

Thriving in the digital age

by **Stefano Bellandi**
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In order to thrive in our 24/7 digital age, businesses should focus on their service provision and enriching the customer experience. In this piece, Stefano Bellandi, PwC leader for digital transformation in the insurance sector, discusses how the industry needs to evolve.

In the future, clients will increasingly want to buy experiences alongside products; anytime, anywhere and with any device. Clients buying cars for example, want more than mobility; they expect an experience that goes beyond the basic vehicle provision.

As a result, producers are competing to sell an experience. They're moving away from the pure product and embracing other potential collateral elements, breaking down sector barriers to do so. Going back to the mobility example, car producers now focus more on connectivity and services than on their cars' technical specifications.

Bill Ford, president of Ford international commented: "All are saying we will be destroyed as car producers by the digital companies. I affirm that we, as car producers, have to scrap ourselves and develop a completely new business – changing from car producers to mobility service providers."

To be able to sell experiences, different sectors that were completely separated and where every producer was characterized by a specific part of the value chain, now have to join together. Collectively the single elements can offer an experience to the market.

This new phenomenon is called digital disruption, however I prefer the definition of sector convergence.

Digital disruption or rather the potential offered by new technologies: digital, Enterprise Service Bus (a communication system between interacting software), de-structured data base and open architecture (marketing software enabling you to add, upgrade and swap components), etc, will destroy sector barriers, facilitate a new value chain proposition and alter how clients approach us and what they ask us to do.

Continuing the mobility theme, insurers are only one of the stakeholders within this value chain; we're seeing more and more players becoming component parts and contributing to the experience (car producers, financial companies, car sharing companies, telecommunications, etc).

The impact on our world

The impact could be huge on the insurer that fails to view its business as a commodity and integrate within the wider value chain. In contrast, if the choice is to maintain the client relationship, the insurer must become the aggregator of other value chains. This will however, affect all its processes:

Product packaging and pricing

- New packaging to reflect the new services that change the nature of the product
- New marketing and communication
- New pricing approach based on a premium adjustment at the end or during the year (using data/telematics).

Underwriting

New policy issue processes to focus on immediately delivering the service and managing any delay between premium payment and policy inception.

Post sales and billing

- New internal services structure/processes – providing a real new management function
- Focus on prevention and not reaction
- New structure/processes to manage third-parties; the external value chain components that characterize the product
- New Quality Assurance processes – quality depends on the calibre of the external value chains

Claims (services in the post-sales component)

- New way to prevent and manage fraud
- Proactive First Notice of Loss and claims services, relying more on telematics
- New claims processes reflecting computer science rule-based machine learning.

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The insurance market's reaction

We are starting to see some initial movement with big players either becoming aggregators or commodity producers.

Examples have until now been limited, essentially to increasing flexibility around health care where insurers have a mission, 'to take care of the client's health'. 'Take care' means prevention and consequently telematics, but also gyms, spas, etc – services that can impact the health of a client.

It is clear technology will be a consistent and fundamental enabler. A large majority of European insurers (86% according to PwC research) are starting to change their core system platforms and the IT landscape in Property & Casualty is ready to support these changes. Insurance carriers are making unprecedented investments in modernizing their policy administration systems and processes.

Those who successfully transform and deliver their policy administration programmes will be the winners, altering the competitive landscape.

This new IT landscape is characterized by:

- A flexible system using rule-based machine learnings and a workflow package that connects to and manages other value chains
- An omni-channel approach able to surf or cope with digital disruption and the needs of a digital client
- A data analytics approach; data enables us to learn and continually improve.

We see in the market, a growing awareness that these elements are interconnected and collective components of larger core transformation. Similarly, more and more of our clients are defining their transformation journey before investing/ starting a large IT project.

This is fundamental to successfully delivering this type of project. Recent PwC research shows that while implementing a new policy administration system is likely to be the largest single project investment a carrier will ever pursue, historically, most projects are challenged, with only a small percentage optimizing their outcome.

The goal of a policy administration programme is not merely to implement another legacy application, but to deliver transformative capabilities to the business.

Only 30% of policy administration projects meet the traditional definition of success in terms of time, budget and scope delivery. And of that 30%, less than one in three realize the full business benefits.

Those carriers that do optimize and achieve this rare level of success will be able to leapfrog the competition, leaving around 70% of projects challenged or likely to outright fail. •

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Is PwC's EMEA insurance core transformation leader.

Stefano manages one of the largest insurance advisory practices in EMEA – a specialist centre supporting general insurance and life projects in this region. He has over 25 years' insurance industry experience and during this time, has led large-scale transformation projects including the merger of four insurance businesses, creating and managing one of the top insurance companies in Italy, and developing the first Italian aggregator in the insurance and mortgage sector. Stefano has also held senior roles with EY, IMB, Allianz and Andersen Consulting. Stefano has a degree in business administration from the University of L. Bocconi, Milan.