Finding growth through integrated information and flexible technology design

Seamlessly integrated content and robust tech stack design are the key to rapid growth for insurers, post-pandemic

The period 2020-2021 has been a torrid time for insurers. Losses and a dramatic shift to distributed working were only part of a longer term trend that has encompassed changing customer expectations and a drive to digital transformation. Research from Deloitte in its 2021 Insurance Outlook, identified that nearly half (48%) of their respondents said the pandemic demonstrated that their businesses were unprepared for weathering an economic storm.

Despite the challenges, carriers have also been able to see the positives. While the shift to remote working was disruptive, anecdotally executives saw this as the final proof point to demonstrate to leadership the need for greater agility within their businesses – agility underpinned by the increased use of digital-focused tools, particularly in acquiring information from a broader range of sources, and a heavier investment in AI and automation.

But, this still comes against the backdrop of the pandemic and a longer-lasting economic shock and so executives are all too aware of the need to be prudent around tech expenditure. The same Deloitte research found that 61% of respondents expected to cut costs by between 11% and 20% over the 12-18 month period from early 2021.

This means executives need to perform a tricky balancing act between three key concerns – drive growth, maintain financial responsibility and capitalize on the momentum created by the pandemic for even greater investment in digital, information management and automation tools.

Already we have seen the positive impact a shift to cloud-based tools has had on the industry. Overall, PWC reported that cloud spending rose 37% to $29bn during the first quarter of 2020 and cited Gartner research which predicts that even though IT spend as a whole is expected to fall 8% in the wake of the pandemic, cloud spend will continue to rise by 19%.

Inevitably, the litmus test of the shift to remote working has been the proof-of-concept many carriers – who had been slow to adopt cloud technologies pre-pandemic – needed to invest. It has proven to be a relatively lower-cost method of accessing new technology while also providing greater connectivity between workers and a wider range of services, particularly in the self-service domain, to customers.

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Carriers have also made great strides in getting processes like basic, structured data under control to feed automation and AI to generate deeper customer insights. However, information from unstructured content is often an afterthought. Better management of content – integrating information from forms, scanned documents and even multimedia is an area that is ripe for exploration and has the potential to drive even greater efficiencies, helping executives manage this balance.

In order to gain value from the tools that can start to mine this valuable unstructured content, it's important to understand what the intended outcomes will be, and build the process accordingly. Gordon Gaudet, Chief Innovation Officer, Selective Insurance notes: "We started the transition from being a traditional product-center carrier to becoming customer-centric over a decade ago. As part of the transition we realized the need to expand our use of data to benefit customer experience. Defining customer experience as an important outcome helps drives our products, services, and process improvements."

He adds: "You have to be very deliberate about how you architect things to take advantage of AI and automation. People often look at it in terms of how much to invest versus how much labour cost will be saved. We look at AI and automation in terms of investment versus value created. The value can be created by optimizing workflow to free up time for employees, agents, and customers, providing more efficiency and a better customer experience. This view helps to solidify the organisation around achieving our highest priorities objectives."

Understanding the customer is clearly key to responding more effectively and building better brand consideration, ultimately resulting in greater market share and gaining a better insight through a combination of structured and unstructured data is vital.

Free data flow to access growth

 Lemonade is often held up as an example of how to target a broad range of customer information and content to make the best underwriting and claims decisions . The company leans heavily on AI to ingest information as well as interact with customers to deliver best-in-class customer experience and rapid growth. In the last half of 2020, the company had grown from a single renters insurance product, to renter and homeowners, pet and term life insurance. Its premium per customer averaged $213 which was a 20% increase year on year. Yael Wissner-Levy, Lemonade's Vice President of Communications, puts its strong growth down to a highly integrated tech stack that allows data to flow freely, inspired by the struggles legacy insurers have trying to do just that.

Wissner-Levy states: "Rapid growth spawns highly predictive data. Did they buy insurance at 3am or 7am? Were they on their phone or their laptop? That makes us understand what risk we're insuring, perfects our underwriting and creates a better experience for the customer. Every rotation of the flywheel means more data and makes the system much smarter."

Some might find the comparison between legacy-bound carriers and Lemonade unfair. The latter is clearly a digital-first company, only a few years old. Its system architecture is built with a growth plan in mind, designed to react and expand as the company learns more about its customers and identifies more opportunities. It is not reliant on third parties to create supplementary solutions that almost but don't quite integrate fully with its core systems.

However, how the company organizes and uses data, AI and automation to build the most critical parts of its business has learnings for legacy-based insurers. The company is using data where it can most add value to the customer experience, for example. "A lot of customer questions are anticipated in advance – if you're moving address so we can move the policy, for example. Bots can do this for you," Wissner-Levy claims.

Equally, automation and AI are in evidence across the business but it is clear where it delivers the most benefit today: "Many factors affect the ability to pay claims accurately and efficiently. We train the bot to get better but the speed at which AI allows us to pay is the differentiating factor," she insists.

Automation to augment, not replace

Sean Baird, Director, ECM Product Marketing at Nuxeo notes that, despite the challenges they may have with legacy systems and data bottlenecks, many carriers who look at automation and AI are perhaps not being ambitious enough. They're not looking beyond – as Gaudet also finds – the scope of automation to simply replace a human action.

"Understanding the relationships between a claim and supporting documents and other content is a priority and AI helps to categorize it as it comes in. Extracting all the information [such as make and model or extent of damage from an auto accident] not just to categorize it but to be part of a more automated process actually streamlines the process," Baird says.

"Commodity AI services such as transcriptions, translations and sentiment analysis can be combined with business-specific AI models to provide more comprehensive insight.

