

SAPIENS

Partnering for Success



Harnessing the Power of Digital for Business Agility

The World Economic Forum describes this period of disruptive technology as the fourth industrial revolution. Almost every industry is feeling the impact of technology on customer expectations and business models. The insurance market is no exception.

Compared with other industries, the rate of change across the insurance spectrum has been relatively slow. Whilst there is increasing pressure for change, insurance has so far been shielded by inherent complexities, regulation and even business success. Why change if all is well? However, change is already underway – and being agile will ultimately determine a business' future.

The underlying number of disruptive forces have exponentially grown to a point where the insurance industry is now facing an unprecedented season of change from many diverse directions.

An insurers' ability to unshackle themselves from the barriers to change and proactively respond to these opportunities will be a clear differentiator for their future success. This white paper explores this 'future proofing' dilemma and offers suggestions on how insurers from all lines of businesses and geographies, can best prepare for an increasingly uncertain future while turning challenges into real business opportunities.

Forces for Disruption and Change

The core foundations of insurance that have stood the test of time are now being rocked to the core in subtle, and not so subtle ways. Let's explore the driving forces as well as the inherent restraining forces.

Customer expectations around the breadth and richness of services they expect from their insurers are changing, driven by their 100% digital, smart experiences on their smartphone. 'Quote and Bind' online offerings are now insufficient. Customers want to administer their policies themselves, whenever and wherever. If you are not communicating with your customers via their smartphones, you are not connecting with them at all. Customers are demanding much higher levels of operational resilience and have much less tolerance for service failures or outages. Customers are also beginning to consider their data as an asset. When asked for their data, they expect something in return, making it a value exchange rather than a one-sided transaction.

The explosion of transformative technology is creating all sorts of innovative possibilities for insurers. Digital technologies, such as chatbots, virtual assistants, robotic process automation, and Internet of Things (IoT) devices are all increasingly becoming the expected norm. New AI and machine learning capabilities are expanding the realm of the possible. Wearable technology, encouraging the right behaviours, such as in [health insurance](#) is a great example. Similarly, as data is becoming more and more omni-present, accurate and timely, this too is driving real innovation. For example, [GSS Analytix](#) makes [raw data useful](#) by enabling clients to remotely monitor legacy and IoT devices, filtering quality data to structure predictive maintenance programs and reduce liability, property and compliance risks

New and evolving risks

The world is changing at a rapid pace, which is leading to novel ways to support your customers against a wave of unforeseen risks; cyber, pandemic, climate change and intangible assets, to name a few.

Increasing competition

Insurtech startups are gaining more and more traction. Incubator and accelerator programs are enabling insurers to partner with, and invest in, start-up companies to gain essential insight without risking their own brands and hoping for future investment returns. Coupled with the threat from outside insurance (Amazon, Google, Apple etc.), the competitive arena insurers are operating in is changing.

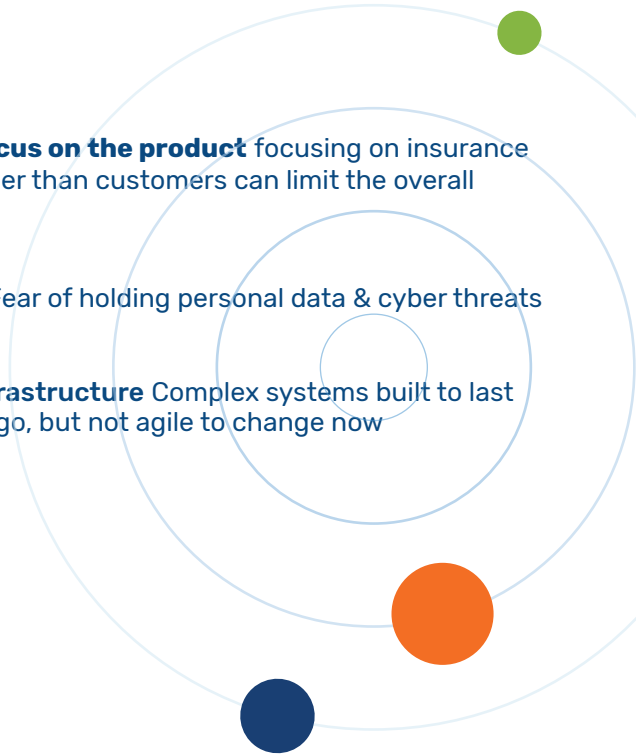
The new normal

The impacts of COVID-19 are far reaching. Globally, we have seen a transformation uplift in location-independent employment. COVID-19 has also increased customers' focus on value for money, their general wellness and the sustainability of our planet.



