

# **Rising to the challenge of digital transformation**

Why the creation of a smooth digital customer experience can differentiate your insurance business in the marketplace

## **optimization**

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# Introduction – riding the accelerating wave of change

Like many industries, the insurance sector is experiencing major disruption. PWC has **produced a report** into the top issues the industry is facing in 2021, saying that:

***“More change has occurred in the industry in the past year than in the previous several years combined and its pace is only accelerating.”***

A major part of it has been the acceleration of digital transformation. Insurance companies are asking themselves: “how do we keep pace with the customers’ expectations on how we’re going to engage?” Communication within the industry has historically been face-to-face, meaning many insurance organisations aren’t equipped to digitally engage with their customers, while their business processes are linear and people-centric; there hasn’t been a great deal of automation.

There can be little doubt that the journey to digital transformation can be overwhelming. High customer numbers, many policies of various ages, legacy systems at the core of their business, and years of unsuccessful attempts to go digital have all been barriers to completing that journey.



# InsurTech - the value of technology through market uncertainty

Inspired by the term 'fintech' (financial technology), InsurTech is about leveraging technological innovations to streamline insurance industry models, and it's really come to the fore during this time of great uncertainty. In fact, it's seen significant growth over 2020.

InsurTechs are known for learning from the mistakes of others. While their focus is on utilising technology to achieve innovation, they haven't lost sight of the importance of delivering business outcomes for themselves and their partners. Take these two examples:

- **Afficiency** - they're offering a digital life insurance platform that allows new products to be digitised and made available for distribution rapidly, completely via API. All of their products are digitally underwritten and issued within seconds
- **Inclusivity Solutions** - they design, build, and operate digital insurance solutions that enable financial inclusion and address the protection gap in emerging markets. They partner with mobile operators, banks, insurance companies and other financial institutions to deliver insurance cover through mobile phones and other digital devices

It's easy to see why 2020 has been the most important year for InsurTech to date. They've demonstrated that that industry can function digitally and can respond well to the challenges Covid-19 has presented.

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# Evaluating the cost of change – 5 key challenges to overcome

There is an increasing need to deliver enterprise-grade digital insurance solutions as rapidly as possible – it's all about the **need for speed**. So what specific challenges does the modern environment face, and which must be overcome in order to achieve this?

1. Tradition at the heart of the industry - because of the importance placed on face-to-face meetings as opposed to virtual options, and a slow shift to going paperless, InsurTech innovation isn't taking hold in some organisations as quickly as it should.
2. The cost of change - for an insurance company that's not 'born in the cloud' transformation can be very expensive and require complex restructuring to bring in new digital systems to replace their processes.
3. Legacy systems and data siloes – the insurance sector is well known for its mid and back office systems and outdated technology stacks. Adding that to the exponential growth in data, often results in data quality and security issues. Simply turning them off is not an option as there are risks involved like the loss of valuable data and critical process disruption.
4. Balancing the speed of change with customer expectations - there's a fine line between better product distribution, a better customer experience and coping with severe integration issues with legacy systems
5. Keeping up with regulatory / compliance at speed - From a compliance and regulatory perspective, there needs to be good operational controls when planning for a digital change. Whatever digital experience you plan for your customers' needs to look seamless and compelling on the front end, while effectively hiding the complexity that comes from various underwriting rules and compliance and fraud checks.

*68% of insurance companies see their legacy systems as the biggest obstacle to digital transformation.*

In the end, there can be little doubt that innovation and digital transformation is challenging, but now more than ever, it's essential to take risks and experiment.

**[Learn more](#) about the choice between disrupt and disrupted.**

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# Off-the-shelf or customised? Figuring out the right digital solution for your business

In their [recent article](#) on the challenges of digital transformation, CIO said:

***“To achieve successful digital transformation insurers need to enhance and optimise their core systems to make their businesses more agile and enable the digital transformation that is essential for survival.”***

While the thought of transformation is relatively easy and the ideation stage of transformation is relatively straightforward, the execution can be tricky. The first question you need to ask yourself is: what’s the best way to evolve? Should you head straight for an off-the-shelf product or invest time in a bespoke build? There are pros and cons either way - and understanding them will help you to make the right decision.

## BUILD

Mostly, it’s about how much it’s going to cost you to stand out

### PROS ✓

#### ***Customised and designed specifically for you and your clients***

You’ll differentiate your insurance business in the market, by catering to what potential customers are looking for, and comparing you against

#### ***Increased agility and responsiveness***

You can be sure that your system is up-to-date, and can adapt to the changes your business will face in the future

### CONS X

#### ***It’s expensive***

To get the best bespoke build, you won’t just have the cost of one developer, but many

#### ***Speed of development is only limited by cost***

Getting the perfect solution with the right functionality will take time

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## BUY

Simple and ready to use, but will it steer you in a direction you don't want to go?

### PROS ✓

#### ***Better buying experience***

A tested system, implementation help, and more

#### ***Tried and tested***

It will work, as promised, without delay

### CONS ✗

#### ***Reactive, not proactive***

Designed for problems that have been, not those that are coming

#### ***Little room for agility***

They don't have the agility or the speed for change and development built into them to be able to adapt

A little from Column A, a little from Column B... or what's known as a hybrid approach, which combines the best of both worlds, and is a great example of what InsurTech tries to achieve - a third option - one that allows insurers to react faster and bring different experiences to both their customers and their employees.

