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TECHNOLOGY FOCUS



Technology's balancing act

We think of technology as coming in waves, but the analogy is not completely correct.

Unlike waves, generations of technology hang around.

They contribute to the landscape on which they break. This means as well as trying to understand what technology has in store for us, we also have to work to assimilate it in the business.

That is what Gartner Research means by "digitalization", as Kimberly Harris-Ferrante explains (see main article). Digitalization is a balancing act, blending the new with the old. It is about making technology effective while preserving – and strengthening – the essential values of the industry: service, quality, value for money, reliability and so on.

Getting the balance right is a complex process covering many variables. Harris-Ferrante shares Gartner's latest thinking on digitalization strategy, giving a comprehensive agenda for decision-makers.

There are no easy answers. The mix and the emphasis of tools and approaches will vary, depending on business goals and the unique context of the organisation.

But the force of transformation cannot be bypassed. Master its power and digitalization will boost your progress. Ignore the strategic level and you will have a confused business in danger of wasteful self-contradiction and gap-ridden processes.

One thing is for sure: digitalization is an important issue for both technology and business leaders.

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Digitalization and the next-generation insurer



By Kimberly Harris-Ferrante, vice-president and distinguished analyst
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There is no consensus across the industry on the definition of "digitalization", yet interest among global life and general insurers continues to grow.

From an insurance perspective, "digitalization" means shifting the fundamental business model to support electronic channels, content and transactions, while balancing traditional practices, which cannot be ignored – for example, hard-copy documents and correspondence, face-to-face interactions and call centre volume.

The balance required for digitalization will depend on geography, line of business, corporate strategy and customer preferences.

Overall, digitalization will overlap with many pre-existing and emerging strategies, such as customer experience management, customer relationship management, online, multichannel integration, mobility and paperless operating models. This is not an IT strategy, but IT plays a significant role in its execution.

Digitalization includes creating a modern brand that combines digital presence with real-world presence and adopting a new business model. Many people will call it the "digital brand".

However, be careful not to associate this with only electronic transactions and channels.

This brand should be tightly aligned with market requirements, including partners, and customer behavioural and transaction preferences.

A new operating model that is built on digitalization will help insurers meet future business requirements to stay competitive.

The five drivers of digitalization

While the impact of digitalization is broad, there are five key drivers that are making digitalization a major imperative among insurers:

- 1) Consumerisation;
 - 2) New channel demands, including brokers and integration requirements;
 - 3) The real time processing gap between core system capabilities and consumer expectations;
 - 4) Controlling outbound communications costs and operational efficiencies, and;
 - 5) Improved regulatory compliance.
- Each of these is playing a significant role in driving interest in digitalization, especially in European markets where regulatory changes are foremost in the minds of insurers.

Increased focus on meeting the transactional demands of the next-generation insurance consumer, improving multichannel integration (especially for insurers with strong direct capabilities) and meeting emerging broker demands for straight-through-processing are also critical in this transition.

The elements of digitalization

Digitalization is a broad and complex strategy that includes various aspects related to channels, data, content and transaction capabilities. While channels are the customer touchpoint, this is only the starting point for digitalization.

Many insurers fail to realise the critical role data, content and transactions play in fulfilling digitalization, resulting in incomplete strategies. Channels must be

strengthened and integrated to provide improved customer experience management – however, additional investments must be devoted to the underlying data and technology architecture.

Digitalization must include leverage data, such as customer/user data, transactional data and even third-party data. Using this data, insurers can determine customer preferences, including interaction and channel preferences.

Insurers can also use this data for product development, personalisation of content, improved risk selection and improved service delivery. This will also set the stage for context-aware computing to determine the output and action, for example by using GPS data from mobile devices to provide intelligence on the location where data is entered.

Additionally, focus on turning all information and content into electronic data that can be retrieved and analysed in real time.

As customers and partners/agents interact more through self-service channels, they will want all their information, policies and content available in electronic formats that can be rendered as needed through the channel of choice.

Output is the information delivery mechanism. Customers and partners/agents will need a mix of mechanisms for delivering information, depending on transaction

type, role, technology maturity and even mood.

Offering new delivery types, such as SMS, email, portal access and social media, is essential in the digital market. However, traditional delivery types, such as mail, fax and voice, must still be offered as well.

Underlying foundation for digitalization

In addition to these elements, insurers must build a foundation that enables the transition to electronic content and real-time processing. This includes three basic elements: standards (for example, XML and data), process management and analytics. Deploying industry standards, standardising and building enterprise processes that are consistent, and launching analytics to analyse the process and identify process improvements needed throughout the digitalization process, will help companies deliver successful digitalization projects.

For process management, this also entails enabling straight-through processing across insurer-channel-consumer interactions, tight integration of all source systems, and streamlined and standardised workflow.

Challenges of digitalization

Although digital strategies offer many opportunities for insurers, there are a number of risks insurers must be aware of as they build their strategies.

The main risks are cybersecurity, legacy limitations, lack of an integrated channel network, integration costs and complexities (including lack of standards adoption), records retrieval and retention concerns, big data issues, incomplete knowledge of customers, and organisational change management.

Insurers must understand these risks as they build digitalization strategies to ensure success with this transformation. ■

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