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Evolution of the Insurance Platform: Trust and Security in the Digital Age

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All around us are platform businesses, and most of us are participants in several, sometimes without even knowing we are powering this business revolution. As actuaries and insurance industry leaders, we intuitively understand a platform business model, one that brings many individuals together to create value. Insurance has been a platform business from its beginning! Luckily for insurers, the platform business is an evolution, though it may still feel like a revolution to many.

The need for the rapid evolution, or maybe a revolution, of the insurance business platform is presented herein. As you may suspect, the key drivers are technology combined with rapid improvements in customer experience, or more accurately, the expectations of the customer's experience. For insurers that have begun the transformation to a digital business, they will recognize the opportunity to take advantage of their head start with a platform business, while others will see the evolution as an opportunity to "leapfrog" into the digital business leadership. Becoming digital without intending to evolve into a platform business will result in those insurers suffering the same fate as the many businesses that have been revolutionized by platforms recently.

GETTING INSURANCE UNSTUCK

If insurance is a business platform already, why then is there a need for an evolution, you might be asking. It is no secret that life insurance ownership has been stagnant for decades and that, relative to the market opportunity, life insurance has declined. Health insurance, by comparison, is facing a somewhat different challenge: although it has been able to grow, its challenge is

to remain economically viable for the customers that need it most. Like most industries that experience a decline in growth or escalating input costs, the focus of the operations has tended to look inward to improve profitability and contain costs. For insurance, this means lowering the risk and expenses. Focus on greater understanding and enhanced pricing of risk has led to more and more data used in underwriting, which means more and more invasive practices for the customer. It can be argued that this inward focus exacerbates the decline in the long run, by excluding more potential customers as well as missing opportunities to invest in the growth of the business.

The good news is there comes a point of inflection, where the decisions of the past that have led to the current state are reevaluated and a change in direction is needed to break out of the cycle; insurance appears to be in this phase now. The underwriting process has been targeted to be simplified or accelerated, which may allow more customers to participate. Insurers have begun to invest more in the customer experience to drive growth. However, these changes should be thought of as just the beginning, as they are unwinding some of the past restrictions and allowing insurers to catch up to the expectations that customers have learned to expect from other industries. Insurers now understand that they need to look beyond their own industry to realize their full potential. As Bridget van Kranlingen of IBM stated, "The last best experience that anyone has anywhere, becomes the minimum expectation for the experience they want everywhere."¹

INNOVATIONS OUTSIDE OF INSURANCE

Thinking of your own experience as a customer, you surely can relate to how a good experience in one area leads you to frustration, by way of contrast, with a completely different product or service and leaves you muttering, "Why can't this work like ... ?" Platforms have allowed the customer experience to be simplified, to focus on what is pertinent and, simultaneously, to provide transparency. This simplification and transparency are counter to the backdrop of the customer's overwhelming access to information and barrage of influences such as marketing.

The ability to bring simplification and transparency is only made possible by a key third aspect of many of the most powerful platforms: the ability to bring advice, recommendations and credibility. Whether it is Spotify or Netflix recommending entertainment in a vast sea of content, or Facebook or LinkedIn highlighting which of your many connections' posts are most

relevant, we all have become appreciative of this valuable aspect of a platform.

A fourth aspect of the platform is the ability to work with and among competition. Rarely are such divisions helpful in achieving simplicity, transparency and reliability. Imagine if your Apple device was still a locked ecosystem and did not allow you to check your Gmail. There may remain reasons to exclude competition in areas of key differentiation, but this bears the risk of also becoming the leading reason for desertion of a platform if the barrier is too high. Once again, insurance has only to evolve its business, as it has a long history of working with competitors to develop a marketplace as well as with partners to provide customers with advice. The evolution for the insurance platform business, then, needs to focus on simplicity, transparency and leveraging their customers' trust.

SIMPLIFIED AND ACCELERATED UNDERWRITING IS NOT THE GOAL, IT IS JUST THE FIRST STEP

Improving the customer experience today for most life insurers includes the underwriting phase. This is a good place to start, as it is likely one of the biggest hurdles and pain points for a customer. For health insurance, making increasingly complex coverage easier to understand is a major focus. Improvements in the customer experience in these areas are applauded, but they only begin to tackle the opportunity to nurture the customer. Customers come to insurers looking for a trusted partner, one that will provide them security and peace of mind. Insurers have the opportunity to build on this trust as the core value of a business platform. To understand customer needs, and to enable continuous customer feedback to anticipate their future needs, insurers will require a platform that expands beyond the single transaction view of the product and customer. Insurers can evolve toward this within their existing digital transformation, or in many cases can make this a core element of their business today and build the digital framework necessary to support this in parallel. Becoming digital is table stakes, but left on its own, it has the potential to accelerate product commoditization unless the accompanying value of customer trust is enhanced simultaneously.

