Insurtech
Insights

The 2020 Insurer Compass
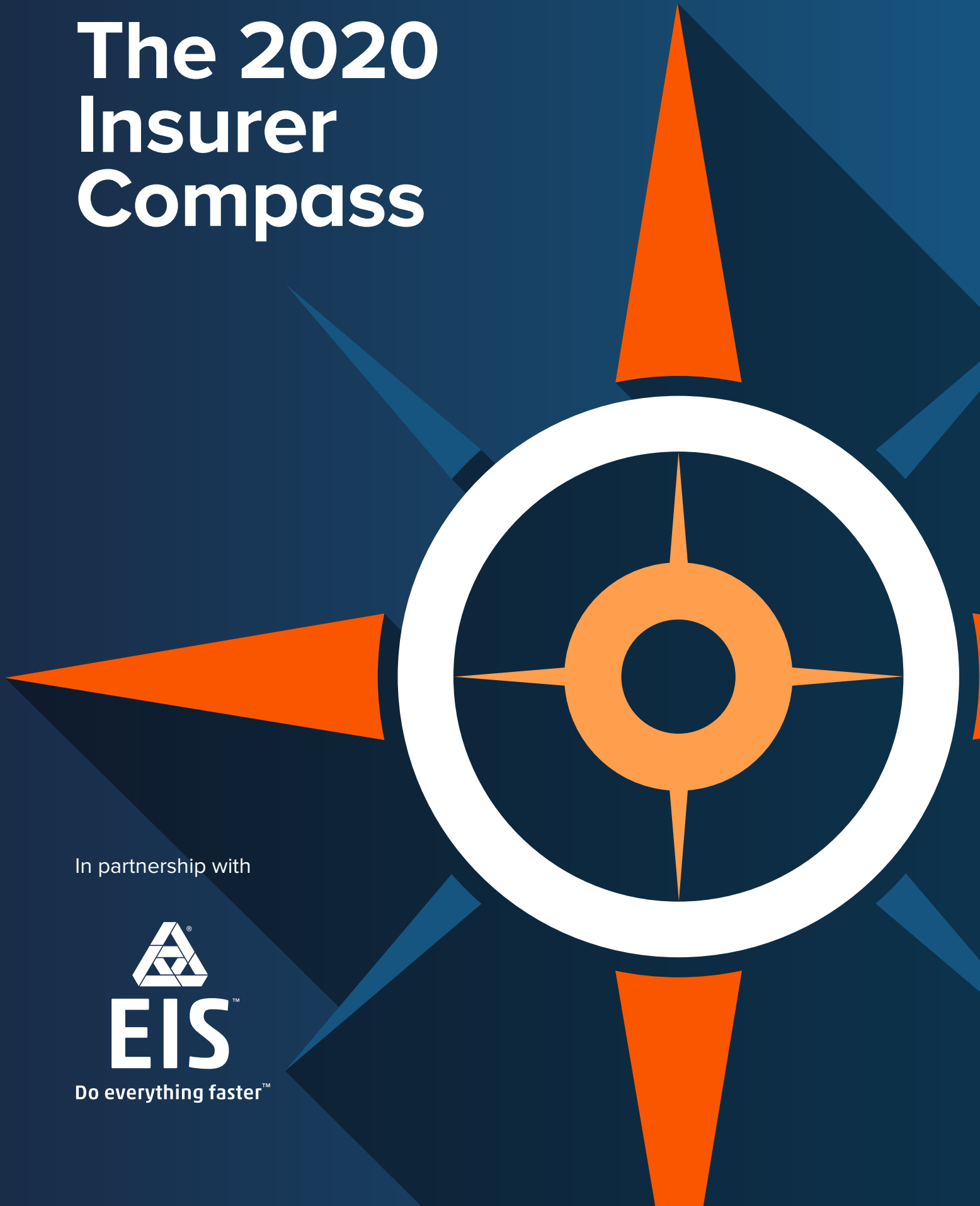
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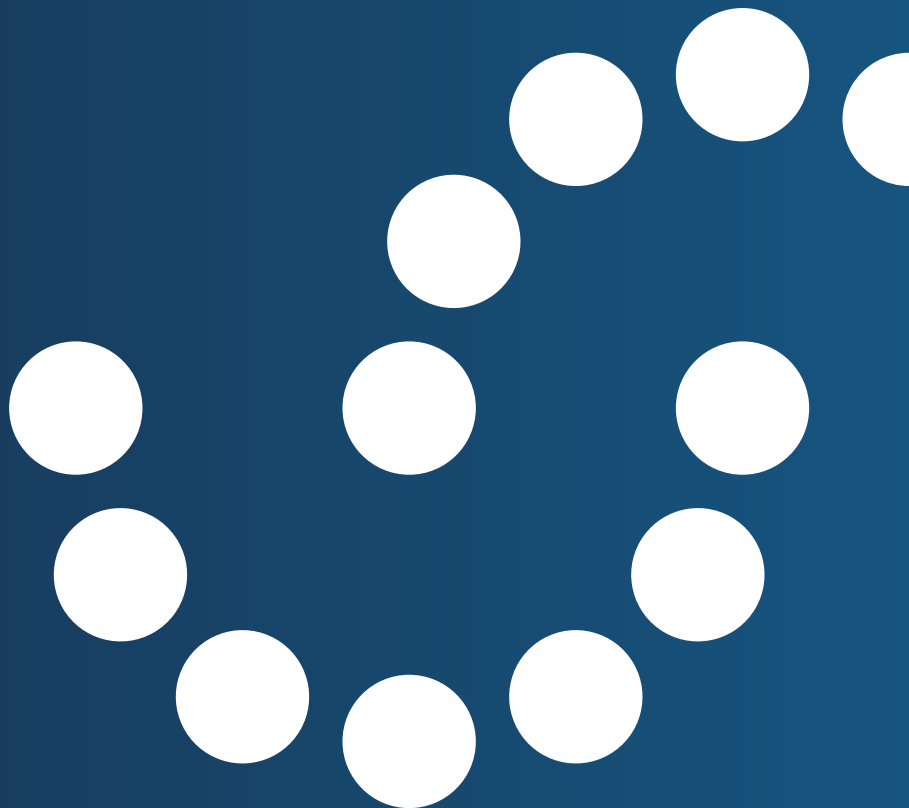
EIS™

