Insurtech Insights

A guide to building the future-ready insurer

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Introduction

In insurance, as in other industries, there is a perennial tension between the needs of the future, the demands of the present and the influence of the past. Fundamental change carries risk. Legacy systems cannot simply be switched off. Organizational culture, values and behaviors which have evolved over generations cannot pivot overnight.

In this paper we'll explore **routes to future readiness** and uncover the **building blocks of success**. Focusing on value alignment in the business model, mindset, culture, leadership, data, processes, technology and partnerships.

Insurers are long past asking, "should we change?". The question now is very much "**how do we change?**". To be more specific: how to embrace the future and upskill people, processes and technology to be fit for purpose, whilst also protecting the current book of business?

To find answers to this central question, Insurtech Insights was fortunate to spend time with eight of some of the best and brightest leaders in our industry.

Questions asked and answered in this report:

- What are the characteristics of a future-ready insurer?
- What are the obstacles to future readiness?
- How do we overcome silos?
- What skills do we need to be future ready?
- What benefits should we expect from upgrading our core technology?
- What are the ingredients of success when working with partners?
- How do we know when we're moving in the right direction?

Foreword by Thoughtworks

From unlocking the value trapped in huge volumes of customer data to reaching massive audiences by integrating offerings into ecosystems, the future of insurance looks incredibly exciting.

But with so many transformational opportunities on the horizon, one pressing question remains: what can an industry characterized by long-established processes, legacy technology and the precise management of risk do to take advantage of those opportunities?

As you'll discover throughout this report, the key to success isn't abandoning those characteristics and leaping head-first into sweeping transformations. Quite the opposite, in fact.

Instead, insurers must hold onto their traditional skills and approaches, and use them to enable considered, well-planned changes that prepare their organizations for the future, without excessive disruption or overinvestment in technologies that don't deliver value.

That doesn't mean closing their minds to new perspectives or ways of delivering change. As you'll discover, insurers have a lot to learn from other industries. By observing how leading organizations have managed similar change journeys, and augmenting their teams with new skills, insurance companies can prepare for the future with confidence — moving at a pace that suits them, while still staying ahead of the curve.

I'd like to personally thank all our contributors for giving us an open and honest glimpse into what the future holds for their organizations and the insurance industry at large — and the challenges that are slowing their progress.

It's been very interesting watching this report come together, and seeing how the lived experiences of industry leaders line up with Thoughtworks' own viewpoints and predictions about the future of insurance. I've certainly learned a lot, and I'm sure you will too.

I wish you the best of luck in your own journey to become future-ready, and I hope some of the insights shared here help you along the way.

> "We're passionate about making sure that partnerships deliver lasting value. It's easy to get excited about the vision, but much harder to see through to implementation."

Phil Hingley
Director of Financial Services, UK
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What are the characteristics of a future-ready insurer?

The insurance industry has, for generations provided solutions for static or fixed tangible assets such as property, life and limb. Insurers today have the additional responsibility, or opportunity, to address less tangible areas such as intellectual property rights, 'on demand' commerce and cyber threats.

Insurers must also be aligned with changing customer behaviors and expectations. The world's leading consumer and technology brands have set the standards for consumers who are demanding slicker, more personalized and more intuitive experiences. Powering customer journeys with automation and AI are now table stakes.

The future-ready insurer will have a far more interactive and dynamic relationship with customers, both domestic and commercial, compared with insurers today.

Future-ready insurers have foresight and the ability to act on foresight, to not only respond to market forces but anticipate and take the lead.

Established organizations have built or acquired business processes over the years that support 'moment in time' operations. These silos now inhibit the required innovation for a very different model. The future-ready insurer will need to operate efficiently, creating a single organization that is more than the sum of its parts.

The technology foundations of future readiness are systems that connect both internal entities to external parties, allowing the free flow of data back and forth. Insurers are no strangers to data, of course — they have always been the custodians and controllers of massive amounts of customer and market information.

Large insurers enjoy an advantage through the vast quantity of data that they have collected over the years.

