



# Now Is the Time for Insurers to Focus on Augmenting Their Key Resources

Matching Sales Networks and Knowledge Workers with Customers' Expectations

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# Executive Summary

- Insurers face rapid changes in their ecosystem.
- They instinctively respond in the same way they did in previous crises: marginally adapting the traditional way of doing things, and further optimizing and streamlining the existing business model.
- But this time the changes are deeper — they are here to stay, and they will accelerate. Sticking to the old ways is like trying to square the circle.
- Insurers must piggyback on the new technologies as they mature to redefine the way they interact with their prospects and customers.
- Insurers need to harness the power of modern technologies such as data analytics, predictive modeling, machine learning, artificial intelligence, robotic process automation, and natural language processing.
- This generates a unique opportunity to satisfy all customers by harmoniously combining two otherwise incompatible expectations — greater digitalization of the interactions and greater personalization of those relationships.



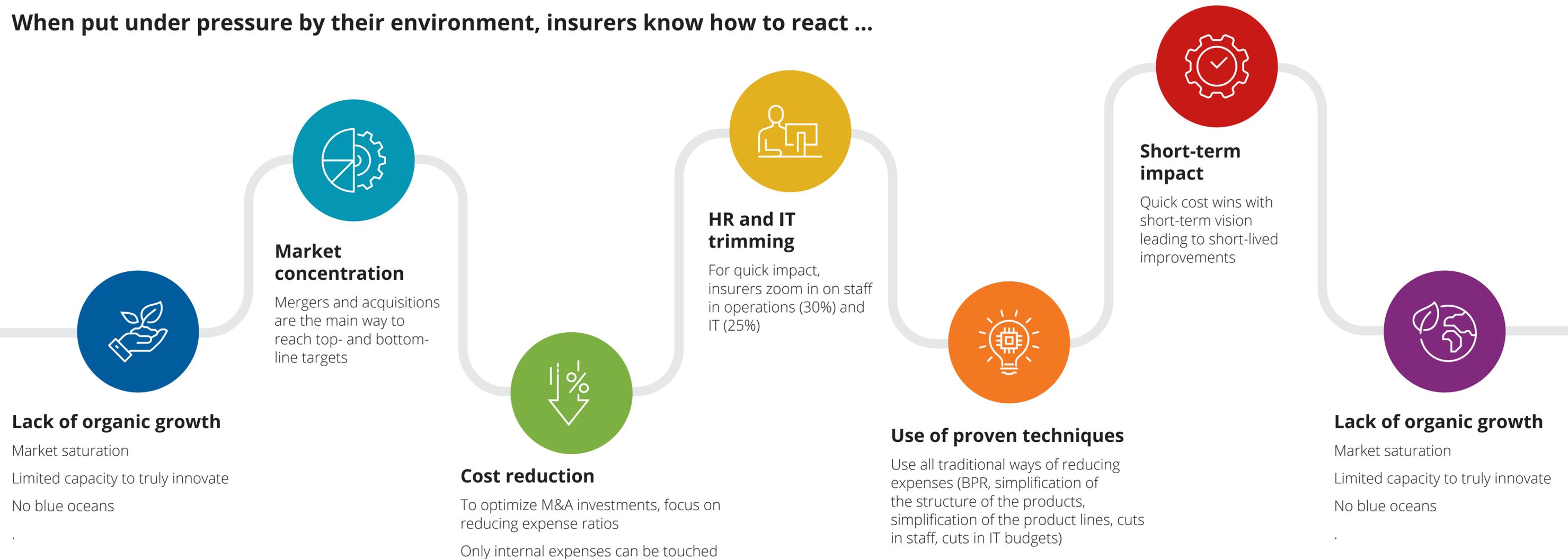
To maintain and reinforce their relationships with their clients, insurers must enable their key collaborators to constantly meet the expectations of the market.

Further reducing their internal expense ratio cannot be the only driver of their digitalization efforts.



# Insurers still tend to rely mainly on their traditional toolbox when their top and bottom lines are stressed

When put under pressure by their environment, insurers know how to react ...



