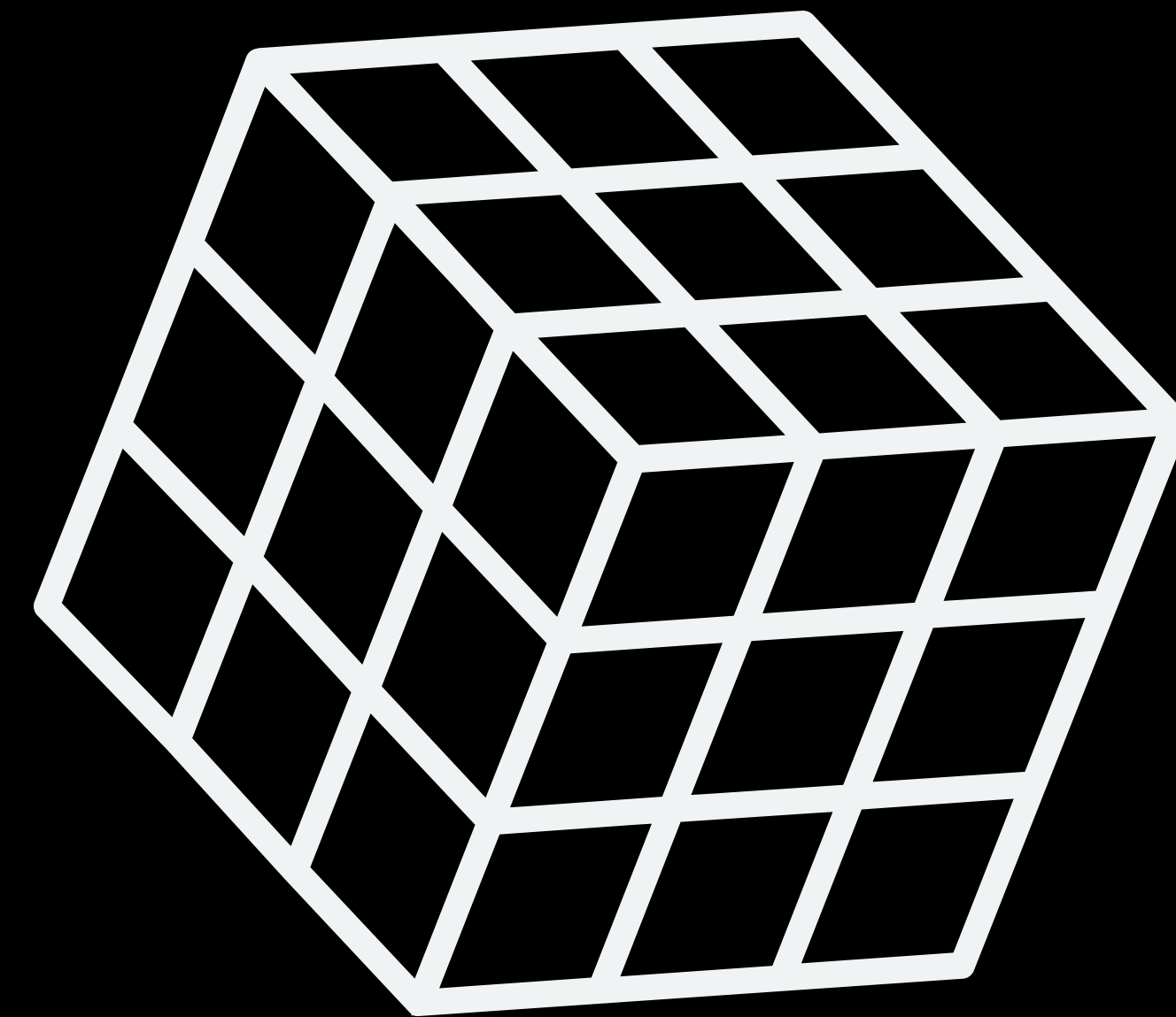# Moving Into The Era Of Digital Necessity In Insurance

The Road Forward For Insurers

Like all industries, insurers have been confronted with market disruption at an unprecedented scale not seen in most of our lifetimes.

This disruption has of course posed serious challenges, like those caused by needing to work completely remotely, and simultaneously has revealed new opportunities and ways to innovate as a business.

As established carriers aim to shore up their business and find firmer footing for the future, a clear path forward has already begun to reveal itself: prioritise the innovation of legacy systems. This will help move insurers into the age of digital necessity.

Unlike digital transformation projects of old, digital necessity is focused on ensuring that every part of your business is connected and that it operates as a whole.

It offers the opportunity to innovate through agile product development and data to improve business continuity and mitigate future risk, as well as leapfrog the competition that fails to stay competitive.

Given the hype around digital disruption and Insurtech start-ups, established insurance providers might assume they need to re-platform everything, rip out what they currently have, and start again.

