

COMARCH

E-BOOK BY COMARCH

# Rethinking investments in insurance innovation

Technologies insurers should invest in to take advantage of disruption

# Authors



**Małgorzata Moderacka**

Comarch Digital Insurance  
Product Manager



**Julia Burda**

Comarch Digital Insurance Product  
Marketing Manager



**Aleksandra Wołowska**

Senior Business Consultant



**Monika Olszówka**

Business Development Manager  
**UK & Ireland**

E-mail: [monika.olszowka@comarch.com](mailto:monika.olszowka@comarch.com)

Phone: **+48 660 464 021**



**Wim Van Wilderode**

Business Development Manager  
**Benelux**

Email: [wim.vanwilderode@comarch.be](mailto:wim.vanwilderode@comarch.be)

Phone: **+32 486 58 09 33**

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# Preface

The insurance industry has traditionally been slow to modernize, but with the digital acceleration induced by the Covid-19 pandemic there is a strong necessity for insurers to embrace **digital transformation**. In operations across insurance organisations, expense management efforts remain crucial, not only to counterbalance the costs incurred by the outbreak, but also to fund quicker innovation, and fuel future growth. Most insurers are not looking to cut the costs, but rather reset their priorities, reduce nonessential expenses to **free up the capital** for areas needed to thrive. It is even more important to make careful choices in what to invest due to thinner margins. One is certain – that technology will remain at heart of the insurance industry transition.

Is the insurance  
market  
**digitalised?**



# Is the insurance market digitalised?

Over the last years, upcoming technologies have raised at least three existential questions for insurance companies: **should we bypass the intermediary channel? Will we lose our competitive advantage if we don't? Is our business model here to stay?**

The main areas where insurers are innovating are customer service or claims handling. The problem with data, that usually becomes apparent here, is that much of it is migrated from outdated IT systems. **Many insurers claim that legacy systems are one of the main barriers to digitalization.**

Data is at the heart of innovation. These days, experts refer to data as the '21st century oil'. **Without useful data, and the ability to manage it, insurance companies will never be able to aim for big data, cloud computing, IoT, AI or robotic process automation.** Especially now, in the face of the pandemic and accelerated digitalization, the time has come to fully understand and draw upon these trends.

Data acquisition channels make things ever harder too. Data is still collected through paper documentation, scans or emails.





Insurance agents sometimes store data in their own resources, sharing it with the company only to the minimum extent required. **Insurers are therefore exposed to the risk of moving around in an area of incomplete and unstructured information.**

The pace of digitalization and automation is further boosted today by COVID-19. Accord-

ing to Global Capital Confidence Barometer of EY, every third company will boost the digitalization process. For 36% of managers from 45 countries, **intensive automation is a priority** and they indicate it as the best anti-crisis shield. Digitalization and the ability to use the latest technologies should be the key factors motivating insurers to maximize the quality of collected and owned data.

According to Global Capital Confidence Barometer of EY, every third company will boost the digitalization process. For 36% of managers from 45 countries, intensive automation is a priority and they indicate it as the best anti-crisis shield



How is **Europe**  
doing?



# How is Europe doing?

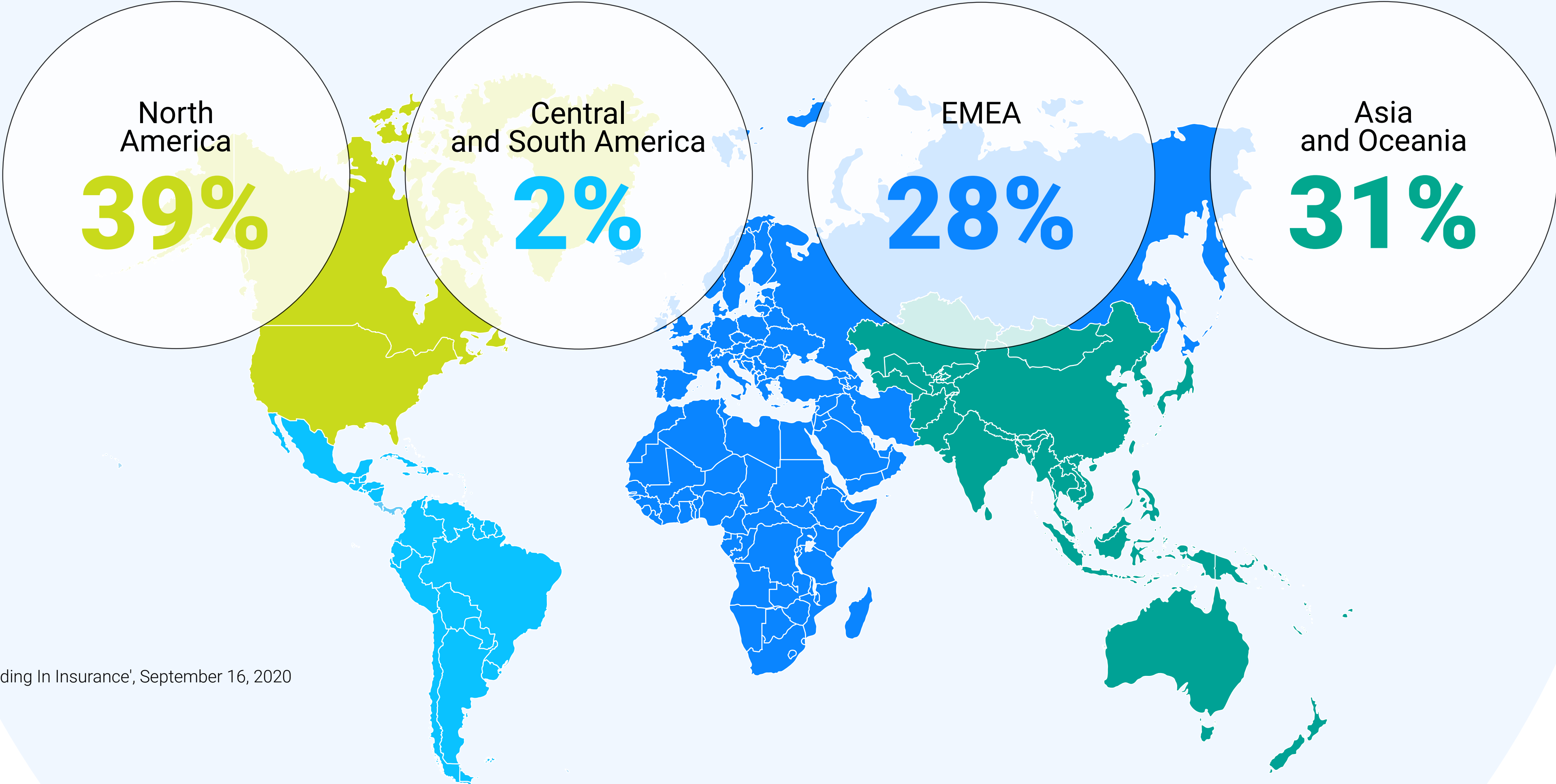
The increased importance of not only digital, but proper digital solutions in the insurance industry is rising. The competitiveness on this market is strong, and in order to win customers, insurers are making their internal and external procedures digital.

The leader for IT spending amongst insurance companies is North America, where Celent ('IT spending in insurance' September 16, 2020) expects to have 39% of insurance IT investments globally. North America is followed by Asia (31%) and EMEA (28%).

**Europe is still behind with the newest technologies. With a handful of insurers advancing in innovation, there is a large potential for them to differentiate.** In the EMEA region, Europe is a primary market where tight regulations can often make it difficult to innovate. Nevertheless, regulatory, macroeconomic and social trends continue to challenge both life and general insurers.



