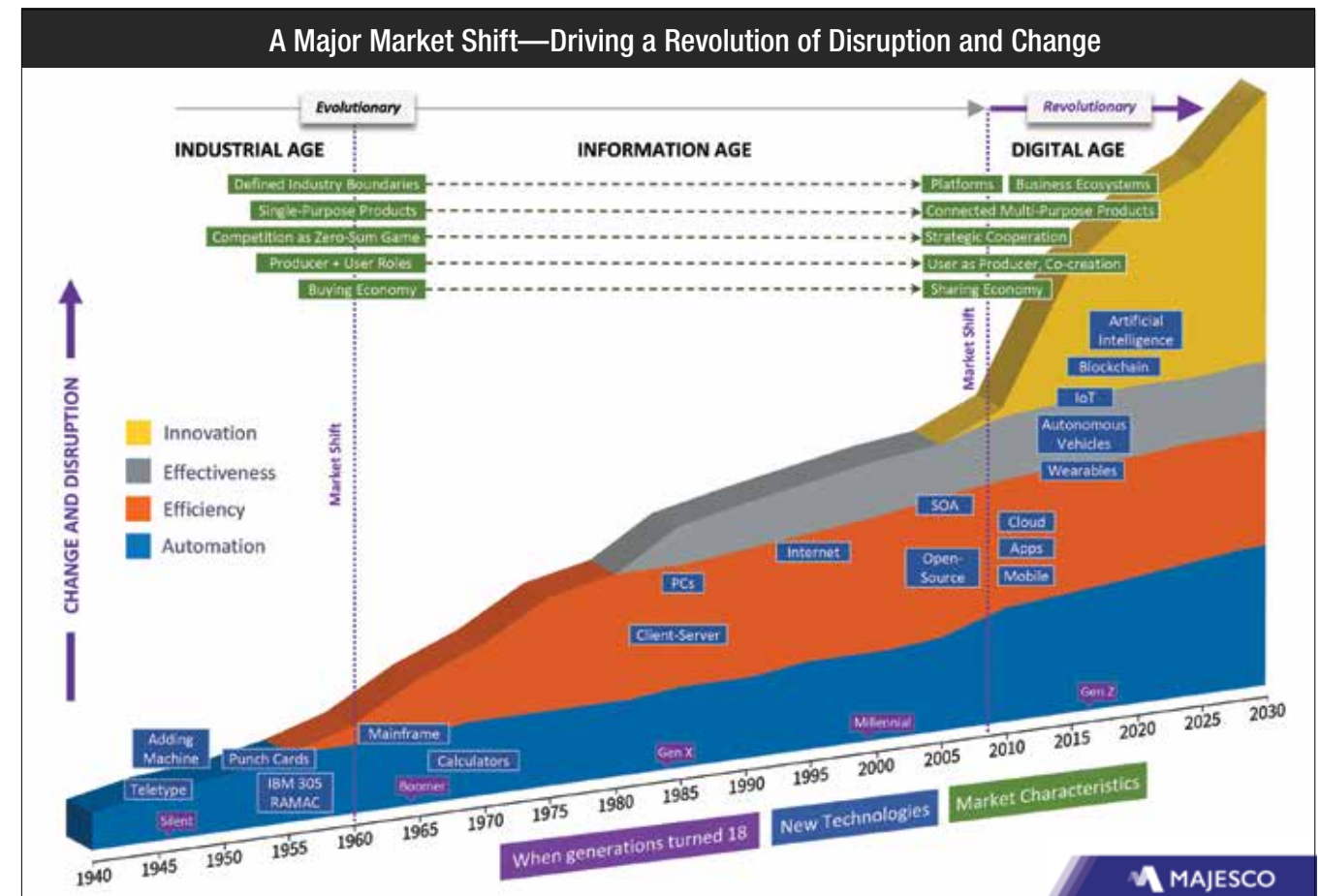
EMERGING TECHNOLOGY

As we move forward in this era of profound technology change, new competitors will leverage emerging technologies to innovate their products, services and customer engagement. “Advances in technology are disrupting our business like never before,” Garth said. “Some of the most impactful emerging technology for the insurance industry are The Internet of Things (IOT), wearables, autonomous vehicles, smart buildings, ingestibles, blockchain, mobile applications, and data.”