When it's all layered together, the insights generated by this information can create a really rich experience for customers," he continues. "Equally, being able to do more than just manage data but also organize it – providing additional metadata to see what each document is related to and why it's important, perhaps for triggering automated processes for example – is very important."

This idea of 'augmenting' the process is critical. On the one hand, automation can use AI to extract insights that might have previously been missed by humans. On the other, AI is able to deliver intelligence such as fraud detection (a duplicate photograph provided for seemingly independent claims, for example) or to create repair estimates based on photographic or video evidence. In many cases it is likely to generate a greater number of insights, faster and with fewer errors than humans. But, it's important to recognize that these services allow humans to then focus on other, more complex processes. Human and machine together are able to learn from and support each other, rather than becoming mutually exclusive resources. .

Chad Ammons, VP, Global Product and Digital Experience at Assurant, reveals that introducing automation into their processes has created an effective human/machine hybrid approach:

"We have a couple of analog places in our digital journey – men and women in the field who can unpack all the pathways. That starts to become validation as we're using physical observation to confirm what we're seeing digitally."

He adds: "The trick is to scale while enhancing your value. What information are we giving back to dealers to better leverage their digital channels? We're all experimenting. If we can identify best practice we can give the best indication of performance and can look to apply AI to identify early trends."

Ammons is keen to explore a whole world of possibility and an open mind is going to be key to making the most of the tools available to support growth into new areas. "We all want to be connected. How do we infuse those services wherever the consumer is. If you're in the vehicle and have a problem with your phone, can you talk to your car instead and find the new solution. Screens are becoming the new key fobs. Assurant is looking how we can stitch all of the appliances, smart devices and wearables together. Seamless connections for the customer between all those things is where there is an opportunity."

Build a logical hybrid system

There is no getting away from the fact that to make the most of these growth opportunities, legacy companies in particular are going to have to keep going down the route of additional technologies that integrate with existing systems. Ammons notes: "We'll always be chasing the latest and greatest tech. As soon as it's built, there's something new on the horizon."

"Core systems are always changing, always being upgraded. Everyone understands the concept of continuous improvement from a process perspective but you need the same mentality in core systems. If you don't, you end up having to make a large legacy system replacement which is very disruptive," warns Selective's Gaudet.

To avoid replacing systems, the concept of modernizing through integrations is key and Gaudet reveals this is Selective's path to staying current: "The life expectancy of a legacy system when I started out was 20-30 years. Now it's more in the three-to-five year range. If you adapt them, the systems can last a lot longer," he adds. "We can never expect to be 100% futureproof. Instead, it's essential to be thoughtful about having an architecture with the maximum flexibility. If it's not, you'll have a hard time keeping up with the pace of change."

There is a difference, however, between building a system with maximum flexibility and simply adding new systems and software as and when they're needed. This is never more apparent than when insurers choose the merger and acquisition route to growth. Aside from the challenges of optimizing their own solutions, they have to assimilate the systems of other organizations too. In contrast to a monolithic platform, developing a micro-services architecture, paired with standards-based APIs, provides more flexibility and enables technologies to be more easily plugged into existing systems.

Baird insists this is vital to insurers' future responsiveness and efficiency: "One of the key areas where we see a system being future proof is one that is flexible and can be integrated with a number of different legacy systems   . Federating multiple systems helps particularly when modernizing legacy systems or acquiring new companies because it creates a next generation system without making everything else obsolete," he advises.

"Then, companies can set about integrating content systems with business systems so that employees using Guidewire or Salesforce can then have employees see the documents that are supporting the customer process. Finally, tapping into other data sources and structured information. Integration is really important and this is why carriers need to be looking at low code solutions that can be accomplished reasonably easily," he adds.

However, Gaudet warns: "One of the challenges with some of the new technology is that some people advocate them as if they will solve every problem in the universe. When the pandemic broke and a few new things had to happen, low code tools had a natural entry to take on big pieces of the problem. But more often in the insurance world you're not looking to replace the entire universe."

Low-code will have an important role to play going forwards. Having addressed the fact that the human resource is liberated by the use of AI and automation to ingest both structured and unstructured data, those tools must be intuitive and easy to adapt. Low code reduces the need for more highly-skilled and experienced IT staff across the organization and speeds up development without restricting extensibility. Low code is more than a sticking plaster approach to what was a very unusual shift to a temporarily distributed workforce. In the future it will be behind a shift to a more agile, interactive approach to carriers' systems development overall.

Baird acknowledges that bringing in new systems has to be done with consideration on all fronts: "Migrations to new systems can be expensive and time-consuming and there's no shortage of projects that companies thought would take two months and ended up being a year. Due diligence is so important. Make sure the vendor's capabilities today provide a growth opportunity. Where is its own roadmap going? Do they have low code tools that allow you to build and modify solutions. Make sure the tools are there and will grow and adapt as needs and trends change."

Deliberate does not mean slow. A steady, brisk pace is needed to meet customers' expectations of convenience, ease, and speed, Gaudet insists: "How you integrate these APIs, micro services , or platforms into legacy systems is critical. If you try to adopt too many at the same time, you can end up with multiple ongoing version challenges. Taking the time to work on the design patterns of the ecosystem and understand how the various components tools will interact does initially impact short-term implementation speed but delivers better long-term results."

It can seem as if there are many caveats to onboarding the right technology to fuel growth. However, one thing is certain – the pace of change in the industry plus the rise and rapid expansion of InsurTech contenders   means a 'wait and see' approach is not an option. Gaudet concludes: "Insurance is a risk averse industry. Driving for maximum value with speed brings risk. Innovation means taking some risk for better rewards. You have to convince a lot of people and all departments have to weigh in. Everyone has a stake in this."

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