# 2020 estimated proportion of global IT spending



Celent report: 'IT Spending In Insurance', September 16, 2020

## What are the main trends shaping the UK industry as we enter 2021?

The Covid-19 pandemic has resulted in a radical shift in customer needs, expectations and habits. **The industry is already seeing that the use of digital channels and online services in the UK market is increasing.** Many insurance customers have already embraced digital customer service. As Forrester indicates ('The State of Digital Insurance, 2021. Landscape: The Digital Insurance Strategy Playbook' February 9, 2021 report), Aviva has noted a 180% increase in logins to its customer portal in 2020. Furthermore, a staggering 56% of Aviva Direct's motor and home claims were also submitted online – up from 18% in 2018.



## The UK general insurance sector

The UK general insurance sector continues to be very competitive, but is troubled by the **predominance of online distribution channels and sustained low profitability**. There is clearly a strong focus of the regulators on the insurance aggregators and price comparison sites as the CMA has fined ComparetheMarket £17.9 million for unfair pricing practices.

In September 2020, the FCA published the final report of market study into the pricing of motor and home insurance, in which it set out a package of remedies to address concerns it had identified. The measures seek to end year-on-year price increases for renewal customers that the FCA refers to as 'price walking'. It also effectively bans the practice of charging different rates to new and renewal customers often referred to as 'dual pricing'.



As a result of the above, **the battle for repeat business will be even fiercer, with prices of home and motor insurance going up across the industry forcing insurers to innovate further** in order to attract customers. Insurers are realising that to generate and maintain business they must focus on customer experience, end-to-end journeys and product innovation.

## The UK life & pensions

The UK life and pensions sector continues to undergo a radical change as customer demand is at an all-time high. **The Covid-19 pandemic has reemphasized the need for the mortality protection and the automatic enrollment has brought over 10 million new savers into the pensions system.** However, there are some challenges including a growing mismatch between the expectations of future retirees and the actual amounts being saved for the retirement. To help UK's baby boomers who make up the richest generation ever to retire, insurers are adding new tools and enhance their offer with online wealth platforms.

The industry faces a great opportunity to fulfill growing customer needs while returning profitability and growth. **Technology will play important role in achieving customer-centricity, hyper personalization, and automation.** There is a greater focus on the use of AI and Machine Learning to improve claims processes, streamline underwriting and detect fraud.



What to  
**invest** in?



# What to invest in?

**It's as easy to underinvest in digital transformation as it is to overspend. You have to find the happy medium, but how?**

The number of innovations, systems and applications you throw your money at does not bring customers and revenues in itself. **Without proper coordination of all your ventures, the only thing you'll bring is chaos.**

According to the newest study by Deloitte based on a global outlook survey conducted among 200 senior insurance executives, investment priorities differ significantly in com-

parison to those prior to Covid-19 outbreak. Deloitte identifies cybersecurity, cloud, data privacy and analytics as priorities amongst tech investments.

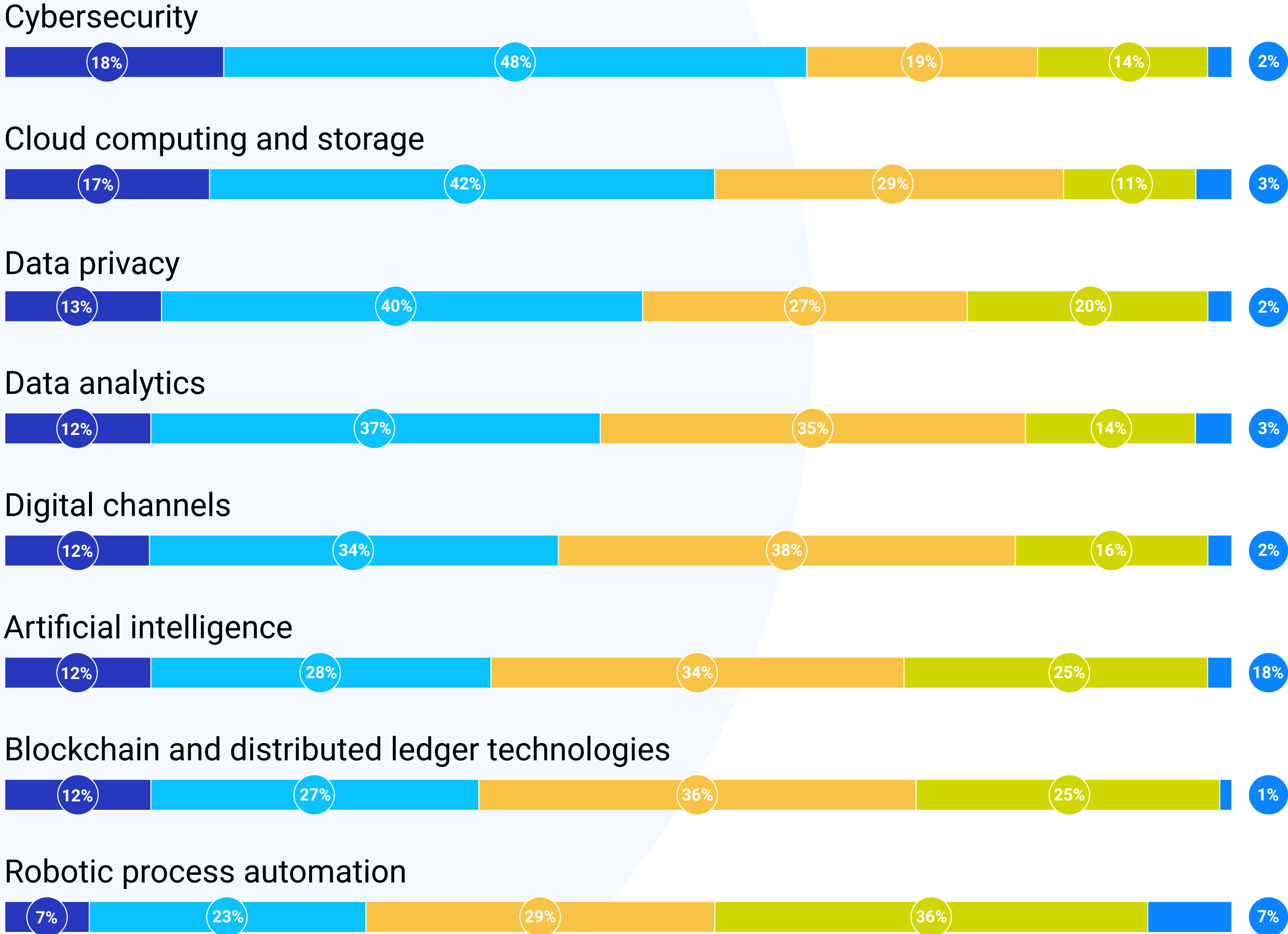
**Seeing the market, we've made our extension to the recent researches** and compiled what we see as investment trends amongst insurers.



# Cybersecurity, cloud, data privacy, and analytics were identified as tech investments priorities

Source: The Deloitte Center for Financial Services Global Outlook Survey 2020.

- Expect a large increase in spend
- Expect a slight increase in spend
- Expect no change
- Expect a slight decrease in spend
- Expect a large decrease in spend



## Cyber security

With the migration of insurers to digital platforms, one of the main technologies to be developed constantly is cyber security. With professional hacking attacks, **traditional tools such as firewalls and antivirus software are not enough**. According to EY research, 71 percent of insurers believe that their company may now have trouble detecting a sophisticated, planned attack.