Do everything faster™

Contents

Executive summary

It has been more than two years since Insurtech Insights was founded, with the mission to connect leaders across the insurance industry who are united by the shared vision and ambition for the digital transformation of our sector.

Since then we have hosted many conferences and webinars and published many different papers and editorials espousing the importance and the benefits of transformation. However, until now we have never conducted a proper quantitative benchmarking exercise to gauge sentiment in our industry.

It is with great pleasure therefore that we present the findings of this ground-breaking research, to my knowledge the very first of its kind to survey such a diverse array of insurance professionals across five continents.

The findings tell a very clear story, one that validates our mission at Insurtech Insights and gives us renewed motivation to be the voice of the industry's future. I hope you will enjoy reading as much as I did, and that you find value in this research for your own work and for your organisation.
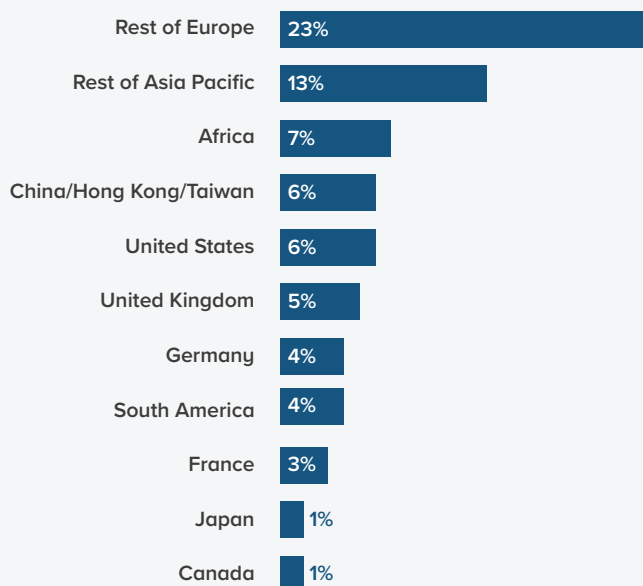
Kristoffer Lundberg
CEO, Insurtech Insights

Methodology

Insurtech Insights conducted an online survey via the Glow platform among insurance professionals. Fieldwork was conducted in September 2020 and included 73 responses geographically distributed as follows:

60 of the 73 survey participants were from insurers – 50 from legacy firms and 10 from challengers. The remaining 13 were from technology providers and consultancies.

57 of the 73 participants were VP level or higher with a good mix across life, health and P+C lines.

Rest of Europe	23%
Rest of Asia Pacific	13%
Africa	7%
China/Hong Kong/Taiwan	6%
United States	6%
United Kingdom	5%
Germany	4%
South America	4%
France	3%
Japan	1%
Canada	1%

Foreword by EIS

If you are reading this, it means you have an interest in the digital transformation of the insurance industry. Perhaps you are a change agent at an established carrier, or perhaps you work for a start-up that is unencumbered by the legacy that can make change difficult to achieve.

Whatever your perspective may be, readers of this report all share a common goal: to bring the insurance sector up to date and take full advantage of the opportunities that digitization offers, to run our businesses more efficiently, deliver the experiences that customers are demanding, and ultimately ensure our industry is fit for purpose for the decades to come.

You don't need research to tell you why this is important. But research tells you what your peers are thinking and doing and offers you insight into where the industry's strategic priorities lie. You can use this paper as inspiration and to benchmark your organization against others. If nothing else, the findings from this study will reassure you that you are far from alone. It presents a picture of an industry that is undergoing profound change, and is emerging far stronger as result.

