Re-imagining the digital insurance landscape: 10 years from now

40 industry experts share their insights
on a once-in-a-generation opportunity.

INSTANDA™

Report Foreword

Welcome to INSTANDA's first global thought leadership report, highlighting the incredible transformation happening in the insurance industry. Forty insurance and technology experts share their observations and predictions, as the pace of change and rising consumer expectations continue to demand new capabilities.

Undeniably, there are incredible insurers all over the world, all wanting to achieve brilliant things. On one hand, insurers are phenomenal at evaluating, controlling and pricing risk. On the other hand, they recognise that there's far too much friction with customer interactions and across the value chain. Insurers 'want' to do better, but they need flexible technology and processes to deliver the improvements, which is easier said than done. Many struggle to keep pace as the technology that brought them to this point is not only unable to serve them for tomorrow, but also entrenched, creating a perceived ceiling limit on how far they can go. Hence, deeply engrained challenges remain.

However, for those unwilling to be dictated to by constrained ways of working, and who have a bit of bravery and healthy appetite for change, there is a huge opportunity to not just 'break' but to 'shatter' the glass ceiling. Compared to five years ago, there is a huge swathe of progressive insurers and insurtechs working collaboratively on exceptionally smart solutions. They are leveraging data for insight, creating 'retail like' feedback loops and processes to use this information to better serve the customer, price risk and manage claims.

The propensity to engage with new ways of working is far greater than it has ever been, and the technology now exists to create incredible value-adding processes and customer interactions, and to do it at speed without breaking the bank.

Insurers play a crucial role in people's lives but, as all our contributors would agree, the industry must get better at telling its own story. As our report research shows, many consumers remain indifferent; they have neither a positive nor negative perception of the insurance industry and are yearning for a more personalised experience. Undoubtedly, ten years from now, the winners will be those who leaned into technology and change to enable them to rewrite the consumer narrative.

Right now, the challenge to the industry is: How does it make sure it keeps up with the pace of rising expectations and has the right conversations to move it further along the curve?

Equally, this very same question applies to INSTANDA and was our very reason for creating this report. We hope you enjoy delving into the conversation.

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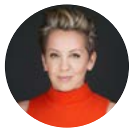

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A New Dawn

A once-in-a-generation opportunity

The intersection between insurance and technology has created a monumental opportunity to truly transform the industry and outcomes for customers.

The speed of change is unlike anything that we have seen before. The world is fully immersed in the fourth industrial revolution, or more accurately, the Information Age. High-speed data networks and cloud computing enable the Information Age to provide marginal cost access and technology services for billions of people across the world. Increasingly, ecosystems are becoming pervasive and interconnectivity (via the Internet of Things) the norm. The momentum in machine learning, and particularly Generative AI, is without question changing the way insurance companies think about and interact with customers and manage risk.

Companies, not just in insurance, but across all industries, are digitising their operations and offerings to stay competitive, reduce costs and move towards being better service providers. However, against this backdrop of ever-increasing change, what is the best plan of attack? Clearly there is a huge opportunity to better serve the market and to address unmet customer needs with more personalised experiences. We are already seeing chatbots in customer service centres but as this report explores, there is far more to play for. How then, considering the rate of change in AI, for instance, should a strategy be developed so that is does not become out-of-step in less than a year? First let's take a step back as history is a good teacher.

Reflecting on previous industrial revolutions, the road of disruption to revolution has been far from linear. Left and right turns, kinks and U-turns are all the norm, especially in this Information Age where physical assets are not the limiting factors that they were in previous revolutions. A successful organisation will be the one that can adapt the fastest. Of course, redesigned flexible processes, enabled by modern technology, are a prerequisite for a high speed of change; not something that was designed and cast in stone over 20 years ago. Unwieldly legacy structures and ever-mounting technical debt will not only continue to stifle innovation but be the millstones that drown an organisation. The picture is that stark.

On a much brighter note, and as this report covers, there's a huge and ever-growing community of people focused on change for good, aiming to make the industry vastly more efficient and agile. To use InsTech Ireland's CEO Gary Leyden's observation,

> We're at a seminal crossroads at the moment, where the opportunity is there to grab.

However, there's still a call for cautious optimism. The type of change characterised as 'revolutionary' is not within easy reach. Absolutely, we will continue to see slithers of revolution from what InsTech's Chairman, Robin Merttens, refers to as "**progressive players**," but as INSTANDA's Tim Hardcastle adds,

> A revolution is far more likely to be 20 years from now, not five or ten.

A new type of muscle is needed

As Publicis Sapient's Senior Managing Director (EMEA & APAC), Daniel Cole, remarks, **"Insurers have grown big on serving the same products and propositions across the market,"** but he adds,

> The same kind of muscle that got them to this point is not the same type of muscle needed to go after the long-tail profitable niches and new risk types.

Ultimately, the industry cannot escape that it is behind the digital change curve. As Swiss Re's Head of L&H Solutions, Carl Christensen reflects, "**There's a long way still to go on the digitalisation of the insurance value chain offering. Everything from consumer engagement to the reality of how we digitalise the data we uphold.**"

As Tim Hardcastle reflects, "**This is largely owed to operating models not keeping pace with changing technology and consumer expectations,**" which is a problem echoed by Microsoft's Regional Industry Leader (EMEA Insurance & Banking), Patrice Amann, who adds:

> Many insurers are still grappling with deeply engrained legacy systems. It's not a simple case of 'I take my legacy and move it to the cloud' because the cloud is the Holy Grail.

INSTANDA's CTO, Kevin Gaut agrees, and says, "**The reality is that the industry is still dealing with legacy systems and complicated environments.**" This, Kevin argues, "**Is a blocker to adopting anything; whether it be AI, no code or other technologies.**"

That's not to say that investment will not happen. It needs to be targeted at the right points. As Tim Hardcastle observes, **"We have seen new disruptors arrive claiming to be able to deliver the insurance proposition more effectively. They have invested heavily in new types of operating models and have had moderate success. At real-scale, success is even more limited. So we need to be circumspect in identifying an investment strategy that will be successful at scale."**

It's very difficult to predict exactly where this revolution will land, not least of all because of what INSTANDA's Director of Life & Health, Will Wood, refers to as, **"a nervousness within the industry."** As Will observes, **"Getting a business to change its mind and adopt a more ambitious digital approach is one thing, never mind the entire industry."**

Aventum Group's Chief Development Officer, Tony Lawrence shares Tim's and Will's views and says, **"Digital disruption can be a huge challenge for insurers that have been around for a long time as they have to transfer their business model to keep pace with new insurtech entrants, and that's not easy."**

However, insurers must not lose sight of the opportunities that are there to be taken. To reiterate the words of Camelot Network Chairman, David Clamp, **"In the absence of knowing what the landscape will look like, the only thing that insurance companies can do is to become much more agile."**

This is a sentiment echoed by Insurtech UK CEO, Melissa Collett, who remarks, **"Those who do not embrace the opportunity may not be here in 10 years' time."**

Insurtech as an enabler

As INSTANDA's CTO, Kevin Gaut, observes, **"Fundamentally, the insurance industry itself, and how it does business, has remained largely unchanged,"** which raises the question, has insurtech been the disruptor the industry thought it would be?
InsTech's, Robin Merttens, is quick to assert, **"Insurtech has been a bit of a false storm as a disruptor,"** although what it has done, he continues, **"has created a more curious, open and engaged community of insurers."**

Globally, there's a huge community of insurtechs: an estimated 2,050 individual companies according to research by beinsure.com[1]. As InsurTech NY's David Gritz remarks, **"That's a pretty powerful community of people all thinking about how they can change the industry."**

According to a 2022 report by Grand View Research[2], the global insurtech market size is expected to reach USD 152.43 billion by 2030, signaling a compound annual growth rate (CAGR) of 53% from 2023 to 2030. Whether it is helping brokers streamline administrative tasks, underwriters efficiently prioritise their workload or adjusters triage claims more effectively, there is no doubt that insurtechs are having a positive impact. The clear benefit of all this activity, of course, is that insurers can extend their focus to the policyholder.

In summary, David Gritz adds, **"As enablers, insurtechs make each part of the value chain a little more efficient."** This is something that Kevin Gaut also sees. **"Insurtech investment,"** Kevin shares, **"has funded some really smart ideas around launching products far quicker and transforming the customer journey, INSTANDA's no-code platform being one of them."**

To arrive at what Microsoft's Patrice Amann calls, **"The North Star,"** it takes a far more unified, collaborative approach. Patrice adds:

> It's no longer the case that insurtech will disrupt the industry. It's more a case of working together to tackle real problems and finding the right agility to go for the good ideas and technologies.

As Insurtech UK's CEO, Melissa Collett, explains, **"There are some hugely talented, innovative and entrepreneurial people in insurtech, and if the insurance industry can embrace that, it will transform the people who work within the insurance industry as a whole."**

However, the question of affordability is still very much a barrier. As Carl Christensen, Swiss Re's Head of Life & Health Solutions, remarks:

"If we take automation, for example, which is very much a big theme; it's still a challenging area because some of the production costs associated with insurance are still too high."

Publicis Sapient's Daniel Cole agrees, and stresses, **"The industry is still trying to find ways of working with data cost-effectively, and attempting to embed that into propositions is a challenge for insurers."**

Ruth Gilbert, of Insuring Change Consulting, makes a similar observation, stating, **"Competitive advantages could be seen from those who adopt new technology, but it may take longer due to financial costs."**

Herein lies the biggest challenge of all. Insurers are grappling with what INSTANDA's Strategic Adviser, Bronek Masojada, refers to as a 'cycle.' Insurers are asking themselves, **"How do we create new products that the customer wants and at a price they feel comfortable with while factors such as climate volatility are driving premiums and, therefore, affordability?"**

1 Beinsure.com, "Global InsurTech Data Highlights 2023: VC Investments, Deal Size & Funding Rounds," report, updated October 6, 2023.
2 Grand View Research, Inc, "Insurtech Market Growth & Trends," report, February, 2022.

Now is the time to act

Claims inflation, uncertain economic conditions, climate change and an ever-evolving regulatory landscape are all adding pressure to bottom-line profitability, just at a time when customers are wanting a more connected, seamless experience.

To use Yovant's Co-Founder and COO, Prabir Panda's words,

> Insurers must act now to keep pace with technological changes and remain competitive.

However, he adds, **"The insurance industry is behind, and once you're late, it's difficult to catch up."**

The problem is, Publicis Sapient's Daniel Cole says, **"By the time something gets adopted, it's already out of date."** The challenge to the industry, he asserts, **"Is to establish where the real competitive and customer advantages are to move much further along the curve."**

Undeniably, such competitive advantages could be made in core insurance, where most of the costs in the value chain sit, and of course, claims are handled. This is something often forgotten. As INSTANDA's Tim Hardcastle says:

> There's a tendency for the industry to focus on the fizzy, frothy kind of niche products', but the bulk of insurance does an amazingly important job.
> It gives peace of mind to billions of people, and there's so much more that can be done in this space to streamline and reduce inefficiencies.

He adds, **"There's a gargantuan opportunity for insurers to become much better partners with their customers, especially when meeting their unmet needs."**

As Jim Slate, Divisional President of Great American Insurance Group's Accident & Health Division, known as pomi, observes, **"It's difficult to predict exactly what the future will look like, but worldwide, the P&C insurance industry is listening to its customers and paying close attention to available technology."**

Customers are Ready for Change

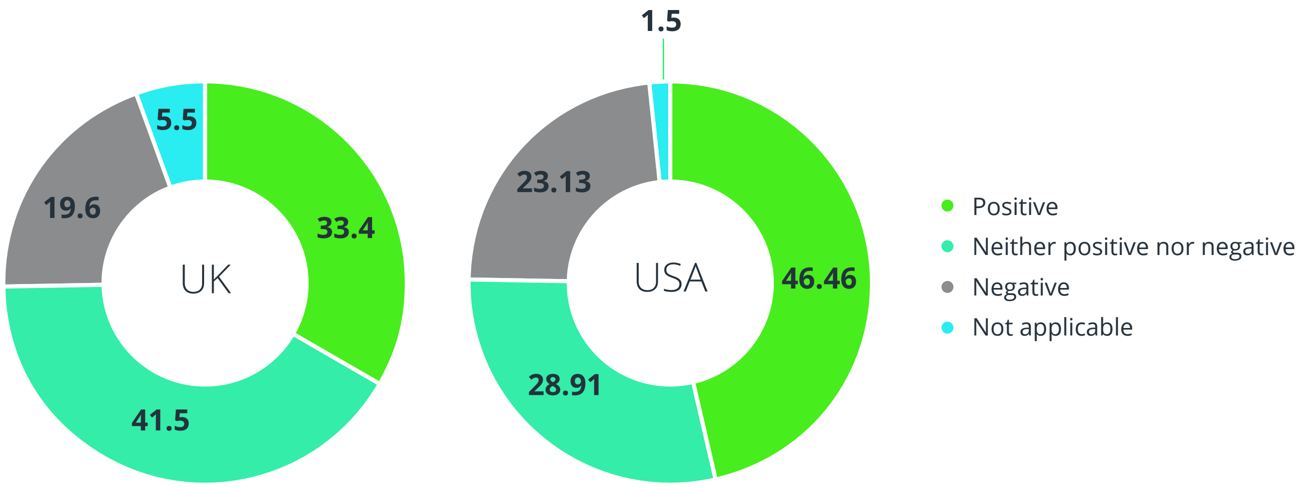
The intersection between insurance and technology has created a once-in-a-generation opportunity to truly transform the industry and outcomes for customers.

What customers expect and want

During December 2023, INSTANDA commissioned independent market research consultancy, Censuswide, to conduct a survey with 2,000 consumers (1,000 UK residents and 1,000 North American residents). Pages 5-10 of this report summarise the survey findings. Focusing on buyer behaviour, customer sentiment and purchasing pain points, the responses highlight the need for a more personalised customer experience.

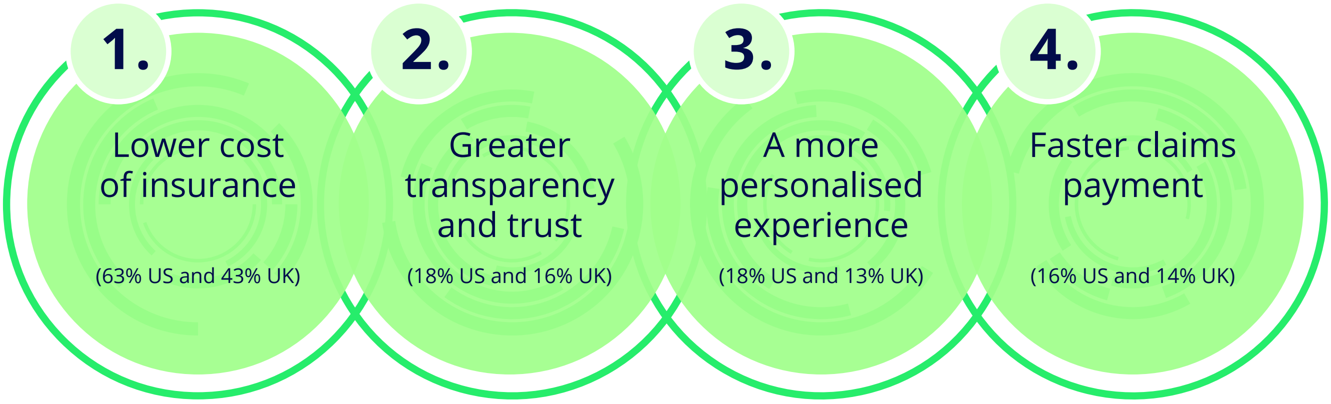
Consumer perception

Consumers were asked what their general feeling is towards insurance companies. Although 33% of UK and 46% of US consumers report feeling positive, a significant number of people remain neutral or negative; meaning that there's plenty of scope for insurers to improve consumer sentiment.



