

/10

Steps to succeed as a Digital Insurer

/The insurance challenge in the digital age

How are insurers adapting to the digital age?

Consumer demand has driven most insurers to offer at least some level of online sales and service over the past couple of decades. Research shows that 60% of US consumers now research online for vehicle insurance, and even more (73%) for life insurance.¹ However, until recently, the insurance sector has been comparatively slow to embrace in-depth digital transformation, partly due to the established and historic nature of the industry.

But the landscape is now changing faster than ever. Consumers have come to expect increasingly high levels of convenience, service, choice, immediacy and price-competitiveness across their digital interactions. This has led recently to the growth of the

'InsurTech' movement in which digital disrupters are using technology to disrupt established insurance models. One such example is Lemonade, a US startup selling home and contents insurance via an online application focused on data science and user experience. The firm says its AI-powered claims system has already set a world record – with a 3-second claims settlement. Lemonade has so far attracted \$50 million in funding from big investors such as Sequoia Capital, General Catalyst and Google Ventures.²

In recent years, the growth of financial technology ('FinTech') has shaken up the wider financial industry. Now, innovation in insurance technology – 'InsurTech' – is driving a similar paradigm-shift for insurers worldwide.

Source 1: Forrester Research, The State Of Digital Insurance, 2016, October 2016
Source 2: Business Insider, 'Google participates in Lemonade's \$34M round,' December 2017



STEP /01

Accept that insurance is now a 'software platform' business

In an influential 2011 article in Forbes magazine, business technology journalist David Kirkpatrick proclaimed: "Now every company is a software company". But in the digital age, this doesn't just mean building applications. It means adopting a 'platform-based' approach, whereby services and applications are interconnected through Application Programming Interfaces (APIs) – the software standards that enable today's online synergies. This creates a digital ecosystem in which insurers can build relationships in every direction.

Crucially, this connectivity must extend into partner APIs that ensure deeper engagement with customers. This helps to provide more innovative, seamless and connected services.

But it's important to understand that this platform approach results in a more complex backend infrastructure and so you must be able to scale performance efficiently.

For example, the FirstCarQuote digital platform and mobile app from Admiral insurance integrates with Facebook's API, allowing customers to login with their Facebook profile.



STEP /02

Obsess about your insurance customers every day

Many businesses only pay lip-service to being customer-centric – but as a digital insurer, this is no longer a debatable option. You need to take an obsessive approach, by fully understanding the customer journey, and ensuring that your platform has friction-free touch-points, with all pain points identified and removed. To take an example from the retail banking sector, HSBC in 2016 introduced voice and fingerprint biometric ID verification for its mobile banking app, making it quicker and easier for customers to securely access their accounts and services.³

Start by mapping out your customer journeys. Identify the reasons why customers buy insurance, and what they do after they have made the purchase. Drill into abandon rates to understand whether the cause is interface design, application performance, or some other factor. Above all, verify your findings with customers. This activity will help you know your customers needs and wants in more detail.

For example, in 2016 Axa Insurance identified an interest among customers to be able to insure individual possessions on-demand – and launched this as a new service via a mobile app from InsurTech startup Trov. Creating new digital services and applications with the insights of your customers is a smart route to satisfying them.

Source 3: The Independent, 'HSBC voice and fingerprint verification rolled out for mobile banking phone app,' February 2016