But innovation is possible on a gradual scale, and it should not be forgotten that legacy insurers have a number of things start-ups would love to have.
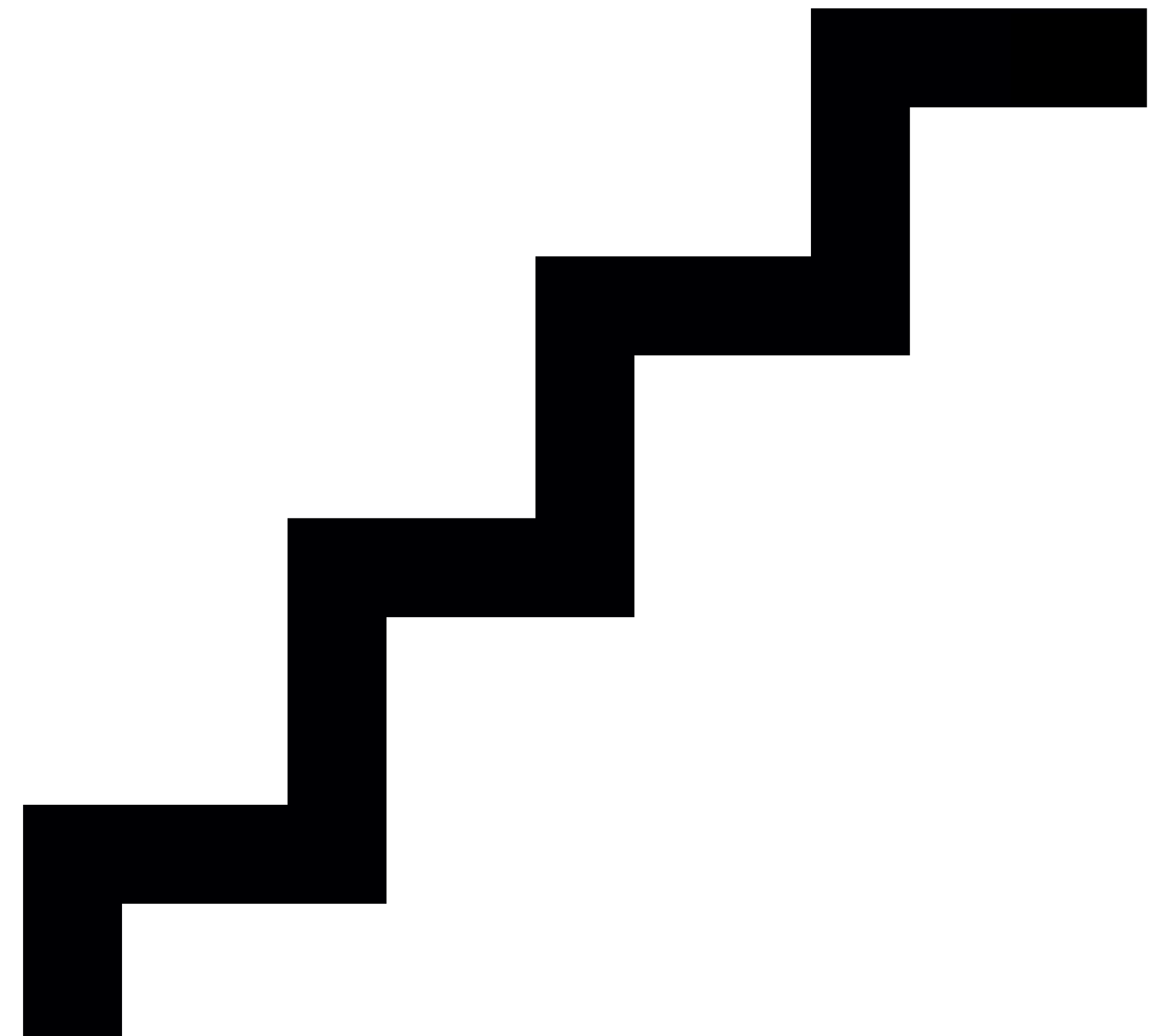
By innovating legacy customer-facing applications, such as claims processing and customer reporting, insurance companies can improve their digital presence and turn legacy to their advantage.

Taking Smaller, Gradual Steps Towards Digital Innovation

In the face of new circumstances, breakdowns across legacy systems can be newly discovered or exacerbated. For example, an insurer may find their customer service call centre cannot function remotely. In a broader sense, customers are behaving in a new way with new preferences and expectations.

For clients, this broken experience can send them to a competitor who can communicate with them in the manner they prefer, which is detrimental to the insurer's revenue stream.

Terms like digital transformation and innovation can suggest large projects requiring a great deal of investment. The fact is you don't need to implement everything all in one go, but you do need to identify your digital breakages and resolve them. First, start with identifying where a digital system and a manual process have caused a breakdown, and what customer pain points have resulted from this. Some of these can even be resolved fairly easily.
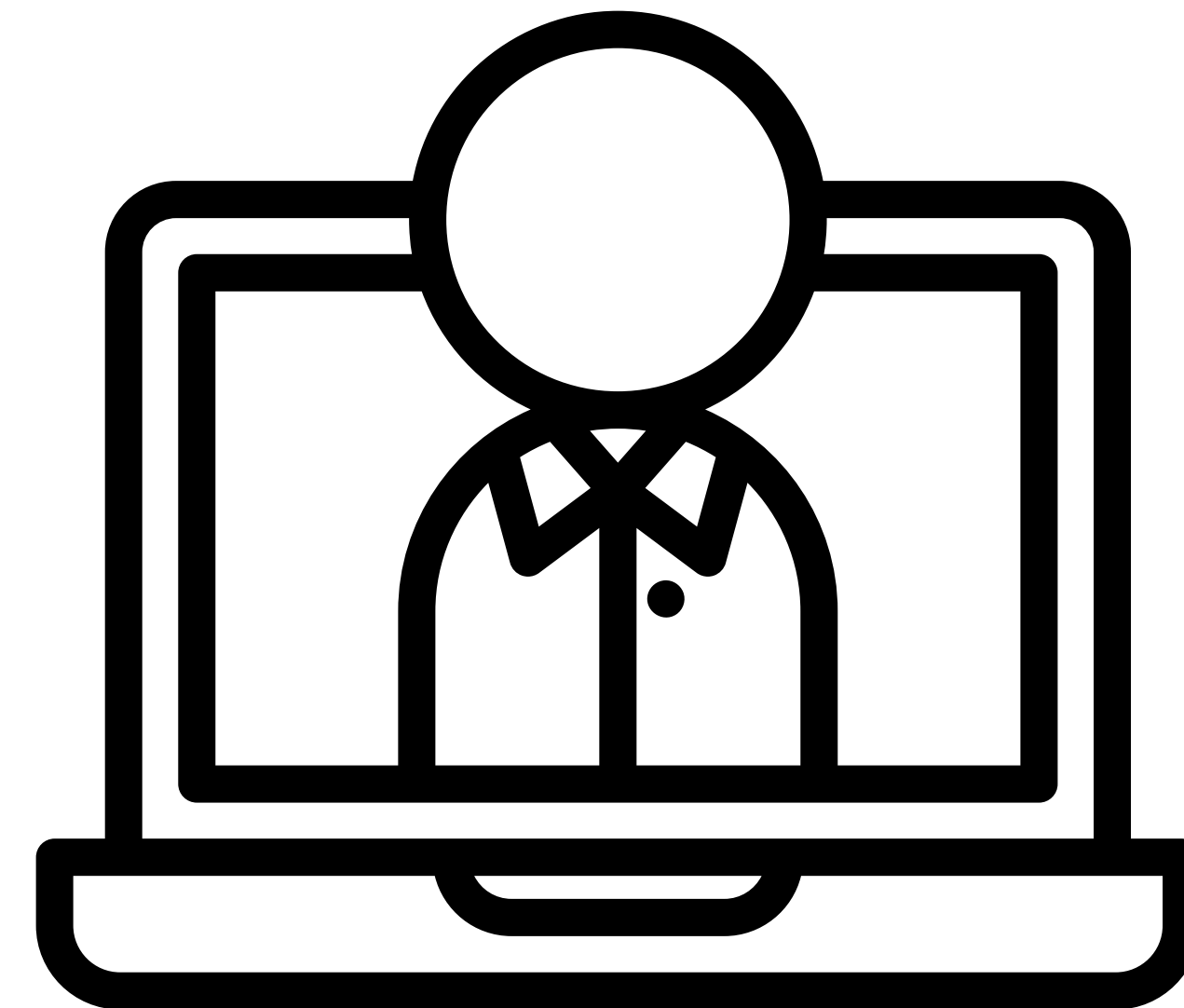
EXAMPLE: SHORT-TERM TWEAKS

