



AN APPLIED EBOOK

The Digital Revolution of Insurance: Today, Tomorrow and Beyond



Part One

Join the Revolution

“

People will forget what you said,
people will forget what you did,
but people will never forget how
you made them feel. ”

Maya Angelou

Heed the Call

Those words from Maya Angelou are truer today than at any other time in our history. The convenience and speed brought about by technology in the digital age has forever changed the relationship between marketers and consumers. Unlimited access to information and the ability to instantly create and share information online have put consumers squarely in the driver's seat.

Forrester predicted this phenomenon – known as the Age of the Customer – stating, “Digitally savvy customers would change the rules of business, creating extraordinary opportunity for companies that could adapt, and creating existential threat to those that could not.”¹ Forrester goes on to say, “this is not a passing storm after which we will return to a comfortable normal. These dynamics will endure as new technologies...emerge to challenge core notions of what it means to be a company, what it means to build human capital, and what it means to compete and win.”²

The incredible shift of power to the customer combined with innovative technologies is creating new opportunities for brokerages and insurers to fundamentally improve the business of insurance. Insurance is in the midst of a digital revolution, which requires transforming how we market, sell, distribute and service insurance so that we put the customer first.

Yet consumers are not the only ones creating new market dynamics; new competitors are forcing brokerages and insurers to re-evaluate traditional practices. Because of our industry's success, traditional routes to market are being threatened by direct-to-consumer business models. New players are entering the space and existing players are making new moves. Investors and venture capitalists have taken serious notice of the insurance industry.

In fact, total funding in the Insurtech space in the first three quarters of 2019 reached \$4.4 billion across 239 transactions in worldwide funding commitments, surpassing the 2018 full-year total.³ While many of these new built-in-digital competitors may never be a threat to the independent insurance brokerage business model, the few successful ones are showing us that change is inevitable.

Never rest on your laurels

In addition to competitors, another challenge is the gap between knowing there's a threat – digital disruption – and doing something about it. In a survey conducted by MIT Sloan Management Review and Deloitte, 87% of respondents reported that they anticipate disruption to a great or moderate extent, yet only 44% believe that their organizations are adequately preparing.⁴ So businesses are keenly aware that this is happening but they are not doing anything about it.

This may explain why an organization's past success is one of the biggest challenges to success in the digital age. If you've got a good thing going, it is easy to fall into what researchers call a competency trap – the belief that past success leads to future success. However, this just isn't the case.

Consider the once very successful camera companies of Kodak and Polaroid. Neither anticipated the impact digital cameras would have on their business models. Surprisingly, Kodak actually invented the first digital camera in 1975 but the company never produced digital cameras out of fear it would cannibalize their

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photographic film empire When digital cameras took over, Kodak filed for bankruptcy in 2012. Polaroid, iconic for their patented instant photography process and cameras, were at the pinnacle of success in 1991. Unfortunately, they too neglected to anticipate the impact digital cameras would have and ended up declaring bankruptcy in 2001, a decade after earning their highest revenue in a single year. Even though the “Polaroid picture” style has enjoyed a resurgence in popularity among the millennial and Gen Z generations as of late,* these case studies illustrate that what got you where you are, may not get you where you need to be going.

* In 2017, a Polish investor acquired Polaroid from its holding company, PLR IP Holdings, LLC. A factory in the Netherlands was the last factory to produce Polaroid instant picture cartridges under the trademark Impossible, which was later rebranded as Polaroid Originals. In 2019, instant cameras and supplies made by Polaroid Originals appeared for sale on a new polaroid.com website.

All of the above factors create an urgent imperative to join the digital revolution – and soon. The good news is independent brokers are well positioned to enhance their greatest attribute – trusted advice – with digital technology to accelerate success in the next chapter.

Seize the Opportunity

In the digital revolution of insurance, there is tremendous opportunity to take advantage of technology to better serve all stakeholders of the insurance lifecycle – insureds, employees and insurers. But the window of opportunity is narrowing.

