

Digital transformation: 8 best practices for insurers

Explore the value that digitalization can bring to specific markets or products

The traditional insurance business model, which has been resilient for over 350 years, is now being challenged by technological and behavioral change.

In the not-so-distant future, driverless vehicles may diminish or eliminate road accidents and injuries. Connected homes could significantly reduce residential hazards. The sharing economy will likely offer peer to peer coverage.

It follows that the type of consumer served by traditional insurance companies is rapidly ceasing to exist. Today's modern customers are connected and social. They are fast to switch between providers, and expect instant reward and feedback.

The insurance industry will soon find that [the only way to attract and retain customers](#) is in their very own personally digital way. With that in mind, here, in descending order, are some practices that I believe are essential for successful digital transformation of an insurance company.

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No. 8: Stay focused on digital transformation goals.

What does it mean to become a digital insurer? Well, we know what it is not. It is not moving insurance products online. In fact, it is not so much to do with products at all. [Customer mentality is shifting toward consuming on-demand services](#), such as insurance for exactly six days of a skiing holiday or coverage for a favorite custom mountain bike. To become a digital insurer is to redefine the vision in terms of the kind of service, experience and a relationship the company is able to offer consumers. A single interaction/touchpoint mindset (selling a policy and hoping that nothing will happen) must become a relationship mentality. The value proposition should evolve from simple indemnity to prevention, education and continuous support.

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This new kind of customer requires next generation services. Insurance offerings have to become simpler and easier to understand. Insurance companies have to enable consumers to manage services easily, give their offerings a flexible and modular structure so customers can construct their own policies, and then interact with those products by trying them out, changing them or terminating them as needed.

[Customers want companies to know them](#), recognize them, predict their present and future needs and expectations, and see truly personalized value propositions — all while being offered a consistent, omni-channel user experience.

No. 7: Aim for organization-wide transformation.

In order for digital to achieve the goal of [true customer centricity](#) and personalization, it should permeate the whole enterprise, from culture and strategy to operations, from front-end to back-end processes, from policy purchase to claims, and from finance to HR (human resources). Moreover, customers are not the only beneficiaries of the digital way of doing business. Digital also has an important role to play in making the middle office agile enough to adapt to the evolving business model and in making the back office transparent and efficient.

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No. 6: Implement an agile approach.

While [digital transformation is a multiyear journey](#), perhaps counterintuitively, it should not be over planned. The current rate of technological change and increasing interdependence between industries diminishes the value of highly detailed long-term plans. It is simply too likely that the context will evolve before the strategy is implemented. So make sure the strategic approach to digital transformation is flexible enough to adapt to change.

The most reasonable way to start the process is to explore the value digitalization can bring to specific markets or products and start where it will solve most problems or bring most benefits. An improved experience is likely to have the most impact in areas of highest customer activity, and in the largest and most cumbersome processes.

No. 5: Tune IT infrastructure to support digital strategy.

The dynamics of change place a high value on operational and strategic adaptability to shifts in [competitive landscape](#), customer needs and market conditions. One of the roles of IT is to enable adaptability as well as rapid digital development (rapid release cycles, automated testing and deployment) and dynamic interactions across the partner ecosystems. IT architectures must be reconfigured, enabling redesign of the front-end systems to deliver smart, customized, intuitive, rich user experiences and their integration with back-end business operations and data.

No. 4: Instill a culture of customer focus, innovation, collaboration and learning.

Nothing is sustainable without the support of [organizational culture](#). To drive digital excellence, [a culture of customer centricity](#) is key. It is also imperative to evolve the type of culture that discourages internal competition and rewards collaboration and mutual learning. For example, the digital team and the IT infrastructure team often have conflicting values and yet their cooperation is essential for successful digital transformation to occur.

Organizational structures may have to be augmented to promote collaboration. Cross-functional digital teams, formed to develop solutions from the customer perspective, are a good way to encourage customer centric innovation.

Also, digital leaders have test-and-learn cultures that accept failure as a natural byproduct of the innovation process. These cultures are highly risk tolerant and promote and reward quick decision-making and adaptive learning.

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No. 3: Attract and retain talent.

New kind of talent with practical understanding of digital business dynamics has to be brought in. Insurers must develop strong talent attraction and retention strategies to compete effectively with the leading technology firms and startups for best digital experts.

No. 2: Capitalize on data for personalization, improvement and innovation.

Getting [insights from data](#) has always been the key competence of insurers. In fact, their businesses always depended directly on this specific capability. Yet, the new sources and types of data that digital customer interactions will provide (device data, real-time data, unstructured data, big data and so on) are different from structured, statistical data that insurers are used to processing. Getting actionable insights from these new types of data requires new skills as well as data management and analytic capabilities.

Furthermore, a new competence for a digital insurer is to expand its use of data from solely [underwriting purposes](#) to using the data to personalize all aspects of client interactions throughout the entire value chain, including marketing and sales, claims, product as well as for operational innovation.

No. 1: Take partners with you.

Digital transformation for an insurer is a group endeavor. Insurance companies are inextricably linked to their suppliers, and it is important to look at the transformation as a process [integrated across the supply chain](#). It is also important to assess who are the reliable candidates for a mutual digital journey.

Becoming a digital insurer is the only viable path to sustainable growth, customer loyalty, reduced costs and increased profitability. It is important to take a broader view of digitalization than simply 'applying' insurance products. Digitalization requires one to address many organizational aspects to support this transformational exercise of rethinking and reimagining customer experience, relationship and value.

Alexey Utkin is senior vice president of the finance practice at [DataArt](#), a global technology consultancy. He can be reached at Alexey.Utkin@dataart.com.