

## Innovate or falter: Insurers need digital skills to thrive

*Digital technology is shaking up the insurance industry with simpler, lower-priced and consumer-centric products. Legacy insurers need to beef up their digital talent to compete for billions of dollars in new sales opportunities*

**By Gérard GUILBERT Managing Partner of Alexander Hughes Paris**

When Lemonade launched the world's first peer-to-peer insurance company, it came as wake-up call to some of the traditionally old-fashioned insurance companies to innovate.

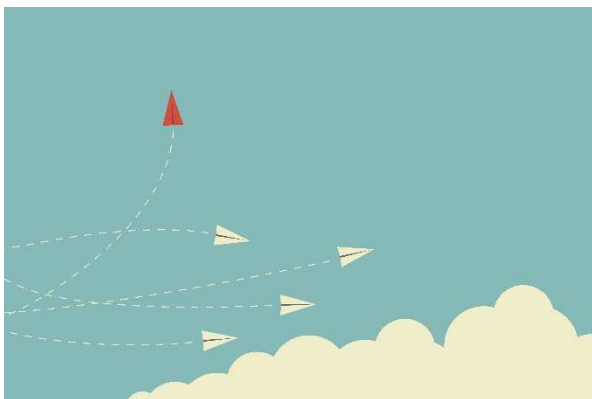
Lemonade started out by offering simpler and lower-priced insurance for homeowners and renters in New York and has since expanded to more than a dozen states. It uses artificial intelligence, bots and behavioral economics to replace some intermediaries and paperwork so customers can get insured and settle claims within minutes, not the weeks or months needed with some traditional insurance companies. The advances allow the startup to charge less as well because of lower operating costs and less fraud.

Lemonade, of course, is tiny compared with long-established companies like Axa, Allianz or MetLife. But its innovation nonetheless poses a threat — and an opportunity — for the old guard.

Accenture, a management consulting firm, estimates that innovators in the insurance industry stand to capture US\$375 billion in new revenue globally between this year and 2022, mainly from new products and wider market reach.

“Breaking away from the pack and capturing new revenue opportunities requires a shift in business mindset — a shift from product-focused to customer-focused, from rigid operating models to more fluid and agile operating models that respond quickly to customer preferences,” said Michael Costonis, head of Accenture’s insurance practice globally.

### “Ripe for disruption”



Insurance is among the latest industry to face pressure from new technologies and business models, much like financial services, music, travel and other industries before it. From a consumer viewpoint, insurance is “ripe for disruption,” Ido Segev and Amy Vickers of McKinsey, another management consulting firm, wrote in recent blog post.

Indeed, taking on insurance traditionally has been a rather unpleasant experience. Sign a complicated policy and make monthly payments. When something bad happens, file a claim and hope it gets paid. Compared with the ease and instantaneousness of shopping on Amazon or ordering a ride from Uber, getting insured is a whole lot more laborious.

Little wonder, then, that Lemonade's latest slogan is: "Forget everything you know about insurance: Instant everything. Killer prices. Big heart."

### **New players and products**

Other companies are disrupting the industry. Colón is using new technologies to provide lower-priced insurance in Argentina, reaching people who otherwise couldn't afford it. In the U.S., Hippo and Policygenius are among a new crop of digital players in individual insurance, and CoverWallet, Embroker and Insureon in business insurance. In Europe Utwin a loan insurance broker and Alan a health and personal protection broker are some of the examples of the 100% digital companies.

According to McKinsey, the digital transformation of the industry will not only improve customer service and lower costs, but it will bring new products as well. One could be all-in-one coverage for auto, house and life from a single carrier, making the experience far simpler. Insurance on demand? That's on the horizon, so too are products that incorporate new risks such as cybertheft as they emerge.

Another future trend is for the insurer to help its customers keep down their premiums by providing tips on how to keep fit and travel safe. Not only would the customers benefit, but insurers could reduce their costs and claims, a process that would help to boost customer loyalty and open up new revenue streams for insurance companies.

"This shift from 'repair and replace' to 'detect and prevent' will be enabled by new technology," Segev and Vickers wrote.

Quantiflye is an example. The app, made by London-based Digheteria, allows people to share their diet, fitness and health data from wearable devices like Fitbit activity trackers with insurers in exchange for cash incentives, rewards and tailored insurance products.

Incumbent insurers are starting to react to the disruptions, such as with new programs for rewarding policyholders for living healthily. They are also teaming up with the new insurance technology companies, known as insurtech, as well as makers of keyless locks and home monitoring and sensing systems that improve home safety.

### **A talent bottleneck**

To succeed at innovation, however, companies will need talent with a new range of skills and "the imagination to see and prepare for how a marketplace might evolve," wrote Segev and Vickers.



How can a company nurture that mindset in its leadership — or find it through executive searches?

It's not proving to be easy. Novarica, a technology consultancy for the insurance industry, found in a survey that talent acquisition, management and retention was the number one IT-related challenge in 2017.

With few in-house candidates, insurers are partnering with universities to develop skills in their leadership — and to find analytics and digital talent, the survey found.

Companies also are searching for talent in other industries, in particular banking and telecommunications. They would be wise as well to offer flexible work options and a digitally savvy workplace a la Google to attract emerging talent, and to lure talent from insurtech startups, or to use hackatons and contests to find the people they need. Reverse mentoring programs can help, too, by pairing young digital experts with senior executives. This can help to change the corporate mindset and habits from the bottom up.

Even so, a big challenge for finding digitally savvy leaders is that insurance isn't the hippest option for those with the appropriate skill set. A survey by The Hartford, a US-based investment and insurance company, found that only 4% of millennials want to work in insurance. With the baby boomers reaching retirement, the industry will need to fill 400,000 positions in the next few years, according to The Institute, an insurance educational institution.

Insurers must act now to secure the talent that will beef up their technology and business practices if they want to keep pace with the disruption in the industry and, better yet, profit in this increasingly digital age.

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