The organizations that will be most successful in the future are the ones who make the best use of that data, and which are able to **ingest, store, analyze and act on new data at speed and at scale.**

Tom Downs

"My vision is of a fully digital enterprise with all of our systems fully interoperable and manual duplication of effort eradicated, and one-touch data captured up front in our data-governance framework. All on a global platform that all parts of the organization can access."

Technology may form the foundations, but the future-ready insurer must also exhibit the **hunger to take full advantage of opportunities.**

97%

of insurance executives agree that a culture of innovation is important to the future success of the insurance industry [1]

Ruth Harrison

"The preparedness comes from the mindset of an organization."

Ben Luckett

"Being unsatisfied with the status quo and constantly challenging ourselves to do things differently is what will make an insurer future-ready. It is important to test propositions and learn from them at pace, accepting that failure will be a part of that process."

What are the success factors underpinning change?

While the need to change is universally accepted, the goals of change and the shape in which change happens can take different forms and operate at different levels.

Business change, for example replacing back-office systems, does not by itself constitute innovation or transformation, but puts the infrastructure in place for innovation and transformation to subsequently happen.

Innovation tends to be project-based, explorative, requires foresight and risk-taking, and a willingness to step into unknown territory. A test-and-learn, fail-fast philosophy is needed for innovation to flourish. Although 'innovation' is widely discussed, insurers do not necessarily have to innovate to be successful — in fact being a 'fast follower' and copying the successes of others can be a viable strategy in many instances.

Transformation is something more significant and holistic than just a project or a business change, seeking to redefine fundamental aspects of how insurers operate and/or go to market.

It is evident that some established players are tinkering with and tweaking their processes rather than embracing change at the core. Our panel shared a number of guiding principles for successful change:

Always have a clear vision of where you're going, but don't be over-ambitious

Tom Downs

"Lots of companies and boards want to future-proof, five, ten years in advance — you can't. Technology is moving too fast and therefore you must be flexible and able to adapt. We've got a three-year strategy and we revise that annually to incorporate the lessons learnt from the projects delivered in the previous year."

Lead from the top, while encouraging grassroots participation

Ben Luckett

"First and foremost, help people look outside of the day to day, and outside of the industry. We have an ideas platform where anyone can submit an idea. We have hackathons to build the ideas. I run an innovation forum where I bring directors in from across the business to collaborate. And our group CEO sets the tone."

Stick to your plan

Adam Powell

"The problem you have in a lot of the big brands is that the C-suite tends to be there for three to five years. Somebody backs it, the project's up and running. But within that period, somebody else comes in with a change of strategy. So something that had real potential is sidelined and you're starting again on a different strategy."

Team players are more effective than mavericks

Ben Luckett

"There's a tendency to overestimate how quickly things will change but underestimate the significance. If you work in a corporate, doing stuff on the edge is not the best way to drive meaningful change. You need to get that balance between working at pace, leading the agenda, but bringing people with you."

Make it fun

Danilo Raponi

"We who work in innovation are working in the most fun aspect of insurance. If you can ensure that this fun aspect emerges, you get people on board. We do sprints with the most conservative actuaries and auditing people. It's amazing to see it click, when they start to realise what innovation is, how fun it can be to go quickly from theory to workable solutions."

Be clear about roles and responsibilities but allow people space to contribute

Tom Downs

"Give clear, concise instruction with some room for people to make their own mark."

Iteration beats perfection

Adam Powell

"Realise that what you build at day one for any given product is never the finished article. Get something live, get the feedback in from real customers, then start to iterate the products. You've got to do that early."

Be open to external support

Andy Lynex

"Don't be afraid to look outside for help. The right help at the right time can move you along."

Sean O'Reilly

"Being part of wider innovation networks, including partners and regular contact with peers across the industry, is really important and opens up the potential for collaborations."

Communicate regularly, openly and proactively

Constantin Beier

"You've got to be consistent and repetitive. You need to keep reminding people of your message in order to anchor it. Put it on the agenda for quarterly business reviews."

60%
of insurance executives do not believe that insurers offer innovative products and services [1]

Tom Downs

"Transparency makes all the difference. Publish your Operations and IT strategy. Make it freely available for anyone to interrogate. Welcome the debate and questions. You'll get better output and more adoption than if you avoid the difficult conversations."