Garth discussed some of the marketplace drivers that are poised to transform the insurance industry. She also discussed the insurer pain points that are making it difficult for many companies to fully embrace change. “One marketplace driver is the explosion of new data,” Garth said. “Data available from homes, cars, businesses, and consumers provides an opportunity to transform the insurance industry. However, many insurers do not have the resources to take advantage of all of this new data. Staff capability and management bias toward traditional business practices restrict insurers from leveraging new data opportunities.”

“Data-driven insights will enable the “elevation” of insurance,” she added. “New sources of data will contain unique insights regarding property-related risk as well as consumer behavior, attitudes and preferences—and insurance products and services of the future will utilize these insights extensively in design, pricing, risk understanding and customer engagement. However, insurers are constrained by technology. The inability to merge external data with internal loss and pricing data into a common repository and visualization layer restrict insurers from fully leveraging the many new sources of data available in the market.”

“The future market leaders in life, home, business, and other insurance will be those who are able to rapidly assemble large data sets and mine them for transformational insights,” Garth said. “The problem for many insurers today is that they lack the operational capability to leverage data partnerships. Supply chain restrictions, legal, compliance and data security concerns prevent many insurers from properly selecting and managing the many data partnerships required to be transformative.”



“Future market leaders who master that data will find that value is created at the intersection of customer experience, distribution management, claims and product innovation,” Garth said. “The integration of behavioral, loss and production data, will be required to fully understand the customer value drivers within the insurance ecosystem and to develop compelling insurance products, value added services and transformative customer experiences. Many insurers today are still constrained by legacy core insurance systems and lack digital front-ends for customers and channels. Traditional policy administration systems are not built to efficiently develop and test new products, expand to new markets, integrate with channel or customer facing tools or use non-traditional sources of data. In addition, those that have transformed their business and replaced legacy systems surrounded by digital and data solutions over the last decade or so, likely did not anticipate the needs of the rise of the new insurance customers by transforming their business models, channels, products, services and engagement to meet the new generation of buyers. The result is that the rise of new customer expectations does not necessarily align with these transformations.”

CHALLENGES AND OPPORTUNITIES

All of these things are creating new pain points for insurers. “We have traditionally said we have to replace our policy system or we need to do data and analytics or predictive analytics,” Garth said. “Now we need to think about it all in context as to how it is all going to work together in light

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of a new generation of buyers and competition. Not that you do it all at the same time, but think about what your vision is going to be. Think about your strategy for dealing with all of this from day one. You have to think about it in totality from a strategy and from a vision standpoint so that when we are making those decisions you are thinking about it in a context of where you want to be.”

“In response, we are seeing a number of insurers setting up a separate entity or new company with new systems that can target the next generation of buyers rather than on their current, modern or legacy systems that are primarily supporting the previous generation of buyers, the Silent Generation

and Baby Boomers,” Garth said. “This allows insurers to set up a different digital engagement, a different brand, different processes and different products to encourage and allow for much more innovation. We are seeing both large tier one insurers and also midmarket insurers aggressively going out and setting up a new brand or division beside their existing brand to go after Millennials and Gen Z. These insurers recognize that the needs and expectations of these generations are dramatically different and so insurers need to interact with them differently. Many of these insurers are investing in the cloud based platforms with new systems that support the pay as they grow approach, freeing capital to the business growth.”

MARKET BOUNDARIES

Nontraditional insurers are poised to take marketshare from traditional insurers. “New competitors and new channels are at the forefront of the InsurTech movement. Traditional insurers that have always relied on brand, product and price now must compete on innovative approaches,” Garth said. “Traditional market boundaries are dissolving. Both new and established companies are creating innovative models to disrupt insurance. New insurers like Haven Life, Lemonade, Friendsurance, Bought by Many, etc. are focusing on new segments, innovative products and digital technologies.”