Let's focus on the claims process. It would be easy to look at the legacy technology underneath and assume that because it's old, it's something to replace. Before starting a big project, stop and listen to customer feedback and identify what it is they really want from that experience.

You may find there are quick fixes you can layer over the top of what you have today, which don't require huge fundamental changes but do result in valuable short-term improvements. Then you can take the time to plan a full customer self-service portal revamp that will improve the experience further.

Next, be sure to also look at how the business can move towards operating a fully distributed model while maintaining productivity, collaboration and security. When the next market disruption occurs, the business will be better prepared and continue with minimal disturbance.
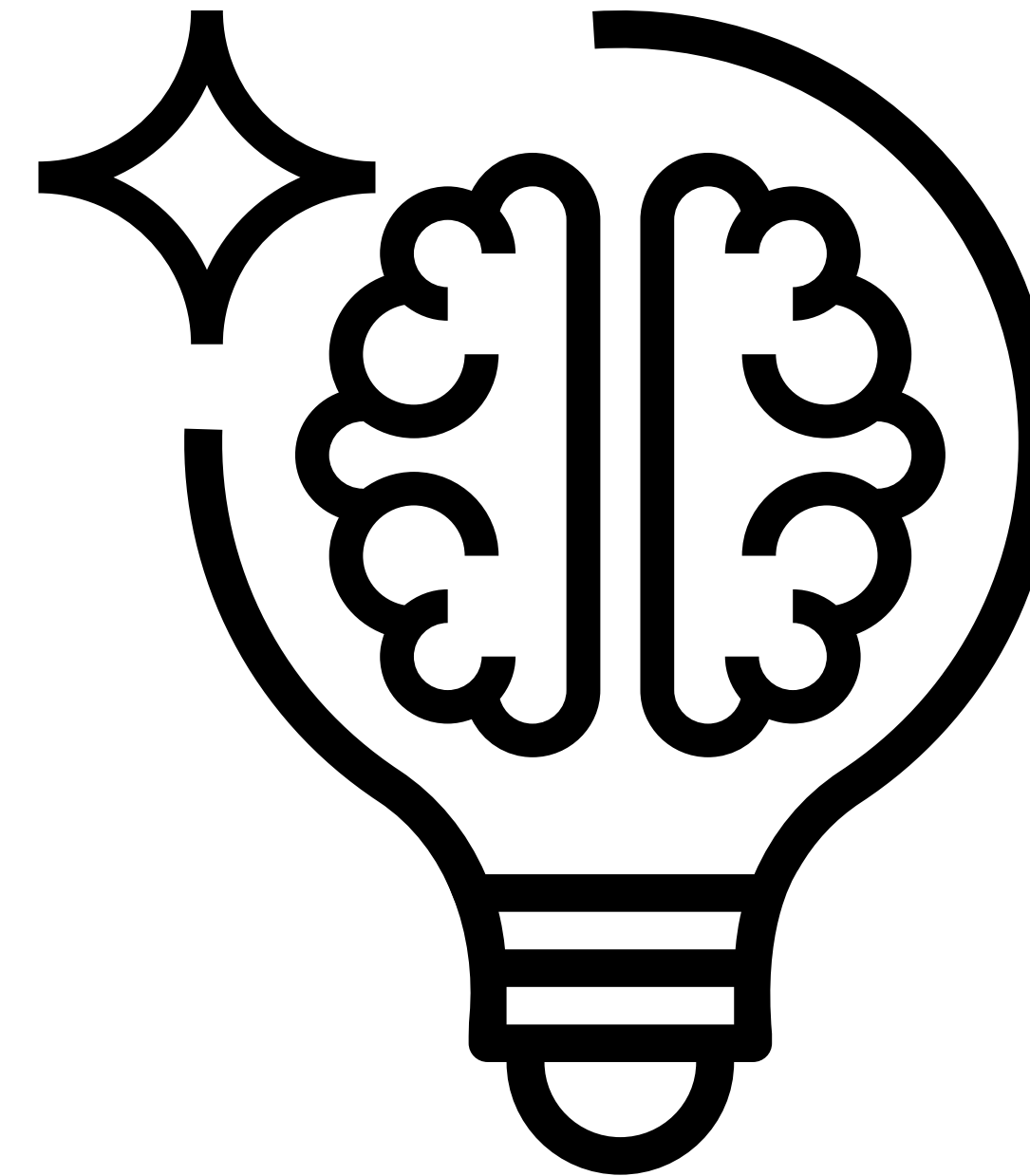
Lastly, break this roadmap down into manageable projects and prioritise them depending on what is most pressing and what will best serve changing behaviours.