According to Ernst & Young, technology-led disruption will continue to impact the insurance sector in both the near and distant future. The time to act is now and brokerages and insurers can do so by investing in

technology that will help their businesses become even more customer-centric to keep them a step ahead of the competition.

How can technology be used to delight consumers, sell them the right products, and work in ways that make employees more efficient and engaged?

To take advantage of the digital revolution of insurance, brokerages and insurers must:

- 1. Embrace digital technology to optimize all interactions from quote to bind to renewals – and every step in between
- 2. Digitally collaborate in the insurance ecosystem to deliver superior service
- 3. Partner with future-focused tech providers to create greater business value

To take advantage of the digital revolution of insurance, brokerages and insurers must:



Embrace digital technology to optimize all interactions



Digitally collaborate to deliver superior service



Partner with future-focused tech providers



Part Two

Lead the Revolution

“

**By failing to prepare, you are
preparing to fail.”**

Benjamin Franklin

Embrace Digital Technology

The first step to succeeding in the digital revolution of insurance is to focus on the fundamentals. Brokerages must become digital brokerages to take full advantage of the technology that exists today to create a foundation that their businesses can build on well into the future.

A distinct set of core characteristics define a digital brokerage and enable more efficient operations, more informed business decisions, better insurer relationships, improved customer service, and accelerated growth and profitability across all lines of business.

Three core characteristics define a digital brokerage:

- Digital connectivity to consumers to meet changing customer experience expectations
- Digital automation of task work within a brokerage to keep employees engaged and productive
- Digital connectivity between brokerages and insurers to drive intelligent interactions across each stage of the insurance lifecycle

Data shows that digital brokerages achieve a 15% increase in their organic growth rate and they grow more profitably, gaining \$150,000-200,000 in annual cost savings.

Additionally, brokerages that fully commit to digital by using a foundational management system, operating in the cloud, extending self-service to customers and employees via mobile technology, employing comparative quoting, and connecting to insurers directly from their management system experience 158% higher revenue per employee.⁵ Technology is designed to create greater business value, including growth and increased customer satisfaction, and the results speak for themselves.

How does digital connectivity to insureds improve customer experience?

Consumers expect the customer-centric experiences they've become accustomed to in other industries. Companies like Uber and Amazon have made hailing a ride and shopping so easy that consumers expect this type of service from every company they do business with. In fact, customer experience was the third (37%) most frequently cited reason for renewing an insurance policy.⁶

What used to be personal interactions at every touchpoint of the insurance lifecycle now requires an omnichannel strategy.

However, the goal of investing in customer experience technology is not to replace personal interactions. Rather, it's to elevate a business's ability to respond to a customer who wants to interact with a brokerage when and how they want. Digital brokerages deliver a superior customer experience via self-service quoting portals and mobile apps that provide policyholders with convenient access to rates, policy, billing, claims information and more.

How does digital automation within a brokerage drive efficiency and productivity?

Convenience applies to more than just customers, it applies to employees. And in the Age of the Customer, employees are also customers. They expect modern, flexible work environments. They don't want to take a step back when they transition from their personal technology as a consumer to their toolkit at work in the office.

When task work is automated and user-friendly systems in place, employees are more productive and engaged.

Part Two: Lead the Revolution

According to a PwC survey report, 78% of respondents said access to the technology they like to use, such as mobile, makes them more effective at work. With overall unemployment at historic lows, and unemployment in the insurance industry even lower, it’s critical to keep the best employees. Digital technology reduces manual tasks and processes empowering employees to focus on what is more valuable and interesting like selling insurance and servicing policyholders.

How does digital connectivity between brokerages and insurers drive efficient interactions?

Independent brokers and insurers must be in lockstep at every stage of the insurance lifecycle to ensure policyholders get the best advice, coverage and service. Digital technology increases ease of doing business

between insurers and brokerages, ultimately driving more business opportunities. By digitally connecting and automating data exchange directly between policy admin systems and management systems, hours of efficiency are gained, task work reduced, and the maddening paperwork that is still the bane of the insurance industry is eliminated – all while still ensuring customers get the best coverage at the best price.

