



6 Tech Trends Ambitious Insurers Need To Understand

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The Drive for Digitization

No longer slow to adapt, the insurance industry has experienced significant digital transformation over the past few years. The coronavirus pandemic, increased competition from insurtechs and big tech, continuing pressure for operational efficiency, and soaring customer expectations have driven insurers to expedite their digital transformation initiatives.

Insurance companies are reimagining everything from their products and business models to their people and partnerships. To keep pace with agile newcomers that were born digital, insurance companies must predict, utilize and optimize digital technologies to transform all phases of the insurance lifecycle. We see six key tech-driven trends that will reshape the insurance industry in 2023 and beyond.



1. Enabling Technologies

In this new age of insurance, the winners will be decided not just on the success of their business execution but on the wisdom of their technology choices. As insurers set their transformation strategies, it's essential to determine which combinations of technologies enable them to develop one-of-a-kind offerings for their markets.

The following technologies are the key drivers of digital transformation. Look for the icons on the following pages to understand the technology required to support each transformation initiative.



Open APIs

Open APIs connect various data sources and systems. With APIs, insurers can quickly integrate new, third-party data and services to simplify experiences, personalize products and differentiate from competitors.



AI & machine learning

AI, ML, and predictive analytics enable a shift toward near-real-time processing of data. This can help insurers efficiently discover patterns, reveal anomalies, generate insights, and move toward automated decision-making and workflows. As more AI/ML tools become available for AWS and Microsoft Azure, adoption will continue to accelerate.



Robotic process automation

Related to AI/ML, robotic process automation (RPA) makes it easy to build, deploy, and manage software robots that emulate human actions as people interact with data, digital systems, and software.



Internet of things (IoT)

IoT, also known as “Industry 4.0,” is a network of physical objects or devices that are embedded with sensors, software, and other technologies that collect and share data with other devices and systems over the internet. Insurers can use the data from vehicles, homes, wearables, and industrial technology to personalize policies and create new business models.



Low-code development

Low-code development environments enable business teams to innovate without significant custom code from internal IT teams. By rapidly building solutions using flexible templates and a visual, drag-and-drop interface, insurers can get to market first with new ideas.



Persona-based apps

Persona-based apps are preconfigured to recognize who the user is, their usage patterns, and what their optimized experience is. Whether it's a claims agent, billing agent, customer service rep, or customer, persona-based apps enable a more natural, frictionless experience.



Microservices

Microservices are a cloud-native architectural approach that splits an application into many independently deployable, scalable, and upgradeable components. Because each component is composed on its own, the codebases are much smaller, making them easier to maintain compared to a “monolithic” architecture.



SaaS

Coretech insurance software delivered as a service (SaaS) reduces the IT burden and enables you to focus on innovation. Instead of waiting for painful big-bang updates, insurers benefit from frequent, seamless refreshes to meet evolving customer expectations and avoid technical debt.

2. Evolving Distribution and Business Models

The concept of ecosystems in its broadest sense encompasses the need for insurers to respond to consumer demands for simple and painless experiences. An ecosystem has an interconnected network of companies that work together to create more value for a customer than one party could deliver on its own. According to McKinsey & Co., ecosystems will account for 30% of global revenues by 2025.

While some ecosystems can be small, the more elements and capabilities that are added, the greater the value to the customer. Because no single partner needs to build and orchestrate all the components, the ecosystem approach accelerates innovation — with one company’s innovation efforts furthering all others

