



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 driving seat.**

The Forrester research group 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 an existential threat to those that could not.”<sup>1</sup> 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.”<sup>2</sup>

The incredible shift of power to the customer combined with innovative technologies is creating new opportunities for brokers 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 brokers and insurers to re-evaluate traditional practices. Because of our industry’s success, traditional routes to market are being threatened by direct-to-consumer businesses. 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 €3.9 billion across 239 transactions in worldwide funding commitments, surpassing the 2018 full-year total.<sup>3</sup> While many of these new built-in-digital competitors may never be a threat to the independent insurance broker’s business, 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 organisations are adequately preparing.<sup>4</sup> So businesses are keenly aware that this is happening but they are not doing anything about it.

This may explain why an organisation’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

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digital cameras out of fear it would cannibalise their 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 – policyholders, 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 brokers 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, brokers and insurers must:

1. Embrace digital technology to optimise all interactions from customer acquisition to renewal – 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, brokers and insurers must:**



**Embrace digital technology to optimise 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. Brokers must become digital businesses to take full advantage of the technology that exists today to create a foundation that they can build on well into the future.**

A distinct set of core characteristics define a digital broker 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 broker:

- Digital connectivity to customers to meet their changing expectations
- Digital automation of tasks within the business to keep employees engaged and productive
- Digital connectivity between brokers and insurers to drive intelligent interactions across each stage of the insurance lifecycle

Data shows that digital brokers achieve a 15% increase in their organic growth rate and they grow more profitably. Additionally, brokers that fully commit to digital by operating in the cloud and extending self-service to customers and employees via mobile technology experience higher revenue per employee.<sup>5</sup> 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 catching a taxi 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.<sup>6</sup>

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 broker when and how they want. Digital brokers deliver a superior customer experience via self-service portals and mobile apps that provide policyholders with convenient access to policy, billing, claims information and more.

### How does digital automation 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 business tasks are automated and user-friendly systems in place, employees are more productive and engaged. 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 employment at historic lows, and unemployment in the insurance industry even

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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 serving policyholders.

### How does digital connectivity between brokers 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 brokers, 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 frustrating 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,<sup>7</sup> 95% of insurers surveyed found providing automated connectivity to brokers very important. One of the top benefits they are focused on is ease of doing business with their broker partners. Similarly, 83% of brokers 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.

## 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 brokers 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, digital sharing of data to speed up processes; they want ease of doing business for their customers and money saving efficiencies; and they want to offer the right product to the right customer at the right time.

## Essential Tools of a Digital Broker



Foundational Management System



Cloud



Customer Self-Service Portal & Apps



Mobile



Insurer Connectivity

## What does an ecosystem approach mean for brokers and insurers?

In a recent report, worldwide management consulting firm McKinsey & Company stated, “Currently, insurers act primarily as risk aggregators. They have a passive and limited relationship with customers, which increases their exposure to disintermediation, disaggregation, commoditisation, 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 – re-evaluating the traditional business model and considering partnerships with players both within and outside the industry – could reinvigorate insurers’ digital strategies.”<sup>8</sup>

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 policyholders.

A platform cultivates an ecosystem by providing the underlying connectivity and technology to manage interactions throughout the insurance lifecycle.

This includes:

- **Connecting to Insurers:** Automates the distribution and fulfilment of products between brokers and insurer partners. Enables brokers to access comparative rates and quickly bind new and renewal business, enabling employees to provide access to a range of products while providing advice and personal service.
- **Quoting Business:** Integrated EDI eTrading allows employees to see multiple quotes across the market in real time, resulting in greater efficiency and faster service by eliminating the need for brokers to interact with insurers individually either by phone or extranet. Allows brokers to quickly compare quotes and create risk variations without re-keying information, thereby reducing errors and omissions.
- **Serving Clients:** Automates the exchange of policy-related information between insurer systems and the broker management system to ensure the latest information is instantly available.

While naysayers may declare that the independent broker 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, brokers 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 prioritise 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. The pace of innovation is getting faster and deciding how and when to adopt new technology can feel overwhelming to brokers 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 overemphasised. Brokers and insurers need a partner who will make the complexity simpler and help them adopt technologies that will revolutionise 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.<sup>9</sup> In Ireland, over three quarters (77%) of Irish business leaders are of the view that AI will significantly change how they will do business in the future.<sup>10</sup> 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 worldwide will reach 175 zettabytes.<sup>11</sup> 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 organisations differentiate their businesses, optimise employees' time, and better advise customers.

Consider how powerful analytics can help brokers and insurers sell and service more effectively together. What if brokers had the power of AI to help them 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 brokers better align based on size of business opportunities and underwriting focus to mutually drive profitable growth? Powerful capabilities like this will help brokers 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 broker's value at the core. Those ready to adopt will reap compelling rewards.





# Go Onward and Upward

**To compete and succeed today and in the future, brokers 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.



References:

<sup>1</sup> *What We Believe*, Forrester, 2019.

<sup>2</sup> Ibid.

<sup>3</sup> *Quarterly InsurTech Briefing Q3 2019 Survey Report*, Willis Towers Watson, October 23, 2019.

<sup>4</sup> Kane, Gerald C., Anh Nguyen Phillips, Jonathan R. Copulsky, Garth R. Andrus. *The Technology Fallacy: How People Are the Real Key to Digital Transformation*. Boston: Massachusetts Institute of Technology, 2019.

<sup>5</sup> *Applied Digital Broker Annual Report*, Applied Systems, 2019.

<sup>6</sup> *The Customer Experience Tipping Point*, An Ipsos + Medallia Study: U.S., UK, Germany and France, 2019.

<sup>7</sup> *Annual Broker-Insurer Connectivity Report*, IVANS, 2019.

<sup>8</sup> Tanguy Catlin, Johannes-Tobias Lorenz, Jahnavi Nandan, Shirish Sharma, and Andreas Waschto, *Insurance Beyond Digital: The Rise of Ecosystems and Platforms*, McKinsey & Company, January 2018.

<sup>9</sup> *The Rise of Insurtech*, Accenture, 2017.

<sup>10</sup> *Positioning for the future in a time of change: 2019 PwC Insurance Ireland CEO Survey Report*, PwC, 2019.

<sup>11</sup> Reinsel, David, John Gantz, John Rydning. *Data Age 2025: The Digitization of the World from Edge to Core*, IDC, November 2018.

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Recognised as a pioneer in insurance automation and the innovation leader, Applied is the world's largest provider of agency and brokerage management systems, serving customers throughout the United States, Canada, the Republic of Ireland, and the United Kingdom. By automating the insurance lifecycle, Applied's people and products enable millions of people around the world to safeguard and protect what matters most.







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