According to a recent industry survey report,⁷ 95% of insurers surveyed found providing automated brokerage connectivity very important. One of the top benefits they are focused on is ease of doing business with their brokerage partners. Similarly, 83% of brokerages surveyed found the availability of automated insurer connectivity to be very important when selecting insurers to do business with. Ease of doing business was their primary focus as well.

Expand and Enhance

The digital revolution of insurance affords even greater opportunities for growth and success, which includes expanding into new lines of business, like commercial lines, and enhancing foundational digital technology by bringing automation and intelligence across more roles in the business, like the front office.

Expanding into new lines of business: commercial lines

Brokerages have the opportunity to expand their business beyond P&C by automating the selling and servicing of every line, including commercial lines.

Canada is a country of small businesses, so it is no surprise that they represent a large proportion of

Essential Tools of a Digital Brokerage



Foundational Management System



Cloud



Customer Self-Service Portal & Apps



Mobile



Insurer Connectivity

commercial insurance premiums. Commercial lines is fast becoming a strategic priority for the entire independent distribution channel as direct writers and banks are stealing personal lines market share. Deloitte estimates that the small business segment accounts for \$8.8 billion in commercial insurance demand, more than one-third (38%) of a \$23 billion market.⁸

As personal lines present increasingly tighter margins, brokerages are looking to commercial lines as a bigger driver of future growth. The value brokers can add to the purchase of these complex products is immense. Considering up to 25% of Canadian small businesses are underinsured or lack commercial coverage completely, it's easy to see that commercial lines will be more important to the long-term health of the independent brokerage channel.

Enhancing automation across all roles

Digital brokerages can further increase operational efficiencies by enhancing automation across all roles within a brokerage, including the front office with technology like sales automation. Integrated into the

management system, sales automation provides essential capabilities to better manage sales opportunities so brokerages can make more informed decisions about their business and capitalize quickly on new opportunities.

According to Salesforce, 34% is the amount of time actually spent on selling because data entry, quote generation and other manual tasks keep sales professionals away from prospects and customers.⁹ A key aspect of sales automation is the ability for sales teams to manage their pipeline, forecast premium/revenue, and follow the sale from lead to insured via a single system. Sales automation can have a dramatic impact on both the efficiency and effectiveness of a sales team.

To gain a single view of the customer, as well as optimize operations by technology across all roles, brokerages need to consider expanding into new territory (lines of business) as well as enhancing their front office operations through automation.

Digitally Collaborate

The digital revolution of insurance is bringing with it lots of change that can make it hard to discern the future of the traditional relationship between brokerages and insurers. To keep this a profitable distribution channel, brokers and insurers need to adapt and learn to work even more closely to build more value into the broker-insurer relationship.

After all, at the end of the day, brokers and insurers have the same goals. They want automated access to information to speed up processes; they want to enhance ease of doing business for their customers and efficiencies to reduce cost; and they want to offer the right product from the right insurer to the right customer at the right time.

What does an ecosystem approach mean for brokerages and insurers?

In a recent report, worldwide management consulting firm McKinsey & Company stated, "Currently, insurers

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act primarily as risk aggregators. They have a passive and limited relationship with customers, which increases their exposure to disintermediation, disaggregation, commoditization, and invisibility. If insurers were to lose their distribution and customer relationships, they would be left with few options to reinvent their business model. Adopting an ecosystem perspective – reevaluating the traditional business model and considering partnerships with players both within and outside the industry – could reinvigorate insurers’ digital strategies.”¹⁰

The insurance ecosystem is where all stakeholders collaborate to get the best value for themselves, customers and partners. These various relationships are connected by a digital platform that provides participants immediate access to information and the rapid exchange of data, fostering meaningful, high-value experiences for the entire network, especially insureds.