Thank you to everyone that contributed their opinions to this research.

Samantha Chow
LAH Marketing Lead, EIS

About the author
Samantha Chow is the Life, Annuity, & Health Markets Lead with EIS, bringing 21 years of experience in the life insurance and annuity industry. She has deep expertise in product development, pricing strategies, competitive intelligence, operational process improvement, underwriting, claims, policy administration, and change management. Prior to joining EIS Group, Mrs. Chow gained her career level expertise from New York Life and AFLAC where she held roles such as corporate vice president of business productivity and innovation and director of research. Ms. Chow was focused on growing enterprise-wide capabilities for facilitating transformational and cultural change, digital transformation, improving the customer experience, innovation, and competitive advancement.

About EIS
EIS is an insurance software company that enables leading insurers to innovate and operate like a tech company: fast, simple, agile. Founded in 2008, EIS provides a platform for high-velocity insurance. This open, flexible platform of core systems and digital solutions liberates insurers to accelerate and scale innovation, launch products faster, deliver new revenue channels, and create insurance experiences the world will love. And with thousands of open APIs, the platform gives insurers the freedom to connect to a vast ecosystem of insurtech and emerging technologies. Headquartered in San Francisco, EIS powers premium growth for insurers in all lines of business worldwide. For more information on how EIS helps insurers become unbeatably fast at everything they do, visit EISGroup.com.

SECTION 1

A sense of urgency

99%

of insurance professionals agree that insurers must undergo **digital transformation** to remain competitive

The Insurtech Insights/EIS Insurance Industry Compass reveals a huge sense of urgency among insurance professionals around the need to transform. As *Figure 1* shows, there is unanimous agreement that digital transformation is needed for insurers to be competitive, while three-quarters believe that new technologies are disrupting the insurance industry.
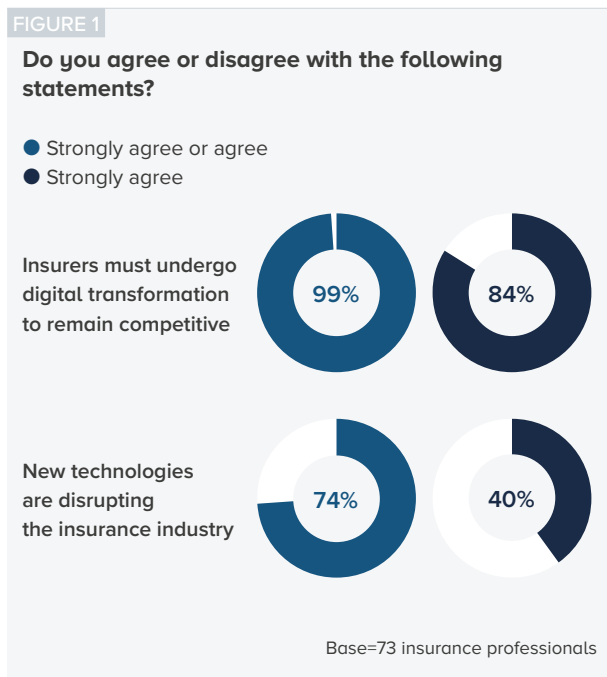
Do you agree or disagree with the following statements?

● Strongly agree or agree
● Strongly agree

Insurers must undergo digital transformation to remain competitive — **99%** / **84%**

New technologies are disrupting the insurance industry — **74%** / **40%**

Base=73 insurance professionals

Figure 2 reveals the top three transformation priorities for insurers: customer experience, distribution and innovation. The critical need for the latter is evidenced in the fact that only a minority of professionals believe that the industry currently offers innovative products.

How important are each of the following to the future success of the insurance industry?

● Essential or important
● Essential

	Essential or important	Essential
Improving customer experience	99%	77%
Improving distribution	97%	60%
A culture of innovation	97%	56%
Managing operational targets	93%	40%
Bundling existing services/protections together in new ways	88%	34%
Offering new services to customers other than protection	86%	42%
New products/types of products	86%	42%
Agile working	84%	38%

Base=73 insurance professionals

60%

of insurance professionals do not believe that insurers offer **innovative products and services**

SECTION 2

Houston, we have an experience problem

Improving customer experience is deemed "essential" by 99% of industry professionals. Three quarters of those surveyed believe that insurers' ability to meet customer expectations is "average" or "poor".

FIGURE 3

How well are insurers today meeting customer expectations?

- Not at all well
- Poor
- Average
- Quite well
- Extremely well

29%	44%	26%

Base=73 insurance professionals

Delving into specific aspects of the customer experience reveals a consistent picture: professionals working in the insurance sector are acutely aware that improvement is needed in all aspects.

When it comes to offering customers personalised and omni-channel experiences, insurance professionals gave themselves overwhelmingly "average" or "poor" ratings.

FIGURE 4

How would you rate insurers' ability to provide each of the following?