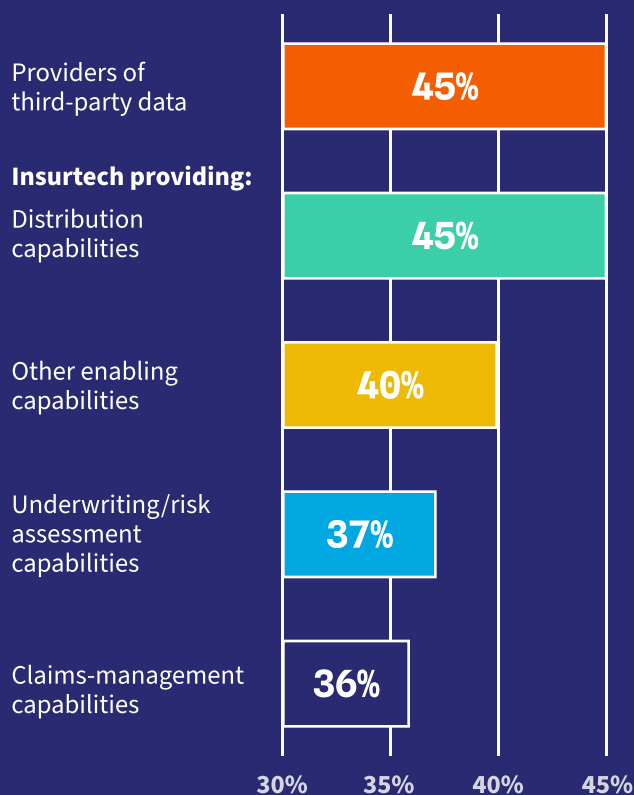
Embedded Insurance and Insurance Ecosystems

Among the first steps in determining your ecosystem strategy is choosing how you will participate in the ecosystem. One ecosystem strategy that will take on significant importance is the concept of embedded insurance.

Major purchases, such as cars and homes, are increasingly digitally driven with little or no human interaction. Consider companies like Carvana, the used car marketplace that lets you buy a vehicle online and delivers it to your home. Or Zillow, which applies a similar model to home purchasing.

It’s incumbent upon insurers to capitalize on the opportunity to embed policy purchasing directly into these digital buying experiences. By using open APIs to connect your insurance distribution into an adjacent industry player’s ecosystem — such as retailers, tech giants, financial institutions, digital real estate marketplaces, and auto manufacturers — you can gain access to new customer pools.

What types of companies are insurers partnering with?



Source: “The 2020 Insurer Compass,” Insurtech Insights



Usage-based and Parametric Insurance

As IoT sensors and artificial intelligence become more mature, the door is opening for insurers to rethink their business models. Two approaches that are gaining the most momentum and interest are usage-based insurance (UBI) and parametric insurance.

USAGE-BASED INSURANCE

As consumers increasingly demand coverage tailored to fit their lifestyle, the popularity of usage-based insurance is on the rise. Be it infrequent drivers seeking mileage-based policies, safe drivers who want to be rewarded for their good driving habits, or drivers earning income from ridesharing, carsharing, and other commercial uses, UBI enables insurers to deliver more compelling customer experiences.

Through seamless integration of data from a wide variety of telematics and mobile devices, UBI can support multiple models, including miles only, driver behavior, change of use, or any combination of these and other factors.

For example, typical rideshare policies only provide coverage when riders are in the car. Through a combination of telematics and IoT sensors, the insurer can recognize when a driver and their vehicle is off the clock, on the clock waiting for a customer, pickup and driving to the destination, and on route to the next pickup. Rates are automatically adjusted.



PARAMETRIC INSURANCE

Parametric insurance has been around since the 1990s. Unlike traditional policies, a parametric policy pays out when a specific event exceeds an agreed upon threshold rather than on an actual incurrence of loss. While most commonly associated with coverage for natural catastrophic events like hurricanes and floods, parametric insurance is drawing increased attention and interest today.

Advances in IoT sensor technology, predictive analytics, and artificial intelligence (AI) enable more robust indexing on a variety of phenomena. This has created new and interesting opportunities for parametric risk applications, particularly in commercial P&C insurance.

A new generation of parametric insurance offers protection for cities and airports hit by a terrorist event, coverage for hotels in the event of an infectious disease outbreak, or protection for agri-businesses and shipping companies when water levels fall.

Among the most compelling facets of parametric solutions is the clarity around payouts. Claims are resolved much faster and without dispute. The predetermined trigger and pay-out mechanism create a situation where it is crystal clear whether a company will receive payment and exactly how much is owed.

By essentially eliminating the claims handling process, **insurers gain significant cost savings.**



3. Underwriting: Accelerated and Instant Issue Policies

One of the biggest frustrations customers have with all types of insurance is the belief that the application process takes too long and involves too many steps. Accelerated underwriting solves this by using automation, data, rules, models, and pathing to make underwriting decisions in a much more condensed timeframe.

By using the power of APIs to ingest more types of data from a slew of new sources — such as social, credit, behavioral, economic, wearables, IoT sensors, financial, and identity — insurers can reduce risk. Coupling this data with algorithms, artificial intelligence, predictive analytics, robotic process automation (RPA), and cognitive computing, insurers can accelerate decisions and, in many cases, provide instant issue policies.