Is Legacy A Disadvantage In Innovation?

Insurance is complicated. And with legacy comes years, often decades, of experience. There is both the human capital within the business and the intellectual capital that has been put into systems along the value chain. The legacy systems also have an intricate compliance environment to conform to regarding personal data privacy and security.

Often, at the time that these systems were implemented, they were the best that was available and they managed to make the lives of the people using them better in some way. That use-case likely hasn't gone away, and the existing legacy systems aren't broken. Instead, it's more likely the original system has been extended past its original capacity, or repurposed to do something different, or not looked after from a business sense.
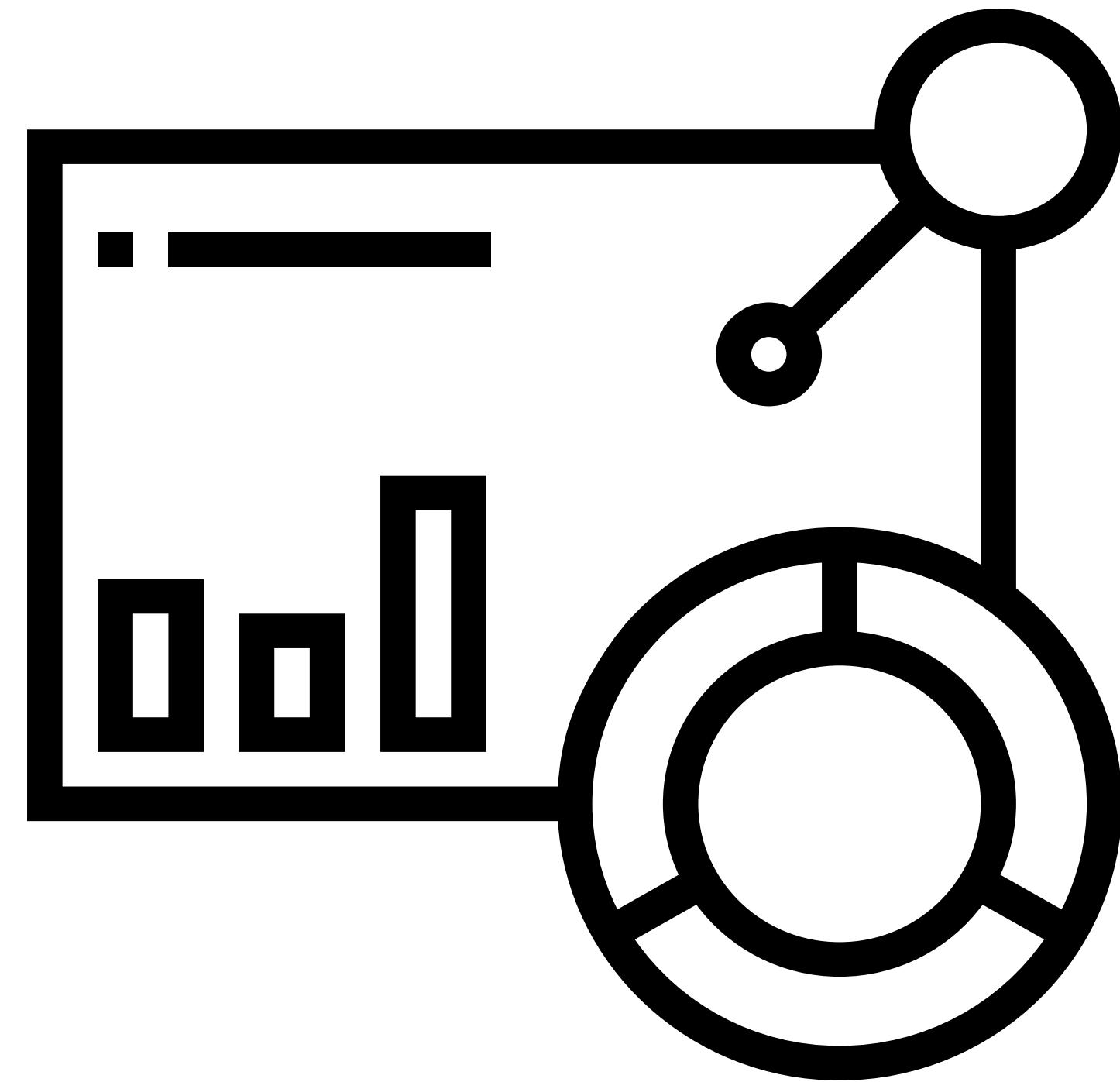