Security, both for internal and external tools, is important for insurers around the world. **Generali UK is a heavy investor in their cyber security solutions**. To achieve high level of protection, the ability to detect and prevent any cyber-attacks, the company established Security Operation Center. Through this unit, all events are monitored on constant basis. There is even a whole **intervention assessment and prioritization model** working within Generali group, to maximize the risk management activities. Beside newest technologies, the insurer also runs communication on cyber security amongst employees, including phishing stimulation.



## Cloud computing – on-demand platforms in the cloud

Will this be one of the hottest technological trends in 2021? Definitely so – **using cloud systems, insurers have control over their businesses anytime, anywhere**. IDC analysts say that by 2021, more data will be stored in the cloud than in traditional data centers. That's worth investing in, hands down, but we should make haste slowly – excluding crisis situations when our adaptability comes to the fore. **It is thanks to cloud computing that insurers can implement new technologies much more efficiently**, which, again, accelerates the delivery of their services and products. So here we make the full circle – data, data and data once more. If insurers want to use their data sets efficiently, they need the flexibility and power of cloud computing.

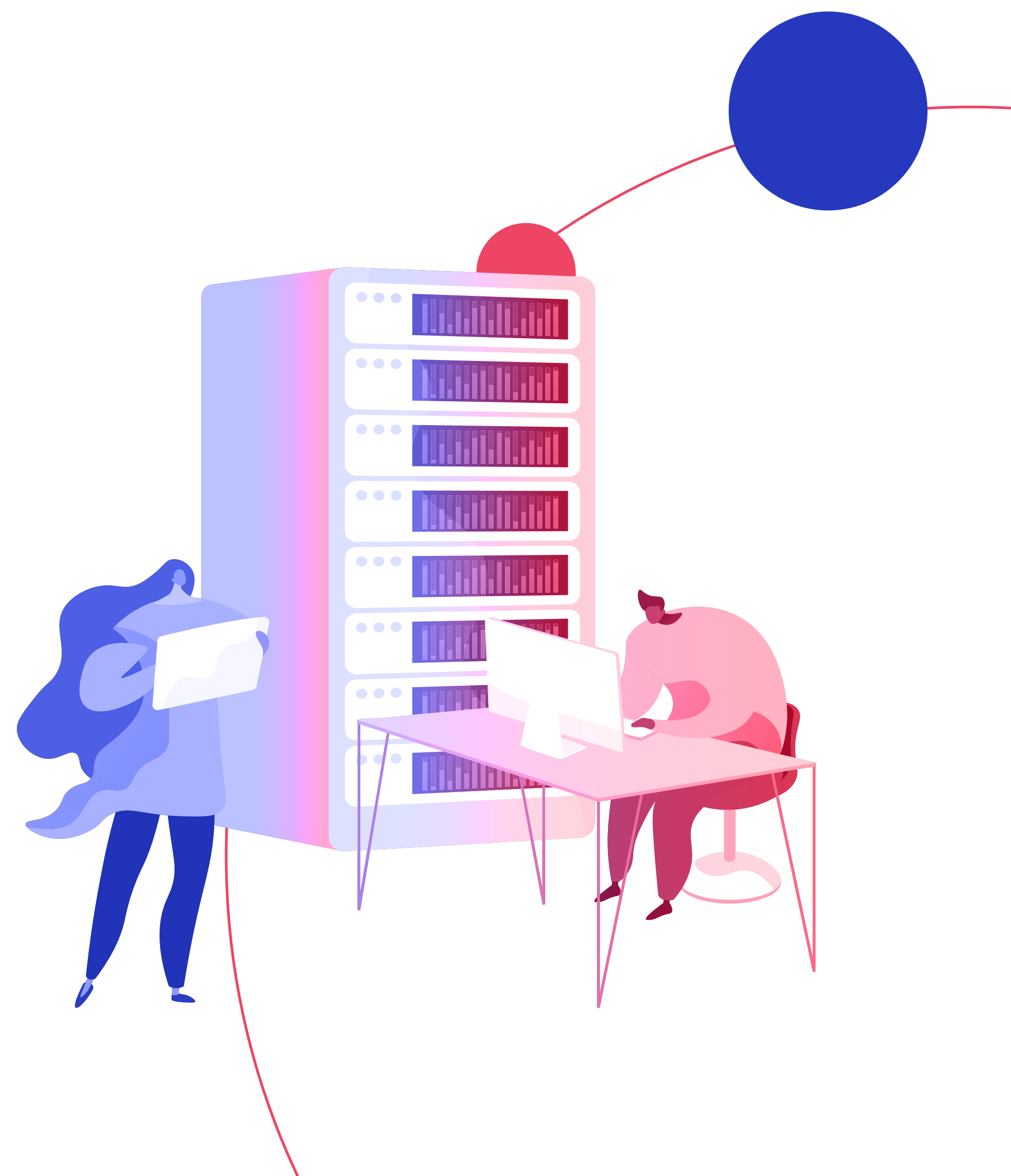
That's the direction **Generali UK** is going in too. **Their new strategy is cloud-only**, to migrate workloads from the on-premises model towards the cloud.



## Big data analytics — data, data and data once more

The use of big data analytics is nothing new for the insurance industry, but what is **definitely new is the scope of data that can be obtained, and the way it can be used**. Purchasing habits and credit reports are the examples of data sets that can be used by insurers when carrying out appropriate procedures. And **with the right data sets, the insurers can offer personalized products** and increasingly better protection with minimal claim ratios. Skillful use of data is, and will be, the biggest challenge for insurance companies in 2021 and beyond. And one of the main drivers of the data explosion is the increasingly widespread availability of IoT technology.

Insurers such as **AXA UK already see the importance of proper approach to data** throughout various divisions within the company. AXA has launched a **data analytics apprenticeship** for their employees in UK specializing in underwriting, claims, HR, finance, risk and compliance. With the aim to upskill and to back up the decision making process, employees are trained in big data analysis.