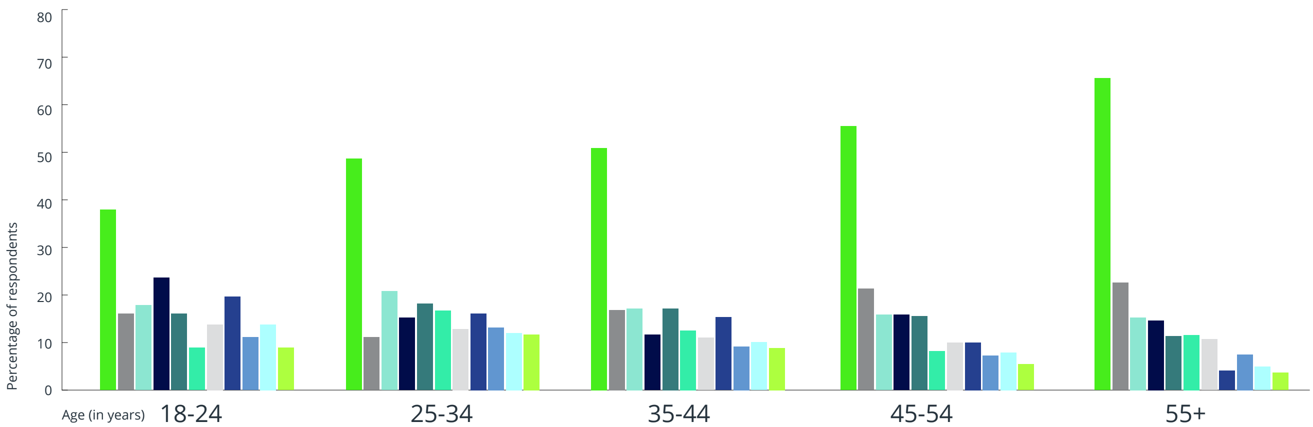
Motivations for changing insurance provider

When asked, 'What would prompt you to switch or sign-up to an insurance provider?, the following answers emerge as the top four motivations:



However, there are generational differences to these answers. 66% of those aged 55 and over cite 'lower cost of insurance' as their main motivation, compared to just 38% of 18–24-year-olds and 49% of 25–34-year-olds.

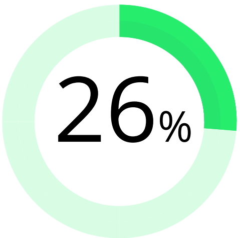
After lower cost of insurance, the top two reasons for wanting to switch or sign up to a new insurance provider for 18-24s are 'a more personalised experience' (24%) and 'a better digital experience' (20%). As this feedback shows, the older a person is, the less important 'a better digital experience' becomes.



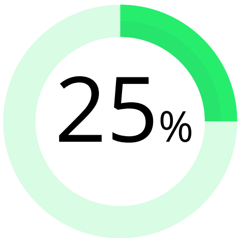
- Lower cost of insurance
- N/A There is nothing that would prompt me most to switch to or sign up to an insurance provider
- Greater transparency and trust
- A more personalised experience
- Faster claims payment
- Broader range of products
- Change in insurance status
- A better digital experience
- Speed from quote to policy being live
- Alternative insurance options (e.g. pay-per-usage)
- A focus on sustainable practices

Customer pain points

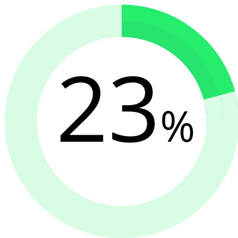
Consumers are frustrated by the lack of clarity regarding policy terms and the time-consuming nature of form filling. When asked what they consider to be the biggest annoyances in taking out insurance, the following top three frustrations emerge:



1. Not being able to understand policy terms and coverage in a reasonable time

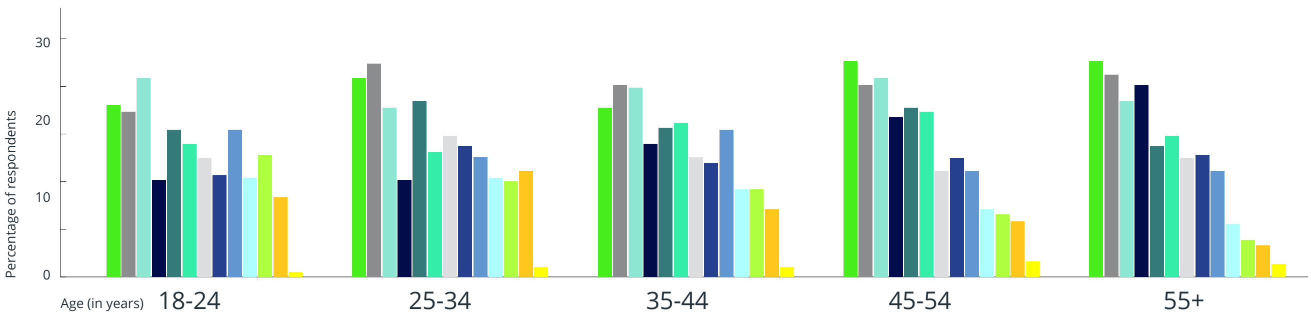


2. Lack of transparency regarding premiums and fees



3. Time taken to fill out forms/enter personal information

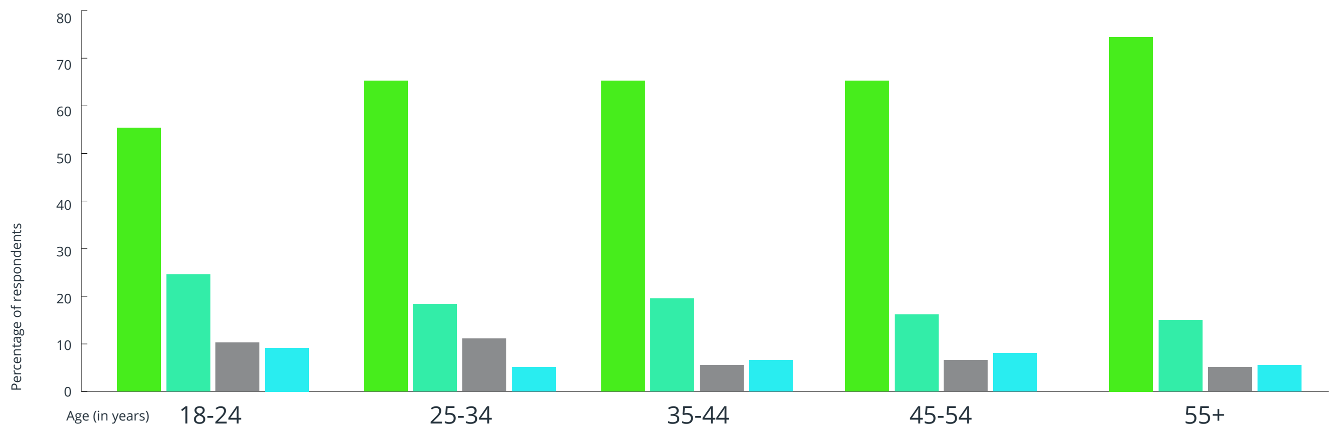
These frustrations are closely followed by a 'lack of choice/control over policy terms' (19%). As with all the questions, annoyances vary by generation. For instance, while 18–24-year-olds see form filling as a pain, those over the age of 45 cite not understanding policy terms and coverage as their top concern.



- Not being able to understand policy terms and coverage in a reasonable time
- Lack of transparency regarding premiums and fees
- The time it takes to fill out forms / enter personal information
- N/A There is nothing that I would consider to be the biggest annoyances in taking out insurance
- Lack of choice / control over policy terms
- Time it takes to get a competitive quote
- Providing ID, documents and evidence
- Inability to talk through your options with an advisor
- Length of time to finalise coverage
- Creating logins
- Poor or non-existent digital experience
- Adding other people to a policy
- Other, please specify

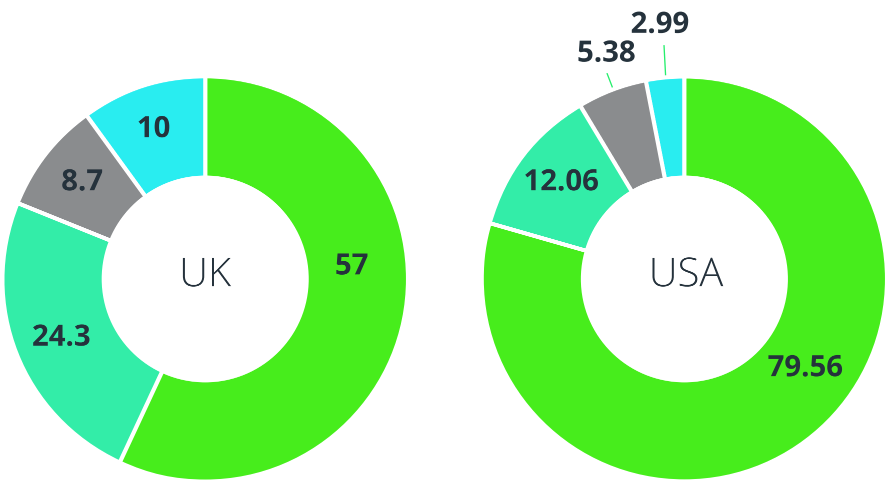
Brand loyalty

In total, 68% of consumers view brand reputation as important when purchasing insurance. However, there are generational differences. 74% of over 55-year-olds consider brand to be important compared to just 55% of those aged 18-24. Moreover, 10% of 18–24-year-olds view brand as unimportant altogether.



- Important
- Neither important nor unimportant
- Unimportant
- Not applicable

Further analysis also reveals a big difference between the US and the UK as 80% of US consumers say that brands are important compared to 57% of UK respondents.

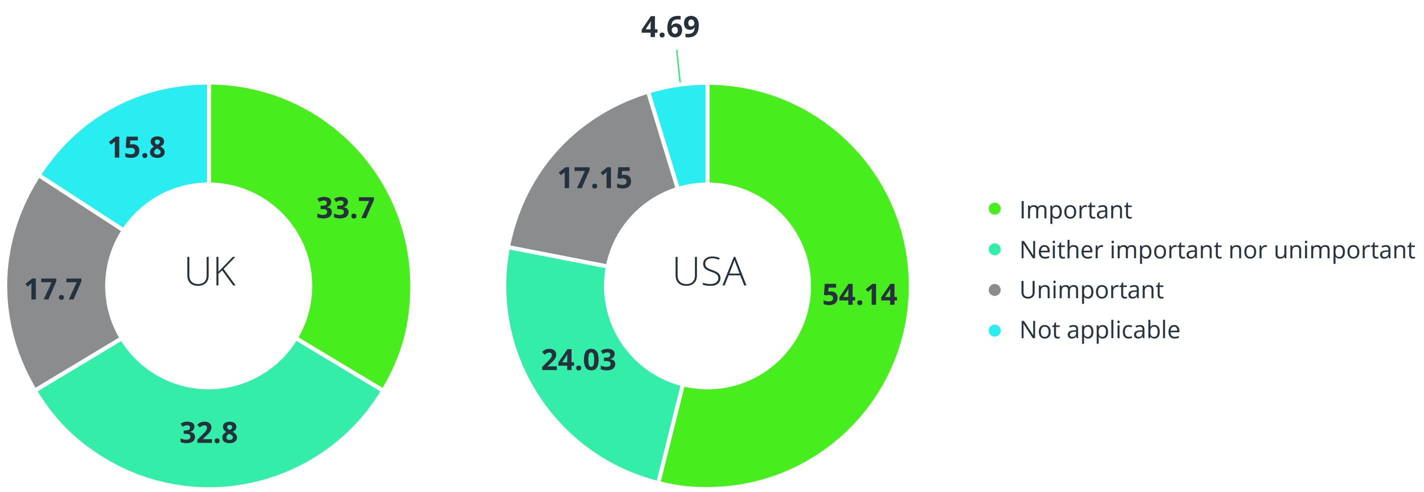


- Important
- Neither important nor unimportant
- Unimportant
- Not applicable

Appetite for embedded insurance

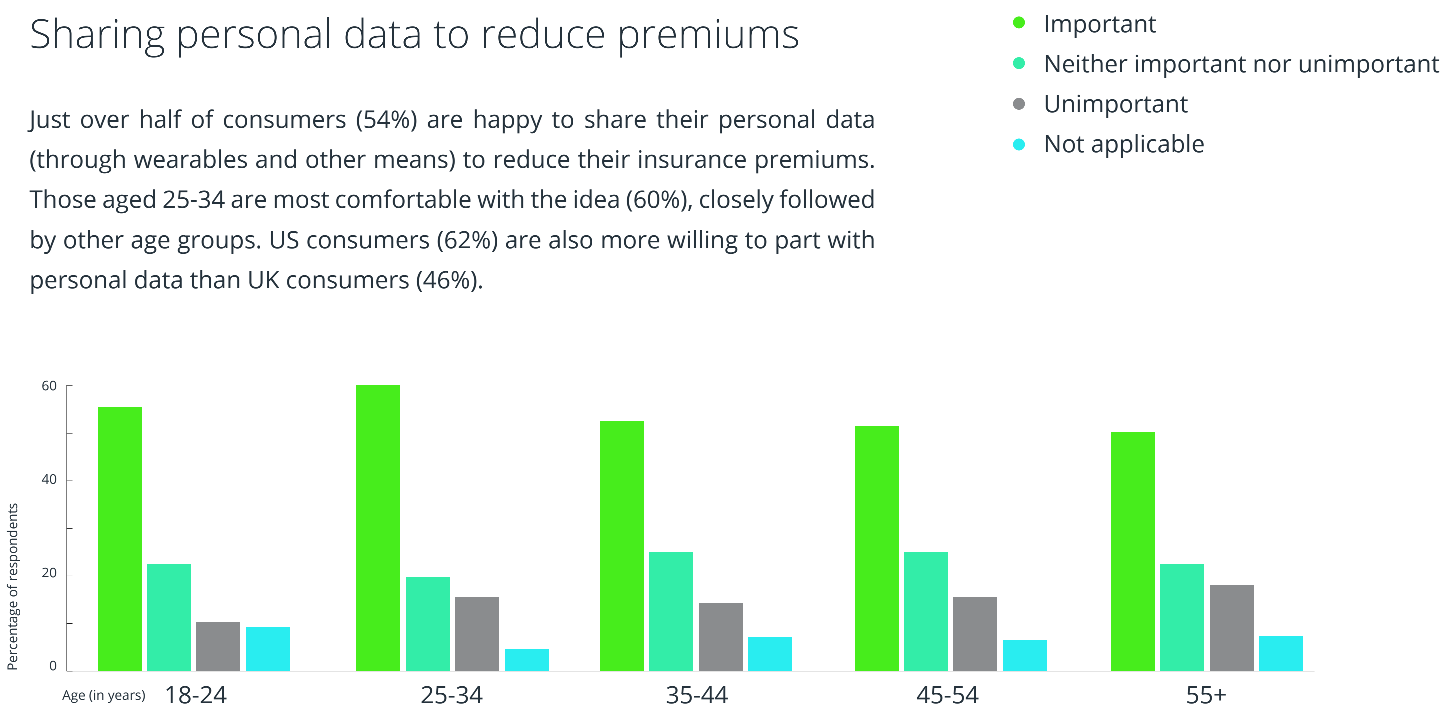
When consumers were asked how comfortable they feel with their insurance being bundled [embedded] into a related purchase, only 44% (of all respondents) felt comfortable. However, US consumers, it appears, are more accepting of the embedded proposition than their UK counterparts.

There are, as to be expected, generational variations. Those aged 25-34 appear to be the most comfortable (at 54%). However, consumers aged 55 and over are less convinced; with just 31% feeling comfortable and 23% uncomfortable.



Sharing personal data to reduce premiums

Just over half of consumers (54%) are happy to share their personal data (through wearables and other means) to reduce their insurance premiums. Those aged 25-34 are most comfortable with the idea (60%), closely followed by other age groups. US consumers (62%) are also more willing to part with personal data than UK consumers (46%).