Adam Powell

"We've gone out of our way with internal comms. We use things like Slack, we have internal message boards and the intranet. Some people don't like change, but if we give it to them ahead of time they're more likely to be able to take it in the right way."

1   https://www.insurtechinsights.com/reports/the-2020-insurer-compass/

What are the obstacles to future readiness?

Notwithstanding the widespread appetite for change witnessed among insurance leaders, there is recognition that constraints exist that are not completely within individual organizations' ability to control. Regulation was cited by many of our experts as something that often affects insurers' scope and speed to change. Price controls in auto insurance for example, have been suggested as a means of protecting consumers but may actually achieve the opposite outcome of raising prices across the board, as well as taking away the insurers' incentive to introduce pricing that is more dynamic and data-led.

The widespread sense of urgency felt by many insurance leaders is not always mirrored elsewhere in the organization, and therefore there will always be a need to **evangelise and break down internal resistance and cultural barriers.**

Furthermore, insurance organizations that have historically operated as siloed businesses must now **embrace external ideas, data and ways of working**. The change agent often works as a mediator or bridge between internal and external teams, helping to bring them together.

Andy Lynex

"There's still a feeling that insurance is different and it can't adapt to how retailers work, or we can't take technology off the shelf. I've seen a number of insurers attempt to build CRM systems rather than just recognize that Salesforce has got a pretty good CRM system. Why not license that and focus on the bits that are truly unique?"

What's the best way to cascade change across the organization?

In all large organizations there is an inherent tension between the ability to act quickly versus the ability to act consistently. All our experts pointed to the value of setting up **a central team of specialists with an intentional innovation agenda** focussed on bringing the innovation in to drive and catalyze change. They also stressed how important it is that this team should not work in isolation but be deeply embedded with business units.

Central innovation teams hot-house technical expertise, define best practices and forge relationships with vendors and other external parties.

At the beginning of the journey, our experts recommended starting with a smaller part of the business to build a platform with the potential to scale both in terms of volume and product line. As proofs of concept are successfully established, this allows for rapid rollout and expansion, and brings in those with a legacy mindset for a fresh perspective.

Ben Luckett

"We have a central innovation team which is small. We build virtual teams with different business units — the central team leads on test-and-learn and then the virtual teams scale up.

We have an investment in Founders Factory, where we do a lot of our incubation and acceleration activity. This allows us to detach it from the business-as-usual process, but we bring in different business leaders to sit on investment committees and sponsor projects."

Tom Downs

"We've created a specialist project function that sits across the group and takes central ownership of key change activities, IT and procurement. We take ownership, but in an appropriate manner. Not land grabbing. If you take a collaborative approach, nine times out of ten people support you."

How do we overcome silos?

The consistent push to transform starts at the very top level.

Ruth Harrison

"It goes beyond just having the CTO sitting on the board. Everybody on the board has a responsibility to be championing digital transformation."

It's important to build a network of change leaders who are influential in their business units, but act as a team. Leading organizations have set up a centre, not to dictate or control, but to enable – capturing ideas, empowering and teaching, running workshops and establishing best practices.

Trust and consistency can be built as people begin to speak the same language. The right data and analytics to support these conversations brings a confidence and familiarity that begins to move the needle on culture and attitudes to change, innovation and new ways of working.

Danilo Raponi

"Create incentives for people, such as access to a central fund for innovation projects. It's not about mandating things, but about creating magic. Show people that if they do these things, they will get those results. Show them case studies."

Constantin Beier

"Trust comes first, even before money. If you want people to share, then there has to be trust. We had a programme for all of the leaders in the firm that looked at understanding how people build trust, and that people trust for different reasons. It made people reflect quite strongly on how they live, lead and collaborate. Once you do something like that in a big organization, people start to talk in the same language."

Some organizations have baked in 'sharing' as a core element of corporate citizenship. Not unlike Google's famous mantra that part of each colleague's time should be spent on external projects, consider establishing a norm that **giving and receiving knowledge is essential** to be seen as a team player.