For example, a customer-facing system may have been built at a time when insurers had limited channels to use when communicating with clients. Now, user expectations have greatly advanced, meaning that insurers have to innovate to keep up with customer preferences.
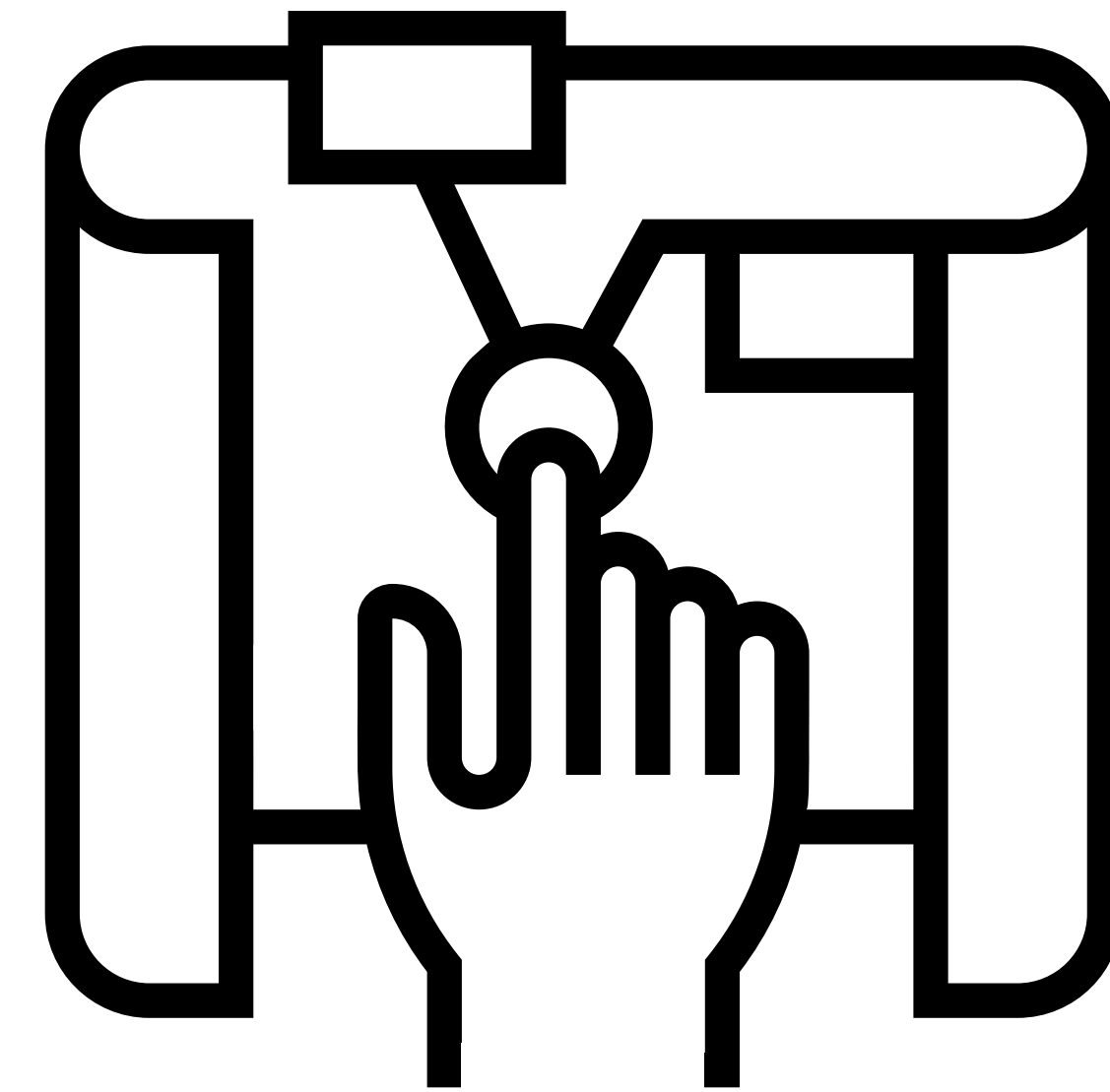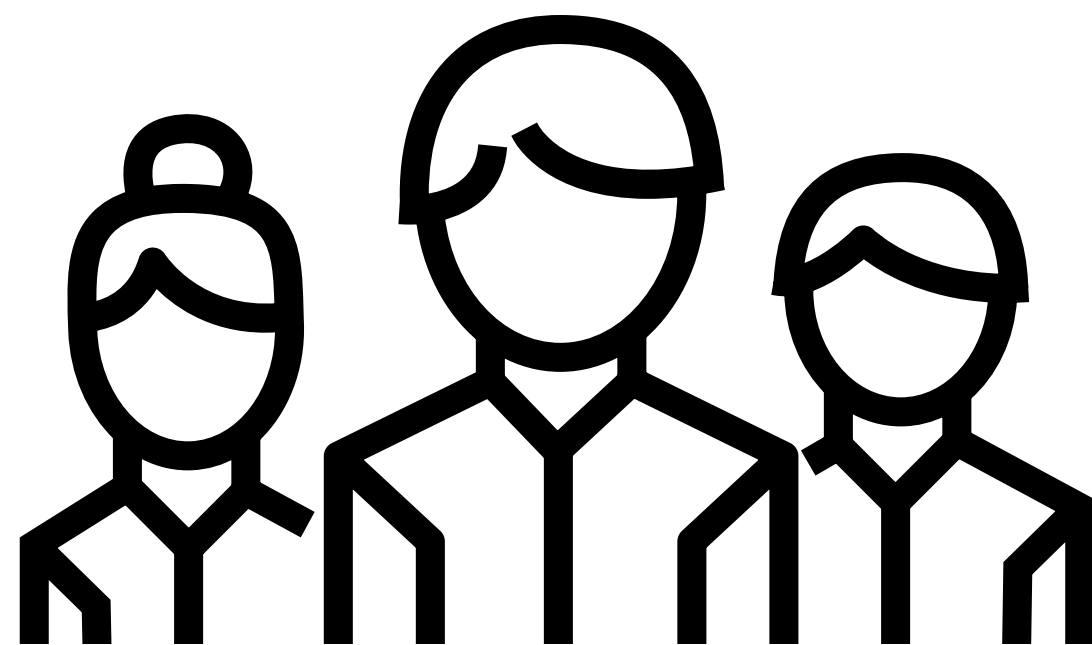
EXAMPLE: DATA

A good example of this can come across in an insurer's use of data. Incumbent insurers have likely collected a great deal of data over the years through their legacy systems. But if that data is not used to its full advantage, the insurer may face an immediate shortcoming against competitors.

Perhaps the data is used only for reporting purposes. It could also be used by other systems to provide insights for marketing or richer pricing models. Thinking beyond user interfaces, data can drive services such as artificial intelligence, machine learning, or predictive modeling for the future. It can be a distinguishing advantage for legacy companies if they are able to tap its opportunities.