Typical hurdles insurers face

- **Lack of strategic intent** doing more of the same won't cut it in the future, rather having a clear and executable strategy will be key
- **Current business success** which can lead to a degree of complacency and inherent hubris within the organisation
- **Too focused on the here and now** using out of date business targets and measures for KPIs without creating horizon scanning capabilities
- **Execution challenges** coming up with innovative ideas is the easy part. Execution is where the challenges are faced, leading to an inability to quickly, inexpensively and easily experiment by launching exploratory projects with the objective of learning
- **Too much focus on the product** focusing on insurance products rather than customers can limit the overall analysis
- **PII & Cyber** Fear of holding personal data & cyber threats
- **Legacy IT infrastructure** Complex systems built to last many years ago, but not agile to change now



Restraining forces

To counteract these change drivers, there are inherent hurdles that hold back an insurer's ability to respond quickly to new opportunities. Understanding them is key to overcoming them.

Changing nature of insurance

One need not look too hard to discover the changing nature of insurance, through pockets of innovation, diversification and experimentation taking place.

Emerging new business models

Usage based, subscription, connected, parametric, embedded, platform and partner plays, aggregator and new direct channels plus on demand coverage. [Metromile](#) charges motor insurance by miles driven, and [Cuvva](#) allows you to borrow your friend's car for a few hours and buy your insurance on your smartphone. These new business models are becoming more mainstream, as evidenced by [recent headlines](#).

Digitalisation

From value-added customer engagement and 100% digital customer experiences, Insurers are redesigning their entire tech stack, 100% cloud, API enablement, managed services, always on, no massive upgrades - achieving peace of mind. By choosing the right partner with the right tech and change capabilities, alongside the right culture of "we have your best interests at heart". New operating models are also emerging, where customers have a full digital experience through apps, chatbots and virtual assistants based on real-time data.

Timeliness/responsiveness

Responding more quickly and flexibly to gain first mover advantage Digital operations capabilities are becoming more and more commonplace with customer empowerment through end-to-end, 24/7 portals, data enrichment services, added value services and, of course, location independent call centres.

Blurring of established industry boundaries

Digital technology has no regard for established industry definitions, boundaries or norms, which is leading to more ecosystem/platform plays, where insurance is embedded as part of a much wider offering. The emergence of digital ecosystems and platforms are taking place in education, mobility, housing and medical services where you can embed insurance offerings as part of the wider platform offering. [McKinsey](#) estimates that "more than 30 percent of personal lines P&C premiums will be distributed through ecosystem models by 2030".

Emerging offerings

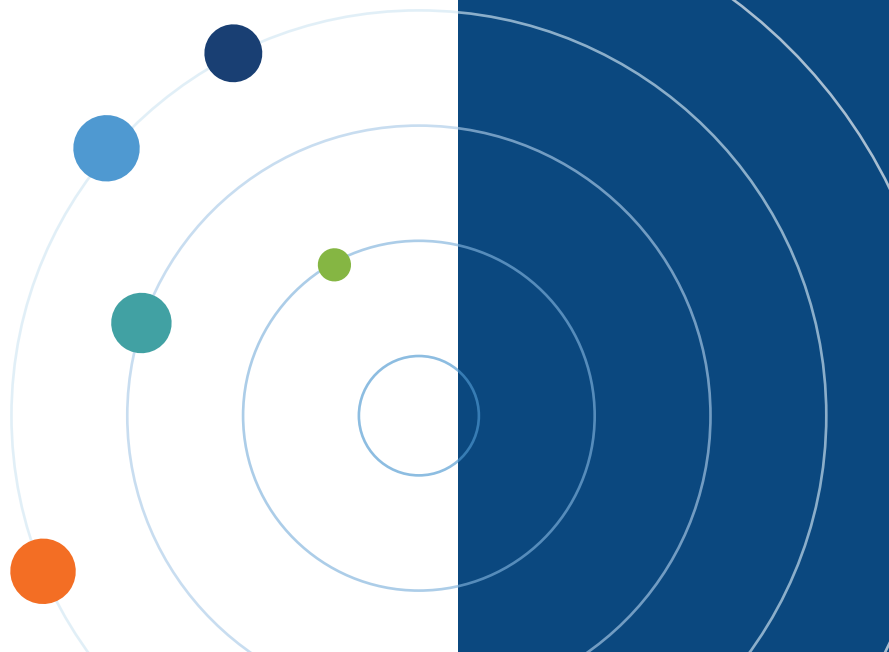
value added (non-risk related) services that can complement the insurance policy and offer a much more holistic offering to the customer.

Risk prevention and risk management

Moving from risk selection and paying claims, to helping customers stop unexpected incidents from happening in the first place such as connected homes and digital health monitoring devices.

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Implementation of best practice for agility

What is the best way an insurer can prepare for an uncertain future and drive business agility?