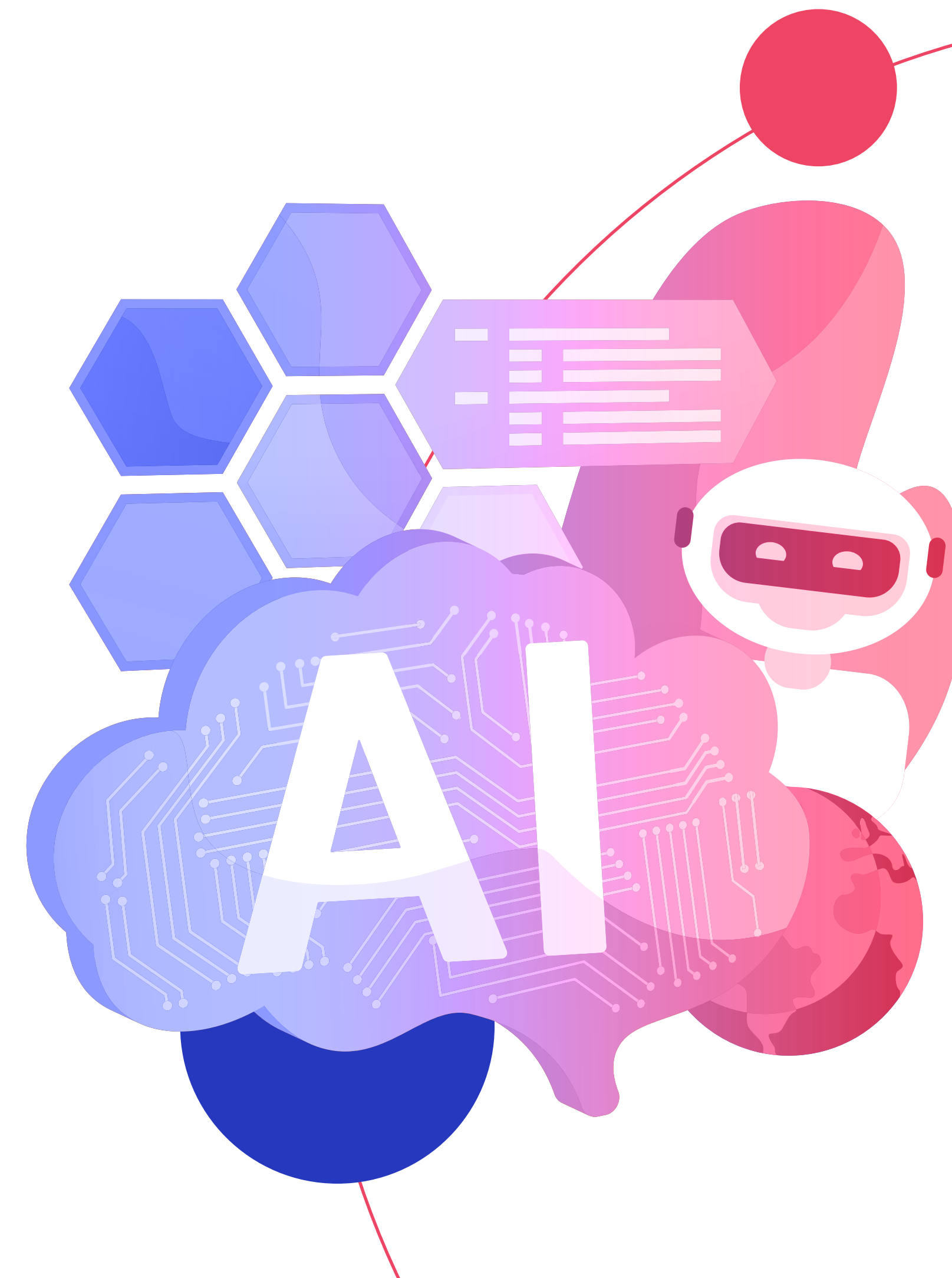


## Artificial Intelligence – the absolute essential

As experts indicate, AI in the insurance industry will become absolutely essential. According to Deloitte ('Thriving in the era of pervasive AI', 2020), AI adoption grows exponentially as adopters continue to have confidence in AI technologies' ability to drive value and advantage. Almost 40 percent of companies worldwide have already implemented AI technologies. Insurers are slowly beginning to see this. They're already automating less complex operations, looking to machine learning, chat bots, and implementing omni-channel digital platforms. **AI helps segment and stratify risks, enabling better portfolio management.**

McKinsey Global Institute indicates that AI technology adaptation rate for the financial industry is 28% and is one of the highest in the economy. It predicts that it is precisely in the case of banks and insurers that **AI expenditures should grow fastest.**

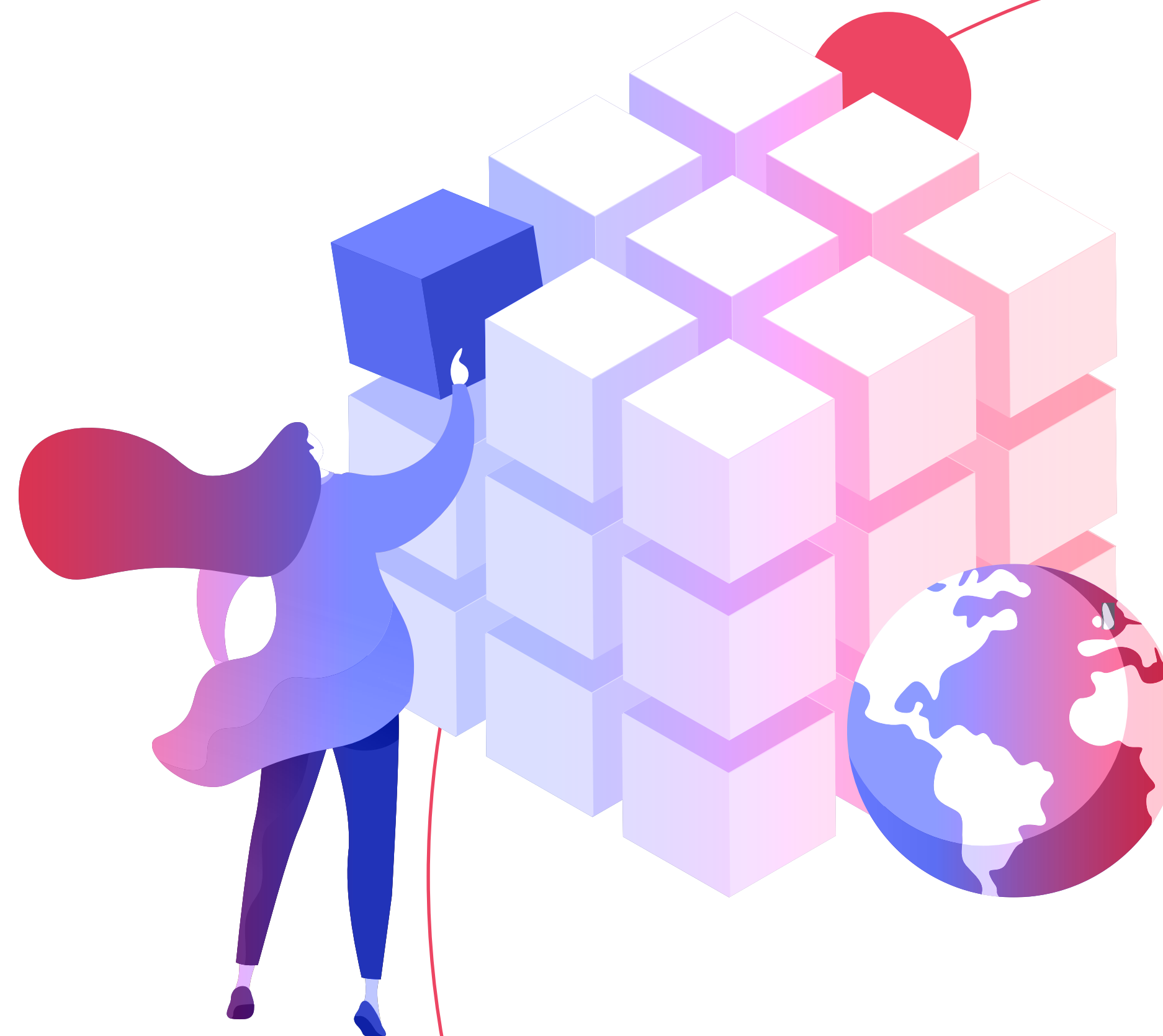
Artificial Intelligence is already present in insurance companies in the UK. **Zurich Insurance Group, for instance, is using AI as a support in vehicle insurance offerings.** Data collected for years by the insurer allow them to create personalized offers for drivers, dependent on individual behaviour. Another potential sphere to use AI for will be the dynamic pricing of such policies.



## Blockchain – a helpful tool, worth investing in

Violations of cyberspace are only one of the problems faced by the insurance industry. **Inefficiency (still using paper documentation), fraudulent damages, or human error** are another problems – and here, the blockchain technology is a helpful tool, worth investing in. Thanks to the use of blockchain, insurers can reduce the amount of paper forms, which significantly affects the time of handling transactions. Blockchain data is decentralised, while **decentralisation of information and the use of advanced blockchain cryptography technology significantly improves the security of transactions.**

Some companies or groups already have their tries on the blockchain technology. **London Market Group has been testing this solution for claims processing,** as a part of their modernization program.



