As PwC’s annual CEO Survey notes, insurance industry leaders have lost much of their initial trepidation about InsurTech and now view it as a driver of positive change for their businesses.

Reflecting a growing maturity linking technology and strategy, existing and new players are increasingly focusing on distribution channels and how carriers interact with policyholders and employees in order to create a “beautiful,” brand differentiating experience. As a result, and in a clear break with previous technology cycles, InsurTechs are investing much less in core areas like policy, billing, and claims but in the periphery.

Cloud capabilities offer much more than just getting rid of internal data centers and switching to cheaper shared services.
Heads in the Cloud

Insurers have been heavy users of technology since the beginning of the Digital Age. Twenty years ago, they cobbled together and integrated utilities. Ten years ago, they embarked on the age of the monolithic platform (i.e., large policy, billing, and claims packages). As the technological environment has matured over the last decade, Cloud and micro-services are now enabling more effective solutions that simply weren’t available in the past.

For many, “Cloud” simply means getting rid of internal data centers and switching to shared services to reduce costs. That’s just a small part of it. Cloud and micro-services are increasingly focusing on the small, bite-sized pieces in the digital and integration layers that are the most differentiating components. In turn, this is substantially shrinking the core.

Moreover, there are new development techniques and architecture components that allow users to leverage on-demand computing environments to increase agility and speed to market, which is increasingly vital to carriers’ competitiveness. It’s traditionally taken six to twelve months to release a new product or service and modify back office systems. Now, it’s possible to use a micro-service component in the Cloud, adjust it, employ it, and then adapt if for future use, as needed. These components fit easily into existing systems, and carriers can make changes to and measure them in hours and weeks instead of months and years.

Technology platforms: Where to invest

Where to invest primarily depends on the size of the carrier.

Most start-up and smaller carriers are looking for “insurance in a box.” They usually aren’t interested in creating a bespoke system and making a correspondingly large investment in internal IT capabilities. They instead want to focus on products and service and growing their book of business. Fortunately, there are systems available that can create new processes quickly and easily with a minimal need for customization.

However, for larger carriers – and especially the very biggest ones – technology is at the forefront of their business. A one size fits all approach won’t work. They need to actively engage with wider technological change, including the entire Internet of Things, AI, and the many other new technologies in the market. They have to be able to react to these developments using their own technological capabilities and create bespoke capabilities that focus directly on the customer and provide a consistent, user-friendly experience. This will entail integrating the digital layer, leveraging cloud technology, and minimizing the core.

While start-up and small carriers don’t necessarily need a bespoke technology platform, it’s hard for larger insurers to develop differentiated capabilities without one.
Integrating strategy and technology

We know that considering, implementing, and adapting to new InsurTech options, third-party data, and architectural and product concepts can be challenging. Getting it right remains more an art than a science, especially when you still have to keep your legacy business running smoothly. As you consider what to do next, there are some common traits of successful companies to keep in mind:

1. They’re not copycats or fast followers. They know that, just because peer organizations pick a certain product or solution, there’s no guarantee it will work for them (or anyone). Before they choose a solution, they draw a line that connects technology to what their business is trying to be.

2. Moreover, they carefully consider their particular market focus – both now and what they’ve planned for the future – and how technology can enable it. More specifically, they choose solutions after they’ve determined if, for example, their future is in commercial lines or personal lines, in new markets or in being the best in an established, competitive segment (e.g., auto and property). Then, they connect their goals to how they’re going to use better data and new analytics to drive underwriting and the pricing process.

3. Lastly, and just as importantly, they know that, to really make a difference, their technology stack has to enable the whole business, not just certain parts of it. They don’t limit technology strategy and execution to just the front or back office. They instead use it to tie everything together, thereby enabling the company to be insight driven and more effectively serve the end customer.
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