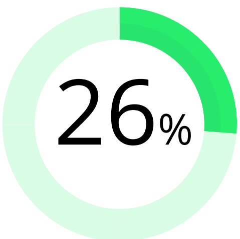


Consumer perception of ‘good’

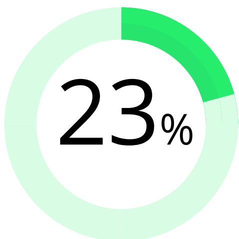
To understand what consumers want from their insurer, respondents were asked, what, if anything, ‘good’ looks like when purchasing insurance. They were asked to select all the answers that apply from the options below:

- **I want to be able to claim easily, with minimal hassle**
- **I want it to be easy to make changes to my policy on my own**
- **I want it to be personalised to me**
- **I want to be able to speak to an adviser easily**
- **I merely want it to provide me with ‘peace of mind’**
- **I always pick the cheapest option**
- **I would look for a policy focused on prevention (e.g., providing me with early advice that was tailored to me around how to prevent a claim in the first place)**
- **N/A / Unsure**
- **I always pick the most expensive option**

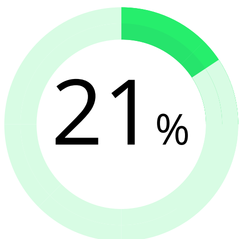
The top three selections highlight the need for a far more personal, frictionless customer experience.



want to be able to make a claim easily

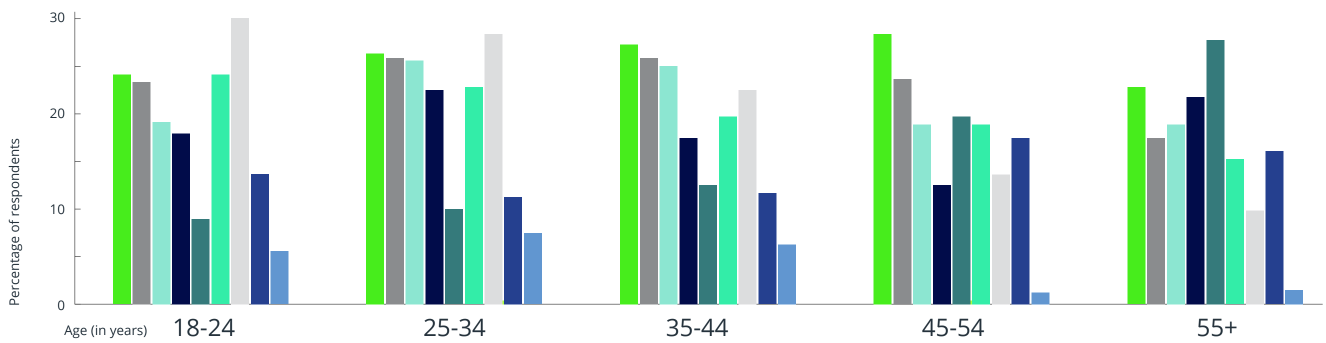


want to make policy changes on their own



want products that are personalised to them

The survey reveals interesting generational differences. While ‘peace of mind’ is important to 28% of those over 55, the need for reassurance is not as strong among younger consumers, who have an increased desire for policies focused on prevention.



Meeting customers where they are

As the research suggests, consumers are now looking for greater clarity, understanding and simplicity when purchasing insurance. Most importantly, they want a personalised experience that enables them to exercise more choice and control.

To satisfy customer demands, EY EMEIA Insurance Technology Leader and Partner, Chris Payne, says,

> Insurers should become much more customer centric," and this, he continues, "holds true whether firms are in personal lines offering motor insurance or moving up the insurance food chain where the risks are more complex.

Discussing the importance of a customer-first approach, Jim Slate, Divisional President of Great American Insurance Group's Accident & Health Division, known as pomi, says:

"As with our brokers, our customers have always been important to us. We started pomi (an acronym for Peace of Mind Insurance) with no assumptions. We shared what we were thinking of offering with our target market (parents of 5 to 18-year-olds) and asked them if they liked the idea of a product. We had no assumptions that we had a viable insurance product. The feedback was, yes, the product would be helpful. Next, we asked them how they wanted to experience it; from buying insurance all the way through to claims."

"We took the same approach with our brokers. We asked them how they would like to experience pomi. They told us that they wanted to fulfill their customers' insurance needs easily and quickly online without even having to talk to us. We listened objectively and built the product and broker portal to satisfy their everyday needs."

Essentially, InsTech Ireland's Gary Leyden says, **"Insurers must refocus their efforts on building products through the customer's lens rather than the insurer's lens."** Gary adds, **"Many insurers are all about managing risk, which is fundamentally important, but it's not the starting point in designing a new product or new customer experience."**

"To really pair exposure and risk solutions appropriately," explains JoAnne Artesani, CEO of US insurance product design and build firm, Sproutr, **"Insurers need to think how they're serving their questions and assessing and evaluating risk in a way that feels less 'reciped'."**

As Senior Manager at Deloitte Canada, Carsten Turk, explains, **"Insurers must meet evolving customer needs and preferences and give them more options and choice on where and how they purchase insurance."** Carsten's colleague, Director of Pricing and Rating Brad Middleton, says this, **"Involves a shift in mindset — accepting that today's consumers have grown up in a different place [online] and expect a similar experience [from their insurer] to how they purchase other goods and services."**

Managing Director of Farmsure Underwriters Ltd, Mark Benger, agrees and adds, **"There are generations coming through now that expect to be able to quickly purchase insurance, when they want it and on their preferred personal device, otherwise they're not going to bother."**

This is why designing a new product or experience should always, Jim Slate explains, "**"start with the customer. At pomi, we introduced ease-of-use technology that provides our valued brokers a pleasant and quick transactional experience and operates on their customers' timelines rather than our schedule."**

To meet customer needs, wants and expectations then, INSTANDA's VP of Sales (North America), Geoff Keast shares,

> Insurers must think about how they serve their clients rather than simply selling them a product.

This is something that EY's Chris Payne also sees in the EMEA insurance market, adding, **"The customer is often treated in silo, on a product level rather than a customer level."**

This view is echoed by Sproutr's JoAnne Artesani who notes a growing sentiment around what she calls, **"portal exhaustion,"** where systems have been built for salespeople rather than the customer. There is, JoAnne says, **"An amazing opportunity to solve the problem and to meet customers where they are and 'how' they want to engage."**

INSTANDA's CEO, Tim Hardcastle, agrees and shares,

> There are significant opportunities for insurers to explore the boundaries of personalised insurance and cater for needs that are not met by standard core products.

Consumers want a better digital experience. As Camelot Network's David Clamp mentions, **"I've never heard someone say to me: 'My digital experience with my insurer was amazing. I just had to click a button and my insurance was just there and I understood it.'"**

EY's EMEIA Insurance Partner, Chris Payne explains that the challenge is, **"There's often a lack of connectivity across the value chain."** Within the insurance entity, he adds, **"There's this sense and feeling that everything is rather separate and siloed, which is at odds with the customer who is looking for a connected experience across every channel and function."**

The customer experience must be carefully thought through at every touchpoint; not just at the point of quote and bind, but when Mid-Term Adjustments (MTAs) and claims are made.

Jim agrees, and adds, **"Whether the customer is an organisation or an individual, Insurance is in a similar thought-space to banking. It's very transactional, it's necessary, and it's life, and so it needs to be a pleasant experience. If we take claims as an example, the technology is there to piece everything together so that the customer experiences the easiest claims process, and therefore has a good feeling about a company."**

A multigenerational challenge

As Michelle Bothe, CEO of Finsure, says, **"People do not care about insurance in the same way as they do other purchases. They perceive insurance as something they must have, and often it's compulsory. So,**

> the customer experience needs to be frictionless, fair, and transparent [equitable], so that it just integrates into their lives.

InsTech's Robin Merttens agrees, stating, **"If insurers are not thinking about how or what the customers' expectations are going to be – they won't get to the right place at the right time."**

To use an analogy by JoAnne Artesani of Sproutr, the industry needs to see insurance products as **"living organisms"**, and that's where behaviour and language comes in. As JoAnne says, **"Actions speak louder than words and the voice of the customer is important."** This is a sentiment shared with INSTANDA's VP of Sales (North America), Geoff Keast who says,

> Insurers need to simplify their products and language to make them more accessible and attractive.

The industry must spend more time with the next generation, which is something that InsurTech NY's David Gritz observes:
"The industry has got pretty good at knowing what Gen X and Millennials want [from their insurance experience], but they still have no idea what Gen Z and Gen Alpha want."

INSTANDA's Director of Life & Health, Will Wood, agrees and shares, **"Insurers must keep their finger on the pulse with the moving demographics of society to make sure that what they're offering is relevant and timely, and will ultimately generate revenue."**

The consensus is that there is much work to be done to understand generational differences, as Yovant's Prabir Panda says:

"Understandably, insurance carriers are concerned about neglecting their 30-year legacy customers, while also meeting the needs of younger generations." This, he continues, **"Is where we see a lot of challenges for carriers in implementing platforms as it's important to take care of both aspects."**

For instance, research[3] published by Chubb reveals that 53% of Millennials want agents and brokers whose services match their goals, whereas just 40% of Gen Zs want the same service. And while 46% of Gen Zs are happy for their broker or agent to tell them what decisions to make, only 19% of Boomers would be happy to be guided in this way.

In tending to the needs of younger generations, insurers must not lose the 'human interaction', especially where it is needed and expected by the customer. It's not a moot point, as CEO of the Managing General Agents' Association (MGAA), Mike Keating, says, **"MGAs are driven by a very personal interaction,"** and so there must be,

> a correct balance between the use of technology and underwriting so that the personal interaction with the customer is not diluted.

In fact, INSTANDA's consumer research reveals that a significant proportion of policyholders still rely on personal interaction with their insurer or broker. Interestingly, 18% of 18-24-year-olds and 23% of 25-34-year-olds surveyed see 'being able to speak to an adviser' as a marker of good service.

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23% of 25-34 year-olds surveyed

see **'being able to speak to adviser'** as a marker of good service.

As Robert Onoufriou, Swiss Re's Head of Solutions Sales (L&H UK and Ireland), says, **"If you speak to my generation and the previous generation, they would have referred to this relationship as: 'The Man from the Pru.'"** The challenge for the industry is, Rob continues, **"How do we ensure we keep hold of that relationship in a digital environment where there's less face-to-face engagement?"**

3 Chubb, "Selling Across Generations," study, September 15, 2022.

A call for better customer segmentation

To rise to the multigenerational challenge, INSTANDA's Director of Life & Health, Will Wood, stresses **"There needs to be fundamental changes to customer segmentation."** This is a view shared by Camelot Network's David Clamp who says, **"It's not just about customer experience, but how insurers use data in a very smart and accurate way to customise their product offering."**

The consensus is that there's not enough time spent looking at customer segmentation to really analyse what's happening in the marketplace. As Will says, **"Insurers are doing this at the insurance product level rather than a customer level."**

There are more capabilities evolving to better serve the customer, but the industry must, in Swiss Re's Carl Christensen's words, **"Become much better on the 'needs analysis' part of the distribution value chain."** Where insurers tend to go wrong is when they rush into things. As CEO of the MGAA, Mike Keating, says: **"I think the investment at the start [should be] really understanding your customer journey, customer segmentation; what your customers expect, what your strategy wants to be, and where you want to get to."**

InsTech Ireland's Gary Leyden shares Mike's sentiment, adding,

> Insurers need to build products differently. They must tap into those real consumer needs to build products around the customer.

As EY's Chris Payne explains, **"The winners in the market are going to be those that operate around actionable insight."** If an insurer improves their data and understanding of the customer, he adds, **"It's a virtuous circle as they're in a position to start personalising and creating value, which ultimately leads to loyalty."**

Speaking as a business already working in this way, Aventum Group's Chief Development Officer, Tony Lawrence, explains, **"If you can introduce market leading technology to create a seamless customer journey, and you can do that all the way from the submission intake piece, through to claims, your customers are going to remain loyal and buy more from you."**

Creating real customer value

Fundamentally, insurers must look at their insurance value chain through the consumer lens and ask themselves: 'how do we make products more accessible while keeping customer acquisition costs in check? The key, as Swiss Re's Carl Christensen says, **"Is digitalisation, since it can make it cheaper. Of course, the way this gets adopted still needs a lot of work, and insurers recognise this."**

The technology to solve the problem exists. After all, automation lowers production costs, which Carl says, **"Allows for different product outcomes and benefit ratios from a consumer value perspective."**

Adding to Carl's observation, EY's Chris Payne continues, **"This all feeds off the foundation of having a joined-up value chain. Those insurers who are already on the journey to getting that sorted are in the best position. They are focused on connectivity across every channel so that the customer can be served consistently and flexibly."**

The problem, though, as INSTANDA's Tim Hardcastle adds, is that, **"Core systems alone are simply not designed to offer this level of personalisation, and that's one of, if not the single biggest challenge."**

However, there are some insurers who are now making headway. As Camelot Network's David Clamp observes, **"There are some who are making the offer very clear. They are sourcing their data elsewhere, augmenting it, validating it and tailoring it to the customer to make sure it's really clever, smart and accurate."**

AI as an Enabler of Personalisation

As the tools of tomorrow become even more sophisticated, AI will begin to act like a co-pilot within the insurance value chain.

The AI opportunity

There is no disputing that advances in AI and connected technologies will lead to vastly more personalised insurance products. AI capabilities can yield significant efficiency gains and cost savings, ultimately resulting in better value across the entire value chain. As Microsoft's Patrice Amann says, **"It is a gamechanger for all industries, and in particular insurance."**

INSTANDA's Tim Hardcastle explains,

> The next wave of AI applications will herald a new dawn of integrated, contextual, personalised real-time insurance.

Adding to Tim's observations, Encora Europe's Consulting Director, Daniel Jinga, shares, **"AI will dramatically change the way we work, interact and do business."**

To quote INSTANDA's Director of P&C, Andy Watts, **"Generative AI, in particular, is still very much in the embryonic stages."** Although there are, to circle back to Robin Merttens' point, those at the progressive end of the industry, who are already exploring the technology.

If AI can provide granular personalised insights into an individual or a company's needs, this can, Andy Watts explains, **"Translate into a propensity to buy."** He adds, **"By finding the right people for a proposition and adjusting it to suit the needs of the individual, insurers could attain mass customisation. But it's very early days to say exactly where this new wave of AI will land."**

However, one thing is for sure, the Gen AI genie is out of the bottle. As Encora Europe's Daniel Jinga describes,

> We are in a hype phase where we'll see a lot of proof of concepts in order to grasp, very pragmatically, what we could do with this beautiful technology in our day-to-day operations.

Generative AI offers insurers far greater predictive modelling, risk segmentation, fraud detection and the ability to use data to enhance underwriting practices, claims processing and pricing strategies. However, the industry needs to pause for breath, as there appears to be a blurring of lines and algorithms need to be 'regulator ready' (transparent, predictable and auditable).

A need for clarity

The industry, it seems, is still trying to grasp what Generative AI is and how it can help. To use EY EMEIA Insurance Technology Leader, Chris Payne's words, **"AI is in a hype curve."** There is, Chris, observes, **"An obsession with looking for use cases,"** however, he adds,

> "Generative AI suits very specific use cases, and other things it does not suit at all."

Add to this that some companies are calling things AI that are clearly not AI, it's a very noisy picture. Although this is unhelpful, Microsoft's Patrice Amann observes, **"This is not necessarily a bad thing,"** as by default he adds, **"it helps to break the glass ceiling in companies where AI [in the broader sense] was not being considered."**

However, overexcitement within the industry is fuelling confusion. This is why, as Swiss Re's Carl Christensen, asserts, **"It is important that organisations start to familiarise themselves with what AI constitutes."**

To understand the difference between Generative AI and traditional AI, Patrice says, **"It's a good idea to take a step back."** We must remember that artificial intelligence — as a field of computer science that seeks to create intelligent machines that can replicate or exceed human intelligence — is nothing new. As Patrice continues, **"We saw the first systems in the 1950s."**

Traditional AI and Generative AI, though, are two different approaches to artificial intelligence that have distinct characteristics and capabilities. Traditional AI relies on pre-defined rules and algorithms to perform specific tasks. It follows a deterministic approach and is designed to solve specific problems or provide predefined outputs based on given inputs. On the other hand, Generative AI, Patrice explains, **"Utilises deep learning techniques to learn from existing data and improve upon that to make decision and prediction."**

AI as a co-pilot

The industry is on the cusp of seeing the real transformative value of AI. According to data from McKinsey[4], by 2030 AI-enabled distribution models are expected to improve sales productivity by 30-50% and increase customer satisfaction by 10-15%.