What Do Insurers Do With People, Process, And Technology To Achieve A Legacy Advantage?

The insurance industry has a risk-averse culture because that is the nature of the business. But when comparing legacy insurance companies to start-ups, the latter are more eager to take risks and fail fast to test new ideas because they are completely digital by design. These new ideas can lead to creative solutions that can be applied towards cost-saving measures and optimising other parts of the business.
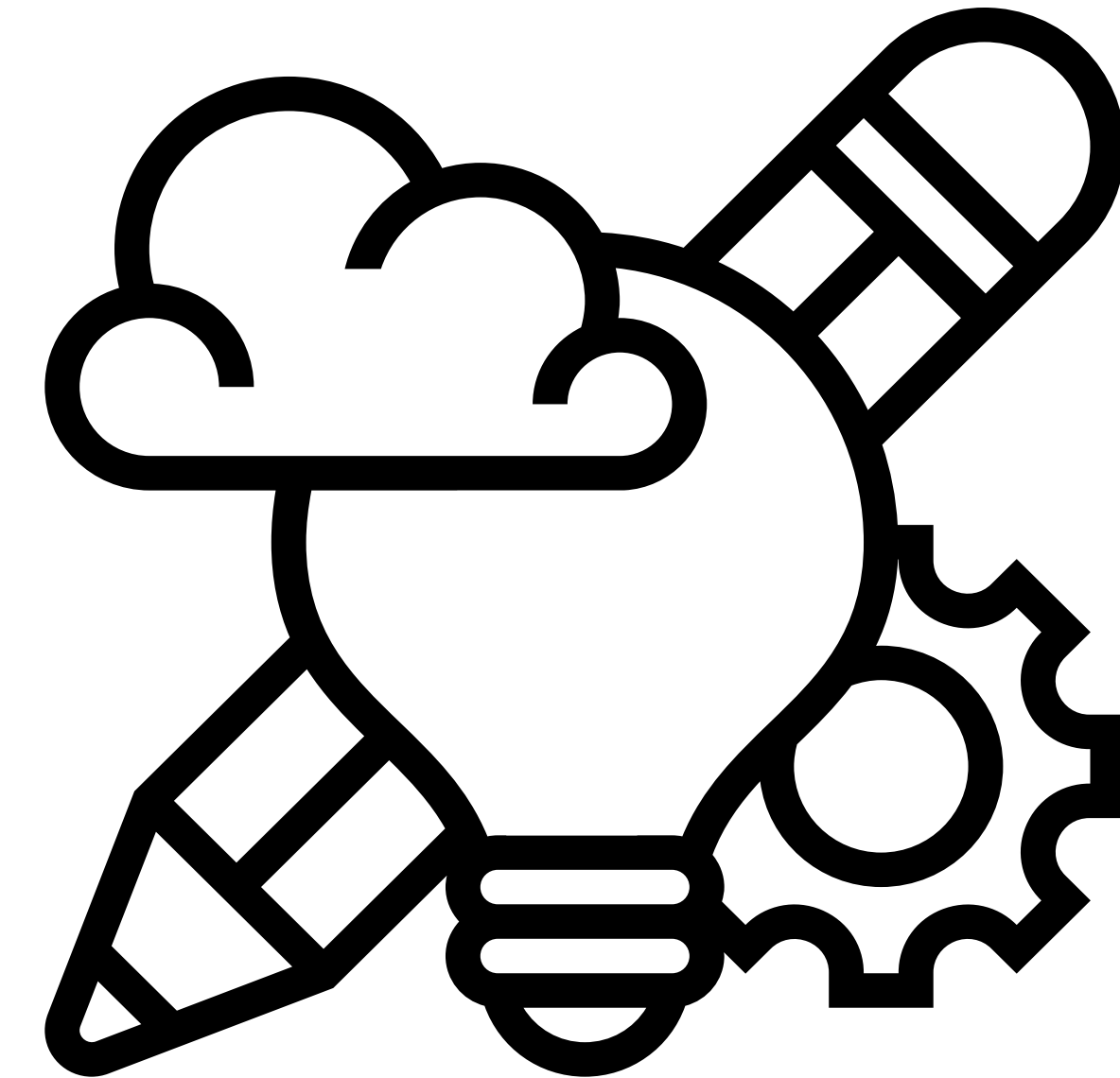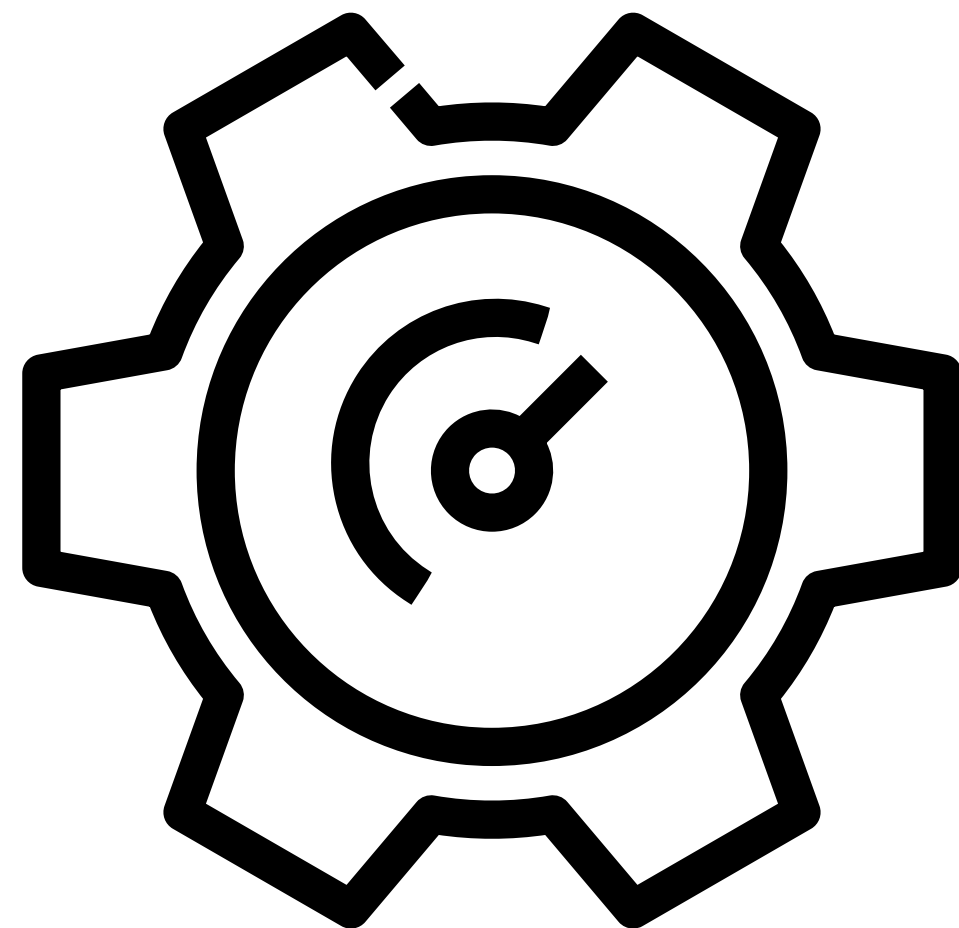
Culture stems from the people who make up the company. It's a good idea to allow for pockets of innovation within the business where individuals are allowed to take a risk and try something new.