The highest-performing underwriting groups will be those that successfully blend advanced analytics with human judgment. Potential benefits for accelerated underwriting include:



Increased sales as more applicants recognize the advantages of a faster, more frictionless application process



Faster decisions powered by low touch/no touch decision trees, which will improve the customer and agent experience



More consistency as cognitive computing enables data-driven decisions and reduces the points where potential manual failure can occur



Improved loss ratios enabled by a data-rich environment that allows for more granular and accurate risk classifications and pricing specificity

4. Visual Claims

A recent study by research firm ValuePenguin found that 68% of all insurance policyholder complaints were related to claims. Filing an insurance claim has notoriously been a sticking point, involving an excessive amount of time for both the insurer and the insured. An emerging trend seeks to solve this issue: visual claims.

Visual claims involve enabling customers to engage with the insurance company via a mobile app and camera. The experience is fully interactive and provides policyholders with a faster, more straightforward claims process. For example, in the case of a car accident, the customer can communicate remotely with the insurance company by sharing real-time video footage. Agents or digital/AI agents can assess factors like vehicle damage, weather conditions, skid marks, signage, and the position of the vehicle.

Because all imagery and videos are captured and delivered digitally, an on-site inspection by the insurer is no longer required — thus saving time and money. Through use of AI-aided analysis, claims payouts and repair services can even be triggered automatically upon loss.

By handling the incident assessment process in an immediate and real-time fashion, insurers can make more accurate claims decisions, accelerate claim settlements and, in turn, improve customer satisfaction.

“AI technology will **reduce the overhead** associated with claims **by 70 to 90%**, compared to 2018 levels.”

Source: ValuePenguin



5. AI-Powered Digital Agents and Self Service

In commercial and personal lines of insurance, one of the biggest impacts of AI will be the rise of digital agents. While the traditional agent will still have an important role, AI-powered agents will handle 80-90% of the omnichannel interactions with customers, freeing human call center agents to focus on activities requiring a personal touch.

AI-enabled, persona-based self-service apps will handle most customer interactions across the policy lifecycle. For example, customer requests for information on their policy or updating policy information are perfect use cases for voice-AI and app-driven engagement.

Meanwhile, human agents will primarily focus on complex sales, claims, and billing situations, with human interaction bolstered by analytics and data-driven insights. According to EY, “The key is making human touch conveniently available when and how consumers want it and for the right products, even as most interactions happen through digital channels.”



6. Core Systems Revival

Underpinning all the digital transformation strategies highlighted on the previous pages is the need to modernize your insurance core systems. Before insurers can build their future, they must address their past. Replacing legacy enterprise software in favor of cloud-native platforms is crucial to unlocking your company's digital potential.

Why You Can't Ignore the Core

In general — and not only in insurance — technology is not the primary roadblock to transformation. Odds are the technology to achieve your digital ambitions already exists. The reality is people drive change. And finding talented individuals to work with outdated systems is not easy. Insurers that opt to delay core system renewals will struggle as a dwindling pool of tech talent spends its energy keeping outdated systems running instead of focusing on transformative projects

A modern coretech solution drives innovation and enables insurers to beat the competition to market with transformative experiences. Technologies like low-code tooling and robotic process automation, in particular, put more capabilities into the hands of those closest to the business. By enabling business teams to innovate without significant custom code development, software development projects have the potential to finish up to 10 times faster than traditional methods.



Why Cloud and SaaS are Critical to the Future of Insurance

Revitalizing core systems is a massive endeavor, but the good news is that solutions to support this process have become easier to deploy and more cost efficient in the past few years. Cloud-native, SaaS platforms allow insurers to deploy in months, bring new capabilities to market more quickly, innovate freely, and scale more efficiently — while also reducing maintenance, upgrade and integration complexity. Whereas legacy systems have rigid, closed architectures that choke on the data required for digital-first experiences, cloud-native platforms open the door to endless data-driven opportunities.

“ Low code platforms have the potential to make software development as much as 10 times faster than traditional methods.”

Source: ValuePenguin



Sound interesting? We should chat.

Learn more about how cloud-native coretech is helping ambitious insurers realize their goals.

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