As Will Wood, INSTANDA's Director of Life & Health, surmises, **"AI dovetails, as if predesigned, with no-code platforms to improve all aspects of the insurance value chain, which is exciting when we consider the range of value benefits this could unlock."**

Interestingly, 53% of 150 Insurance CEOs interviewed by Celent said they are already using AI to automate customer interactions. This is just the start, though, as Celent Senior Analyst, Andrew Schwartz rightly observes, **"As AI evolves, we will begin to see far more personalised products."**

This is exactly why Microsoft's Patrice Amann refers to AI as 'Augmented' Intelligence rather than 'Artificial'. Patrice adds,

> AI is all about augmenting and helping users [people] to operate better rather than replacing them.

There will, absolutely, be people who fear that AI will replace them, but a far more helpful question to ask is: 'how can we augment intelligence to empower people to achieve more?' This is a fundamental point Microsoft's Patrice Amann speaks to when he says, **"Generative AI should be seen as co-pilot as it helps professionals become smarter, perform better in their jobs and make better, faster and more accurate decisions."**

According to Tony Lawrence of Aventum Group, AI and other technologies can empower people to become **"data pioneers"** — a good example of augmented intelligence. Tony illustrates his point by using underwriting as an example. He says, **"By streamlining the underwriting process, underwriters can do what they do best, use a rich vein of data to make better, informed decisions."**

InsurTech NY's David Gritz gives countless instances of companies using AI to deliver far greater operability. One example is NeuralMetrics. As David reports, **"They took some of the work off the plate of underwriters by using AI to automate some of the simple underwriting questions. Answers were automatically generated based on publicly available information, which an underwriter might waste an hour or two just looking up."**

Whether talking about traditional or Generative AI, augmented intelligence provides huge upskilling potential. As Patrice adds, **"People are, by definition, knowledgeable. However, so often, their time is consumed by tasks that do not bring intelligent value. AI, however, can do at scale what humans would otherwise struggle to do at pace; freeing them to focus on more fulfilling and productive tasks."**

4 McKinsey, "Insurance 2023 – The impact of AI on the future of insurance," report, March 12, 2021,

To add to Patrice's observations, MGAA CEO, Mike Keating, comments, **"Several MGAA members are already embracing AI, and they have done it from an operational perspective initially. They have removed frictional costs. Some are using AI to enable their broker distribution channel to upload new business quotations in any format. AI then triages this information and presents the MGA with only the information they require to review and price a risk."**

This process does not replace people. Instead, AI stops underwriters from having to flick through hundreds of pages of text. As Mike continues, **"One member using AI in this way believes their underwriting productivity has increased by at least 50%."**

Reflecting on the EMEA insurers who are making headway in using AI, Publicis Sapient's Daniel Cole adds, **"There are a ton of opportunities for AI to intersect operational efficiency and customer service."** Ultimately, he adds, **"AI will shape how people engage with insurance."**

INSTANDA's Asia Pacific Consultant, Jon Moody, agrees and shares, **"AI and other technologies could be used to acquire the customer and give them a greater experience, from policy acquisition through to claims management."**

In summary, EY Partner, Chris Payne, concludes,

> If you look at the players that are doing this, they are exploring Generative AI to draw out data from their legacy systems to understand it better and gain actionable insights.

AI's impact on the customer

Customer segmentation & distribution

One area where AI will have an undeniable impact, INSTANDA's Geoff Keast explains, **"Is in customer segmentation."** As EY's Chris Payne shares, **"AI is brilliant at sentiment analysis and custom contact summaries."** By leveraging AI technologies, insurers gain valuable insights into customer behaviour, preferences, and risk profiles.

Having a far greater understanding of customers wants and needs will, as Deloitte Africa's Ashish Desai predicts, **"Help advisors with warm leads, by identifying the most suitable next step recommendation for client interaction."** If insurers leverage historical data, behaviour and other predictors, they can give the agent or the advisor advice on the next step to try and close the deal. This, Ashish continues, could be particularly beneficial in Africa, where he adds, **"Many markets have quite a strong feet-on-the-street distribution approach."**

"Quite simply," Geoff says, **"AI enables insurers to tailor their products and services far more effectively, to offer customised pricing and coverage options."**

Carsten Turk, Senior Manager at Deloitte Canada, shares a similar view, and says, **"There are many spaces where AI can provide real value."** Using direct carrier contact centres as an example, he explains, **"AI can help to make the process more efficient by deploying real time chat options with knowledgeable bots that are able to have meaningful interactions with the consumer versus a couple of queries."** In this scenario, he adds,

> AI makes it easier for agents to better serve the customer with the right information.

This is something that Geoff also sees and remarks, **"Leveraging Large Language Models (LLMs) allows for easier conversion of policy language. This presents a big opportunity for providers like INSTANDA to merge AI and Natural Language Processing (NLP) tools to automatically ingest, rewrite and transport policy data into a format that customers understand."**

A huge opportunity in claims

The consensus is that the biggest impact, for insurers and customers, will be felt in the claim process, where InsurTech NY's David Gritz observes, **"The impact is likely 3-5 years' away, and not 10."**

Traditionally a time-consuming manual process, claim cycles have already started to see a significant improvement with the introduction of AI. Machine learning algorithms can analyse claim documents, detect fraudulent patterns, and automate the settlement process.

As Deloitte Canada's Director of Pricing and Rating, Brad Middleton comments, **"Claims has a really strong value proposition for both traditional and Generative AI. It is very process heavy and involves the coordination of multiple parts. A lot of those steps can be very easily automated or aligned."**

As Yovant's Prabir Panda explains, **"A lot of investment is happening on the claims side of technologies. The claims process has traditionally been a monolithic waterfall process, where there are a huge number of manual checks following a first notice of loss (FNOL)."** Where large insurance carriers may have traditionally spent up to two hours from FNOL to acknowledgement, **"There are insurers who've reduced this time to a matter of minutes,"** Prabir adds.

To use Microsoft's Patrice Amann's analogy, **"The claims piece is a low-hanging fruit,"** as it is perfectly suited for intelligent automation. It has enormous potential to bring insurers and insureds closer together. As Insurtech UK's CEO, Melissa Collett, says, **"Claims is the moment of truth for a customer, and if AI can streamline the claims process, it will delight the customer."**

Celent Senior Analyst, Andrew Schwartz agrees and expresses,

> As Generative AI is used to help triage and prioritise claims, there is a real opportunity for insurers to make someone feel 'whole' again in a crisis.

AI has real potential, Patrice Amann explains, **"To help the customer see the value of an insurer ahead of a stressful process."** Crucially, and as InsurTech NY's David Gritz says, **"AI can vastly improve service quality in claims."** For example, AI-powered chatbots could take an FNOL and make recommendations to the insured on making repairs, and even what contractors to use. In this scenario, David explains, **"The insurer and insured work together to solve the problem,"** and this, he adds, **"might have a bigger impact than anything else."**

Additionally, there have been **"Huge advances made in parametric insurance,"** says Senior Analyst at Celent, Karun Arathil. In the case of parametric insurance, an assessment of loss is not even required, with a predefined amount paid based on a specific event happening. Here, AI and machine learning algorithms play a crucial role in risk assessment, underwriting and claims processing. After all, parametric insurance relies on predetermined triggers or indices to determine when a policyholder is eligible for a payout. Traditionally, these triggers were based on historical data or manual assessments. However, with the integration of AI and other technologies, insurers can now gather and process vast amounts of data in real-time to make more accurate risk assessments. Quoting Karun's abstract from his Celent report[5] on Parametric Insurance (published on 11 December 2023),

> Parametric insurance is a ground-breaking risk management tool, expanding beyond traditional weather-related risks and entering new markets such as travel, cyber risk, supply chain disruption, and pandemic.

If Swiss Re's global market predictions prove right, the global market for parametric insurance could grow by 7% to 10% over the next 10 years.

Aventum Group's Chief Development Officer, Tony Lawrence, who is actively exploring bringing parametric solutions into the Group's product portfolio, shares:
"From a climate change impact perspective, in the agricultural livestock space where heat stress is a risk, we're looking at parametric solutions. What this could potentially enable is for each claim to be paid quicker and faster since a payment is agreed on a pre-event matrix."

5 Celent, "Parametric Insurance: Pioneering resilience in the face of social and climate change," report, December 11, 2023.

Getting the data estate in order

With advances in AI and other technologies, the industry now has vast amounts of data at its disposal. However, as InsTech's Robin Merttens observes,

> The insurance industry has entered a becalmed period; it hasn't quite worked out what to do with all that data.

Robin asserts, **"Data can help manage risk in real time, but many companies that have introduced the technology to do this are not managing their risks any better at all. There's a big opportunity here for dynamic data to be realised at a risk management level."**

Publicis Sapient's Daniel Cole makes a similar observation and says, **"A lot of the conversations I have with clients are about using data in a much smarter way at the core. Not just predictive from a customer perspective, but all the analytics that wrap around that."** Commenting on the bigger commercial players, he says, **"They're looking at how the book has performed and what business has been written. It's a rear-view mirror exercise rather than a forward-looking view."**

InsTech Ireland's Gary Leyden agrees, and adds, **"Insurers are sitting on lots of data, but a lot of it is not actionable. It's in silos. It's not joined up."**

Part of the problem, Encora Europe's Daniel Jinga says, **"Is that the industry is still in the very early stages of knowing what to do with all the data. We [the industry] 'talk' more than we actually 'do'."**

As the MGAA's Mike Keating notes, **"In terms of data capture, insurers need to know what they want to achieve. You cannot just carpet bomb and get all the data. You need to understand what you want to measure."**

Microsoft's Patrice Amann agrees and says, **"Data is a real challenge. There is no great AI without great data, so data quality and the whole data estate and management are key events here."**

INSTANDA's CTO Kevin Gaut also agrees and adds, **"If we take ChatGPT as a breakthrough, it has made huge headway in the last 18 months, but people forget that it took years of machine learning to get there.**

> Generative AI offers the potential to be hugely transformative, but you need to teach it what to do [with the data] first.

Data has essentially **"Become the new currency,"** adds Patrice. It is valuable to both the insurer and the insured. Returning to InsTech's Robin Merttens' point about realising the value of data at a risk management level, insurers must understand that there is, as Patrice says, **"a difference between 'data' and 'knowledge.'"**

One organisation that's making headway in this area, is Aventum Group. Speaking about the Group's approach to risk modelling, Chief Development Officer, Tony Lawrence, says:

"Claims inflation is a big problem across the industry. Operating costs have gone up and loss ratios are on the rise. In the last 12 months, it has been really difficult for insurers to model the real cost of claims. In 2022, we acquired a machine learning-based actuarial business Mulberry Risk, that enables us to gain granular insight into the true cost of claims."

As Encora Europe's Daniel Jinga, adds, "**Insurers are essentially sitting on a goldmine and that goldmine is their data."**

The biggest challenge, Daniel concedes is, **"How do insurers get that data to deliver valuable real-time insights to help make informed decisions?"**

A skills challenge

Largely, the solution is a 'people' one. The insurance industry needs skilled people who can understand, develop and maintain AI models. As INSTANDA's CHRO, Sara Shipley, explains:

"With previous industrial revolutions, the pace of change was much slower. There was time to recalibrate, but with advances in AI and other technologies we do not have that option today."

Sara continues, **"The baseline of what AI can do is changing all the time, and so insurers must have a pulse on this to make sure that they are in lockstep."**

As InsTech Ireland's Gary Leyden explains, there needs to be far greater data literacy across the entire organisation. He says, **"If you're going to be genuinely data-driven, every single person in the organisation needs to understand why data is important and how they should consistently treat that data."**

The insurance industry needs people to manage the data estate and interact with that data in a completely different way. As Sara says,

> Taking data and turning it into meaningful insights is an entirely different skillset to data mining. As an industry, we need to look outside the sector to acquire these necessary cognitive skills.

To unlock this knowledge from data, Patrice says, **"Many insurers need to adopt new digital operating models that rely on a robust data infrastructure built on smart ingestion, storage, processing, and classification. This will enable them to visualise and act on data more efficiently."** So, the main challenge is not necessarily the amount of data an insurer has, but the way an insurer's data estate is ordered.

There are essentially three crucial steps Patrice recommends insurers should follow when creating a data estate at scale:

1. **Ingest the data correctly and store the data in the safest and most relevant way**
2. **Take a 'first processing' of the data to gain early correlation or responses**
3. **Simulate, predict, test and re-evaluate before using the data at scale**

The fundamental idea is, Patrice explains, **"At the end of the chain, you can think about advanced analytics or AI-driven models that help extract meaningful insights from this data to take decision."**

As Encora Europe's Daniel Jinga emphasises, **"You must start by looking at the real very pragmatic challenge of establishing 'where are we today?', before migrating to a data-driven culture."**

INSTANDA client Green Shield Risk Solutions in the US took a similar approach [See summary case study on page 52]. As Green Shield's Head of Operations, Ursula Merten, reflects, **"We had to prioritise what we wanted to do.**

> We did a POC with an external company to make sure that these data insights really helped our underwriters. They came back and said that this is a gamechanger.

A matter of privacy and accuracy

Data privacy and accuracy, of course, remain the top two concerns for the industry. As INSTANDA's Director of Life & Health, Will Wood says, **"There's a long way to go to ensure Generative AI is accurate. In Life & Health, the stakes are particularly high if an insurer gets things wrong."**

Celent Senior Analyst, Andrew Schwartz and his colleagues have written extensively about the risks and challenges of Generative AI. Andrew cites five key things that insurers must do, including:

- Creating checks and measures to stop AI from introducing biases
- Regularly monitoring AI outputs to prevent hallucinations or false outputs
- Bolstering defences against cyberattacks and malicious actors
- Preparing for regulatory scrutiny or changes
- Maintaining robust intellectual property protection

A particular area of concern, Patrice adds, **"Is the creation of AI black boxes."** This is where the inner workings and decision-making processes of an AI system are not transparent or understandable to human users. It is often used to describe AI models that produce results without providing clear explanations for their decisions. In other words, the inputs and outputs of the AI system are known, but the logic or reasoning behind the outputs is opaque or difficult to interpret.

This lack of transparency can raise concerns, particularly in insurance, where accountability and trust are crucial. Regulatory compliance remains a key challenge. As Andrew continues, **"If we look at the US, for example, the regulatory framework makes it tough for regulators to keep up with AI. At the moment, they are being more reactive than proactive."**

At the end of the day, though, **"Insurers need to stay in control of what they are doing,"** says Microsoft's Patrice Amann. After all, there is a big risk of insurers introducing technology that they do not really understand. In the event of a failure Patrice adds, **"They cannot turn to the regulator and simply blame the fallout on the technology provider. Accountability remains with the insurer."**

This is why there is still a lot of trepidation, as Encora Europe's Daniel Jinga explains:

> Most of our clients are exploring Generative AI to understand it better. However, they are cautious about adopting it. They are looking for reassurances that they will not break any regulations or jeopardise their customers' data.

Addressing the issue of AI black boxes is an ongoing area of research and development, though. Efforts are being made to develop explainable AI (XAI) techniques that aim to provide insights into the decision-making process of AI systems. This enables humans to better understand how and why an AI system reaches specific conclusions; promoting transparency, accountability and trust in AI applications.

Time for optimism

Absolutely, insurers must be aware of, and protect themselves and their customers, from potential risks. However, there must also be a mindset change. As InsTech's Robin Merttens surmises:

"The industry is easily distracted by the perpetual threat of AI, but AI is also a smarter way of doing things."

The industry appears divided. Essentially, Robin predicts,

> There will be two types of insurers who will emerge; those who only see the 'scar tissue' of AI, and those at the more progressive end of the industry who'll fully embrace AI.

The progressives, however, will be a quieter community as Robin adds, **"They will want to keep their successes to themselves."**

As Microsoft's Patrice Amann, says, **"There are still many who first see the risk before they see the opportunity."** To see and realise the opportunity, insurers must have trust in their AI, as Celent's Andrew Schwartz says:

"You must be confident in the insights that you're going to get and have some sort of validity to engender trust within the organisation."