The next question is: who will help insurers achieve it?

**Learn more about the choice between a standard off-the-shelf solution and a bespoke build.**

*The ideal solution for most insurance organisations is an approach that allows them to retain their traditional core platforms a certain way, but then have an 'adaption layer', or a flexible application development layer over the top.*





# Finding the ideal partner for your digital transformation journey

The relationship you have with your digital partner is crucial. There are important considerations to keep in mind, and it's worth making up a checklist so that you can be sure the partner you've chosen ticks all those boxes. Ask yourself:

- Is digital technology core to you as a business, or is it a commodity transaction?
- How quickly do you need to get your products to market?
- How much are you looking for in terms of skills, expertise and capacity?
- How important is it that the solution the vendor provides can scale?

When you're considering your partner options, it's important to keep the following in mind:

- They should be well-versed with industry issues, regulations, processes and compliance
- They should have a proven track record of getting products to market swiftly, especially if they have a solution ready
- They should evolve with your business, making use of innovative technology that evolves as well
- They should be proactively looking for innovative technologies

Make use of Google and check out their online reviews. If you find some that are of particular interest, contact the company who wrote the review and arrange to chat with them about their experience with the vendor you're researching.



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# Technology offering traditional insurance systems with the flexibility to adapt at pace

In 2018, Gartner stated:

***“The majority of the insurance industry is either early-stage digital or digital fast-followers that take a more moderate approach to digital transformation.”***

What this means is moving from digital optimisation to actual transformation, and one of the most effective ways of achieving this is by taking a low-code approach.

We introduced the concept of a hybrid approach when it comes to the age-old question of Build or Buy. Our partner, **OutSystems**, has helped insurers around the globe deliver next-generation digital insurance solutions.

OutSystems is a transformative platform, allowing your insurance business to rapidly deliver next-generation digital engagement solutions across mobile, chatbot, web and your call center to your agents, brokers, and customers.

With OutSystems, you'll:

- Have the flexibility to move away from products and focus on customer journeys
- Have the ability to do all of that with a full-stack environment that can cover everything from UI through to managing processes and if necessary, data  
Be able to provide your customers with data security, privacy and claim systems that are available 24/7
- Have the ability to integrate and extend your legacy infrastructure
- Harness technology that adapts, grows and moves with you to offer better services to your customers

At Optimisation we leverage OutSystems' technology to meet the digital transformation challenges of the insurance industry. We understand the insurance sector and its components, and we have domain knowledge in building the kind of technology that enables swift digital transformation. It means your insurance business can go to market with an automation perspective, and that helps to build and hone your competitive advantage.

What it comes down to is providing our clients with innovative services that will win market share in what is already a very busy and congested market.

# SUCCESS



## Our success stories

It's always helpful to see a solution in action, so we'd like to introduce you to two of our insurance clients - Pinnacle Life and Tower Insurance.

### Leading online life insurer brings Kiwis a digital first

One of Pinnacle Life's ongoing objectives is to find ways to make insurance easy to understand, so they developed the idea of offering an online life insurance advice tool - one that was free to their customers, and that meant they could obtain expert advice without having to actually sit down and talk to anyone. Having worked with them for the past eight years, we were well positioned to deliver this project.

We built a background engine that calculates a range of different variables, taking the customer through a step-by-step process of working out what their drivers are for getting insurance, what they worry about and their financial circumstances. It then tailors the resulting advice based on their responses to provide them with the best insurance policy options for their lifestyle.

- *First in the world to offer its customers the choice to buy life insurance online*
- *First in New Zealand to bring digital life insurance advice to the market*
- *Innovative approach and quest for continual digital improvement*
- *Enthusiastic engagement by customers*

*"Optimisation are often checking in with us, asking what we've got on the radar. This new tool is just one of the ways we've leveraged their skills and experience. They're always sharing what they're working on, and we really make the most of that. Having a partner that provides this quality, highly innovative skillset is really valuable for us."*

Amy Cavanaugh –  
General Manager Operations

[Read the full case study](#)



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## Transition and support of a critical platform

Tower Insurance's key focus is providing amazing claims experiences, driving transformation to improve the customer experience. As part of this, a decision was made to implement a new core platform across all of its insurance business. Our ability to respond quickly with a seamless transition was essential to enable Tower's continuity and confidence of support, as we provided Application Support and Service Delivery to their core systems.

- *Seamless transition through applications, enabling continuity and quality of support*
- *Provided Application Support and Service Delivery to core systems*
- *ITIL-aligned to ensure compliance with best practice*
- *Game-changing digital transformation journey*

*“Optimisation has been great to deal with, they swiftly stepped in at a time where support transition was crucial for this service. They arrived with a collaborative and considerate approach and their responsiveness was outstanding.”*

*Liz Cawson –  
Head of IT Support,  
Tower Insurance*



[Read the full case study](#)

## Conclusion

Now more than ever, insurance organisations need to respond swiftly to the changing world, increased customer demands and sharper competition. InsurTech is here to stay - that genie is not going back in the bottle, and nor should it. Leveraging the kind of technology that an InsurTech approach can provide will ensure your insurance company stays on the digital curve. Not only that, but you'll be providing your customers with the kind of digital experience that will significantly differentiate you in today's uniquely challenged market.

**If you'd like to discuss how we can help you meet the digital transformation challenges of the insurance industry, consult with one of our team today.**