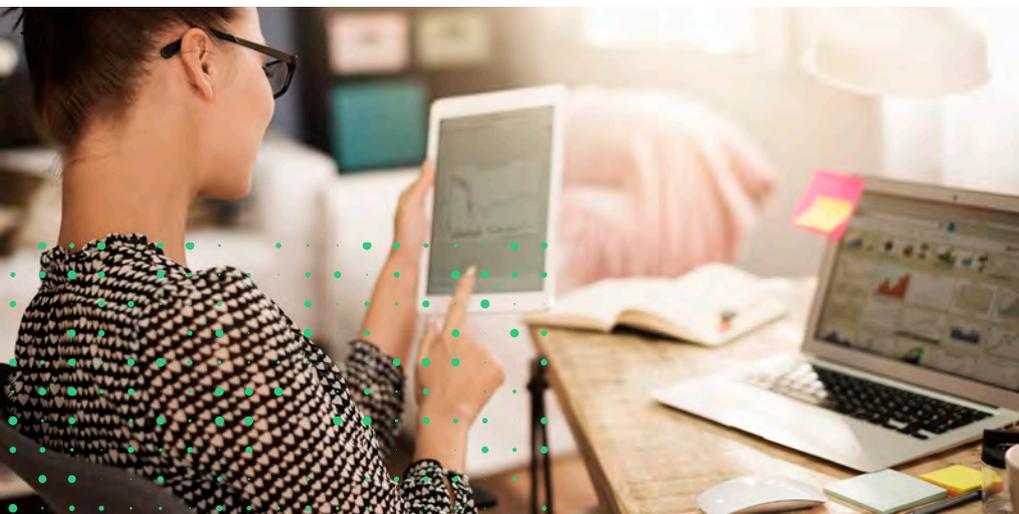
STEP /03

Invest in a modern software stack for agility and scalability

Digital insurance services have to embrace microservices, container technology and production-centric application performance monitoring. Microservices-based architecture breaks down monolithic applications into smaller API-connected services, allowing development teams to focus on individual features that are central to the customer journey. Each of these services can be updated independently, leading to faster release.

Container technologies, such as Docker, make it easier to move applications and workloads between different environments. This means that, subject to data privacy and security requirements, you can easily run digital insurance applications in cloud environments – giving you instant scalability and capacity when needed.

Finally, with these new approaches, production-centric application performance monitoring is a strategic need as it's vital to be able to identify whether any latency issues in the quotation and sign-up process are a problem with your application or a third party service.



STEP /04

Prioritize insurance application performance over personalization

In the world of digital, it becomes easier to offer more personalization in the services you offer. While this can enhance the customer experience, there is a trade-off.

Every personalization feature adds to the scripts and code that must be run, which adds to the overall weight of the application. This can slow your performance by precious milliseconds – and if you can't service your customers effectively, you might as well hang up a 'closed for business' sign on your homepage.

Application performance and availability must always take priority over personalization and extra features. That's because performance is what really underpins a great customer experience, on both web and mobile apps. So it is crucial to be able to detect and resolve emerging problems before they can negatively impact customer experience.



STEP /05

Think 'mobile first' for your insurance applications

If you're going to obsess about customers, you have to understand that they are obsessed with mobile devices. Mobile is increasingly the principal consumer channel. For example, in the UK, 39% of consumers now use mobile devices to research purchases (doubling from 19% in 2013) – while 29% say mobile is now the only tool they now use to make purchasing decisions.⁴

According to consultants EY, insurers must embrace mobile to extend their business services to this increasingly vital channel, attract new customers who need more self-service options, and modernize their customer service tools to increase agent and policyholder satisfaction.⁵

Customers increasingly expect to be able to obtain insurance quotes and seeking, retrieve policy documents and manage claims via their mobile or tablet. So today, mobile-optimized HTML5 has got to be your first call when you're building an online application. Connection speeds can also vary dramatically over mobile networks, so designing and building for mobile performance is paramount.

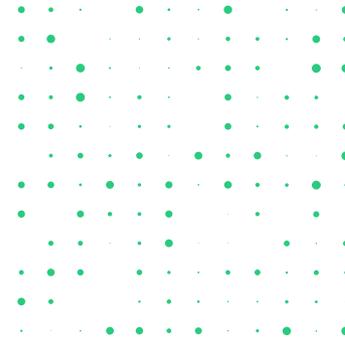
Source 4: Nielsen / xAd, 'UK Mobile Path to Purchase', August 2016.

Source 5: EY, 'Mobile technology in insurance', May 2014.



STEP /06

Embrace machine learning to inform intelligent automation



Machine learning is becoming an essential need for insurers in areas such as understanding pricing risks, improving customer experience, estimating losses and monitoring fraud.⁶ For today's digital insurance teams, the mantra is 'speed with quality' and this is why machine learning has a wider role to play in delivering exceptional performance. For example, intelligent application monitoring can automatically alert you to emerging issues before they impact your customers.