**Selling  
insurance** –  
excluding brokers  
or giving them the  
right tools?



# Selling insurance – excluding brokers or giving them the right tools?

While traditional insurance processes focused on a quick sale, it now makes sense to re-orient towards advice giving.

With the use of **dynamic questionnaires** for risk and needs analysis, interactive storylines, gap analysis simulators and portfolio analysis tools, the sales conversation with the customer is off to a smooth start. It's about giving the broker the right insights to truly counsel the customer based on their personal needs.

Customer analysis processes can be simplified and automated by integrating with the right data sources and leveraging business rules engines. Still, a truly personalized approach benefits from a **human touch**. Indeed, handing the broker the tools to **create tailored insurance products** is essential in today's insurance business.



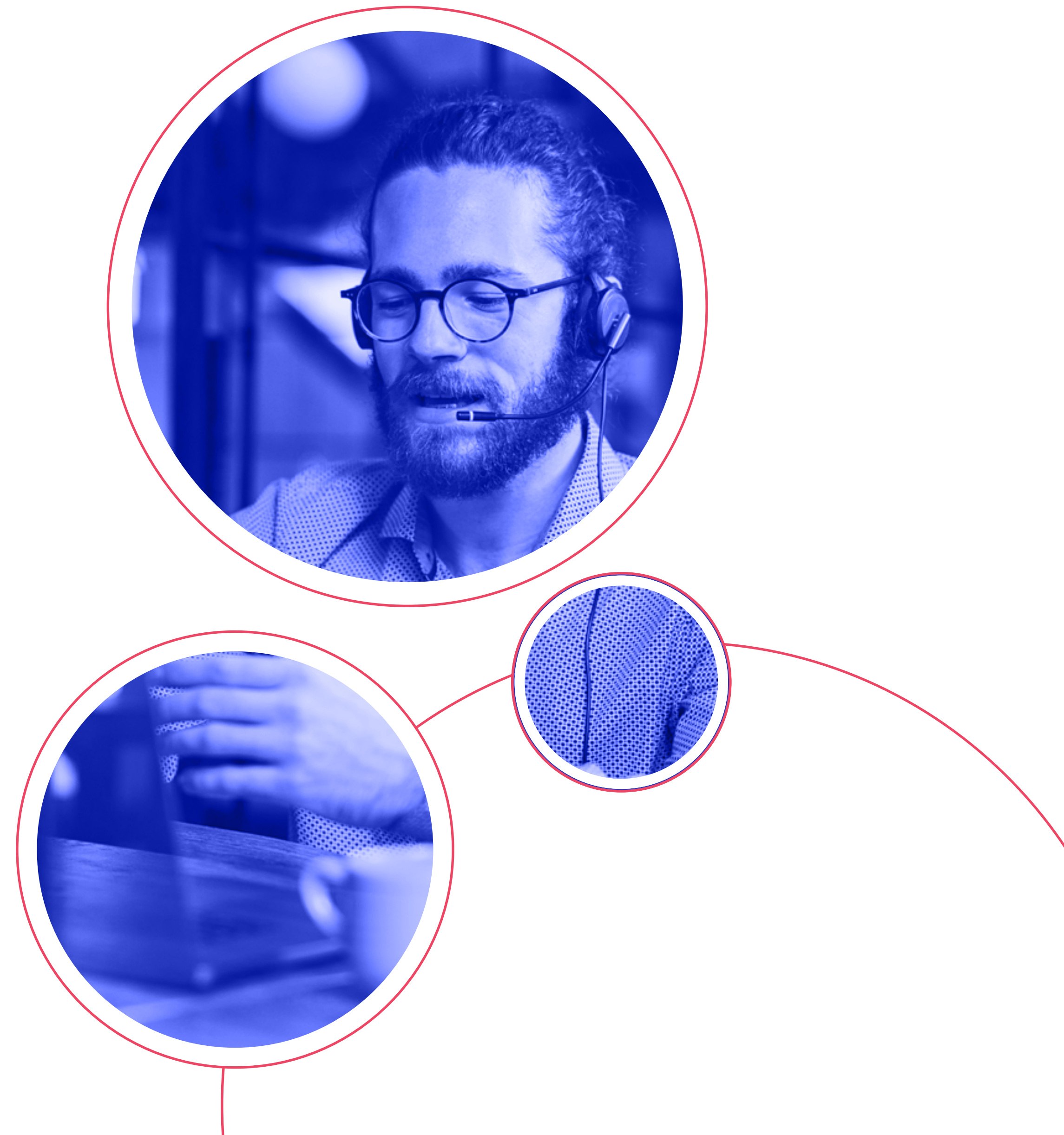
## Digital omni-channel platforms — remote and mobile

If you have not yet replaced or modified your insurance management platform, let 2021 be the year of a new beginning. **Supporting sales and service in multiple channels simultaneously is an absolute must.** Another important aspect is mobility. According to StatCounter, the access to applications through mobile devices in Europe revolves around 40 percent, in Asia it is already 60 percent — and we should only expect an upward trend. A modern platform comes with **access to information via mobile applications.** The problem faced by the insurance industry in this area is the fact that many of the available platforms still lack the necessary features such as **electronic signature.** As a result, the customer, using a digital platform, is often redirected to other channels, such as websites or call centers. Certainly, what is worth planning for 2021 is to allocate resources to mobile support.



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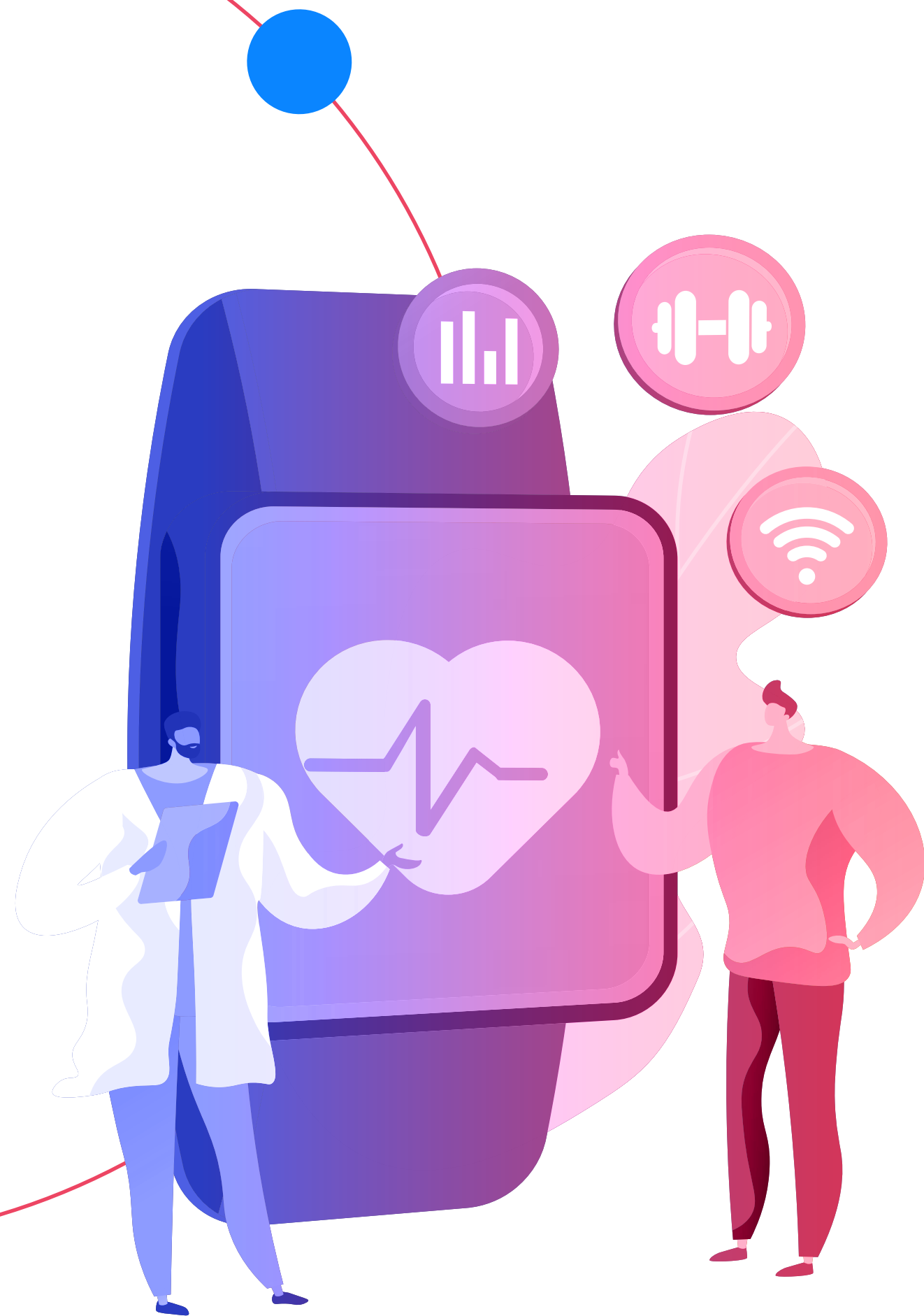
Some insurers are making smaller or bigger steps further into the digital omnichannel platforms. **A completely new image of life insurance portals is offered by company named DeadHappy on the UK market.** This insurer, which between 2020 and 2021 gathered over £4,5 million in investment, offers **digital life insurance**, which they claim to be **'quick, flexible, cheaper' and fully digital**. Customers are offered the possibility of creating quotations and further manage their policies, everything done online.





