

Digitalization in the Insurance Industry



The insurance industry has been notoriously slow to adapt to technology. Even today, when every other industry has embraced digitalization, the majority (58%) of insurance executives admit that insurance trails far behind the trend, according to [a report from Willis Towers Watson](#). Companies seem to understand that the shift towards digitalization is essential for remaining competitive and effective while simultaneously meeting the changing behaviors of today's consumers; but taking that leap has been challenging.

Among the biggest reasons behind the reluctance to adapt is the complex regulatory environment that underlies the insurance industry. International, federal and state regulations direct how a company assesses and mitigates risk, maintains ethical business practices, and executes its overall business. Adopting technology on a wider scale inevitably brings to light new risks and opportunities while also impacting established best practices.

Regulation is not the only barrier, however. The report from Willis Towers Watson lists many more, including a long lead time to commercialize new technologies, customer resistance, a legacy of IT transformation projects failing to deliver, and the fact that companies are culturally slow to change. But deeper than this, they suggest, is that the 74 percent of insurance executives who admit reluctance to adopt are simply overcome by the fear of failure. What happens to an insurance company – its brand, its customer base, its workforce, its future – when it fails at digital transformation? Furthermore, if a company is first to market with a new technology and then *fails*, they render themselves an example and lesson to their competitors.

On the other hand, however, what happens when an insurance company fails to transform? How does a fear of becoming obsolete stand up against the fear of failure?

Disruptive Technologies in the Insurance Industry

42 percent of the insurance executives surveyed by Willis Towers Watson report that their company has appointed a Chief Digital Officer. Despite the apprehension to adapt to digitalization in the insurance industry, there is clearly a motivation to explore digital opportunities. A [study from Bain & Company and Google](#) helps to identify what some of these opportunities are.

The most impactful areas of technology in insurance will be those that evolve the infrastructure and productivity of an organization. As legacy technologies become progressively more obsolete, modern IT architecture is foundational to successful digitalization. This covers a broad range of technologies from Cloud storage to productivity tools that have the power to transform all manner of operations. The impact is far-reaching, touching everything from management to customer service. New efficiencies will be realized in a company's bottom line while simultaneously opening the door to new opportunities in the market.

Another digital opportunity that has the power to disrupt is Blockchain technology. Designed as a decentralized digital ledger of every existing transaction, Blockchain has the potential to overhaul the claims process and risk assessment process, reveal massive efficiencies and cost-savings, and build an unprecedented level of trust between insurers and the insured. Many [industry leaders claim that this technology is revolutionary](#), with the power to completely disrupt the entire insurance market. If this is true, can insurance organizations afford to sit back and see what happens before

exploring the options themselves? Blockchain technology currently has its shortcomings, giving companies justification for their apprehension, but it won't be long before they are left with no choice but to evolve.

Bain & Company and Google explore many other disruptive technologies, including online sales technologies, advanced analytics, machine learning, the Internet of Things, and Virtual Reality. Each of these create new avenues for connecting with customers, identifying opportunities in the market, shaping operational processes, and gaining insights that impact business objectives.

The Impact of Digitalization in the Insurance Industry

For the 58 percent of insurance executives who believe the insurance industry is lagging behind other sectors in its level of digitalization, it's clear that now is the time to catch up before a host of disruptive technologies widen the gap unforgivingly. The impact of digitalization is such that if companies don't take the leap of faith, they will quickly become obsolete in the marketplace.

One of the biggest impacts will occur at the customer level. A [report from PwC](#) points out that a "new breed of customers" will dominate the marketplace, aptly named "Digital Natives." Digitalization has empowered their role as a customer, keeping them more informed than ever and increasing their expectations of the companies they do business with. Trust and transparency is key, as well as dynamic customer engagement. Big data analytics will help businesses personalize their customer service, while new advances in eCommerce, Internet of Things, Virtual Reality, and Blockchain technologies will transform the products that these customers are willing to buy. Some companies might be able to maintain a business model that caters to a more traditional customer for a while, but eventually their fear of failure in digitalization must be overcome in order to reach new and bigger audiences.

Other areas of impact include insurance products, pricing, claims procedures and more. The products themselves obviously depend upon the sector of insurance you occupy. In the P/C insurance sector, for instance, auto insurance needs to adapt to the future of autonomous cars, while homeowner's insurance will be impacted by the Internet of Things and "Smart" homes. Other insurance sectors will be more impacted by the risks associated with cybersecurity or drones. Furthermore, connected devices may have the power to change how claims are processed or how fraud is detected. In many cases, technology has the power to eliminate, or at least reduce, the need for human interaction.

Technology and digitalization leave no stone unturned, and insurance companies must be diligent in proactively adapting to these advances. The fear of being first to market in many of these areas is legitimate; the impact on a company's brand and future may be significant and long-lasting. But intelligent adaptation is the best course of action for companies not willing to risk becoming obsolete in the not-too-distant future.

Hiring Digital Talent in the Insurance Sector

As digitization continues to disrupt the insurance field, the biggest obstacle some companies may face is hiring the right talent to implement and maintain these technologies. [According to a survey by PwC](#), 81 percent of Insurance CEOs are concerned about how the limited availability of technical skills will threaten growth. Competition for digital talent is soaring across every industry, but the insurance industry – still in the infancy of its digital revolution – is in urgent need of this talent in order to survive. The PwC survey suggests that overcoming this talent gap will require an emphasis on recruitment, retention, training, and diversity. How are you adapting to digitalization in the insurance industry?

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