This largely comes down to making the right choices about where AI can be of value, and building the right ecosystem to support that.

Ecosystems Fit for the Future

Being able to execute processes or part of processes in an ecosystem is rising in importance. The case for action is hugely compelling.

Changing ecosystem dynamics

Ecosystems have gained significant traction on the Board and C-suite agenda for several years now. According to a 2019 study[6] by Swiss Re Institute, over 75% of global insurance executives considered digital ecosystems as crucial for gaining a competitive edge, and that percentage is likely to be even higher today.

Ecosystems themselves are not new, though. Insurers have always worked with other companies to improve the traditional value chain. However, what has changed, Celent Digital Proposition Leader Nicolas Michellod mentions, **"Is the technology, which is making it easier to integrate with far more partners to add value to fundamental parts of the business."**

As Ruth Gilbert from Insuring Change, observes, **"Changing consumer behaviours have heightened the need for ecosystems."** Insurers can gain insights into customer preferences, behaviour, and risk profiles by leveraging data analytics and artificial intelligence in carefully cultivated ecosystems. This enables them to offer customised coverage options, streamline claims processes, and provide proactive risk management solutions.

Additionally, insurance ecosystems facilitate easy access to information and services through digital platforms. This makes it convenient for consumers to compare insurance products, receive quotes, and manage their insurance portfolios.

As Deloitte Africa's Ashish Desai observes in Africa, **"The bigger players are definitely beginning to start thinking about a partnership and ecosystem."** For those who have already moved to the cloud, "The next big shift," Ashish says, **"is open architecture and partnering with others for skills they do not have."**

To use one of Microsoft's Patrice Amann's sayings,

> You cannot innovate at pace if you do not have agile speedboats to take you to where you want to be.

INSTANDA's Director of Life & Health, Will Wood, agrees, and says,

> The explosion of insurtechs has plateaued off and created strong digital offerings in different parts of the insurance value chain.

As Celent Digital Proposition Leader, Nicolas Michellod continues, **"Insurers struggle to find the right partners to help them improve specific parts of the value chain."** This, Nicolas adds, **"Is where we are seeing start-up insurtechs focusing on specific aspects of the value chain."**

Continuing with Patrice's nautical analogy, the larger the boat [the insurer], the harder it is to navigate with the right agility. As Will continues, **"More traditional players work in ecosystems because they recognise that it is better to work 'with' rather than against."**

InsTech's Robin Merttens agrees and adds, **"Innovation has become a thing that insurers now do in partnership with the incumbent industry."**

6 Swiss Re Institute, "Digital ecosystems: extending the boundaries of value creation in insurance," study, January 08, 2019.

A matter of legacy

While all of this is promising, the industry cannot shy away from the legacy issue. As Swiss Re's Head of Solutions Sales (L&H UK & Ireland), Robert Onoufriou, says, **"A big challenge for a lot of insurance companies is moving to more modern platforms that give them the flexibility to be more cost-effective."**

The legacy issue, it seems, is even more pervasive in Japan. As INSTANDA's Asia Pacific Consultant, Jon Moody, shares, **"It's a complicated picture. Some of the legacy systems have been in place for 40 years or more, and they are very hard to move away from."**

Although a completely different market, legacy is also a challenge observed in Africa, as Deloitte's Ashish Desai comments,

> Transformation is hindered by a lack of open architecture strategy and a reliance on expensive traditional distribution methods.

Ashish adds that there needs to be, **"A shift in culture and leadership mindset to successfully transform."**

The challenges for insurers are multilayered and deeply entrenched. Citing Yovant's Prabir Panda's, words, **"There is heightened interest in CIOs [in the UK] rolling out products quickly, but disparate systems within the enterprise architecture are a barrier."**

The challenge cannot be underestimated, as Aventum Group's Chief Development Officer, Tony Lawrence, says, **"It's a tough challenge for some insurers to shift from legacy platforms to digital automation, and embrace things like AI and machine learning."**

Part of the problem, Celent's Nicolas Michellod says is, **"The insurance industry can be risk averse."** When an insurer looks to build out their ecosystem or tap into an existing ecosystem, the first thing they ask, Nicolas adds, **"Is what's the experience of others?"** In other words, insurers are looking for confirmation that there's no risk to the partnership.

This nervousness is partly fuelled by what Swiss Re's Carl Christensen refers to as, **"A feeling of being burned by investment into what is now called modern legacy."** Quite simply, many insurers have not returned the investment they were looking for. This, however, Swiss Re's Carl Christensen adds, **"Should not mean that insurers should avoid the issue."**

It's an undeniably difficult problem to tackle because so many large insurers have monolithic legacy systems. As Microsoft's Patrice Amann explains, **"Removing mainframes is a big task and still carries risk."** Patrice suggests that insurers, **"Should not copy their current operating models,"** when moving away from mainframes. Instead, he continues, **"They should take advantage of the opportunity to redesign their application portfolio to enable agility, speed to market, and data-driven operations, which can be naturally facilitated by native public cloud services."**

As Senior Analyst at Celent, Karun Arathil, is quick to point out, **"Take any Fortune 500 company, and more than half will have mainframes."** They do not, he adds, **"Have time to immediately retire them."** Add to this the fact that many insurers have multiple legacy systems following M&A activity, and it becomes, as Swiss Re's Robert Onoufriou says, **"Far too difficult to get rid of them all."**

Rise of the middle layer solution

Understandably, many insurers choose to live with their legacy systems. In doing so, Karun asserts, **"Insurers need to create an ecosystem based on whatever legacy they have in place."**

Encora Europe's Consulting Director, Daniel Jinga, also acknowledges this and says, **"On the one hand, insurers realise that it's very risky and expensive to replace the existing core systems. On the other hand, they understand that the legacy systems can't seize the benefits of the real digitalisation opportunity just by upgrading the existing system. That's why the idea of core modernisation is on everyone's agenda."**

As reported in Deloitte's 2024 Global Insurance Outlook report[7], in the last five years, the percentage of L&A carriers intending to upgrade or enhance [rather than replace their existing legacy core systems] doubled from 36% in 2017 to 73% in 2022.

Reflecting on the rise of the middle layer solution, Deloitte Canada's Director of Pricing and Rating, Brad Middleton, shares, **"There is better technology available to enable insurers to wrap solutions around their legacy systems. Incrementally, the more wrapping that occurs, with technologies like INSTANDA, insurers can thin their legacy platform to the point where it simply becomes a 'bookkeeper'. And once it [the legacy system] is thin enough, replacement becomes a lot easier."**

Of course, time is often a critical factor. As INSTANDA's Director of P&C, Andy Watts shares,

> Insurers are seeking solutions that provide a quick ROI. They do not want to spend four years ripping out and replacing an existing integrated system.

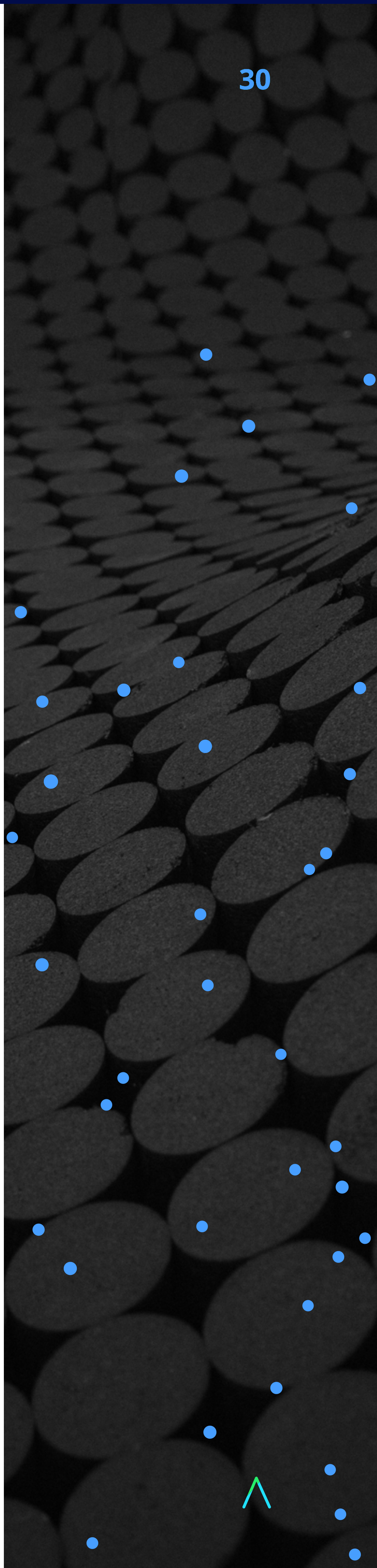
Adding to Andy's observations, Daniel Jinga explains, **"It's a challenge and an opportunity at the same time as insurers realise that they can do things easier, faster and cheaper [with cloud-native platforms] instead of replacing their systems."**

Celent Digital Proposition Leader, Nicolas Michellod, shares Andy and Daniel's views and says, **"The middle layer approach can give more years to those old systems."** The insurance industry, Andy Watts says, **"Is moving away from full end-to-end expensive cumbersome systems to best-of-breed component architectures."** The key drivers of this move are personalisation and embedded insurance (explored in the final section of this report).

Essentially, the middle layer solution, Swiss Re's Robert Onoufriou remarks **"Allows insurers to create a single customer view by pulling the information from their legacy systems."** As a result, many insurers are now splitting their business into legacy and new platforms. INSTANDA's Director of Life & Health, Will Wood, explains:

"Some insurers are maintaining their legacy systems for policies up to a certain time and have introduced a new system to write new business."

7 Deloitte, "2024 Global Insurance Outlook," report, 2023.



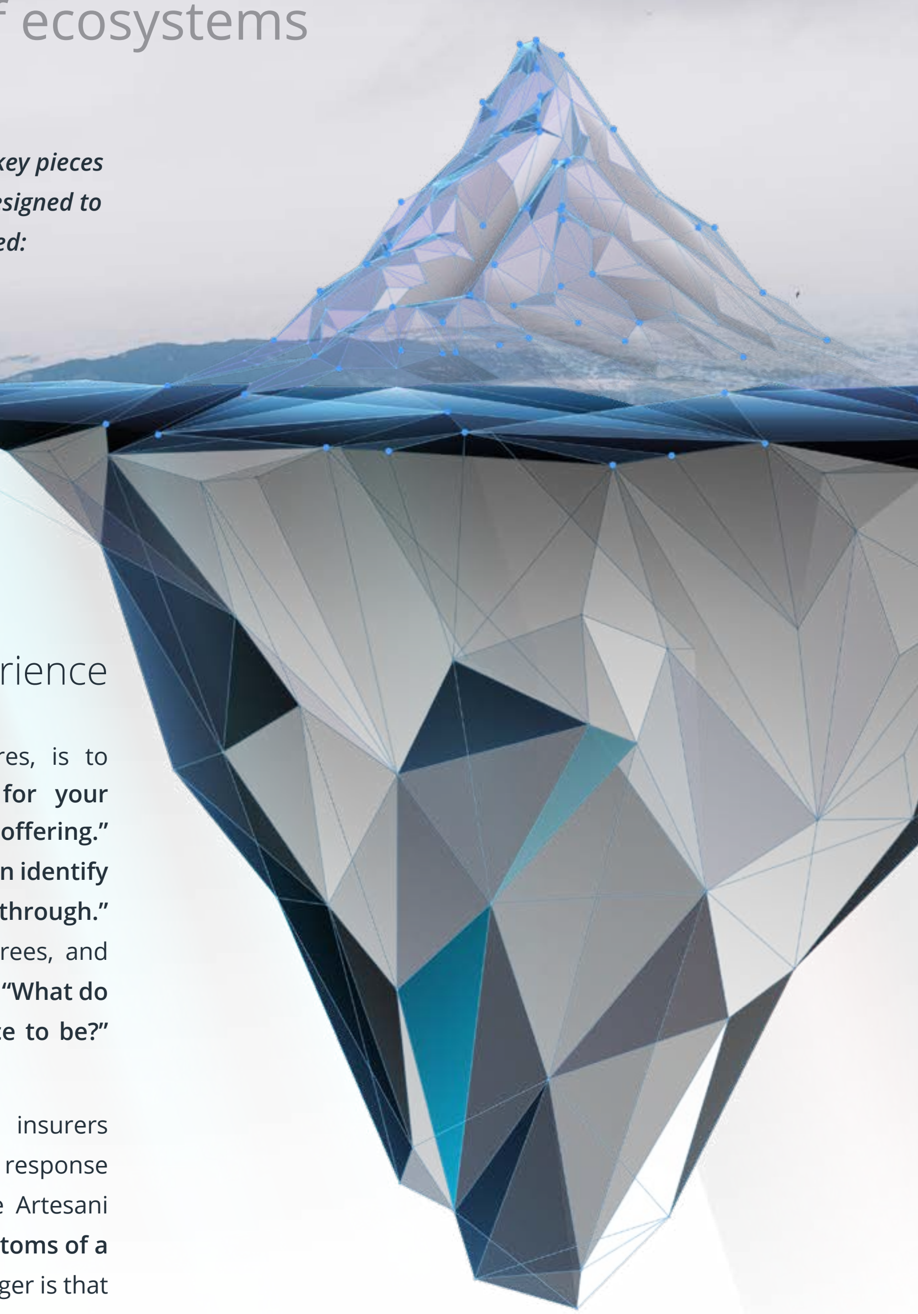
As Swiss Re's Robert Onoufriou, says, **"This removes the one-size-fits all approach,"** which is an enabler. **"Insurers,"** InsTech Ireland's Gary Leyden explains, **"have always been frustrated that they could not do what they want. But we're now at a crossroads where those investments [into open architecture] have been made or are due to be completed."** This is good news for Heads of Protection Propositions, as Insuring Change's Ruth Gilbert, shares,

> If an insurer has flexible technology that allows speed to market at a very low cost, this could be a real door-opener for the next generation of protection propositions.

Finsure's Michelle Bothe shares a similar view and adds, **"The next generation of propositions will be far more personalised."** Reflecting on the US MGA market, Michelle explains, **"We're heading toward more niche offerings. The role of the ecosystem in this is: risk mitigation, pricing for risk exposure, data sharing feedback loops, customer engagement and loyalty."**

Adding to Michelle's observations, Yovant's Prabir Panda continues, **"We are already seeing insurers using portals like INSTANDA to build digital layers on top of their core platforms."** This, he continues, **"Enables insurers to configure products with minimal upstream and downstream integrations, which is key for successful rollouts."**

Building future-proof ecosystems



When report contributors were asked for their key pieces of advice for building a successful ecosystem designed to withstand the test of time, the following emerged:

1. Identify the customer experience

The first step, INSTANDA's Will Wood shares, is to **"Identify what you're looking to create for your customers based on the insurance you're offering."** Once an insurer knows this, Will adds, **"They can identify the experience they want the customer to go through."** INSTANDA's Director of P&C, Andy Watts agrees, and shares how important it is to ask the question, **"What do we, and our customers, want the experience to be?"**

However, when identifying the experience, insurers must be cautious about building solutions in response to customer complaints. As Sproutr's JoAnne Artesani warns, **"Customer complaints are often symptoms of a problem and not the problem itself."** The danger is that insurance carriers and MGAs end up focusing their efforts on delivering the wrong outcome, and JoAnne says, **"They are disappointed when the customer is still unhappy."**

Insurers must take time to understand what it is they need to solve, as to use JoAnne's analogy,

> Customer complaints are just the tip of the iceberg. What you see on top is not always what's beneath the surface.

To quote the MGAA's Mike Keating, **"You must build your ecosystem from a customer perspective."**

As InsTech Ireland's CEO, Gary Leyden, says, **"Customers do not think of risk in the same way that an insurer does. Insurers need to stop building products from the inside out. Instead, they must spend more time with the customer and listen to what they really want and need."**

2. Meet the business needs

It is important to remember that different companies need different solutions as INSTANDA's Andy Watts adds, **"Every insurer has their own business strategy, priorities and budgetary needs."**

This is something that Mike Keating agrees with and says, **"Insurers and MGAs need to kick the tyres on their strategy before they deploy or spend any money."**

As Finsure's Michelle Bothe shares, **"They must ask themselves, is this something that is going to be meaningful and material to my business?"** It's important she adds, **"To have a rational conversation about where you are and where you want to be."**

As INSTANDA's Director of Life & Health, Will Wood, also says, **"Insurers must evaluate where they are, where they want to be, and what tools can facilitate that."**

To cite Finsure's Michelle Bothe,

> You can't buy everything and build everything. Insurers must think about what is best for their intellectual property.