REMEMBER WHEN AMAZON JUST SOLD BOOKS?

An insurance business platform should be omnichannel and needs to build an ecosystem to support the customer, as trust is the value that brings customers, products and service providers together. The platform also has far greater potential to serve the needs of customers beyond insurance coverage. What products and services should be included in an insurance business platform? Well, that depends. It depends on what the insurer sees as its role in owning and participating in a business platform, but more important, it depends on what the customers want. Most platforms start small and grow, with a continuous customer feedback loop to help inform the steps and potential



changes in direction. Incremental growth with scalable services is what unleashes the ultimate power of a platform, and customer data and engagement are the fuel for that growth.

To enable the platform to exceed the transactional relationship, and to build engagement, the platform needs to offer a unique value for customers. A platform that consists of insurance coverage information, billing details and addresses is just an information portal and does not offer the engagement and resulting data that are needed to create the value streams of a platform. Imagine if Amazon had built a platform that only showed you what books you had bought, allowed you to buy more from a vast library of titles and confirmed the shipping address for those purchases. Imagine if it had not built out the “Recommended for You” feature, that it hadn’t enabled customers to provide feedback on the goods they bought to help fellow consumers, that it hadn’t expanded into adjacent products and services. Amazon did not instantly become a massive organization that operates in several consumer markets, and it did not stop with a digital transformation to just make buying books easier. Insurers will need to expand their customer relationship beyond the transaction, to a place where customers will expect their insurer to play a vital role in their lives—and that needs to be centered on trust.

IMITATION IS THE HIGHEST FORM OF FLATTERY

If being a digital insurer is essential today, then participating in or owning an insurance platform is arguably the next business

essential. Platform-based businesses already make up most of the largest companies by market cap globally, each with millions of consumers, and they will continue to prosper and grow into the future. It may seem daunting to consider the scale of these platform owners, but in an ecosystem, platforms can overlap and add value for each other. The good news is there are insurers already paving the way and providing examples and pathways to consider in building platforms that engage customers beyond insurance coverage.

Although there are several insurers to consider as examples, one that stands out for its truly unique vision is Sampo Himawari Life of Japan, which is moving toward the realization of “A Theme Park for Security, Health, & Wellbeing.” This is a bold vision that demonstrates an evolution well beyond the traditional role an insurer provides and leverages the power of a platform to solve a customer need. The platform is built on the value of customer trust, not only providing products and services in times of adverse events, but also partnering with customers to protect them in advance of such events. This is a common theme for insurer platforms: for auto, the idea of supporting safe driving; in home and property, the idea of reducing risks such as flood and fire; and in life and health, the idea of maintaining and improving health. All of these demonstrate a platform that expands beyond coverage and connects with customers where they are seeking support. Insurers are building these platforms to broaden their offerings and expand their value to customers. Although many of these insurance business platforms offer similar products and services as they embark, they are able to use their platforms to differentiate their offerings by focusing on individual customer needs and continuously gather customer feedback. Relative to insurers that have yet to start a platform, the differentiation is in having a platform.

PRODUCT DEVELOPMENT IN AN INSURANCE BUSINESS PLATFORM

The role of product in a business platform will also evolve, as it may expand what goods and services are included in the development and maintenance of the product area. It will also introduce an interaction of these goods and services and how that interaction impacts the traditional insurance product. For example, in auto, where a safe driving program is included, how is the program integrated into the existing auto coverage product? The same concept can be considered for life, living benefits, long-term care, disability, annuity, private health and other types of products offered by insurers.

What is exciting for most product teams is the ability to connect with customers, gather data and drive insights from them—a new frontier for many insurers. Product teams have often been at the leading edge of change within insurers, and now they have an opportunity to lead their organizations into the next business essential! To avoid a revolution in insurance, the product teams need to embrace rapid evolution now. Starting is the key. Then you will learn from continuous customer feedback where to grow, where to shrink and how to provide engagement that nurtures customer trust. ■

ENDNOTE

- 1 Gowers, Russell. The Last Best Experience: Customer Service in a Digital World. IBM, September 21, 2016, <https://www.ibm.com/blogs/internet-of-things/the-last-best-experience/> (accessed May 18, 2020).



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