It may seem too costly and too risky for insurers to innovate rapidly. But insurers may be dealing with any number of digital breakdowns that can be quickly solved with rapid, agile innovation. For example, an inefficient user interface and experience can be transformed into a customer self-service portal to measure and boost efficiency.

EXAMPLE: RAPID INNOVATION

The ability to rapidly innovate will distinguish insurers in the future as they can more easily prepare for and endure disruption. They should aim to experiment and test on a fast scale, prototype quickly and inexpensively, and then trial new ideas with the end user. Their ability to spring up quickly after market disruption will be brought through technological innovation, but also people and culture.

Rapid, agile innovation gives you a technology platform that allows innovation to happen. Combined with their other built-in advantages, like deep industry experience and data, legacy insurers can use rapid innovation to protect their business against future risk, and ultimately outmanoeuvre the competition.
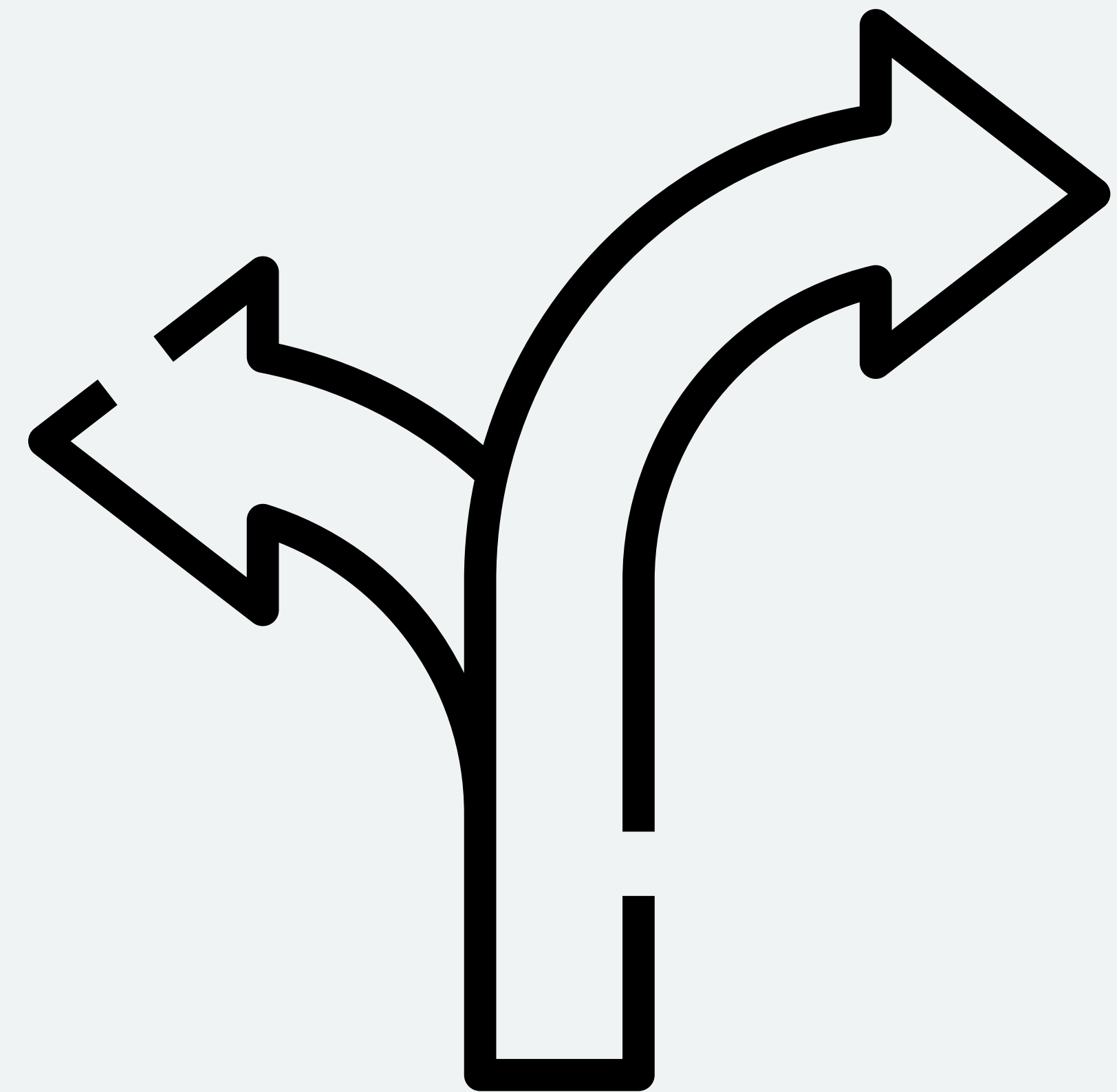
Digital Necessity As A Way Forward

Overall, it has become obvious that organisations cannot remain the same and hope for a different outcome in the future, and technology is a major component of success.