Insurers are also focusing on expense ratio reduction through automation, straight-through processing, Robotic Process Automation (RPA), much better use of internal and external data and outsourcing/right sourcing. This improves efficiency to free up funding, but also agility.

Implement best practice, such as having a clear strategic intent, sound execution capabilities, especially the people side of change, and also the right IT infrastructure. However, two that stand out are right partnering and cloud.

Right partnering Have a clear partnering strategy to allow insurers to focus on their core areas (product enhancements, new distribution channels, data

mining) and on driving your organisation forward. Leaving non-core activities to the right strategic partners, insurers often choose full managed services arrangements.

Cloud by default Moving to the cloud, be it private, public or hybrid cloud is increasingly the default. Leading insurers are fast adopting the strategy that all IT systems should be moved into the cloud, or cloud native, unless there is a compelling case otherwise. They see the clear benefits of reduced CapEx, increased speed, flexibility, resilience, scalability and “pay as you go” cost flexibility and cost transparency. With the increasing focus on data protection and security, choosing the right cloud partner is also key.

“Digital business is the creation of new business designs by blurring the digital and physical worlds” – Gartner

“Digital businesses create competitive edges based on unique combinations of digital and physical resources. They do things that others cannot and in ways that build comparative advantage.” – Accenture

Benefit of Cloud Hosting and Managed Services

By closely partnering with the right solution provider, insurers can increasingly benefit from:

- **Focusing on your core concerns & outsourcing the rest**

By handing off hardware and software hosting and eliminating the need to focus on installation and maintenance, organisations can fully focus on their core business objectives

- **Better planning**

More defined current and future cost plans based on an agreed growth model, avoids unexpected and costly capital outlays for cost efficiencies

- **24/7 support**

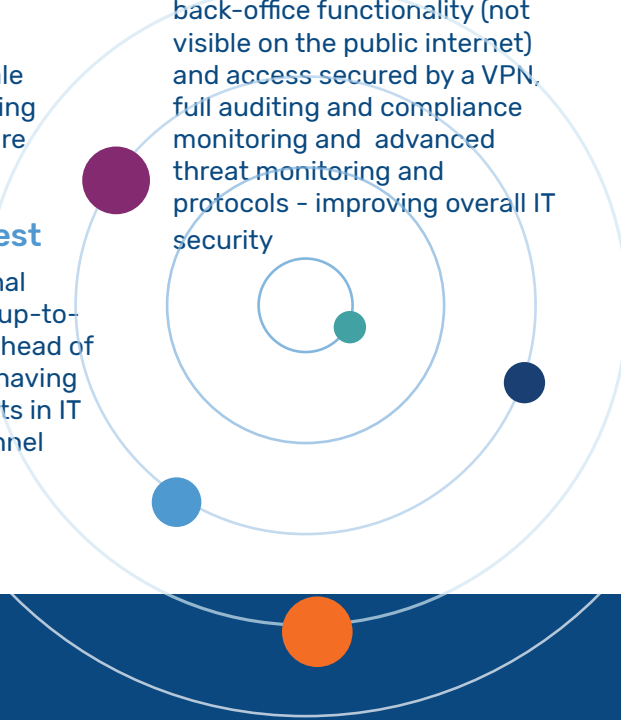
Flexible and scalable IT solutions, available 24/7, seamlessly support organisations as they scale up and respond to changing business needs and ensure business continuity

- **Learning from the best**

Gain access to professional expertise and advanced, up-to-date technology to stay ahead of the competition without having to make major investments in IT infrastructure and personnel

- **Securing your data**

Secure cloud hosting with back-office functionality (not visible on the public internet) and access secured by a VPN, full auditing and compliance monitoring and advanced threat monitoring and protocols - improving overall IT security



Summary

We have explored this “future proofing” dilemma - being able to understand, prepare for and proactively respond when, not if, the uncertain future arrives. Responding now will be a clear differentiator between the winners and the laggards.

We explored the forces for change, typical hurdles how insurance overall is evolving and how the leading digital insurers are responding.

The key to implementing the necessary building blocks to success are: a clear strategic intent; a firm deployment plan; a thorough assessment of who you need to partner with; and the ability to execute well and consistently.

Having the right level of business agility, the right operating model and the right strategic partners will be major differentiators no matter what the future brings. These three elements allow you to become a digital leader, easily and quickly reacting to changes, gaining fast mover advantage and turning these challenges into great opportunities for growth.

About Sapiens

Sapiens empowers insurers to succeed in an evolving industry. The company offers digital software platforms, solutions and services for property & casualty; life and pensions; and reinsurance. With more than 35 years of experience delivering to over 500 organizations globally, Sapiens has a proven ability to satisfy customers’ core, data and digital requirements. For more information: www.sapiens.com