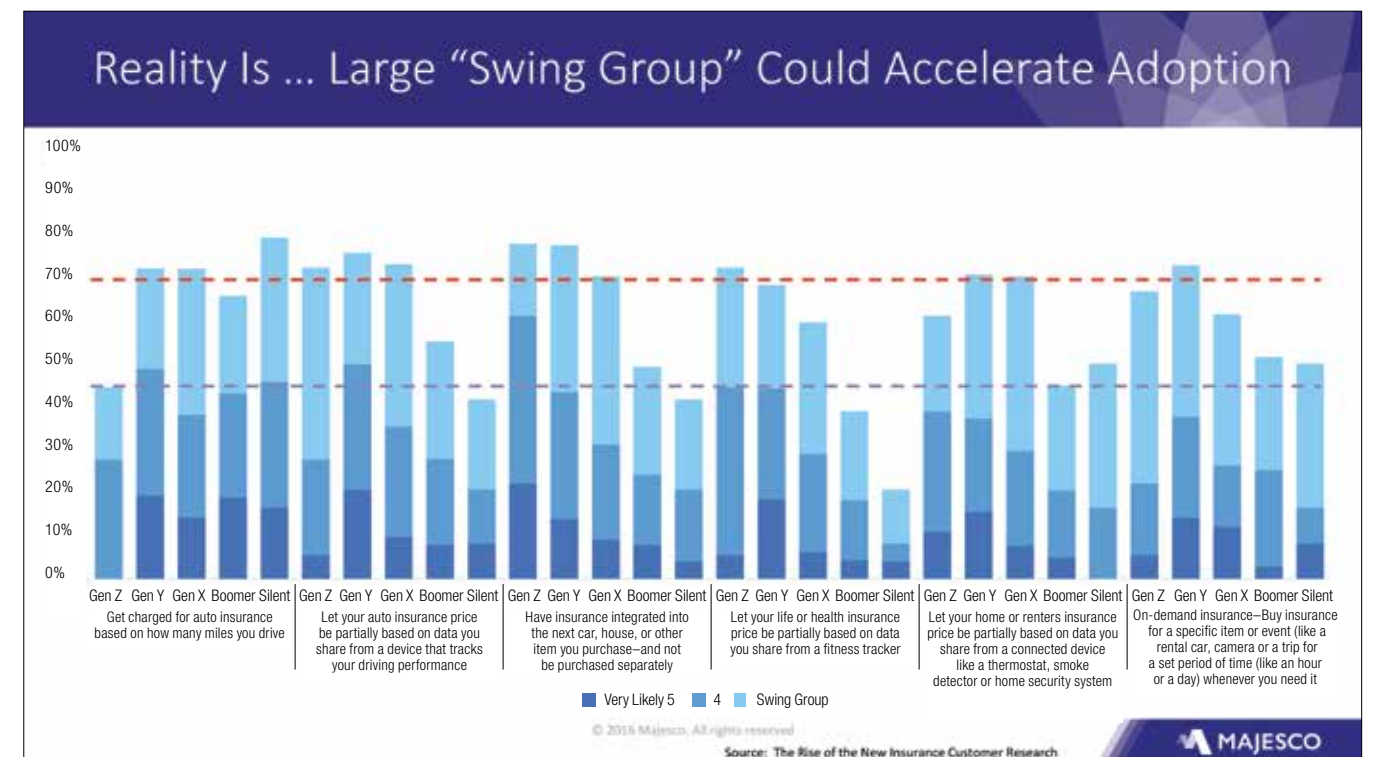
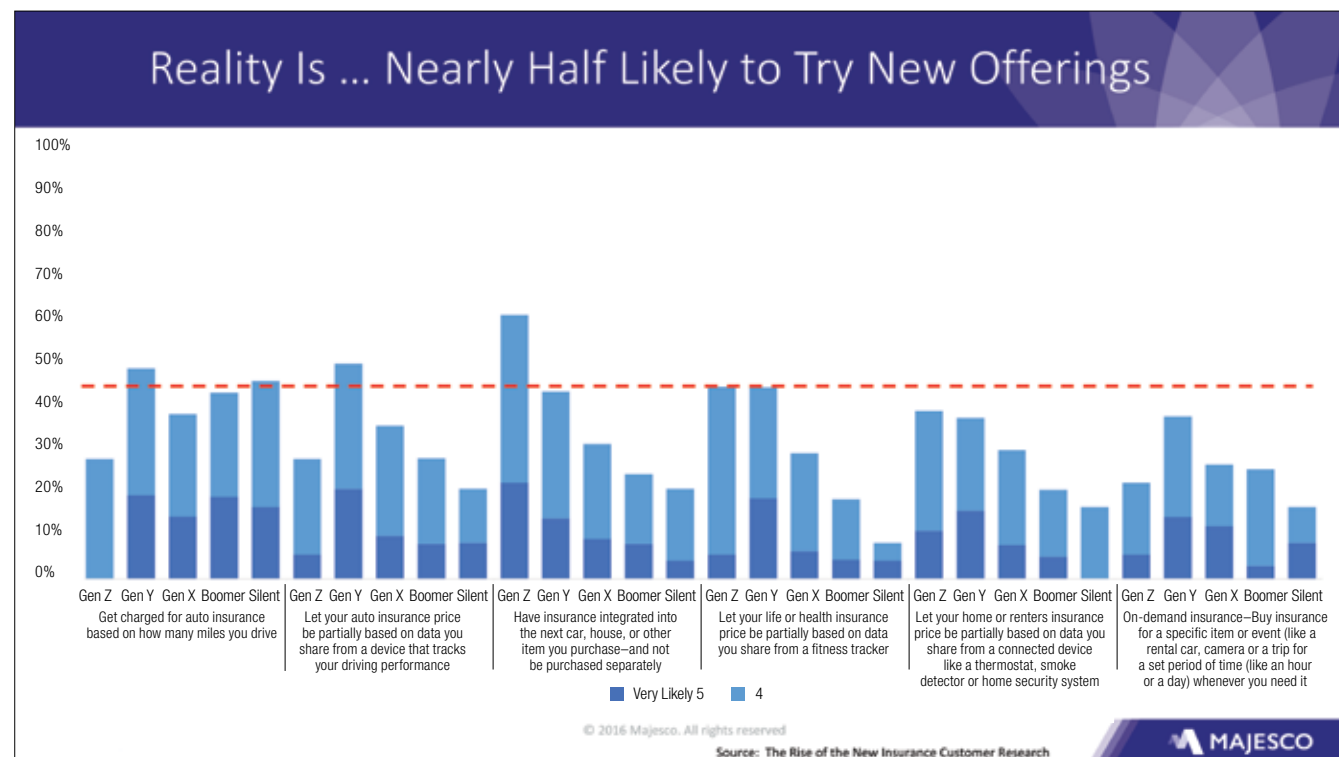
Today we are also seeing more aggregators and comparison sites to compare insurance. “Companies like BOLT, insureon, compare.com, CoverHound, gobear, Knip, Zenefits, Ask Kodiak and others are changing the business, particularly from a distribution perspective. On the pricing side we have