... but rapidly reach the limits of their model if they're slow to embrace new technologies

# But now insurers are facing the perfect storm that requires their full attention

The old ways of reacting to external turmoil are no longer sufficient



## New customer expectations

Digital-native customers expect:

- 24 x 7 availability
- Omni-channel accessibility
- Seamless interactions
- Digital interfaces
- Contextual and personalized services

**By 2030, 70% of the working population will be digital native (Y and Z gens).**



## Technological innovation

Disruptive technologies are converging to reach their maturity:

- Big Data analytics, machine learning, artificial intelligence, natural language processing, and robotic process automation are mature enough to be used in customer journeys.

**Venture capital investments in insurtechs multiplied by 9 in 5 years.**



## Competition from incumbents

Low organic growth and lack of true innovation in products and services leads traditional insurers to further mergers and acquisitions.

**The top 5 insurers control an average of 68% of each European market. The top 10 control 84%.**

Standardization and automation become the most common levers to maximize the financial impact of such concentration efforts.



## Competition from new entrants

GAFAMs and other major players originating from other industries (car manufacturers, etc.) are testing their capacity to compete on the insurance market, capitalizing on the huge amounts of customer/user data collected.

Insurtech insurance carriers (2% of insurtechs) are fighting to demonstrate the long-term viability of their business models.



## Economy and COVID-19

The COVID-19 crisis is far from over as new variants of the virus force most countries to maintain strict public health measures (social distancing, mask wearing, lockdowns, quarantining, etc.), despite the growing availability of vaccines.

This generates a climate of uncertainty that bears down on all players in the insurance industry.



## Climate change

*It is indisputable that human activities are causing climate change, making extreme climate events, including heatwaves, heavy rainfall, and droughts, more frequent and severe.*

IPCC, 6th Assessment Report (08/2021)

Global warming will impact the technical results of an increasing number of insurers.

In the future, one might expect pressure from public authorities to drive insurers toward broader inclusion of such catastrophic events in their policies.

Insurers face pressure from all sides to dramatically improve the way they interact with their clients, from their product and service offers to the content and form of their communication.

# True digital resilience is the main path for insurers to thrive in the future and escape the “optimization vortex”

## Insurers are no longer competing just among themselves

Customers’ expectations are evolving as digital natives become the main working force. This change in paradigm has been dramatically accelerated by COVID-19, which has forced everyone to come to terms with a hybrid world that mixes face-to-face and digital interactions. Insurers must align with the new requirements for 24 x 7 availability, omni-channel accessibility, seamless interactions, digital interfaces, and contextual and personalized services, while demonstrating commitment to environmental issues.

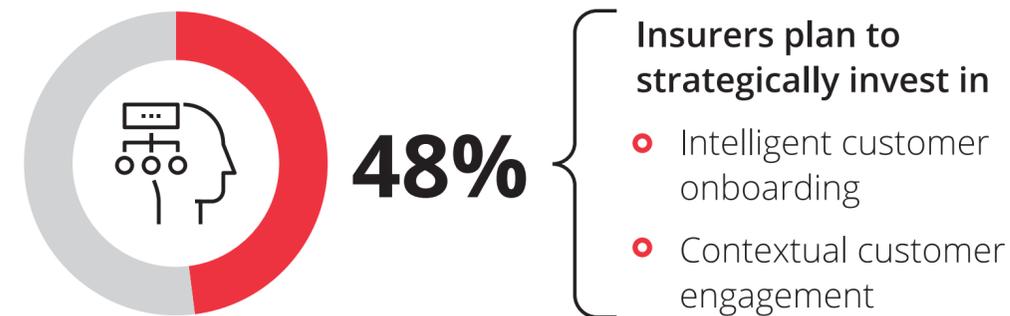
This is being reinforced as more tech giants look to the insurance market:

- Tesla as a motor risk carrier in California (expected in Texas)
- Google providing cyber risk management solutions with AGCS and Munich Re for cloud users
- Amazon partnering with Acko General Insurance in India in motor insurance



In each case, they are capitalizing on both their mastery of the most advanced technologies and their broad and deep understanding of their customer and user base:

- Insurance is based on data related to risks, and GAFAMs have access to enormous volumes of personalized data.
- They have a precise understanding of the behavior of their customers and users, often because they have created these behaviors.
- They piggyback on the strong relationships developed over the years with their clients.



To avoid losing contact with their direct markets/clients, insurers must exploit the new technologies to reinforce their link with their customer base and optimize their business model to the new normal.