Bringing together shared services and standardising common processes encourages alignment across units. For example, by bringing data together in one place and generating insights that go across the different parts of the business, this helps to build a foundation for the organization to operate as one. Matrixed reporting lines in core functions such as Finance and HR help to drive consistency.

Constantin Beier

"If a CEO in a country gets his financial support from a CFO that he appointed, that CFO is not so likely to remind the CEO that there are certain higher goals. If you have a CFO with a strong matrix, who maybe has a dotted line to the country lead but a solid line to the central CFO, there will be more of a reinforcing backbone."

Sean O'Reilly

"A consistent Know Your Client (KYC) process helps bring different teams together. Rather than different units doing their own KYC, do it once and share it in a database or an internal blockchain network. Eventually that can even extend to other companies to become industry wide."

Ruth Harrison

"In a digital organization, there is no divide between business and technology functions. Instead, there's a collaborative effort throughout the full stack of the organization."

What skills do we need to be future ready?

As insurance becomes more data and insight driven, insurers will require new skills. Technical roles such as developers have proliferated massively. Underwriters and actuaries have always been adept at extracting insights from data but there is a **greater emphasis today on soft skills** such as influencing skills and a sense of urgency.

Ben Luckett

"We look for curiosity, a dissatisfaction with the status quo. In terms of skills there are three key areas. One is really understanding customer experience – I'm not just talking about usability or information architecture, I'm talking about putting yourself in the shoes of the customer. Second, technology moves so fast, and you need a broad understanding of what's best of breed without necessarily having to be an expert in everything. Thirdly, we do need to continue to have people who really understand the industry in depth. We are dependent on that as a regulated business, managing vast amounts of capital and with a complex value chain."

Danilo Raponi

"We're not missing much in terms of technical skills. Rather, it's the softer skills. Entrepreneurial spirit. Ability to accept that things can fail. Something that is lacking is the ability to communicate really well, both in writing and verbally. To pitch your ideas and influence others."

Crucially, there needs to be a recognition that **change management at scale is a specialism** and calls for specialists if you want to succeed.

Tom Downs

"You see a lot of former underwriters go into change roles. They've got great experience, but they're not specialists. Change management is a specialism and a discipline. Don't get me wrong, there are some good ones, but many don't have the absolute embedded discipline when it comes to delivering change."

Andy Lynex

"It's very important to actually understand insurance when you're doing this journey, but a change specialist will bring a different perspective and will be able to probe and challenge more."

Diversity is a catalyst for innovation and execution

The future-ready insurer has broad horizons and is **open to ideas and influences** from the outside world. For this to happen there must be diversity of background, thinking and perspectives among its people.

Andy Lynex

"If you go to an industry event it's typically a room of white men in suits. I'm generalizing but not too much. The language that insurers use can be a real turnoff. I see insurance people talking about underwriting to somebody who has no idea what it's all about but might have a maths background and be the sort of person we want. When I see jobs advertised, the language we use can be quite off putting."

Ben Luckett

"It's well recognized that diversity is a really good catalyst for innovation and execution. Not diversity from a tick box perspective, but diversity of thought and experience. You can't always innovate just by getting internal people in a room and hope they come up with a good idea. You have to actually talk, listen, understand, experience as broadly as you can."

For organizations that are advanced along their journey, specialist domain skills become more prized, which like platforms and systems, become modules that plug into the body of talent that an insurer possesses.

Adam Powell

"In the early days we had to get that core systems experience. We've now evolved to a place where the system is built on microservices. So we're now looking for payments experience or email platform experience, or perhaps customer or data experience. It's now become a much more modularised view of both technology and skill sets."

What benefits should we expect from upgrading our core technology?

The current and future core technology required to deliver the digital customer experience will be supported by a more fluid and open business structure, with the same high standards in stability and security of the existing core, but able to deliver **faster, more dynamic and relevant client insights**, whilst **significantly reducing operating costs** and supporting more profitable business growth.
This will remove fragmented data silos that are currently split across different areas of the business. Moving to the cloud is the foundation of many technology evolutions. Of course, risks exist in decommissioning legacy systems and many insurers are still operating mainframes built in the 1980s. However, there are technologies that can help bridge the gap from legacy to future, for example low- or no-code platforms.