Automation is a digital insurance imperative, with a focus that runs all the way from front-end personalization of digital services to back-end tasks – such as utilizing cloud auto-scaling to deliver more application capacity as and when your customers demand it.

For example, during a period of severe weather, the last thing your customers want is inability to submit a claim because of application capacity or performance issues. Automatically scaling services to the cloud at times of high user demand protects you against capacity or performance issues.

Source 6: HortonWorks blog, 'Machine Learning & Its Impact On The Future For Insurance', February 2017.



STEP /07

Adopt an experimentation mindset

If FinTech has one big lesson for insurers, it's that innovators steal a big march on late adopters – not necessarily by finding the 'next big thing', but by building success through a steady flow of quickly executed, incremental releases.

InsurTech is now moving forward through a raft of incubator schemes, often undertaken by established insurers in partnership with smaller startups. These partnerships give insurers the ability to pilot new offerings at low cost.

It's time for insurers to try new things and new ventures. For example, Progressive Insurance has created Business Innovation Garage – an award-winning think-tank and virtual testing environment to drive new ideas and partnerships.



'Fail fast, fall forward' should be your new philosophy, as even mis-steps can provide valuable data and insights. Learn from the DevOps IT methodology, with frequent small releases of your "Minimum Viable Product (MVP)" as a good way to trial new products and services.

STEP / 08

Get serious about insurance analytics and data



Data analytics solutions have become an increasingly big deal in all kinds of industries over the past decade – including insurance. Big data is all around us, and the quest for a single customer view continues, as data analysts contemplate ever-more complex dashboards.

However, don't be an insurer that falls into the trap of using analytics solutions simply as a glorified scoreboard for clicks and conversions. These tools only prove their true value when they are used to provide new insights into user behavior that inform new drivers of engagement.

Insurers should focus on getting what they really need from analytics – the hidden gold of customer insights that drive business outcomes, customer retention, and ultimately revenue. In order to achieve this, you need to identify and assess analytical solutions that make it easy to correlate application-centric metrics with engagement and business data.



STEP / 09

Explore new insurance technology possibilities like IoT and AR

While many insurers are still coming to terms with online and mobile, there are even more innovative areas ahead. The Internet of Things (IoT) and augmented reality (AR) are just two of the emerging technologies that will help digital insurers to provide more tailored services and a better customer experience in the future.

The connected sensors and devices that make up the IoT are already enabling 'usage-based' insurance (UBI). Auto insurers like Metromile and Progressive are using data from intelligent telematics 'black boxes' and sensor-enabled mobile apps to reward good drivers by offering lower premiums. This technology-enabled approach also gives insurers improved evidential capabilities, and adds value to customer relationships by supporting on-going personalized engagement.

Augmented reality delivered through mobile devices also has the potential to assist customers with helpful advice and information. Insurers such as Axa and Allianz have already used AR apps to help customers understand risks, explore products, and even initiate quotes.



STEP /10

View InsurTech startups as a partnership opportunity

The newly emerging InsurTech startups are using digital technology to disrupt established business models. However, they lack the consumer trust that established insurers have built up over the years.

So, rather than seeing this new breed of 'digital first' companies as a threat, savvy insurers need to recognize that InsurTech companies can also present ideal partnership opportunities. One example is Aviva, who have announced a number of such partnerships over the last couple of years, such as with Hibob, an HR and insurance tech start-up.

By teaming up with InsurTech firms, established insurers can sidestep legacy technology issues that restrain innovation, as these new digital natives provide immediate access to innovative services that can revitalize current business models.



/10 Steps to Succeed as a Digital Insurer – in summary:

- /01** Accept that insurance is now a 'software platform' business
- /02** Obsess about your insurance customers every day
- /03** Invest in a modern software stack for agility and scalability
- /04** Prioritize insurance application performance over personalization
- /05** Think 'mobile first' for your insurance applications
- /06** Embrace machine learning to inform intelligent automation
- /07** Adopt an experimentation mindset
- /08** Get serious about insurance analytics and data
- /09** Explore new insurance technology possibilities like IoT and AR
- /10** View InsurTech startups as a partnership opportunity

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