- Average, poor or very poor
- Excellent or good

Omni-channel customer experiences — 90% / 10%

Personalised products and experiences — 86% / 14%

Base=73 insurance professionals

To shed light on these negative perceptions, survey respondents were invited to add comments, a selection of which are shown as follows:

"Experiences are still fundamentally product-centric, not customer-centric."

"Insurers are multi-channel but customers are typically owned by a channel so seamless omni-channel is often impossible."

"Most take a 1 size fits all approach."

"A lot of offline intervention required, even in digital products. Customer information does not seamlessly flow through all systems - insurers, TPA, service providers."

"Webpage self-serve heavy rather than bots and chat and live call access feels relatively rare."

Houston, we have an experience problem

"In Japan, many life insurance companies introduce paperless application system, but when it comes to claim, most of the companies do not support paperless system and policyholders have to submit papers."

"Insurance penetration in Africa is the lowest of the world (<2%) for this very reason. Past mistreatment of customer has added to the overall lack of trust in carriers."

Buying and claims, the two journeys that comprise the bulk of all customer interactions, are in pressing need of overhaul.

As Figure 5 illustrates, 70% of the insurance professionals we surveyed believe that product complexity creates a problem for customers, while 59% believe that customers lack the required knowledge and guidance to choose the right products.
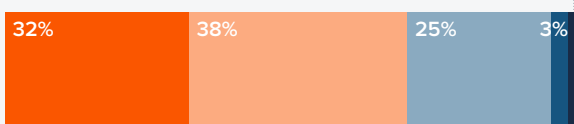
FIGURE 5

To what extent are each of the following a problem today for insurance customers?

- A very serious problem
- Quite a major problem
- Somewhat of a problem
- Only a minor problem
- Not a problem at all
- Don't know

2%
1%

| 30% | 29% | 33% | 5% |
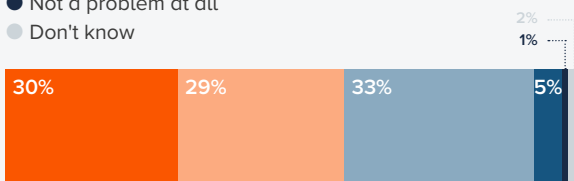
Lack of knowledge / guidance about which options are best suited

2%

| 32% | 38% | 25% | 3% |

Products that are complex / difficult to understand

Base=73 insurance professionals

Figure 6 illustrates that the number of professionals surveyed who rate the customer experience in application and on-boarding as "average" or "poor" outweighs "good" by almost three to one.

FIGURE 6

How would you rate the insurance customer experience when it comes to claims?

- Very poor
- Poor
- Average
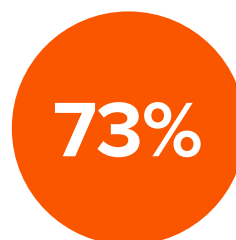- Good
- Excellent
- Don't know

1%

| 36% | 33% | 27% |
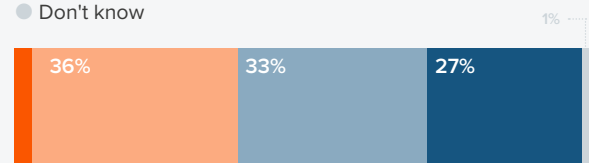
Base=73 insurance professionals

Insurance leaders are acutely aware that the limitations of traditional underwriting processes are visible to their customers.

79% of insurance professionals believe that **"difficulty filling in applications"** is a problem for customers

73% believe that **"applications taking too long to approve"** is a problem for customers

Houston, we have an experience problem

Comments from survey participants shed light on the underlying issues:

> "Still too much paperwork. Weak welcome process. Jargon everywhere. Wet stamp mandatory for some geographies. Repetitive data."

> "Too long processes, not smart, not adjusting to channel, (too) often not taking into account real needs."

> "On boarding often has a greater focus on the needs of the insurer than the needs of the insured."

> "Processes are outdated and don't take advantage of external data sources available for risk profiling."

> "Moving old fill in forms to online platforms and calling it digital."

> "It's all cut and paste and one size fit all. 100-years old underwriting processes and policy/compliance driven approach to customer on-boarding/acquisition. Very little if no client centricity or design thinking approach to product development."

> "Adding / buying insurance is way too often detached from the primary objective or journey - deeper integrations with distribution partners is needed."

> "Compared with applications, a slightly more positive picture is observed when it comes to claims handling, albeit the proportion of industry professionals who rate the claims experience "average" or "poor" still outweighs those who rate it "good" or "excellent"."

While the general perception is not quite as negative as compared with application journeys, the majority of professionals surveyed also believe that claims processes are problematic.

FIGURE 7

How would you rate the insurance customer experience when it comes to applications and on-boarding?