Tom Downs

"The most transformational piece that I've experienced in the last five years is going to an organization that has cloud computing. The speed of deployment versus on-premise solutions is a game changer. It does come with its challenges: information security for example. But if you have the right expertise, it's not that difficult to configure the protocols you need?"

Once the cloud infrastructure is in place, a world of new capabilities opens up. Being able to **build and tear down sandboxes in minutes** rather than rely on central IT resources, means teams can test and learn at pace. **Automated data feeds** across the organization and to and from external entities via APIs vastly improves an insurer's ability to capture information, and act on it in a timely fashion.

Adam Powell

"A really tangible output for us has been pricing. Some 95% of our new business comes from aggregators, where cover levels or brand are in the mix, but price is king. Our edge is our ability to iterate price quicker than anybody else, scan market dynamics and claims data, and feed that into our pricing in real time."

As a built-for-purpose digital insurer such as Policy Expert demonstrates, in a natively cloud environment platform generations are measured in three-four years rather than decades and 'plug in' architecture simplifies the process of on-boarding new products, channels and other functionalities.

Should we work with a partner? What types of partners can help us?

When it comes to a particular solution, technology or know-how, there will be serious choices around buying in a package or building in-house. Building requires technical ability and capacity, and a razor-sharp vision around how the business will derive value. Buying puts the insurer at the mercy of their partner's development cycles, priorities and resources.

Most insurers have opted for a hybrid model, recognizing that there are external specialists whose capability or technology is worth having, but also knowing that customization is required on an off-the-shelf package to make it fit for purpose.

Tom Downs

"I'm a massive fan of getting skills in-house and doing a DevOps type environment. That's my personal preference. But if you do buy off-the-shelf platforms, you can leverage the experience of partners and the investment they have already made in the platform. You need to ensure your procurement process is spot on — understand their development roadmap and ask the direct questions that some people don't ask."

Adam Powell

"A partner's technology comes out of the box with a set of functionalities. We can use that. But we're not a normal insurer. We want to do things differently. If we try to push the envelope and change the boundaries we're into their change cycle. It's not only the money, it's the time more than anything else. They've got so many other insurers and partners all fighting for their same core tech resource."

Whether building or buying, **systems integration expertise is essential**. Most incumbents' IT departments are more accustomed to working with monolithic systems, therefore partners may be able to assist. But focus on those companies that do not leave a dependency on them.

Other than 'partnering in', bringing in technology, most insurers are also pursuing a 'partnering out' strategy: for example, working with non-insurers to distribute.

Ben Luckett

"Most see Aviva and recognize the logo but there's also a significant partner layer, including brokers and technology providers."

Partnering with startups brings energy, ideas and different ways of working. Furthermore, there are signs that insurers who have long seen each other as competitors, or at least disparate entities, are exhibiting an appetite to come together around common goals.

Danilo Raponi

"The challenges we have as an industry are so great that we should innovate together. I don't see why an insurance company shouldn't partner with a reinsurance company to create new business models together, for example."

What are the ingredients of success when working with partners?

Our panel pointed to three key success factors when working with external entities:

Clear mutual benefit

Constantin Beier

"What helps is to find vendors who see you as someone that they want to partner with and vice versa – where partners have asked us to speak at their events and be part of their communities. Rather than seeing it as 'we pay, you deliver, and then we use it'."

Deciding whether teams should work hand in hand, or separately

Adam Powell

"There's a couple of ways to do it. Pairing with our own people so we learn from them, and they learn quickly about us. Merge them into our core teams. The other way is where we say, 'here's a specific problem for you to solve'. There are clear pros and cons of both models."

Andy Lynex

"Working with third parties adds an additional layer of complexity when looking to do truly transformational change. Appoint a product owner from your own organization and embed them in the technology provider's team. Co-location is massively helpful."

Ensure your supporting functions are aligned

Andy Lynex

"I would want to look at procurement processes because you're moving into a different world from what you've been used to in the past, where you may have done extensive security, due diligence and questionnaires and so on. I'm not saying that these are not important but if you're going to take a number of microservice components from a number of different suppliers, then expecting to apply that same level of intense security screening across all of those is going to slow you down, and certainly make it very difficult to work with insurtechs."