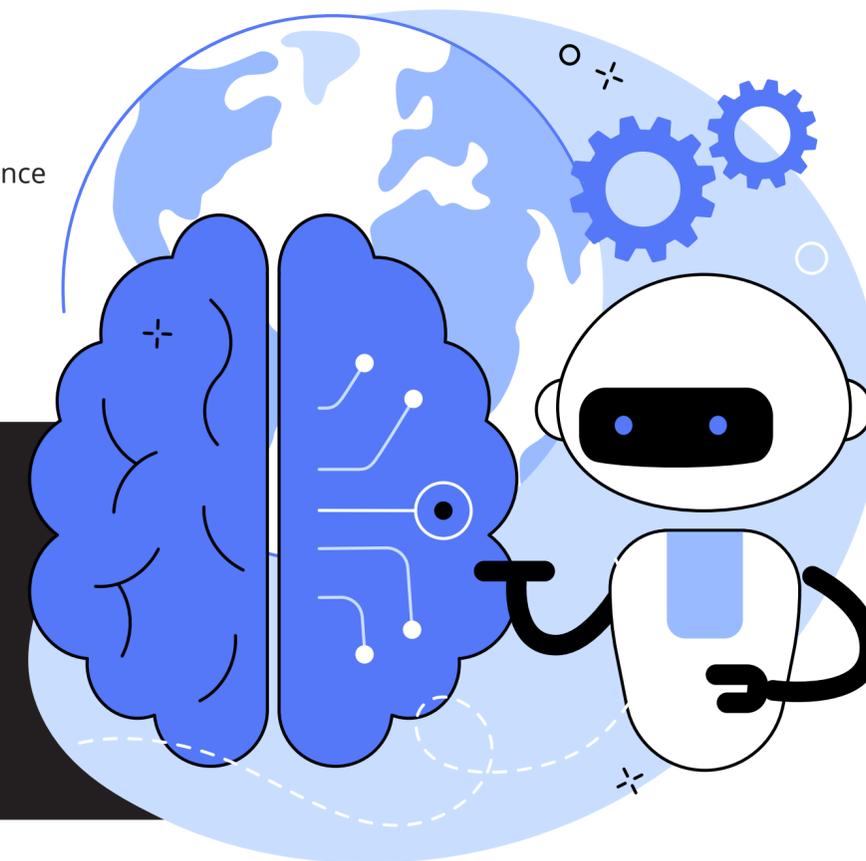
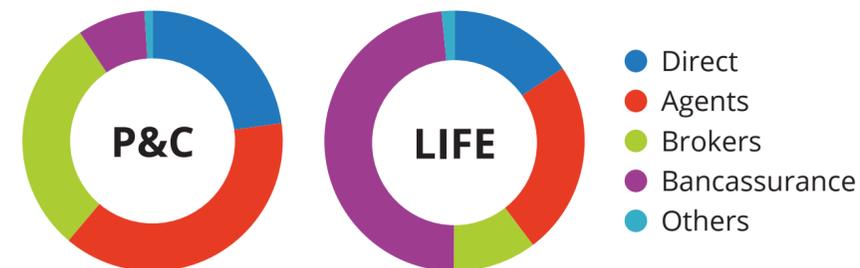
# Insurers must give their sales networks access to 21st century technologies

## Intermediaries need new technological capabilities

### 70% of P&C and 35% of life premiums

are intermediated by agents and brokers and insurers, which for decades have been integrating them into their own IT and digitalization programs.

This has reinforced seamless data flows and increased sales network efficiency.



But insurers must go a step further and give their independent sales networks access to the added value that only the most advanced technologies can bring — access to multiple external data sources and use of Big Data analytics, machine learning, predictive models, artificial intelligence, etc. These technologies are out of reach for most intermediaries due to lack of scale, financial resources, technological knowhow, and data science resources.

Agents and brokers must be offered the tools needed to meet new customers' expectations for 24 x 7 availability, omni-channel accessibility, seamless interactions, digital interfaces, and contextual and personalized services.

**39%** Insurers are investing in digital channel innovation orchestration

To protect their market shares, insurers must arm their intermediaries with the most advanced tools to identify, contact, and convince new prospects and to serve and better protect the specific interests of their clients in a highly personalized and contextual way.