But if an insurer has an open architecture, **"With a kernel in the middle that has collaborative capabilities,"** adds Andy Watts, then there are all sorts of possibilities. **"The key,"** Andy continues, **"is to choose a middle layer policy administration system that acts as the heart and lungs of an insurance operation."**

This approach enables insurers to select the ecosystem components that are going to best meet their business needs, now and in the future. As Yovant's Prabir Panda explains, **"If tomorrow there is a new technology, which is complementary to the offerings of a carrier, the carrier needs to ask, 'does our ecosystem allow us to quickly plug that in?'"**

This is why, as Finsure's Michelle Bothe asserts, **"Vendor selection is very important as the relationship an insurer has with their ecosystem partner will last multiple years."**

As Sproutr's JoAnne Artesani warns, **"Some smaller organisations make the mistake of trying to take on too much too soon."** This, she continues, **"Often results in re-working or re-architecting two or three years later."** To use Mike Keating's words, **"When investing in technology, there needs to be a 'take a breath moment' before you write a cheque."**

3. Create the right team

Speaking from experience working for large insurers and as a consultant, JoAnne observes, **"Issues show up when you do not have the right subject matter experts or architect at the table early on."**

Successful implementation teams recognise that they can't make it work alone, and so they build a blended team of multidisciplinary experts. As Publicis Sapient's Daniel Cole, also reflects, **"Those who I've seen get this right have a good understanding of their skillset and the skills that they need to place around them."**

As Mike Keating, says,

> You must have all the right stakeholders in the room because everyone will have a voice and valued opinion.

"Insurers must," continues JoAnne, **"see change as a three-legged stool."** Underwriting competency, insurance product development mindset and implementation, she explains, **"Should form a tri-party conversation in deciding what is right for the business."**

In Prabir's experience, he says, **"Issues also present when members of an internal project or implementation team are not trained to work in an agile way."** Rather than working as a channel, those who are not agility-trained tend to think with what Prabir calls, **"A waterfall mindset."**

In the waterfall approach, collaboration tends to be less intense, as the handoff from one phase to another occurs sequentially. An agile approach, on the other hand, emphasises collaboration and cross-functional teamwork. Team members work closely together throughout the project, constantly communicating, sharing feedback and collaborating on solutions.

4. Seek independent advice

According to INSTANDA's Director of Life & Health, Will Wood, **"Experienced consultants can be incredibly helpful in providing specialist advice on what components of the digital experience an insurer should consider."**

Yovant's Prabir Panda agrees and points out, **"Insurance carriers often require a 20% minimum deviation from their platform,"** This, he adds, **"Is where consultants and systems integrators can provide invaluable insight and implementation feedback."**

However, as Sproutr's JoAnne Artesani warns, **"There is a risk of insurers becoming overdependent on consulting firms."** She adds, **"Insurance companies must remember that nobody knows their product better than they do."**

When third parties are brought in, it is important to establish what part of the process a consultant is best to lead on.

5. Think big, act small

Knowing where to start is not always easy. Microsoft's Patrice Amann says the best approach is to **"Look at all the pieces of the insurance value chain and identify where you can gain the biggest value."**

INSTANDA's CTO Kevin Gaut (who has overseen many large-scale projects), agrees but stresses,

> It is also vital to carefully consider the slowest moving part in the insurance value chain before implementing at scale.

This was certainly a key consideration for Farmsure Underwriters Ltd when it moved its farm combined product away from its legacy system to INSTANDA's no-code platform in 2020. Farmsure's Managing Director, Mark Benger, says, **"We needed to think very carefully about accommodating both types of broker; those who are happy to embrace technology and use an online portal to administer policies themselves, and those who still prefer paper presentation."**

To avoid skipping straight to the North Star, Microsoft's Patrice Amann advocates a three-horizon approach:

Horizon 1: Choose a part of the insurance value chain where there is the biggest return for the least effort; one which is relatively short-term and easy to implement.

Horizon 2: Next, focus on a part of the chain where the benefits will come a little later. It may cost more, but this is where insurers step into longer-term transformation to reach the North Star.

Horizon 3: The North Star. Here, Patrice surmises, **"An insurer can take a reflective look at the solution and the big things that need to be implemented and ask, do we have the right foundational platform to succeed?"**

In this way, Patrice, adds, **"Insurers should 'think big, and act small,"** to demonstrate that they are heading in the right direction.

Sproutr's JoAnne Artesani sees huge value in taking a staged approach and shares, **"Until you really know that you're solving the problem, it is far more economical and time-beneficial to tee up a proof of concept, watch it work, and then scale it."**

More than a change in mindset

To reach the North Star, though, bravery is required.

As Deloitte Canada's Senior Advisor (Insurance Core Technology), Debbie Wilson, reflects,

> There needs to be a shift within the industry as a whole to accept that it is okay to meet business demands with non-core technology.

There is no escaping the enormity of the challenge that insurers face. But as Insuring Change's Ruth Gilbert observes, **"A new level of imagination is needed for future propositions,"** and this, Celent Digital Proposition Leader, Nicolas Michellod emphasises, **"Is more than a matter of mindset: It's a question of power."**

Nicolas continues, **"It's a big U-turn for CIOs who have spent a huge amount of time building their own inhouse ecosystem."** Ultimately, Nicolas adds, **"There are extremely hard decisions that will need to be taken, and this takes power and courage."**

Insurers recognise this, as Encora Europe's Daniel Jinga observes:

"In the last two years, more insurers have opened a new Chief Data Officer (CDO) position within their business. They realise that digitalisation is a real challenge, and they need to do something very specific as data is such an important asset. The CDO's role is to find better ways to handle this amazing asset and refocus the organisation on treating data as it should be."

Change is often stressful, though, and not everyone adjusts to the cultural shift of acknowledging that a new technology could be more useful. To use Patrice's analogy, **"During headwinds, there are two ways that a company can respond. The first,**

> is to defend and build walls. The second, is to build windmills and take advantage of the threat of the headwind and turn it into energy.

"You've got to have the right culture and acceptance," adds Aventum Group's CDO, Tony Lawrence, who goes on to say, **"If you're in the leadership team, it starts with the CEO. If your CEO and Exec team are committed, and acceptance starts to flow through the business, this translates into the growth of digital innovators."**

However, if a business is not already attuned to this way of thinking, a cultural shift is required first. As Camelot Network's David Clamp shares, **"Culture eats strategy for breakfast."** He explains that resistance to cultural change is one of the primary reasons why so many businesses are reluctant to embrace new technology.

This is something that InsTech Ireland's Gary Leyden also observes, as he says, **"Like every opportunity, there's always a challenge. The challenge insurers have is that they have been building products with a particular mindset for a long time, and they need to change this, which is hard to do."**

As Patrice explains, **"You cannot disrupt your own business,"** as there will always be, he adds, **"A hand up saying 'that's not possible', and this kills the opportunity to think differently."** This circles back to the important role that insurtechs play as enablers. After all, as InsTech's Robin Merttens says, **"The best ideas come from outside of the sector,"** which Publicis Sapient's Daniel Cole wholeheartedly agrees with. Daniel says:

> When an insurer starts to think about new propositions, tackling new risk types, introducing new digital services, or prevention schemes, it's impossible to do it in their existing setup. I've never seen it work. It must be set up outside.

In fact, OpenAI is a prime example. Recognising that it could not disrupt its own business, Microsoft early-stage-funded OpenAI to develop Generative AI capabilities. This, Patrice adds, **"Is because when you want to have disruptive technologies, you must do this in a completely separate space, not connected to your core business."**

This is where Insurtechs really come into their own, as Insurtech UK's CEO, Melissa Collett, shares:

"Nowadays, most customers are digital natives who anticipate a seamless and effortless customer journey. By spending more time with innovators, insurance carriers will be better able to embrace innovation into their own business."

Tech-enabled Managing General Agents (MGAs) are, of course, excelling in this area. To use Encora Europe's Daniel Jinga's words, larger players can, **"Learn a lot from their distribution partners."**

Rise of Tech-Enabled MGAs

Tech-enabled MGAs are at the forefront of innovation. The scope for co-developing new markets with carriers is huge.

A hub of innovation

With significant claims inflation across multiple lines, some insurance carriers have started restricting their balance sheet capacity, which a report[8] by McKinsey notes **"Has divided the fortunes of MGAs,"** with some, **"being forced to exit or reduce their presence in certain asset classes."**

As Finsure's Michelle Bothe, says, **"The story on capacity really isn't being told. Capacity is extremely difficult, and fundraising is hard."** An MGA cannot operate unless it is delivering real value to its capital provider. But as the MGAA's Mike Keating says, **"MGAs are experienced at navigating this challenge."**

What is harder to navigate — from a headwind perspective — is claims inflation. For some lines, including motor and property, the impact of inflation has been particularly acute, as Mike continues:

"Claims inflation continues to be a challenge for MGAs. Pricing for this can mean that they become uncompetitive, and that's against the backdrop of increasing fraud in the economy."

Despite this, there is a huge opportunity for MGAs to unleash new personalised products into the market. Tech-enabled MGAs are leveraging advanced digital tools and platforms to streamline processes, enhance customer experiences and improve operational efficiency. They are harnessing data analytics, artificial intelligence and machine learning algorithms to assess risks, underwrite policies and provide personalised coverage options.

InsurTech NY's David Gritz explains that the benefit to carriers is that, **"They can unlock their balance sheet in ways they otherwise could not."**

To quote InsTech's Robin Merttens, **"There's now far more product innovation than there was 10 years ago,"** and this, he continues, **"is largely down to a new generation of tech-enabled MGAs."**

According to Clyde & Co's 'MGA opinion report 2023[9]', 80% of MGAs have invested in technology or insurtech over the past year, compared to 55% of insurance carriers.

MGAs, of course, are much more able to innovate at pace as INSTANDA's Strategic Adviser, Bronek Masojada explains, **"They have far more flexibility as they are less stringently regulated than insurance carriers,"** and he continues,

> innovation flourishes where there is more regulatory freedom. Whether that regulatory freedom is by design or default does not really matter.

The opportunity for tech-enabled MGAs in the US is particularly big as INSTANDA's VP of Sales (North America), Geoff Keast, observes, **"In a market like the US, with 114.2 million households[10] is a huge opportunity for MGAs to build very bespoke products."** Sproutr's JoAnne Artesani agrees, and says, **"With the US economy as difficult as it is, you really wouldn't know it. There is so much innovation and growth."**

8 McKinsey, "Insurance MGAs: Opportunities and considerations for investors," report, August 30, 2022.
9 Clyde & Co, "MGA opinion report 2023: Sector continues to thrive," report, 2023.
10 Statistica, "Consumers in the U.S.," report, January, 2024.

An opportunity for co-development

Speaking passionately about the MGA community, Mike adds, **"During the Covid-19 pandemic, MGAs did not miss a heartbeat in delivering a good level of service. And post-pandemic, they retain the loyalty of their customers and have continued to grow."** So effectively, he says, **"The MGA opportunity is there to fill that [customer service] vacuum that insurers are still trying to fill."**

InsurTech NY's David Gritz observes a similar opportunity in the US. He says,

> Today, if an insurance carrier wants to launch a new insurance product, it's probably a 24-to-36-month-long exercise.

With hugely complex legacy systems continuing to stifle product innovation, there is, David continues, **"A great opportunity to identify an MGA that has an idea that an insurer already supports."** In this way, he adds, **"The insurer can just lease or rent their balance sheet to the MGA to see if it works. Then, if it really works, they can co-develop the market."**

In fact, according to research from Conning[11], 43% of the top 100 US property and casualty insurers have at least one MGA relationship through which to source new premiums.

Mike shares David's observations, and comments, **"Insurance carriers have excellent products, but it takes a long time, in terms of the genesis of that product, to get it into the market."** In this sense, and to return to Microsoft's Patrice Amann's analogy, tech-enabled MGAs can act as **"speed boats."**

As Daniel Jinga from Encora Europe shares, **"It's a great exercise for insurers to collaborate with their MGAs. Insurance carriers who are on this will be able to see the power of combining all these new technologies and adopt them into their own organisations."** He adds, **"In backing their MGAs, insurance carriers could see all these beautiful things about how technology is transforming distribution and catering for their customers."**

Two excellent examples of MGAs who are embracing technology include Flow Flood Insurance and Moonrock Insurance.

11 Conning, "2021: Managing General Agents – Rising to the Challenge," report, 2021.

Moonrock Insurance's story | Lightning-fast scalability

In 2016, Simon Ritterband launched Moonrock Insurance to better meet the insurance needs of drone pilots; an idea born from his observations of how difficult it was to get drone insurance coverage.

Reflecting on Moonrock's journey, Simon shares, **"There really wasn't anything that was adequate on the market, and so I set up Moonrock Insurance to meet an unmet need."**

Fast forward six years, and Moonrock is now an award-winning MGA specialising in drone insurance, with great capacity sitting behind it. Key to Moonrock's growth has been the introduction of an online click-and-bind system that allows the customer (drone pilots) to select the exact level of liability needed.

Delivery time reduced by 90%

Development costs decreased by 100%

Personalised cover for specialist products

Offering cover for every type of drone, Moonrock leverages vast amounts of data to create highly personalised coverage.

As Simon mentions, **"The drone market is evolving rapidly, with daily technological advancements - so competition among insurance providers is fierce. We're always looking at drone technology advances, safety and the training of drone pilots to help us better price risk. Technology and data play a big role in this."**

Tech-enabled product control

To grow the business, Moonrock needed to launch new products, change existing products, and make rate changes at will; without having to rely on a third-party provider's timeline or an inhouse developer. Additionally, they required a far more streamlined way of growing their distribution network, as Simon explains:

"To survive in insurance, you need distribution. You need different channels, and so we had to find a way to expand our broker network."

To achieve its strategic ambitions, Moonrock chose INSTANDA as its preferred policy administration system. The cloud-native no-code technology enabled Moonrock to develop and update its central system and broker portals quickly and continually build new products to meet the market's changing needs.

Rather than product changes sitting with a third-party developer, Moonrock is far more agile. Since moving to a no-code configurable PAS, Moonrock's delivery time has been reduced by 90% and development costs have decreased by up to 100%.

Meeting the customer needs

Working in a no-code environment, Simon and the team have streamlined customer processes to ensure that buying and managing policies is fast and straightforward.

The platform simplifies the drone insurance quotation process for brokers, guides them through risk assessment, and enables individual case underwriting. Moreover, it is now incredibly easy for Moonrock to onboard a new broker. As Simon says:

"For us, it's all about momentum. With the drone industry moving as quickly as it is, we must meet customers when they're in a buying mindset. Investing in the right technology has enabled us to do this."

Moonrock
Drone Insurance

Flow Flood Insurance's story | Making flood insurance easy to quote and issue

Flow Flood Insurance is a US-based flood insurance program administrator built by agents for agents. By leveraging advanced technology, Flow Flood Insurance has seen a complete shift in how flood insurance is quoted, serviced and renewed.

Traditionally, finding and buying coverage has been an obstacle for agents. Flow Flood Insurance wanted to accomplish something new by including multiple flood syndicates on one platform. As Co-Founder of the company, Abbe Sultan, says,

"Our goal is to empower agents to easily find and choose the best coverage for their customers and provide the best branding for our partners."

Time was a key priority for Flow Flood as they sought to launch their MGA and platform across multiple states.

Making new business fast and easy for agents

Using INSTANDA's no-code platform, Flow Flood created a digital flood marketplace that allows agents to compare quotes from up to six insurers, bind applications, service policies and offer direct bill renewals.