companies like Lemonade that are doing things differently from a pricing standpoint,” Garth said. “They are making assumptions. They are only taking 20 percent for their operational costs and they are building different pricing aspects into their products. We also see companies like Verisk that just launched their exchange for IOT for automotive. They are setting up partnerships with automotive companies where they will be the exchange for all of that IOT data that you will be able to leverage and use within there.”

Insurers need to figure out who their partners are going to be and what unique capabilities and strengths they are going to bring to the market in a different way. The playing field has changed. The market boundaries are no longer there.

“We did a survey asking if customers would consider buying their insurance as part of a bundle when they buy something else and pretty consistently Gen Z and the Millennials were interested in having that integrated into another purchase,” Garth said.

“Millennials and Gen Z are much more likely to try new offerings. We found that around half of the Gen Z and Millennials we surveyed were willing to let their life or health insurance price be partially based on data shared from their fitness tracker,” Garth said. “Almost half of the Gen Z and Millennial respondents said that they would be willing to let their home or renters insurance price be partially based on data shared from a connected device like a smart thermostat, smoke detector or home security system. Our research found that many Gen Z and Millennials are more than willing to share their information to get a better price.”



IMPLICATIONS AND OPPORTUNITIES

“It is time to reimagine and rethink your business for the future,” Garth said. “Think about what that business model is going to be, because the expectations, the interactions and the behavioral aspects of these coming generations are not like the Silent or the Baby Boomer generations. They were born digital and they were brought up digital. They see no boundaries between anything.”

Our competitors are no longer other insurers, they are Amazon, Apple, Google, Zappos etc. basically any company that the customer does business with. “The insurance business environment is radically shifting from a product driven to a customer driven environment,” Garth said. “The focus is no longer on process and transactions, it is on digital and engagement. Instead of mass standardization we need to be focused on personalization. It is now creating a policy to the person of one. Our research also found that consumers would like to create their own policy. They would like to pick and choose what they want to bundle in and create their own policy. Do you know the expectations of your customers? Do you know what their preferences are and their likes and dislikes? Many insurers do not know this.”

CREATING CHANGE

The world has dramatically shifted around us and within the industry. “The ‘it’s always been this way’ attitude no longer applies,” Garth said. “Insurers rate at the bottom of businesses for ease of doing business with by customers. How can you create that Amazon effect? I think one of the most important things that you can do is to insure that when you are trying to find your digital experience is take an outside-in view. Increasingly, we have seen insurance companies reaching out to companies to get insights on other businesses at creating really innovative digital experiences. They want to use them to help create a different perspective.”

“Hire people who take an outside in view and bring new, fresh perspectives,” Garth said. “What is really important is considering the entire customer journey, not just a quote, buy or service portal. You need a resource that will bring new ideas and innovation with an outside in, customer journey view.”

“This is more than just having a portal for your agents and customers. You have to think through the entire business technical architecture from the front end all the way back to the data on the back end and your core systems. Think about how they are going to interact and integrate all together and more importantly how they are going to allow your customers to have a consistent experience in every one of those channels. The multi-channel model is critical for insurers to remain relevant, let alone competitive.”

“Rethink your business model and how you want to reach those new generations,” Garth advised. “Particularly for life and annuity, it is time to rethink. Product innovation has to be radically different than what we have thought about in the past. Consider how your model can be tied to social causes, lifestyle, expectations and behaviors.”

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Insurers who do not develop a new model and new products risk loss of market share and customers at an increasingly rapid pace. While consumers use multiple sources and channels for research, the traditional agent and insurance company methods still dominate. Garth’s advice is that insurers should not just focus on making the researching and buying process easier, but also focus on making the core insurance products simpler. “Companies need to look at alternative methods and channels to represent a growing share that require digital capabilities which will place insurers in the crosshair of consumers with digital preferences,” Garth said. “In terms of customer service, while consumers do make use of self-service via multiple channels, talking to a live person via the phone still dominates. As long as insurance remains complex and insurers provide limited, ineffective digital self-service capabilities, customers will be forced to depend on live interactions as their preferences continue to shift.”

According to Garth, there are three paths that insurers can take to transforming their business to meet the changing needs of our consumers—modernization/transformation programs & cloud, digital engagement and greenfield & startup initiatives. “In all three of these areas it really depends on your overall business strategy and long term vision as an organization,” she said. “We are seeing P&C insurance companies thinking about going into life insurance and offering a simpler term. We are also seeing life insurance companies that have offered simple life insurance or cancer insurance. It is all about learning the customer and interacting with the customer.”

ABOUT MAJESCO

Insurance business transformation is a journey of change and revitalization, a renaissance of Insurance. Approximately 150 insurance companies worldwide in P&C, L&A and Group/Employee Benefits are transforming their businesses with Majesco’s solutions. Majesco’s market leading software, consulting and services uniquely underpin the entire insurance value chain and are designed to empower insurers with the agility, innovation and speed needed to meet their transformation opportunities. Majesco’s solutions include policy management, new business/underwriting, rating, billing, claims management, distribution management, BI/ analytics, predictive modeling, digital platform with mobile and portal, testing services, cloud services, bureau and content services, transformation services, consulting services and more. For more details on Majesco, please visit www.majesco.com. ❖

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