## Underwriting in the front-office

Shifting typical back-office processes, such as underwriting acceptance, to the front-office plays an important role in empowering brokers. By introducing a strong engine in the front-office, a large share of **medical and financial acceptance** tasks can be **processed automatically**. In essence, this reduces the typical game of ping-pong between broker and back-office employee – asking back and forth about status, validations, exceptions and so on – to a very limited number of non-standard cases. In general, **the broker will be able to independently finalize the sales process.**



## E-health / Telemedicine

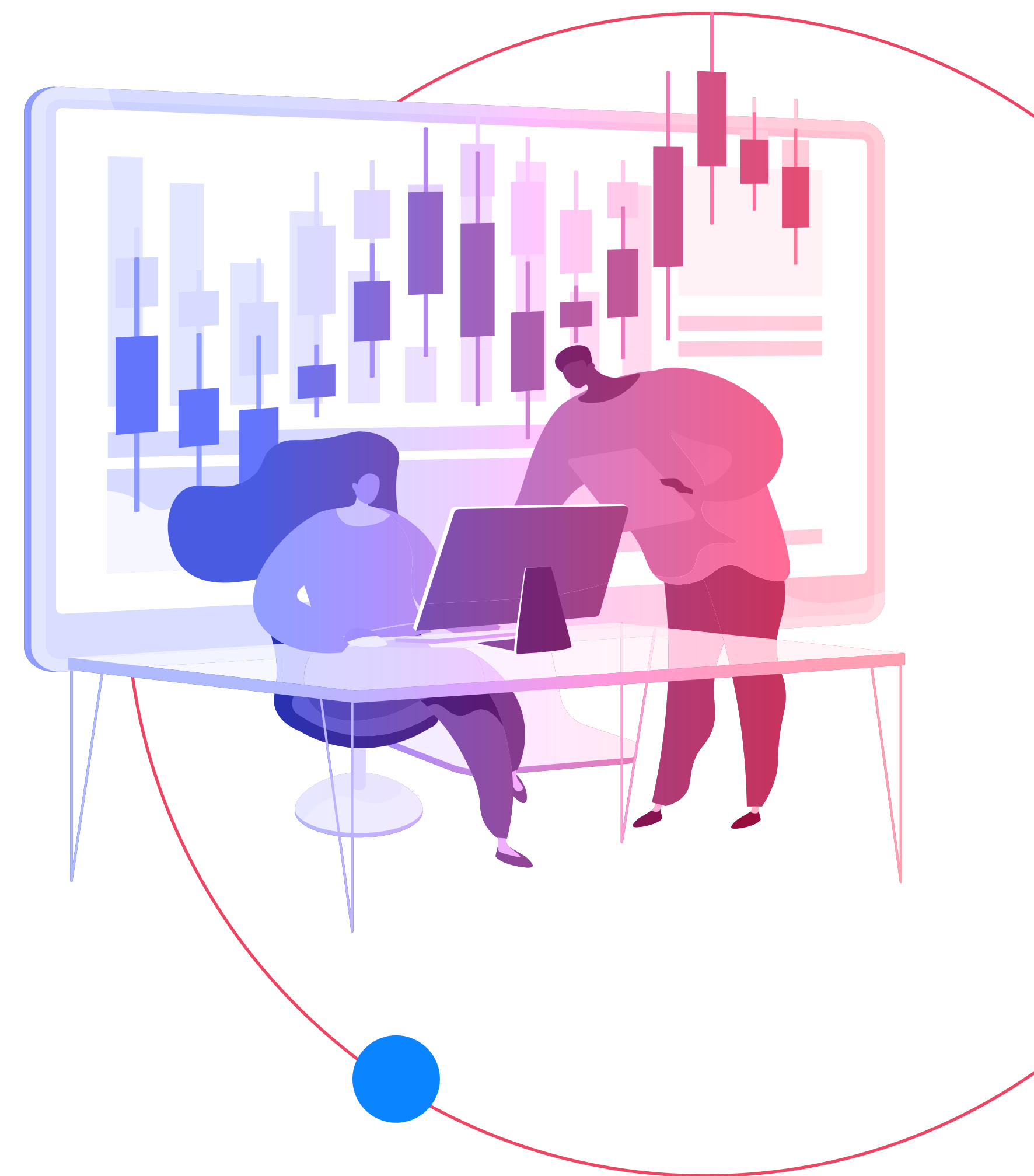
The topic of health is of the highest importance for many people and organisations, as there is a strong and credible need to support physical and mental wellbeing of both, employees and customers in those challenging times. It should not be surprising that insurance companies acted quickly since they have been flirting with telemedicine for a while, long before the pandemic.

We can observe **a rise of initiatives and product offerings, including telemedicine and e-healthcare services**, across the financial services industry. As a result of a survey conducted by AXA, we can conclude that coronavirus is already re-evaluating people's thinking about healthcare insurance. Many customers declare that due to the fear of the virus they want to extend the scope of their insurance, with health protection above all.