- ● Very poor
- ● Poor
- ● Average
- ● Good
- ● Excellent

15% | 44% | 40% | 1%
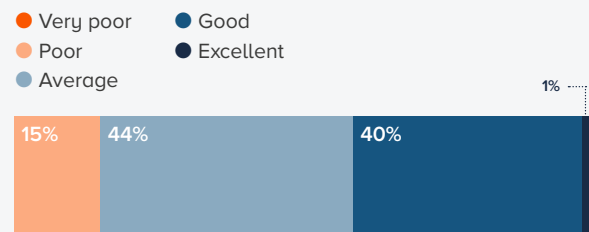
Base=73 insurance professionals

Comments from survey participants were very clear about the problems with claims experience:

> "Little variety of channels. Defensive speeches. Lack of knowing customers. Lack of common platforms."

> "Tedious, manual process. Too many hoops to jump through for the customer. too many hidden terms and conditions. widely prevalent mis-selling and under disclosure."

> "Every largest insurers with huge in-force books still rely on paper-based processes to administer claims. One recent use-case in South Africa is a life carrier whose client had to transport the corpse of the policy holder to the office to proof the claim after protracted/painful back and forth process where the carrier was dragging the process for weeks."

This survey clearly indicates that the industry understands its deficiencies and has a deep realisation of the need to transform. In the next sections of this report, we explore insurers' transformation priorities, from both a technological and an organisational standpoint.

62% of insurance professionals believe that **"difficulty making claims"** is a problem for customers

75% believe that **"claims taking too long to be paid"** is a problem for customers
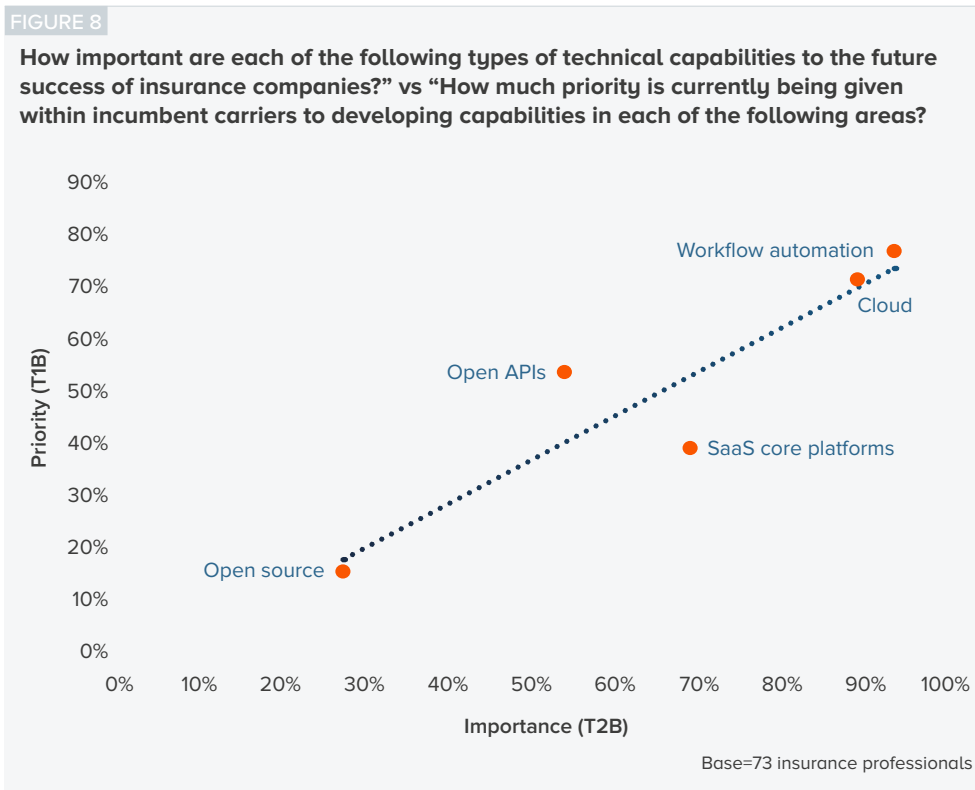
Transforming the tech stack

Survey participants were asked about five technology areas: cloud, workflow automation, SaaS-based core platforms, open APIs and open source.

Participants were asked to evaluate (a) the importance of each technology area to the insurance industry, and (b) the priority currently being given by incumbent insurers to each technology area.

As illustrated in Figure 8, the technology areas considered both "important" and "top priority" are workflow automation and cloud. As expected the more important technology areas are assigned a higher priority.

"SaaS core platforms" stands out as being one area of technology whose prioritisation is lower than its importance, comparatively speaking. This suggests that incumbent insurers are currently under-investing in SaaS.