Crucially, the marketplace incorporates underwriting rules, coverage limit thresholds and moratoriums to manage risk exposure and displays only bindable quotes all in real-time. Agent quote times have been reduced to 90 seconds and bind times to just 60 seconds (from quote).

Agents no longer need to quote with multiple carriers across multiple platforms or go through long quote flows only to find out their flood application was declined; it's all available in Flow Flood's agent portal, alongside NFIP rates for comparison.

The platform requires no training, and agent onboarding times have been reduced from up to ten days to a matter of minutes, enabling Flow Flood to triple their agent force within four months of go-live. Adding a carrier now takes weeks rather than months. The platform has also reduced the time taken to adjust moratoriums from three business days to seven minutes, increasing product availability and allowing insurers to avoid taking on too much risk.

Agent quote times reduced to 90 seconds

Bind times reduced to 60 seconds

Closing the protection gap

Since the launch of its technically advanced marketplace, Flow Flood has welcomed more than 6000 new agent partners, and is now available in 43 states.

Co-Founder of Flow Flood, Michael Pallas, says, **"Our motto has always been 'flood is for all.' So, we wanted to make quoting flood insurance as easy and straightforward as possible for retail agents, with the end goal of getting more homes insured against flooding. Our platform's easily configurable, no-code architecture is helping us make that happen. No-code means that compliance can be easily configured across regions."**

Ecosystems enable flood insurance success

With INSTANDA's comprehensive APIs, Flow Flood seamlessly integrates with property information data to prefill applications and with syndicates for real-time quoting and binding.

Michael Pallas said, **"Any company's success is reliant on the relationships around it. Take out one piece of the puzzle and they wouldn't exist. Without our marketplace platform, without our Lloyds broker, without our partners, there would be no Flow Flood. Our message to the insurance marketplace is: the tech is there. So, if you think something can be done better, go do it."**

Flow Flood

A Glimpse into the Future

With the intersection between insurance and technology, there's a huge opportunity to make a positive difference to the planet and people's lives

A far more preventative and embedded landscape

To return to INSTANDA's CEO, Tim Hardcastle's prediction, **"Compared to today, in 20 years' time, insurance will look dramatically different. We are likely to see far more integrated [embedded], contextual and personalised real-time insurance."**

This offers the industry a real opportunity to be a 'force for good' as Swiss Re's Head of Solutions Sales (L&H UK and Ireland), Robert Onoufriou, shares:

"Insurance should be available for everyone, and not just a select few. This evolution of technology is allowing us [the industry] to give more choice to consumers, which is a good thing, as we all have different wants and needs."

As Celent Senior Analyst, Max Ang, predicts, **"Insurance will become much more embedded into people's lives,"** and he says, **"Will play a far greater role in educating people, and therefore closing coverage gaps through the personalised recommendation of insurance products."**

Personalised embedded insurance

If Business Analyst Simon Torrance's widely published[12] predictions are correct, the P&C embedded market could grow to $722 billion USD in Gross Written Premiums by 2030. This exponential growth highlights the potential for insurers to capitalise on this emerging trend. Deloitte predicts[13] that if 20% of the US personal auto market becomes embedded by 2030, at least $50 billion USD in premiums could be diverted away from traditional channels.

Embedded insurance itself, however, is not new. For several years, insurance has been integrated with non-insurance services. For the purpose of this report, we explore what INSTANDA's Director of Life & Health, Will Wood, refers to as **"Personalised embedded insurance"** where he adds,

> "non-traditional distribution channels are used to place personalised products in front of consumers at the right time and right place."

12 InsTech, "Insurance: to Embed, or not to Embed," report, June 30, 2021.
13 Deloitte, "Embedded insurance is poised for exponential growth," report, July 27, 2023.

Meeting customer demand

The options for integrating tailored and digital insurance solutions into an embedded partner's value proposition are immense. Commenting on the embedded insurance opportunity in Canada, Senior Manager at Deloitte Canada, Carsten Turk adds

> The improvement of digital capabilities has pushed embedded insurance to the forefront. Insurers are starting to embed the product journey directly into the purchase of the actual risk itself.

Camelot Network's David Clamp predicts, **"As consumers consciously decide to purchase insurance at the point of need or action, there will be multiple, visible ways of buying insurance."** INSTANDA's VP of Sales, Geoff Keast agrees and says,

> You cannot force customers into a channel that they do not want to participate in.

However, embedded insurance, Geoff explains, **"Enables insurers to meet the customer where they are, with products that are episodic in nature."**

Predicting the future, the MGAA's CEO, Mike Keating, says, **"The current stop-start way of buying insurance products still prevails but the next generation will want to buy embedded products in a mixture of different ways."** To achieve this, Mike adds, "**Insurance carriers and MGAs must have a good barometer on where their target customer behaviour is going."**

Therein lies the problem. There's clearly still a long way for the insurance industry to travel before we see widespread personalised embedded insurance. InsurTech NY's David Gritz, shares, **"A lot of people are over-indexing embedded insurance."** If predictions are correct, it will be worth hundreds of billions of dollars. However, David asserts, **"It is not going to change how the industry does everything. It is much easier to embed high volume, low value insurance but it is far more difficult for complex products where there are uniformed buyers who still need and want to be advised."**

INSTANDA's Geoff Keast largely agrees with David, as he says, **"High volume, low value insurance is far easier to embed."** Yet, Geoff points out, **"Embedded insurance can occur for more complex products. We are already seeing this in the Japanese banking channel life insurance space."** Adoption, though, he says, **"Depends on disclosures, and the more complex a product is, the higher the number of required disclosures."**

A change of approach

The challenge is not just due to the complexity of products. As Camelot Network's David Clamp, asserts, **"Big insurers need to change their mindset."** To move into the personalised embedded space, David says, **"Systems need to be far nimbler and more cost-efficient to serve an embedded insurance policy that might only cost several dollars to buy."**

Aventum Group's Tony Lawrence agrees and shares, **"We are going to see more usage-based embedded insurance. One area where Aventum is in the embedded insurance space is event bookings. For example, a customer purchases a ticket for an upcoming West End Show, yet they can't get there because a weather event stops them from travelling. In this scenario, they are refunded because they purchased insurance for a specified peril at the time of their ticket purchase."**

The big advantage of embedded insurance is that it is usage-based. David Clamp adds,

> If an insurer's entire system is focused on annual usage rather than usage-based, they've got a real challenge on their hands.

In Deloitte Canada's Senior Advisor (Insurance Core Technology) Debbie Wilson's words, **"Embedded insurance really shines a light on and places downward pressure on carriers having to nail their distribution strategy."**

INSTANDA's Director of P&C, Andy Watts shares David and Debbie's views, and says, **"There is a real risk of some P&C and commercial insurance companies being left behind if they do not enter the embedded space."** Andy continues, **"It's critical that insurers seamlessly connect to other businesses; not just from a technological viewpoint but being part of partnering businesses' processes."**

However, the issue of trust remains a barrier. As INSTANDA's Director of Life & Health, Will Wood, explains,

> A big part of the problem is that we [the industry] trust people who have built up knowledge and skills over time, but we're not as trusting of allowing technology to make decisions for us.

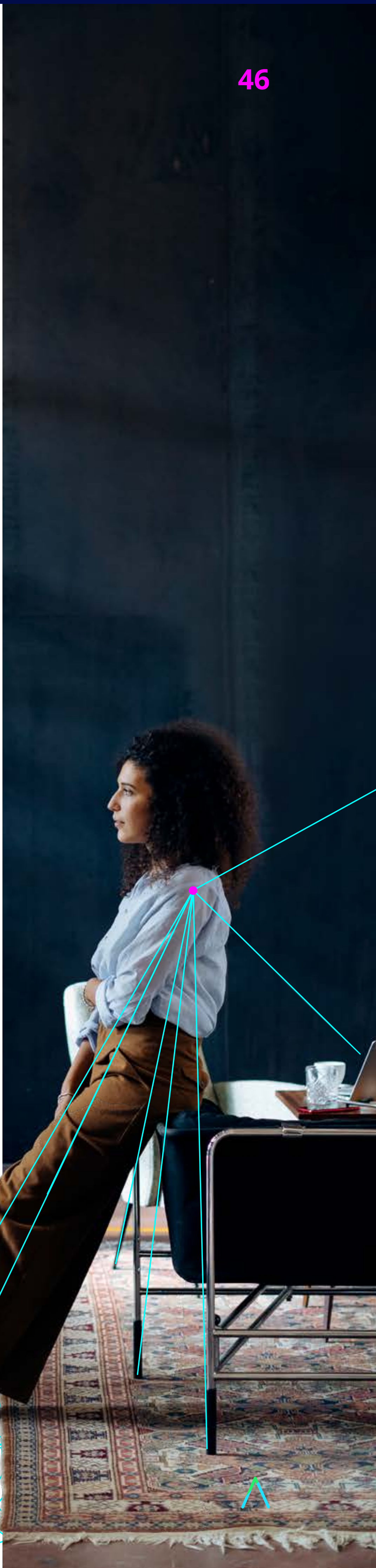
Swiss Re's Head of L&H Solutions, Carl Christensen, mirrors Will's observations, adding, **"There's still this fundamental element of trust factor that comes into play."** Talking about life insurance, Carl explains, **"People need to know that they are purchasing [life] insurance from a brand that will still be there in 40 years' time, to pay out a potential claim."** He adds, **"With embedded insurance, those lines can become blurred, and so companies need to be certain who they partner with as it is a long-term journey."**

"Many insurers do not have the power of brand to take a leading role," adds EY's Chris Payne, who shares,

> The question for some insurers will be, how do we keep our identity without being just a cog in a wheel? After all, the shift towards embedded insurance doesn't necessarily encourage the focus on insurer brand and insurer customer centricity.

Chris predicts that the winners, **"Will be those who find the right balance between scaling and embedding while retaining a sense of brand identity."**

As Camelot Network's David Clamp acknowledges, **"One of the biggest challenges is who owns the data, and getting the legal and regulatory implications of that right is going to be key."** However, to use a phrase INSTANDA's Director of P&C Andy Watts often employs, **"Today's experiments, at some point, become tomorrow's business."** There's a compelling case for insurers to move to an API that's fully configurable, as this, Andy says, **"Allows insurers to collaborate with external partners to test products in a safe and agile way."**



From reaction to prevention

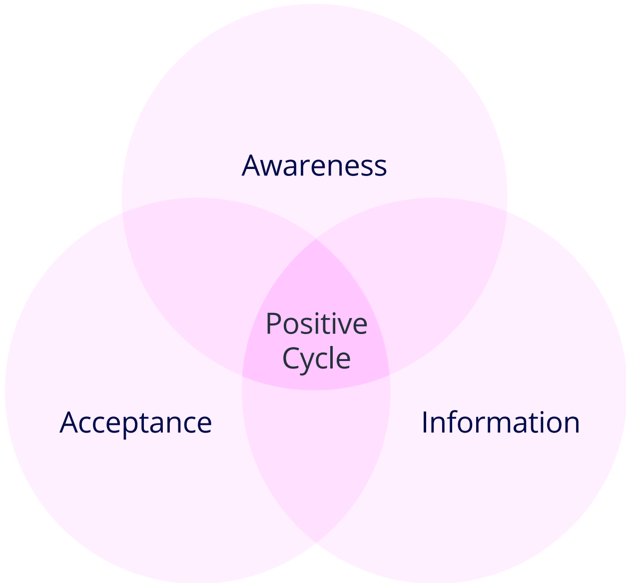
Traditionally, insurance has been reactive in nature but as more insurance companies move into pre-emptive loss prevention there is, as Insurtech UK's CEO, Melissa Collett, reflects, **"A big opportunity for insurers to shift their focus."** She adds,

> Insurance has always been about something bad that has happened, but there's a real opportunity to turn the whole dynamic on its head.

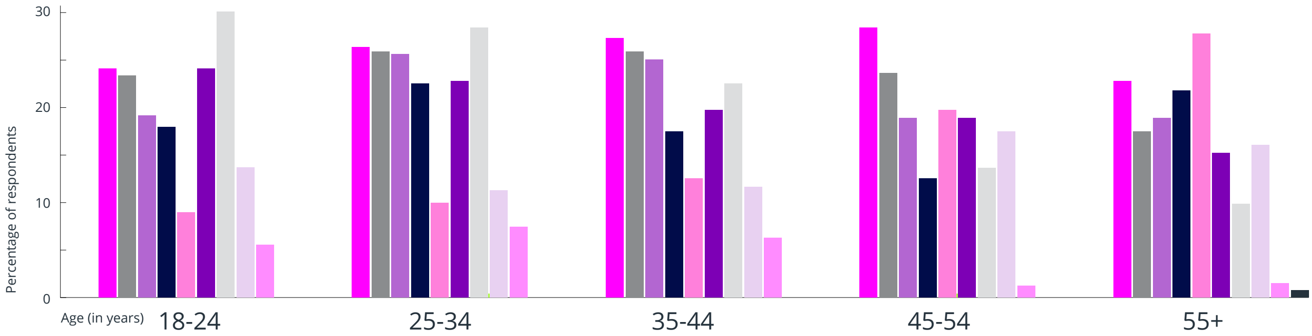
Reflecting on the wider benefits of prevention, Deloitte Canada's Brad Middleton says, **"There are a couple of interesting facets."** He explains, **"Regardless of how great customer service is ever going to be, the customer is always going to feel an emotional loss, and so preventing that event from happening is just good business."**

As Microsoft's Patrice Amann notes, **"If we look at the customer, the technologies exist to help them gain awareness of the situation and put in place preventative steps."**

However, for prevention to be effective, the customer must understand the risk, accept responsibility for helping to control it, and have the resources to manage it. This, Patrice adds, **"Involves everybody thinking positively; from awareness and acceptance to the sharing of information."** Only then, he explains, **"Can the relationship with the customer enter into a very positive cycle."**



Customers, it seems, are ready to enter this positive cycle as INSTANDA's consumer research highlights. The demand from younger generations is particularly strong with 31% **of 18–24-year-olds** and 29% **of 25–34-year-olds** seeing preventative products as appealing.



- I would want to be able to claim easily, with minimal hassle
- I would want it to be easy to make changes to my policy on my own
- I would want it to be personalised to me
- I would want to be able to speak to an adviser easily
- I would merely want it to provide me with 'peace of mind'
- I would always pick the cheapest option
- I would look for a policy focused on prevention (e.g., providing me with early advice that was tailored to me around how to prevent claiming in the first place)
- N/A / Unsure
- I would always pick the most expensive option
- Other, please specify

"The technology is already there," adds EY's Chris Payne who asserts, **"now it's about making the proposition attractive enough for the customer to buy into it."** One area where insurers are already working closely with customers to prevent losses is within the automotive industry. As INSTANDA's Director of P&C, Andy Watts, observes, **"With connected cars and telematics devices, insurers can now collect data on driving behaviour, vehicle diagnostics, and environmental conditions."** This wealth of information, Andy continues, **"Allows insurers to assess risk more accurately and engage with their customers to lower the risk by adopting safer driving habits."**

Another salient use case is flood detection, where the Internet of Things, the homeowner and insurer work together to mitigate a loss before it happens. As Celent Senior Analyst, Andrew Schwartz reports, **"We've some innovative insurtechs that have provided offerings within the property insurance space to prevent flooding."**

Reimagining prevention through a new lens

Prevention itself is not new, though. As Andrew continues,

> It is something that is being reimagined through the lens of digital transformation.

The traditional way of reacting and recovering, he adds, **"Is starting to be replaced by predicting and preventing."**

As EY's Chris Payne shares, **"In the past, the technology was separated out from the offering. It was uneconomic."**

Using car insurance as an example, Chris explains that **"Many customers could not see the advantage of having a device within their car if they could get the same level of cover elsewhere, for less money."** However, he continues,

> As technology becomes more embedded into the product, we are going to see much more of a focus on prevention.