## E-health / Telemedicine

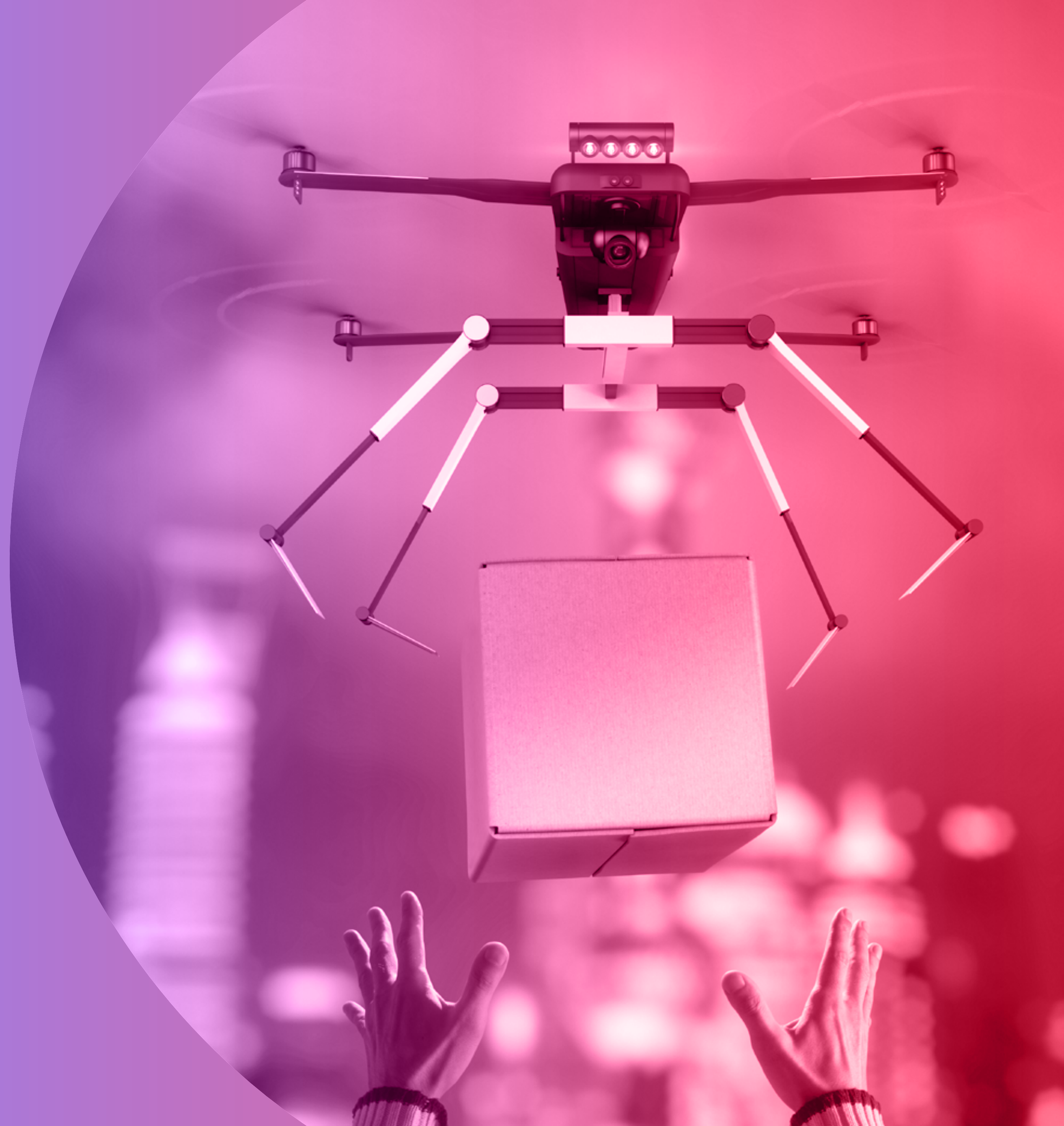
In response to this particular challenge, AXA has launched a new life insurance policy for seniors. The insurance product comes with **an intelligent medical wristband which continuously measures the user's life parameters providing constant monitoring by paramedics**. The solution is equipped in a number of features including GPS and SOS button, which allows the user to immediately call for help or contact their caregiver. About 7000 people are actively using the bracelet on a daily basis, and thanks to the solution a hundreds of lives have been already saved.

MetLife UK is also taking advantage of technology innovations with its medical tele-underwriting services for a range of their group insurance products. The service offers **flexible telephone consultations** as an alternative to traditionally written health questionnaire forms. Such form of underwriting cuts down the time spent on filling out the form, and helps to ensure that customers answer all necessary questions eliminating the need for any follow-ups – all done in a save remote way.



Not just  
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**Drone deliveries  
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# Not just technologies – new products too.

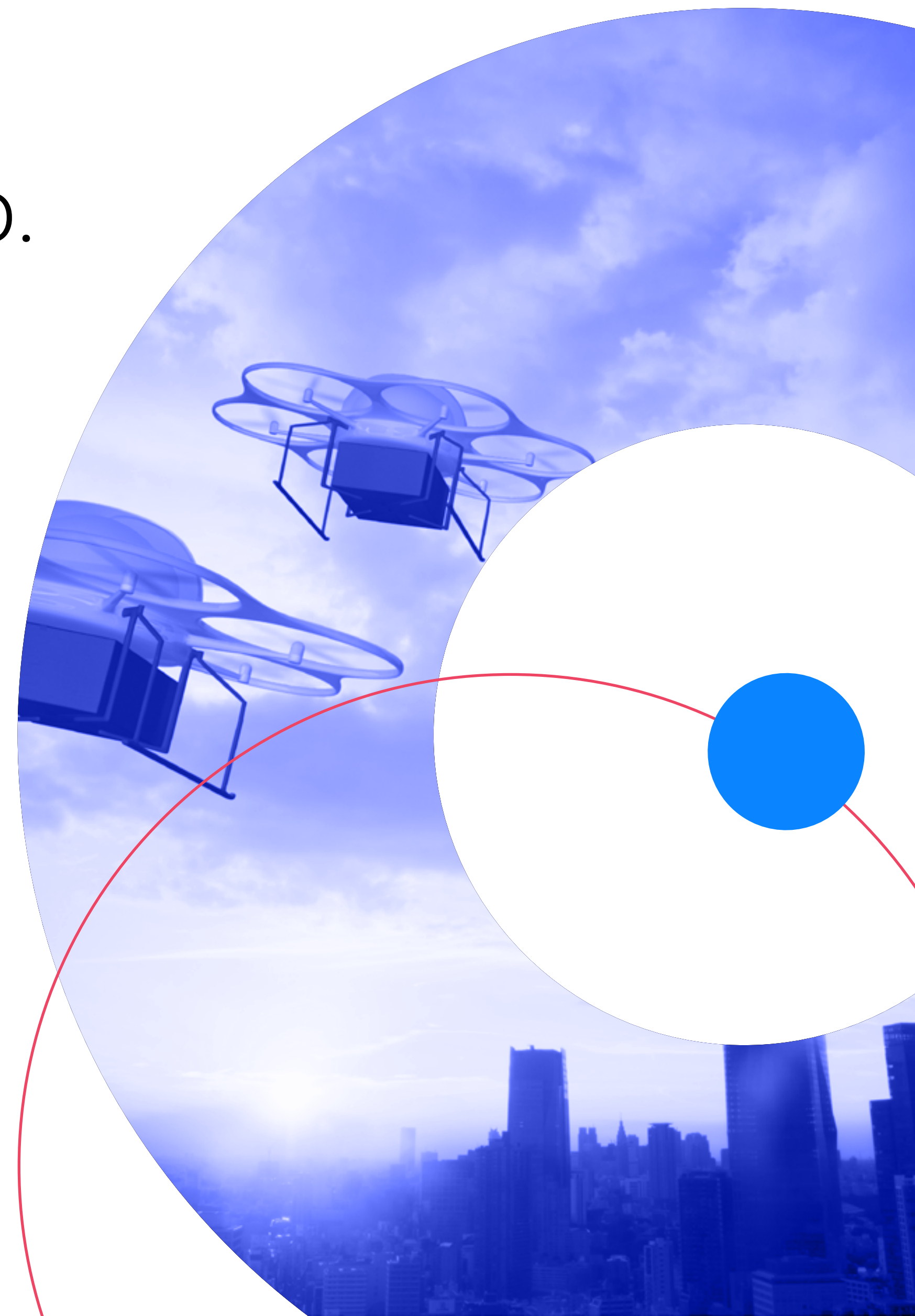
## **Drone deliveries and peer to peer insurance**