Some of the solutions that will bring your legacy estate in line with what your customers and employees demand may be small tweaks that you can make easily.
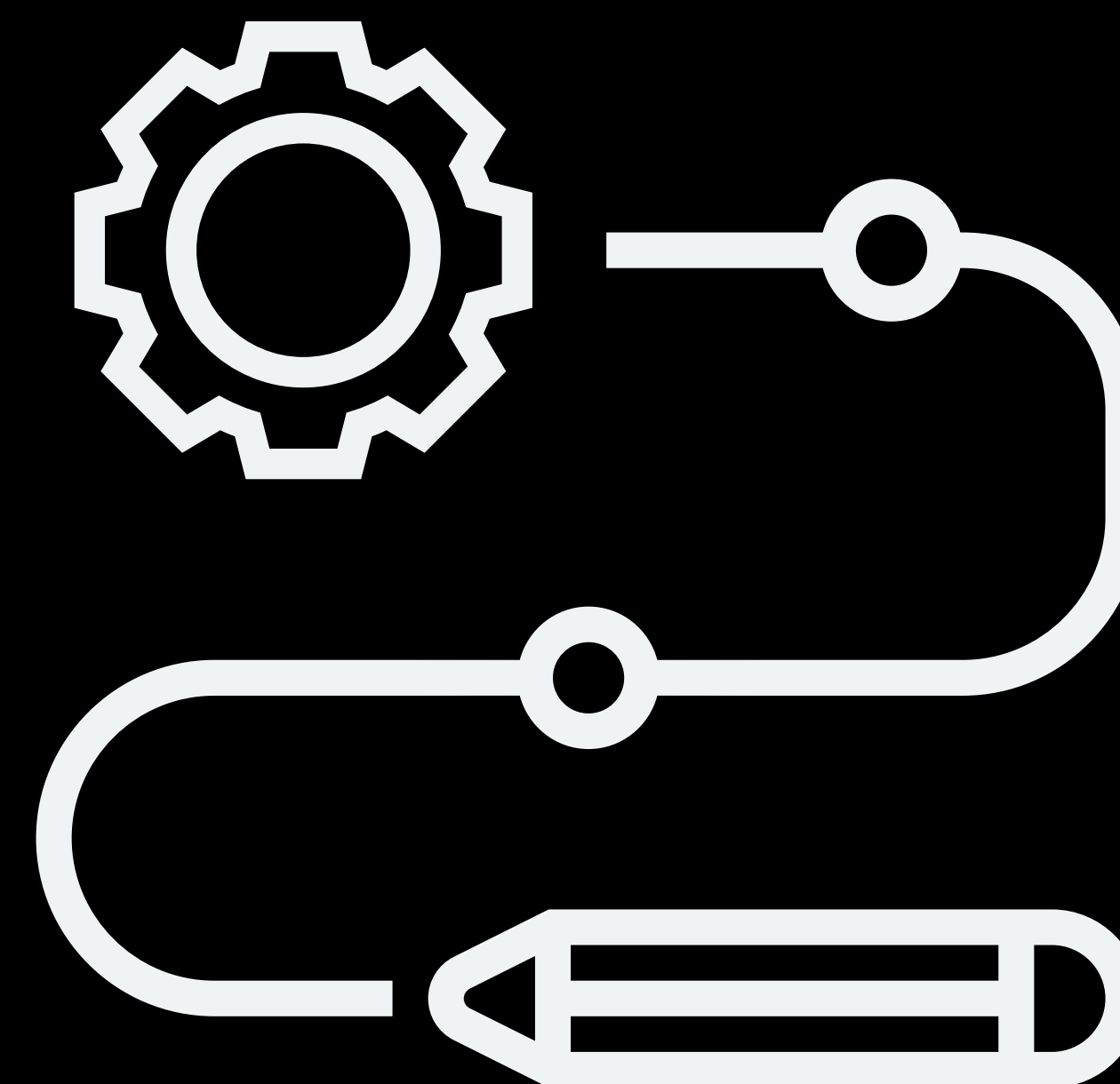
Others might require a much deeper understanding of how digital needs to be expanded outside of those highly repetitive processes and actually needs to run across your entire technology estate.

It is at this moment that digital transformation evolves into digital necessity.

To bring the elements described to life will probably require a significant investment, but you don't need to do it all in one go. The important part is the roadmap. The right technology partner will work to help you gain clarity and develop strategies and blueprints on how to deliver against these.

Once you have established where your technology strategy is taking you, you can break that down into manageable projects and prioritise them depending on what is most pressing and what will best serve changing behaviours. It is taking the digital element deeper into the organisation and changing the way that we think about innovation.

Anticipate a shift from glossy initiatives to a focus on smaller process and step-change innovation that has just as much value for the business, but maybe not as much PR clout. You will be doing less of what you think your clients might want and doing more of what they absolutely need. Why not take every learning from having your relationships tested to the limit, and build an even stronger foundation for the future?

About Endava

Endava is a public-listed software development company, founded in 2000 in London, United Kingdom. We are reimagining the relationship between people and technology and have helped some of the world's leading Finance, Insurance, Telecommunications, Media, Technology, & Retail companies accelerate their ability to take advantage of new business models and market opportunities.

By leveraging next-generation technologies, our agile, multi-disciplinary teams provide a combination of Product & Technology Strategies, Intelligent Experiences, and World Class Engineering to help our clients become more engaging, responsive, & efficient.

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