FIGURE 8

How important are each of the following types of technical capabilities to the future success of insurance companies?" vs "How much priority is currently being given within incumbent carriers to developing capabilities in each of the following areas?
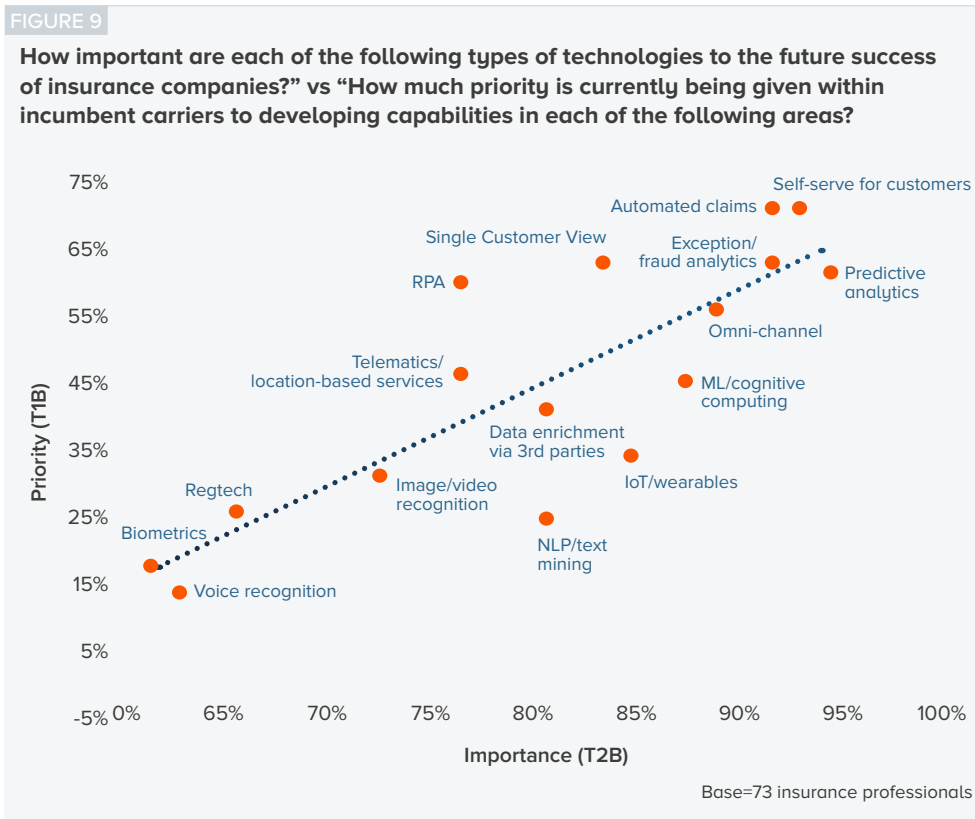

Base=73 insurance professionals

Transforming the tech stack

In addition to the five overall technology areas, the survey offers a deep dive into individual technology capabilities. As above, each capability is rated on two dimensions: importance versus priority. Findings are illustrated in Figure 9.

As shown in Figure 9, capabilities that top the list in terms of importance and priority include predictive analytics, self-serve for customers, automated claims, exception/fraud analytics and omni-channel. It is no coincidence that these capabilities are ones that have some of the most direct impact on the customer experience.

A number of capabilities stand out as positioned below the trend line in Figure 9, representing areas which are currently under-invested versus the norm and which represent high-growth opportunities. These growth technologies include Natural Language Processing, data enrichment, Internet of Things and machine learning/cognitive computing.

FIGURE 9

How important are each of the following types of technologies to the future success of insurance companies?" vs "How much priority is currently being given within incumbent carriers to developing capabilities in each of the following areas?

Base=73 insurance professionals

Transforming the tech stack

"Too often it is the human layer of "expert" reviews that create the greatest delays and introduce the highest risks of inconsistency in decisions."

"Insurance is relatively transactional which also implies that stickiness is very weak. Better customer service like having a self-service portal would improve the stickiness."

"Our company has enormous amounts of health data on our consumers. Machine learning will take off from being in a reactive industry to a proactive industry. It will allow us to help ensure the health of consumers long before they ever need care."

"Insurance needs to be "portable" i.e. it should be able to follow the customer during their normal daily activities as well as being able to respond to customer's exact needs."

"The more processes that can be made human independent, the more efficient will the system be which will flow down to the customer in the form of better underwriting, claims processing etc. The more data and variables a machine can process and make coherent deductions to, the more innovative and personalised the products."

"If claims fraud can be reduced to a minimum whilst massively accelerating most claims processing this will both eliminate massive losses to fraud and reduce labour costs whilst at the same time dramatically improving customer experience."

Of course, technology is just one part of the transformation equation. In the next section of this report we turn our attention to transformation in the organisation.

SECTION 4

Transforming the organisation

88% of insurance professionals believe that legacy is preventing incumbent insurers from **transforming quickly enough**

Almost everybody agrees on the need to transform. So why hasn't the industry moved quicker?