How do we know when we're moving in the right direction?

With change initiatives, a sense of progress is not only required for course correction, but also to bring success stories back to the business to ensure sustained momentum. **The choice of which KPIs to use, external and internal, is driven by change goals.**

Andy Lynex

"Have clear objectives at the outset. Then build KPIs around those, including customer surveys and process metrics. How many staff members touched on a particular customer case? Does it have to get handed around to numerous people? How quickly can we make a wording change to a policy?"

Sean O'Reilly

"Capturing and measuring the value you're creating. As in you're making more money or your process is faster than it was before."

Danilo Raponi

"Number of internal projects funded and scaled, number of champions in each country. How many ideas you have in the funnel. Also, how quickly ideas move through the funnel. In corporations, projects can be slow to progress, or endless, as no one wants to shut them down."

How do we manage short-term needs versus achieving longer-term goals?

Regardless of the strength of vision and the investment in technology, every large organization knows the tension that exists today and tomorrow. Change initiatives take time to yield tangible results in the near term and consume precious attention and money. In some situations, **cannibalization of today's business may be needed to ensure the growth of tomorrow.**

Our panel shared their experiences with how to reconcile the needs of the present with preparing for the future:

Don't take on big projects until your existing business is stable

Tom Downs

"First get your house in order. If your BAU is failing and you're trying to keep it afloat and transform at the same time, you'll set yourself up to fail. Make sure BAU is operating at an acceptable level first. Boards don't like that – they want to transform right away. You have to be strong and have that difficult conversation."

Expect some pain – be prepared to stay the course

Ruth Harrison

"Like keeping fit, if it doesn't hurt it's probably not doing you any good. If it's easy, you're probably not pushing hard enough."

Redefine the ROI horizon

Danilo Raponi

"If you are focused on P+L, you will only do incremental innovation, small embellishments here and there, not doing the really impactful stuff that at the beginning is going to be a cost. To address this, think like a venture capitalist. What's the future valuation of this portfolio?"

Final thoughts

The goals and methods shared by all of our interviewees were remarkably consistent; to build organizations that can predict what customers and markets need, and dynamically align their offerings to suit. Inevitably this entails re-shaping technology infrastructures and ways of working that have been built over generations. To accomplish this, leadership, vision and external help are needed.

One of the defining characteristics of the future-ready insurer is an ability to bridge from today to tomorrow, recognizing that change is constant and that there is no destination, only a journey. Already today, we are witnessing powerful trends that are fundamentally

reshaping insurance. In the future the pace of change will only become quicker. A cornerstone of success is the ability to adapt and not only respond, but to lead the way embedding proactive change into the DNA of the organization. When an insurer is able to establish the culture, processes and technology to not only cope with but thrive in continual cycles of change, it may be considered future ready.

The five core characteristics of future-ready insurers

1
Have foresight to not only respond to market forces but anticipate and take the lead

2
Ingest, store, analyze and act on new data continuously, at speed and at scale

3
Reject the status quo and exhibit the hunger to pursue new opportunities

4
Collaborate internally and externally, overcome silos and work towards shared goals

5
Seek out and embrace new ideas, influences, data and ways of working from outside the organization

Dear Industry,

I know we've all been a little late to the party, and the fintech revolution continues to take all the attention (and funding!), but it's our time to shine! We are going through something special; we are undergoing the biggest transformation in history.

At Insurtech Insights, we promise to work tirelessly to bring essential, unmissable, actionable insights to an engaged and connected community of insurance professionals. Our events will bring together the entire ecosystem. Our onsite technology will spark intimate conversations and serendipitous networking. The breeding ground for innovation, ground-breaking startups, inspirational speakers, revolutionaries and pioneers - the energy will be palpable!

By travelling on this journey together, we can remove the obstacles that have been holding the industry back...and if Banking can be sexy, why can't Insurance?

We're ready to take the next step...are you?

Join us and /thoughtworks at **EUROPE'S LARGEST INSURTECH CONFERENCE, March 15th** and **16th 2022** at **London's Intercontinental O2!**

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