



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.**

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 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 agencies 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 agencies 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.<sup>3</sup> While many of these new built-in-digital competitors may never be a threat to the independent insurance agency 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.<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 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

## Part One: Join the Revolution

digital cameras out of fear it would cannibalize 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 agents 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 agencies 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, agencies 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, agencies 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. Agencies must become digital agencies 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 agency 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 agency:

- Digital connectivity to insureds to meet changing customer experience expectations
- Digital automation of task work within an agency to keep employees engaged and productive
- Digital connectivity between agencies and insurers to drive intelligent interactions across each stage of the insurance lifecycle

Data shows that digital agencies achieve a 15% increase in their organic growth rate and they grow more profitably, gaining \$150,000-200,000 in annual cost savings. Additionally, agencies 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, and connecting to insurers directly from their management system experience 158% 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 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.<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 an agency when and how they want. Digital agencies 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 within an agency 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. According to a PwC survey report, 78% of respondents

## Part Two: Lead the Revolution

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 agencies and insurers drive efficient interactions?

Independent agents and insurers must be in lockstep at every stage of the insurance lifecycle to ensure policyholders get the best advice, coverage and service. Investing in digital technology increases ease of doing business between insurers and agencies, 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,<sup>7</sup> 95% of insurers surveyed found providing automated agency connectivity very important. One of the top benefits they are focused on is ease of doing business with their agency partners. Similarly, 83% of agencies 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 benefits and 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: benefits and commercial lines

Agencies have the opportunity to expand their business beyond P&C by automating the selling and servicing of every line, including benefits and commercial lines. According to Reagan Consulting, growth in group benefits lines was 6.3% in Q2 2018, up from 4.9% the year before, and up compared to the 5.7% growth in commercial lines.

## Essential Tools of a Digital Agency



Foundational Management System



Cloud



Customer Self-Service Portal & Apps



Mobile



Insurer Connectivity

## Part Two: Lead the Revolution

One of the single greatest pain points in benefits is the annual renewal process, which often involves multiple meetings with the client to compare cost estimates for various plan designs. However, that doesn't have to be case. Existing automation technology empowers agents to present clients with multiple dynamically built plan designs and close business faster in just a single meeting.

Turning to commercial lines, as personal lines present increasingly tighter margins, agencies are looking to commercial lines as a bigger driver of future growth. The value agents can add to the purchase of these complex products is immense. Considering that 83% of all commercial lines premiums are written by independent agencies, compared to approximately 40% for personal lines,<sup>8</sup> it's easy to see that commercial lines will be more important to the long-term health of the independent agency channel.

Yet, the traditional submissions process is broken and costly due to the manual nature of applying for and renewing coverage. Fortunately, in the digital revolution, an automated data capture experience exists that simplifies the commercial insurance application and renewal process to make it faster, more collaborative and easier, while

also minimizing errors and omissions risk. Agencies that deliver a fully automated client risk data capture and application experience will have a competitive edge.

### Enhancing automation across all roles

Digital agencies can further increase operational efficiencies by enhancing automation across all roles within an agency, 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 agencies 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.<sup>9</sup> 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 across their P&C and benefits business, as well as optimize operations by technology across all roles, agencies 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 agencies and insurers. To keep this a profitable distribution channel, agencies and insurers need to adapt and learn to work even more closely to build more value into the agency-insurer relationship.**

After all, at the end of the day, agencies 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 from the right insurer to the right customer at the right time.



## What does an ecosystem approach mean for agencies 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, 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.”<sup>10</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 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:

- **Finding Markets:** Embedded directly within the management system, a real-time search engine for commercial insurance enables better targeted marketing submissions. Agents denote the specific type of commercial risk and then receive back information as to the most likely insurers to have appetite for that risk.
- **Quoting Business / Submissions:** Brings quoting workflow directly into the core agency management system. 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 and allows for a collaborative data capture experience. Eliminates manual, time-consuming work while providing a simple, digital application experience.

- **Servicing Clients:** Automates the exchange of policy-related information between insurer systems and the agency management system to ensure the latest information is instantly available. Secure, single sign-on enables agencies to retrieve insurance company account status information, including billing, claims, policy and loss run directly within the management system.

While naysayers may declare that the independent agency 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, agencies 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 agencies 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. Agencies 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.<sup>11</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>12</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 organizations differentiate their businesses, optimize employees' time, and better advise customers.

Consider how powerful analytics can help agencies and insurers sell and service more effectively together. What if agents had the power of AI at their fingertips to recommend the right product – the type, amount, expected price, and 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 agencies 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 agencies 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 agency value at the core. Those ready to adopt will reap compelling rewards.





# Go Onward and Upward

**To compete and succeed today, tomorrow and beyond, agencies 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 Agency 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 Agency-Insurer Connectivity Report*, IVANS, 2019.

<sup>8</sup> *2018 Agency Universe Study*, Big I and Future One, 2018.

<sup>9</sup> Bova, Tiffani, *26 Sales Statistics That Prove Sales Is Changing*, Salesforce Blog, January 25, 2019.

<sup>10</sup> Tanguy Catlin, Johannes-Tobias Lorenz, Jahnvi Nandan, Shirish Sharma, and Andreas Waschto, *Insurance Beyond Digital: The Rise of Ecosystems and Platforms*, McKinsey & Company, January 2018.

<sup>11</sup> *The Rise of Insurtech*, Accenture, 2017.

<sup>12</sup> Reinsel, David, John Gantz, John Rydning. *Data Age 2025: The Digitization of the World from Edge to Core*, IDC, November 2018.

This report was prepared by Applied Systems, Inc.

This document is provided for information purposes only. It is intended to give timely, but general, information on the subject matter covered herein, and the contents of this document are subject to change without notice. Prior results and case studies mentioned in this document do not guarantee a similar outcome on any particular situation in the future. You should consult with an attorney or other professional service provider with respect to how the matters discussed herein affect and relate to your own business affairs. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether express or implied. Applied Systems and its affiliates specifically disclaim any liability with respect to this document and no contractual obligations are formed either directly or indirectly by this document.

Any statements made herein are not a commitment to deliver any material, code or functionality, and should not be relied upon in making purchasing decisions, except as provided for in a separate software license agreement. The development, release, timing and availability of any products, features or functionality described herein remain at the sole discretion of Applied Systems and its affiliates.

All other names of products and published works identified herein may be the trademarks or otherwise proprietary material of their respective owners.



# About Applied

**Applied Systems is the leading global provider of cloud-based software that powers the business of insurance.**

Recognized 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.





Applied Systems, Inc.  
200 Applied Parkway  
University Park, IL 60484

[appliedsystems.com](http://appliedsystems.com)

© Copyright 2020 Applied Systems, Inc.