# New technologies finally enable companies to reduce their cost structure while improving their services

No more need to prioritize profitability versus quality — insurers can do both simultaneously, and more

## BEFORE: EITHER, OR

Until recently, insurers often faced the dilemma of either improving customer satisfaction by increasing operational costs or by reducing costs while risking losing on quality.

Those days are gone thanks to the rapid development of newer technologies that now reach maturity almost simultaneously.



## NOW: AND, AND

Most of the tasks previously managed by low-qualified staff can now be handled with the support of RPA technologies. This leads to:

- Lower fixed costs in operations (fewer FTEs)
- Faster processing speed
- Greater output quality (fewer human errors)

Increase in customer satisfaction



### 26%



Insurers plan to invest in augmented/automated workforce (enhance employee capabilities with intelligent technologies)

### 23%



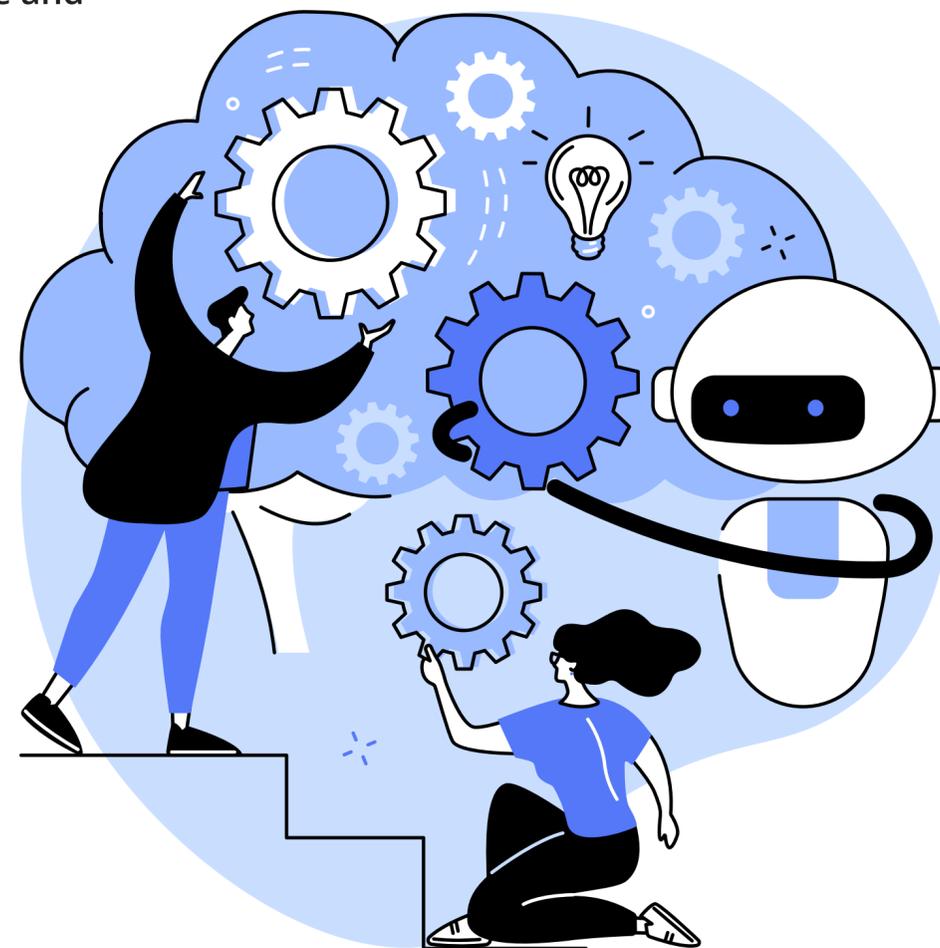
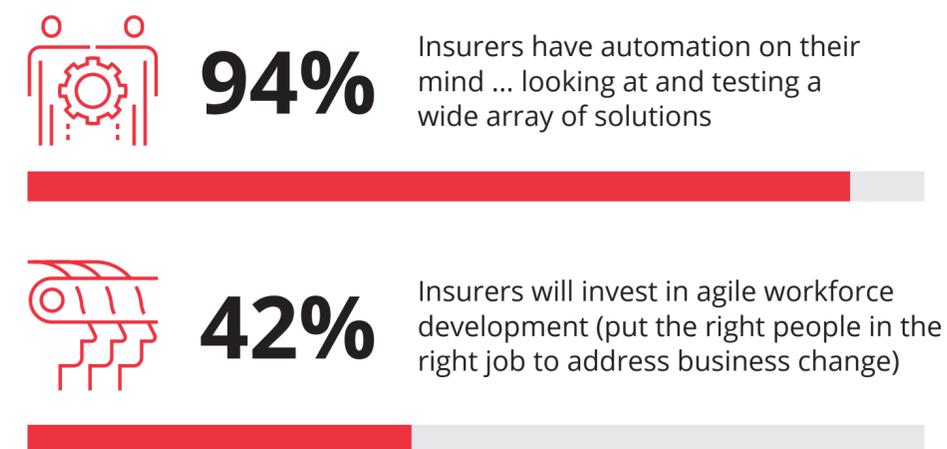
Insurers will invest in intelligent workforce (enable employees to take more information-based decisions)