Figure 10 shows that there are many barriers within established insurers that can prevent progress. The most common barrier is considered to be "legacy technology", and the next most common "lack of management buy-in".
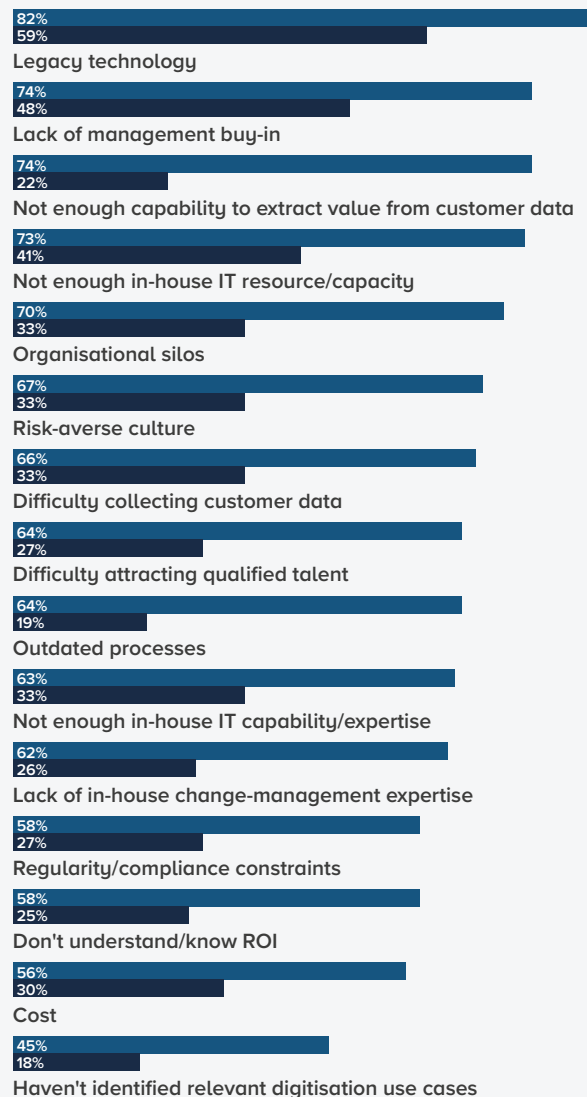
Many organisations are constrained by limited technical capabilities. A lack of ability to extract value from customer data is cited as a barrier by 74% of surveyed professionals, while a similar proportion cite "lack of in-house IT resource".

Organisational silos (70%) and a risk-averse culture (67%) are also commonly cited impediments to effective transformation.

FIGURE 10

To what extent is each of the following a barrier to transformation?

● Somewhat of a barrier + a major barrier
● A major barrier

82%
59%
Legacy technology

74%
48%
Lack of management buy-in

74%
22%
Not enough capability to extract value from customer data

73%
41%
Not enough in-house IT resource/capacity

70%
33%
Organisational silos

67%
33%
Risk-averse culture

66%
33%
Difficulty collecting customer data

64%
27%
Difficulty attracting qualified talent

64%
19%
Outdated processes

63%
33%
Not enough in-house IT capability/expertise

62%
26%
Lack of in-house change-management expertise

58%
27%
Regularity/compliance constraints

58%
25%
Don't understand/know ROI

56%
30%
Cost

45%
18%
Haven't identified relevant digitisation use cases

Base=73 insurance professionals

Transforming the organisation

"Big organisations lack ambition for change, don't want to change status quo as Exec teams are more worried about losing their jobs than doing the right thing."

"Transformation will only occur through sustained effort and commitment from top and middle management. This will only occur when there is a deep and abiding conviction of the value proposition."

"Various solutions are available in the market however it is not easy to plug and play these solutions to understand ROI. Most solution providers are unable to understand the clients' positioning in the market and give visibility to expected ROI."

"Organisations are managed in silos where every vice president is trying to put their priorities in front of the common welfare of the organisation. Most of them never even think about being customer centric."

"If you don't monetise your goals they start to blur."

"Using legacy systems is toxic. No plan to get rid of it is equal to paying a high maintenance fee for your home appliance because you just don't want to learn new things."

"It's so easy to fall to what you know instead of changing for the better."

"With proper management buy-in you can overcome most of other barriers (costs/budgets, siloes, mindset/culture...) but this hard to get when it comes to convince about new technologies that they do not know/understand, disrupting processes/products with a share of bet/risk as this is new."

"I believe most leaders actually know a lot about what is best for the customers but meeting those expectations also means letting go of some "power" and being more exposed. The industry has fenced its customers for years and the risk of not doing that (and being truly customer-centric) is holding managers back."

On a positive note, this survey reveals that widespread increases in investment are in the pipeline for many organisations. When asked how investment in digital transformation will change for their companies in 2021, just 1% of survey participants said it will decrease while the majority (59%) predicted investments to increase in the new year, with one in three (34%) expecting digital investments to grow by 25% or more.

FIGURE 11

Will your company's investment in digital transformation increase in 2021 compared with 2020?