A platform cultivates an ecosystem by providing the underlying connectivity and technology to create digital workflows and interactions throughout the insurance lifecycle. This includes:

- **Quoting Business:** Eliminates manual, time-consuming work while providing a simple, digital application experience.
- **Submissions:** Allows for new and remarketing of existing policies; eliminates time spent and reduces E&O that can come with rekeying information into disparate systems. Automates the submission and renewal process.
- **Servicing Clients:** Automates the exchange of policy-related information between insurer systems and the brokerage management system to ensure the latest information is instantly available. Secure, single sign-on enables brokerages to retrieve insurance company account status information, including billing, claims, policy and first notice of loss directly within the management system.

While naysayers may declare that the independent brokerage channel is doomed, that’s not true. There is a clear need for professional advisors who can help policyholders understand exposures, choose appropriate products and reduce risk. However, brokerages and insurers must work more effectively together. To do so in the digital revolution, it’s crucial for each participant to embrace an ecosystem mentality and collectively prioritize and align on digital initiatives.



Part Three

Win the Revolution

“

Any sufficiently advanced technology is indistinguishable from magic. ”

Arthur C. Clarke

Find a Future-Focused Ally

According to Bain and Company, more than 90% of companies are still struggling to deliver on the promise of a technology-enabled business model. The pace of innovation is getting faster and deciding how and when to adopt new technology can feel overwhelming to brokerages and insurers. There are a million buzzwords out there – artificial intelligence, machine learning and big data.

For insurance, the opportunities for us to put these powerful capabilities to work will be revolutionary. While our industry hasn't yet taken advantage of many of these opportunities, the race to get them to market is heating up. Finding the right technology partner for the digital future cannot be overemphasized. Brokerages and insurers need a partner who will make the complexity simpler and help them adopt technologies that will revolutionize the way they manage their businesses. Consider technologies shaping the future of our industry, like:

Artificial Intelligence (AI)

Global analysis by Accenture of more than 450 Insurtech investments revealed that the number relating to AI or intelligent automation roughly tripled over the past few years.¹¹ Artificial intelligence is a tremendous opportunity for the insurance industry. AI can redefine existing processes – evolving the way people work and transforming customer experiences. For those who are concerned that AI will replace the human element of insurance, they shouldn't be. AI is designed to provide businesses with better insights to make better decisions, and to identify better opportunities to sell to and serve customers.

Big Data

By 2025, IDC estimates that the data created and replicated each year will reach 175 zettabytes.¹² To put this in perspective, if Blu-ray discs capable of storing 175ZB were stacked, a person could reach the moon 23 times via that stack. Insurance is rich with valuable data that is at the heart of sales, operations, customer service and

financial projections. Analytics provides insights that can help organizations differentiate their businesses, optimize employees' time, and better advise customers.

Consider how powerful analytics can help brokerages and insurers sell and service more effectively together. What if brokers had the power of AI at their fingertips to recommend the right product – the type, amount, expected price, and the optimal provider of that coverage – for each of their prospects and customers at the point of sale? What if machine learning could help insurers and brokerages better align based on size of business opportunities and underwriting focus to mutually drive profitable growth? Powerful capabilities like this will soon be available to help brokerages and insurers provide transparency and confidence to customers, and win more business together – faster and at a lower cost.

The art of the possible in the digital revolution of insurance is about putting innovative technology to work in very practical ways that will change the way insurance is shopped, rated, quoted and bound – all while keeping the brokerage value at the core. Those ready to adopt will reap compelling rewards.



Go Onward and Upward

To compete and succeed today, tomorrow and beyond, brokerages and insurers need to embrace digital technology to build stronger relationships and collaborate with greater transparency than ever before.

Partnering with future-focused companies will support new business models and recreate customer service to keep pace with changing demands. The digital future holds exciting opportunities for innovation to remake the insurance industry into a better, more valuable ecosystem for us all. This is what we call the digital revolution of insurance – and we couldn't be more excited to continue to reinvent this great industry.

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Applied Systems Canada
6865 Century Avenue
Suite 3000
Mississauga, ON L5N2E2

appliedsystems.ca

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