All the tasks managed by highly qualified staff (knowledge workers) can now be supported by new technologies such as Big Data analytics, machine learning, predictive models, robotic process automation, and optical character recognition.

# Augmenting the capacities of knowledge workers becomes the driver for improved NPS and EEI performances

Human assets in underwriting, portfolio management, and claims are the main clients of the new technologies

Knowledge workers in operations can now dedicate most of their time to value-adding tasks in fields where AI is not effective and reliable — fields where there is a need for:



RPA removes low-value-adding tasks from knowledge workers so that they can dedicate more of their intellectual resources to the core activities where they can make the difference in terms of better quality services offered to customers and/or more enlightened decisions that drive profitability.

Knowledge workers in operations can now dedicate most of their time to value-adding tasks in fields where AI is not effective and reliable on its own, where there is a need for:

- Productivity/efficiency/speed
- Effectiveness
- Technical results
- Customer satisfaction/NPS
- Employee satisfaction/EEI score
- Employee versatility

# Key Takeaways

Insurers must respond to the changing expectations of their customers for seamless, 24 x 7, personalized, and contextual digital interactions.

To do so, they must make sure that everyone who is involved in the management of the various customer journeys has the right tools and solutions to manage such interactions.

## Internally, this means investing in two main directions:

- 1 Automating all processes that require the mass treatment of multiple sources and types of data where standard intelligence patterns can reliably replace human operators at speed and scale.
- 2 Augmenting the capabilities of those workers with unique expertise by using AI to increase their effectiveness and productivity on one hand and their versatility on the other.



## Externally, insurers must act on two levels by:

- 1 Providing agents and brokers with the modern integrated tools and solutions to meet customers' expectations in terms of product and service delivery.
- 2 Giving their intermediaries access to the benefits of those technologies that would otherwise be out of reach due to lack of financial, technological, or scientific capacities, such as BDA, ML, and predictive modeling.

All the tasks managed by highly qualified staff (knowledge workers) can now be supported by new technologies such as Big Data analytics, machine learning, predictive models, robotic process automation, and optical character recognition.

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## Driving a trusted future for purpose-driven financial services organizations

Today, digital transformation is critical to business success, and through the introduction of new digitalization technologies and processes, the financial services and insurance industry is firmly at the forefront of innovation. Fujitsu helps to execute your digital transformation so that you can make your vision and purpose a reality at speed and at scale. We work with a broad partner ecosystem to constantly help you to improve how your business operates and how your people work. It's the foundation of a trusted future for Insurance organizations powered by truly human-centric technologies and digital capabilities

### We believe there are three key objectives for a trusted future:



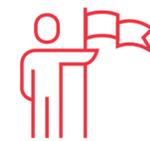
#### Improve your customer experience

Ensure that you're a trusted and easily accessible source of the insurance services and products your customers need in their daily lives. Embrace digital channels and mobile while also making your branches a source of human support when they need and want it.



#### Deepen your employee engagement

Digital workforce transformation is important - to attract, retain, and empower talent within a truly agile culture. After all, your people are your brand's promise, enabling them to better engage with customers will help further gain their trust.



#### Accelerate your digital ambition

Digital innovation is key to keeping ahead of both customer and employee demands. It provides the secure tools they need to make life easier, more efficient, productive and enjoyable.



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