**Between 2023 and 2030, the drone delivery market is expected to grow 14,5% annually.** Changes will be especially visible in the Asia-Pacific region, which is to have 39% market share by 2023, as described in a recent report by BIS Research. Each of these deliveries will have to be insured. **And this means new revenue streams for the drones insurance industry.**

Alongside drone deliveries, the market for insurance for drones is outstanding. For years, there have been 2 main products related to

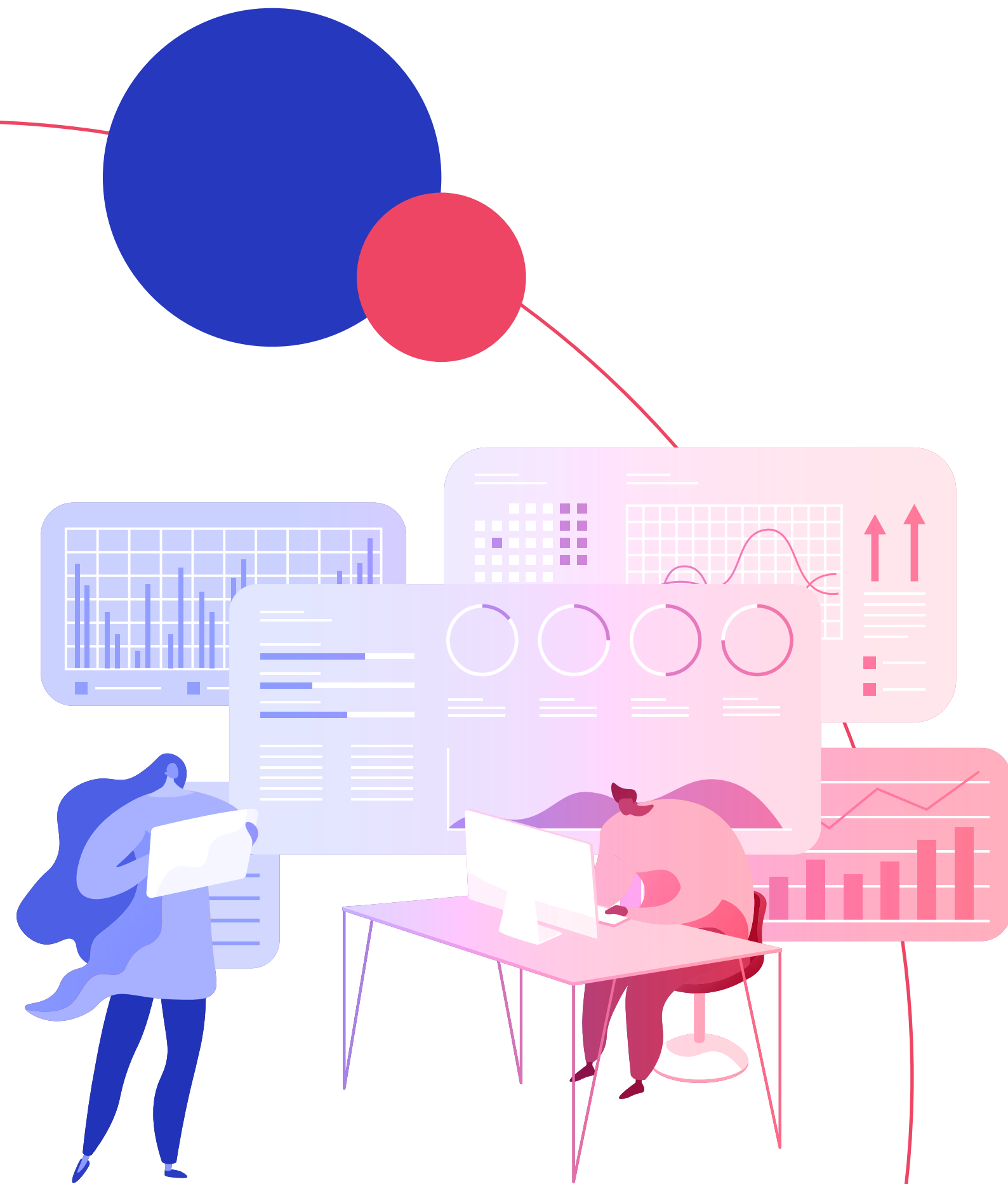
insurance for drones: liability and hull drones insurance. These come in different packages, varying between insurance companies, and can either fall into the 'long term' or 'on demand' category.

**With professional goods deliveries, the insurance for drones needs to be wider.** For now, this type of drones insurance is mainly covered by smaller companies, specializing only in insurance for drones. **There is still only a couple of offers from well-established large insurance companies.**



**Between 2023 and 2030, the drone delivery market is expected to grow 14,5% annually**





## Peer-to peer insurance

**Peer-to-peer insurance works as a risk-sharing online platform, where people form groups and pay a premium for one common pool.** That's where the payouts are made from in case of any claims – with a commission attached that aims at upkeeping the platform.

**Led by reciprocity, backed by technology.** That's what peer-to-peer insurance is all about. It's now gaining in prominence in China, but might soon expand to other countries, putting the traditional insurance model at risk.

Peer-to-peer insurance is now being tested mainly in the US, followed by the UK and Germany. **According to Statista, 37% of American respondents are willing to use P2P insurance, or already have it.** But another 40% wouldn't consider using it.

# About us

Comarch prides itself on being one of the leading software houses in Europe with **over 6500 employees** worldwide and thousands successful projects carried out for the largest international brands. With over 23 years of experience in providing **sophisticated software and IT systems for major financial institutions in insurance**, banking and capital markets, we gained hundreds of clients in more than 30 countries.

We have a pleasure to work with brands such as **ING Bank, BNP Paribas, AXA, Aviva, Allianz, Swiss Life, AEGON, UNIQA, Generali, Prudential** and many more.

# Insurance Software at Comarch

Comarch Digital Insurance is a **software for insurance agents and their customers**. It helps agents advise on and sell insurance products. At the same time, it allows individual customers to smoothly purchase a policy online and manage their insurance product portfolio.

**Comarch provides sales automation, CRM and self-service software for insurers with great customer experience design**



## Omnichannel

- One platform for all insurance products
- One business logic engine for all channels
- For both distributors and end-clients



## Great UX

- Focused on customer-centric approach
- User friendly interface
- Designed for the insurance industry



## Flexibility

- Adjusted scope of license
- Integration via open API architecture
- Product parameter management

# COMARCH

Find out more from **our experts**:



**UK & Ireland**

**Monika Olszówka**

Business Development Manager

E-mail: [monika.olszowka@comarch.com](mailto:monika.olszowka@comarch.com)

Phone: **+48 660 464 021**



**Benelux**

**Wim Van Wilderode**

Business Development Manager

Email: [wim.vanwilderode@comarch.be](mailto:wim.vanwilderode@comarch.be)

Phone: **+32 486 58 09 33**

For **other regions** fill out **the form** and we'll reach out to you.

## Comarch Headquarters

al. Jana Pawła II 39 A  
31-864 Kraków  
Poland

Phone: **+48 12 646 1000**  
Fax: **+48 12 646 1100**