Commenting on the technology advances shaping the prevention landscape, Senior Manager at Deloitte Canada, Carsten Turk, says, **"One of the big technology solutions that carriers are already getting behind, to improve traceability and tracking of how certain risks are performing, is the Internet of Things (IoT)."** Using the example of a manufacturing plant or commercial kitchen, Carsten adds, **"The technology exists to check equipment temperature and monitor other activity to prevent an incident from happening in the first place."**

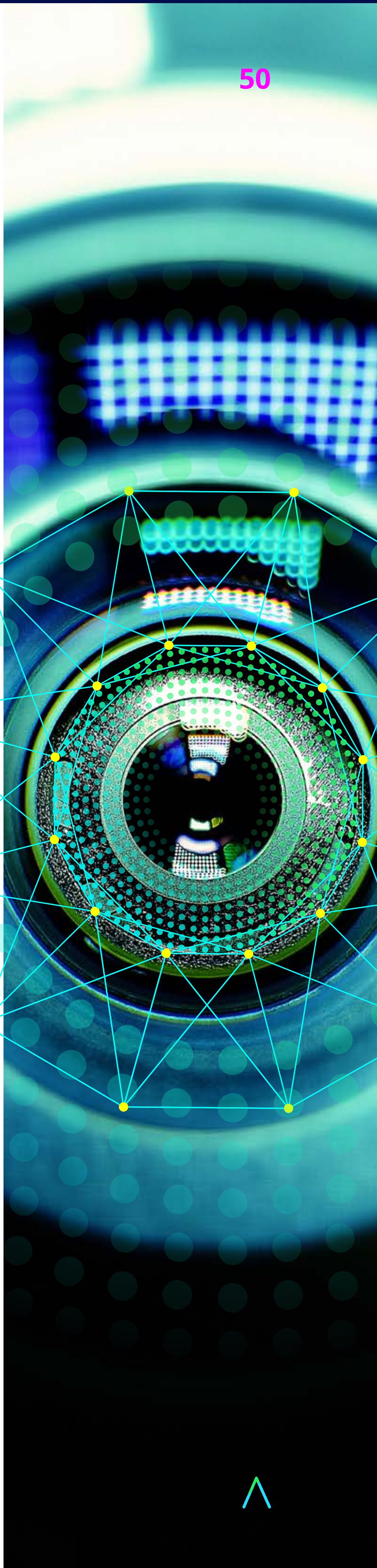
Essentially, as Senior Analyst at Celent, Karun Arathil, explains, **"If you can track and monitor the insured item, you can control a lot of things."** In fact, Karun writes extensively on 'digital twins' and the use of real-time data. In a Celent report[14] published on 6 October 2022, he discusses how technological advances are, **"Allowing companies to collect a large amount of data, analyse it, and use it in decision-making."** This, he adds, **"Enables insurers to assess the readiness [of the insured] to face disasters, prevent damages, and optimise core insurance operations."** He provides an example of escaping water, which according to the Association of British Insurers, is one of the biggest domestic property damage claims, amounting to £1.8 million ($1.97 million USD) being paid out daily. **"Most modern buildings,"** Karun adds, **"are fully connected and can monitor their surrounding environment. Using machine-learning algorithms to analyse the data from sensors can be used to report anomalies."** In this scenario, and many others, prevention can reduce the risk and severity of claims.

To use Insurtech UK's Melissa Collett's words, **"There are so many amazing technologies to help us avoid the perils that we face, and that the insurance industry has not had access to for the past 150 years."**

14 Celent, "How digital twins will help insurers to optimise operations," report, October 6, 2023.

As InsurTech NY's David Gritz observes, **"With the intersection between insurance and telematics, there is a big opportunity for 'industrial loss control'."** David cites commercial fleet accident prevention as an example. He explains that insurers could reward commercial fleet clients who practise industrial loss control. In this scenario, he says, **"Telematics could be used to reinforce no texting and better driving behaviours, and those same technologies could also be used within the employer's factories to reduce lifting and more catastrophic injuries."** With opioid dependency as big as it is in the US, David continues, **"This type of preventative activity could stop those who've suffered injury at work from being prescribed opioids in the first place. If you start from the root cause (not getting injured), this can bring a lot of opportunity."**

There's a huge opening for insurers and MGAs of all sizes to become preventative partners with their customers. Two areas where prevention could make a big difference to the planet and people's lives are climate resilience and prescribing wellness.



Quantifying climate resilience

Advances in insurance technology, particularly in AI and data analytics, are helping insurers better understand, assess and manage climate-related risks. The Internet of Things and weather monitoring systems provide real-time updates on impending climate disasters. This enables insurers to alert policyholders in affected regions, providing them with valuable time to take necessary precautions or evacuate if required. By proactively addressing such risks, insurers can help to reduce property damage and ensure the safety of individuals.

As Insurtech UK's CEO, Melissa Collett, shares, **"With climate change already having an impact on the industry's ability to cope with claims, there's going to be a greater demand for more sophisticated modelling and underwriting of risk."**

In InsurTech NY's David Gritz's words, **"There is a big opportunity for the insurance industry to quantify climate change."** David observes, **"The large companies extracting resources from the earth and polluting the environment do not pay the cost."** He adds,

> The insurance industry, has the ability to allow those costs to be distributed. Not just by those causing the pollution, but by the people who are most impacted.

To make this type of impact requires a collective effort, though, Microsoft's Patrice Amann explains, **"Involves insurers and insurtechs working together to tackle real problems such as climate change."**

As Celent Senior Analyst, Andrew Schwartz adds, **"Geospatial data and aerial imagery could be used, for example, to obtain imagery of a roof to understand the real risks at play,"** and depending on weather pattern analysis he adds, **"The insurer could make recommendations to the consumer on how to keep their roof secure to thwart any potential damage."**

At the time of writing this report, Patrice reminds us of the advances being made by Big Tech. For example, the UK Meteorologic Office (Met Office) is working with Microsoft to build a supercomputer to accurately predict weather and climate change, which once completed, he says, **"Will be one of the top supercomputers in the world."** This will be welcome news to the growing number of tech-enabled insurers and MGAs offering innovative solutions to address the ever-changing risks posed by natural disasters.

As Patrice adds, **"If we look at climate-related catastrophic risk, it is quite bad."** Europe had some of the worse wildfires and floods on record in recent years, as did other parts of the world. With the right technology, insurers can work with their customers to limit damage. Imagine, Patrice says, **"Receiving a text from an insurer advising you to move your car uphill ahead of a flood."** This, he says, **"Communicates to the consumer that their insurer cares."**

An example of a forward-thinking insurance services company already working in this way is Green Shield Risk Solutions.

US-based Green Shield Risk Solutions aims to build a world resilient to climate disasters through data analytics and specialty insurance programs. Green Shield uses technology and over a thousand data points to assess risk against catastrophic events to enable their underwriters to make informed decisions. Its analytics are designed to help insurers, policyholders and communities understand their risk to catastrophic exposures and how to monitor and prepare for them. In just 90 days, Green Shield used INSTANDA's no-code policy administration system to launch a new homeowners' platform that offers quote, bind and management of high-value home insurance in high-risk states.

The company works with homeowners to understand and mitigate the risk of wildfire to their properties. As Green Shield's Head of Operations, Ursula Merten explains:

"The human component of insurance is really important to Green Shield. Our focus is on giving people insights about the risk to their property. So, we're not only giving them an insurance policy, we're also giving them practical advice on protecting their property and loved ones."

Prescribing wellness

Another opportunity for insurers to affect change is within the preventative healthcare space, which InsurTech NY's David Gritz sees as, **"An untapped opportunity."**

Insurers can access valuable data on an individual's health and lifestyle choices by integrating insurance into health apps and wearable devices. This data can incentivise policyholders to adopt healthier habits and reduce the likelihood of developing chronic diseases. In doing so, insurers can play an important role in mitigating healthcare costs and improving overall wellbeing. As InsurTech NY's David Gritz predicts, **"I foresee a future where health insurers and health providers move from purely treating sick people to proactively prescribing wellness."**

Consumers, it seems, want to take control of their health, as Chief Executive of the International Federation of Health Plans (iFHP), Chris Watney, shares,

> The empowered consumer is having a big impact. More and more people are wanting to take control of their health.

This means, Chris adds, **"There's a big opportunity for insurers across the world to work with health providers and others to achieve the best outcomes for patients."**

Insurtech UK's CEO, Melissa Collett, agrees and predicts a future where she says, **"Health data transforms the relationship insurers have with their customers."** Insurers, she says, **"Could use the data collected from the customer to become a wellness partner rather than just an insurance provider."** There's a real prospect, she adds, **"For the insurer to help people live healthier, longer lives."**

As an advocate for a far more interconnected healthcare space, INSTANDA's Director of Life & Health, Will Wood, foresees, **"Insurers playing a greater role in helping people to live healthier lives."** He cites an example of critical illness. As part of an insurance product offering, the insurer could provide access to a health app with additional services. This type of service, Will explains, **"Could be educational videos to prevent musculoskeletal problems, dietary and fitness support or even bereavement advice."**

Looking into the future, Will predicts, **"We could even see a scenario where a patient visits their doctor, presenting with very early signs of disease, and there's an insurance product in place that provides preventative tools to the patient."**

Traditionally, a life insurance company collects an annual or monthly premium and makes a payment if something goes wrong. The interaction with the customers is very small. However, as Microsoft's Patrice Amann shares, **"If you extend this insurance value chain into wellness or wellbeing, you can start to offer a solution where the customer has awareness and will want to contribute to the effort."** This, he adds, **"Will have a massive impact as it sets in motion a positive cycle where everyone benefits."**

However, the industry is a long way from this as Will Wood observes,

> In sharing their data, customers need to know that it [the data] is being used in a way that is meaningful to them.

As an industry he adds, **"There is much more work needed to gain this level of digital trust."**

As Chris Watney, forecasts,

> Health systems will move from treating sickness to supporting and encouraging wellness.

However, he continues, **"It's easy to 'say' and much harder to 'do.'"**

The opportunity is there, though, as David Gritz explains, **"It's amazing to me that prescribing wellness is taking so long to come into effect."** Although there have been some improvements in terms of value-based care in the US, **"Wellness,"** David adds, **"is still considered the backwater of treatment as opposed to a proactive solution."**

Undoubtedly, Chris Watney says, **"The industry has got to get ahead of this."** Coupled with other technologies, AI can create personalised experiences at scale by predicting health outcomes based on people's eating habits, exercise, genomics, environment and many other factors. If Chris' predictions are right, and we are, **"Only 10 years away from getting a really interesting health picture of ourselves as human beings,"** the insurance industry could, as David Gritz says, **"Play a big role in prescribing wellness."**

"Health," Chris Watney sees,

> Will become very transactional. It's time to push the patient forward to fly the plane and not sit in the backseat,

but to get there he asserts, **"A whole system approach is required."** Until everyone [insurers, governments, healthcare providers and others] sit around the table with incentives that align with patients' needs, Chris says, **"We're always going to struggle."**

As David Gritz finishes, **"If we can move that way... then we'll have a much healthier population. And wouldn't it be great if you weren't putting in a claim to go to the doctor, but you were putting in a claim to go to your wellness coach?"**

The whole prevention thing, though, Celent Senior Analyst, Andrew Schwartz, says, **"Is predicated on getting good data. If you don't have enough data at scale, then this whole exercise is not going to work."** That's why, as Chris surmises, **"Insurers need to move away from institutionalised thinking and make smart investments in health technology right now."**

To use Patrice's words, **"If you have the right understanding, and do the right things early enough, things will get better, smarter and cheaper, and with better quality, there's a greater experience for everybody."**

Concluding Thoughts

Thank you for taking the time to read this report. We hope that you found the topics and discussion points insightful and thought-provoking. The very fact that so many people kindly came together to share their observations signifies just how unified the industry is in its efforts to transform.

As we peer into the near future, one overarching message is startlingly clear. With the technological and human ambition that we see, the industry has reached a pivotal point as it seeks to rewrite the narrative to better tell its story.

Those at the progressive end of the industry are already doing this. They refuse to live with the technology that they have inherited and are taking the necessary steps, right now, to release themselves from its constraints; to better serve the customer, price risk and manage claims.

Undoubtedly, tomorrow's winners will be customer-centric insurers who are omnipresent in their customers' lives, serving them with relevant, seamless, personalised experiences. Key to this, is the willingness and ability to truly embrace change by seeing the technology 'opportunity' ahead of the 'risk', and creating a robust data estate that offers actionable insight.

To conclude, there's a palpable appetite for change as insurers invest in technology solutions to reduce inefficiencies and create a frictionless customer experience. While the industry has a long way to travel, there's no denying that it is being re-imagined through the customer lens. In 10 years, we'll look back at 2024, not just as a turning point but a critical juncture.

Report Scope

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INSTANDA is the driving force behind a new era in insurance innovation. As a global leader, we empower insurers to break free from the constraints of legacy systems, offering a revolutionary no-code platform for swift and adaptable product creation, distribution and management.

As a full end-to-end platform, INSTANDA seamlessly integrates with third-party data sources, workflow tools and existing legacy systems, to give insurers of all sizes exceptional configurability. By choosing INSTANDA, insurers gain unparalleled flexibility, enabling them to rapidly respond to market changes, efficiently launch products and elevate the customer experience. Our platform is the catalyst for digital transformation, providing the necessary tools to streamline processes and enhance operational efficiency.

As a no-code cloud-based self-service platform, INSTANDA enables the effortless customisation of policies, rules, and workflows using a powerful set of insurance-specific calculations, processing and workflow capabilities.

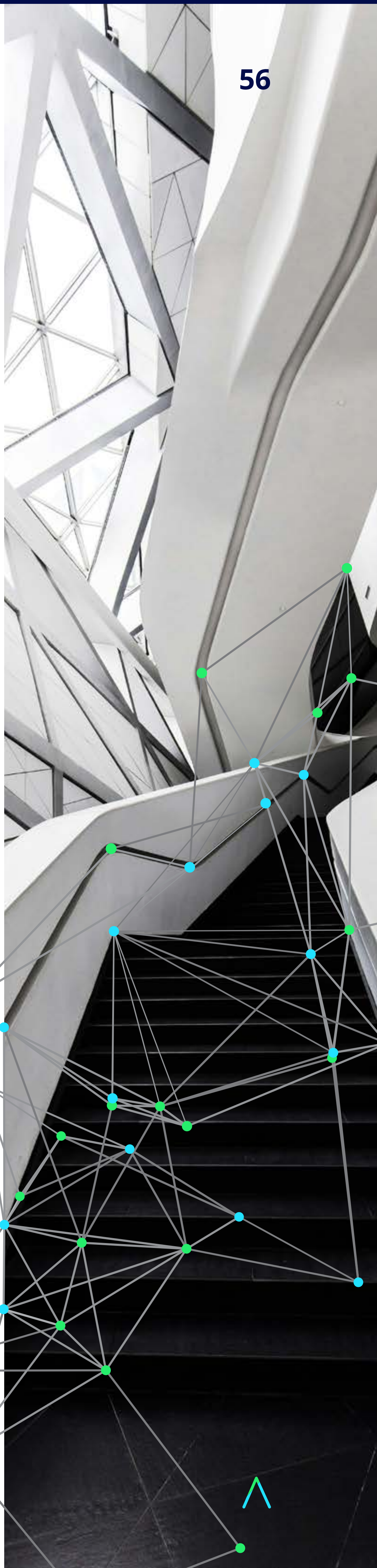
Designed for business user level change, insurers augment data in real time, design questions, manage rating across products and geographies, and easily build dynamic forms; without the need for in-house development resources. This adaptability empowers insurers to enhance operational efficiency, customer experience and profitability.

Furthermore, comprehensive portal capabilities enable brokers and consumers to quote and self-manage policies in real time, so that Mid-Term Adjustments (MTAs) and claims can be efficiently processed.

INSTANDA's robust automation and AI capabilities are gamechangers in optimising insurance processes. Leveraging artificial intelligence and data analytics, insurers gain actionable insights into customer behaviour and market trends, empowering informed decision-making and continuous product optimisation. This data-driven approach enhances risk management, resulting in more profitable underwriting and reduced losses.

Crucially, INSTANDA offers industry-leading processing speeds. Product design and distribution cycle times are typically ten times faster than a legacy equivalent, and implementation costs are between 50 to 20 times lower than typical policy admin platforms.

To find out more about INSTANDA, please visit instanda.com



Suggested Further Reading

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- Deloitte, "2024 Global Insurance Outlook," report, 2023.
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