- Increase by +50% or more
- Increase by +25-50%
- Increase by +1-25%
- Stay the same
- Decrease by +1-25%
- Decrease by +25-50%
- Decrease by +50% or more
- Don't know
- Rather not say

21% | 25% | 22% | 12% | 5% | 14%

1%

Base=73 insurance professionals
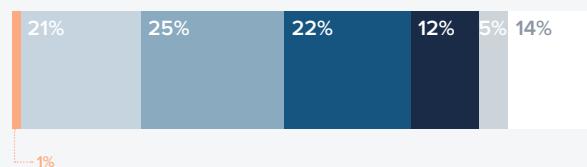
SECTION 5

Building partnerships and ecosystems

Other than in-sourcing the expertise and technologies required to transform, many insurance organisations are working with partners to help upgrade their capabilities. Almost half (48%) of those surveyed are working with consultants, while 45% are working with third-party data providers and a similar proportion are working with insurtechs that help with distribution.

FIGURE 12

Is your company currently working with any of the following types of external partners?

|	
Management consultancies	48%
Providers of third-party data	45%
Insurtech providing distribution capabilities	45%
Insurtech providing other enabling capabilities	40%
Insurtech providing underwriting/ risk assessment capabilities	37%
Insurtech providing claims-management capabilities	36%
Design-thinking specialists	34%
No-code/low-code software platforms	19%

Partnerships extend well beyond the world of insurance alone. Many insurers have joined forces with adjacent businesses to provide more holistic propositions and create sticky "lifestyle" platforms suited to building richer customer relationships compared with what protection products alone have been able to achieve. According to McKinsey, wealth and protection will be one of 12 global ecosystems and will account for $1.1 trillion in revenues in 2025[1].

Two out of three (66%) of those surveyed are already working with non-insurance businesses, and a further 26% are planning to do so.

FIGURE 13

Is your business actively partnering with non-insurance businesses?

● Yes
● Not yet, but we are planning to do so
● No, and no plans to do so

66%
26%
8%
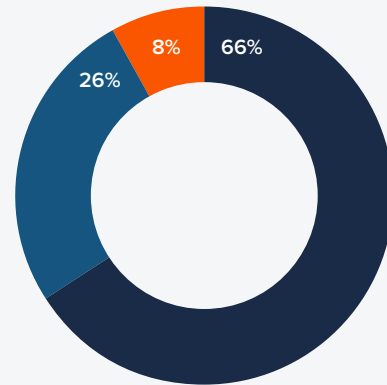
Base=73 insurance professionals

As shown in Figure 14, the most valuable reasons to partner with non-insurance businesses include cross-selling opportunities, access to new customers, and the ability to provide product bundles to customers.

The "EIS Customer Compass", a study of insurance consumers in the US, UK, France and Germany in Q3 2020 showed a high level of buyer receptivity to bundled protection propositions, as well as purchasing multiple types of coverage from a single insurance brand.

[1] McKinsey & Co: "Insurance beyond digital: The rise of ecosystems and platforms" 2018

Building partnerships and ecosystems

FIGURE 14

How valuable is it to partner with adjacent non-insurance businesses for each of the following reasons?

● Extremely valuable
● Quite or extremely valuable

92%
41%

Cross selling opportunities

90%
55%

Gain access to new customers

85%
44%

Provide enhanced or bundled products and experiences to customers

78%
47%

Customer retention

71%
37%

Access to partners' expertise

Base=73 insurance professionals

FIGURE 15

Are you developing or do you plan to develop adjacent non-protection products and services or bundles within your own company?

● Yes, we have developed our own non-protection products/ services ourselves and these are now live for our customers
● Yes, we have not launched yet but are in development
● Not yet, but we plan to develop in the future
● No plans to offer anything other than protection
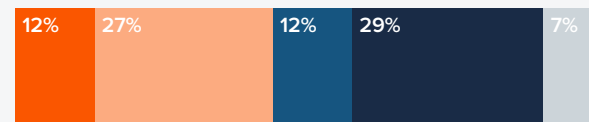● Don't know

| 12% | 27% | 12% | 29% | 7% |

Base=73 insurance professionals

Some insurers are going further and developing their own non-protection propositions in house. As Figure 15 shows, 29% of those surveyed work for organisations that have already launched non-protection propositions with an additional 39% working on such propositions in the pipeline or planning stage.
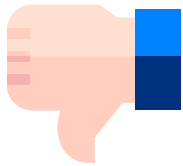
Five key takeaways

1.

There is a huge sense of urgency in the industry: an overwhelming proportion of insurance professionals in this survey believe there is a pressing need to accelerate transformation.

2.

Across all aspects of customer experience, from omni-channel to acquisition and claims, many insurance professionals consider their own industry to be average or poor.

3.

Workflow automation and cloud are the top strategic priorities for the tech stack, while predictive analytics, self-serve for customers, automated claims and exception/fraud analytics are top of the priority list of individual capabilities.

4.

Despite widespread recognition of the need for change, barriers are rife in incumbent organisations. Chief among these are: legacy systems, lack of management buy-in, difficulty working with data, and lack of in-house IT resources.
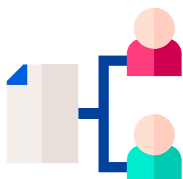
5.

Insurers are actively pursuing partnerships, both to upgrade their capabilities and to expand their customer propositions beyond protection.

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