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Interconnected Insurance: Platforms, Partners, and Customer Experience

A component-based approach allows insurers to improve customer experience, accelerate time-to-market, and take advantage of a changing insurance ecosystem



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New Business Models Require a New Way of Thinking

Only a few short years ago, insurance was a linear industry in which carriers developed and sold their own products and services. Technology platforms were monolithic and insurers struggled to implement change, from launching new products to rolling out customer-facing features. By the time an insurer completed a “modernization” project, the end result was no longer modern.

Today, insurance has become much more fluid and dynamic. Speed-to-market matters more than ever. New entrants and insurtechs have emerged to address customer needs, coverage, and technology gaps. Pricing structures are becoming increasingly competitive as the industry experiments with “price as you live” models.

Digital partnerships have been disrupting the market and accelerating transformation within the insurance industry, from Lemonade and Bestow to Chubb and Nubank, and the many cases of ecosystem play, such as Zhong An, AXA XL and RGA. Many successful mergers have taken place and M&A activity is currently heating up, from Prudential acquiring insurtech Assurance IQ to American Family acquiring Bold Penguin and USAA acquiring Noblr. Increased partnership and M&A activity further pressure insurers to adapt or risk losing customers to faster-moving competitors.

Consumers are increasingly comfortable with receiving insurance offers, such as getting an offer for life insurance when purchasing infant products. Not surprisingly, 60% of consumers who bought life insurance from an insurance company would be very or extremely interested in receiving bank-embedded offers for insurance.¹



Traditional carriers are acquiring startups and online insurers to expand customer offerings or their delivery model, such as Mass Mutual acquiring Haven Technologies. Customer behaviors and expectations are also driving immediate changes in the industry. Customers are embracing the convenience of buying insurance online, and they expect that those products and services will be hyper-personalized to their unique needs.

In an NTT DATA survey, more than half (52%) of insurers say that changing customer behaviors and demands will have a significant impact on their business, up from 35% in 2019.² That same study found that almost three-quarters (72%) of carriers are shifting business models away from manufacturing and distributing their own products to digitally distributing other firms' products and services and focusing on customer experiences. Some insurers will continue to manufacture and distribute products, and others will choose to manufacture products but work with a partner for distribution.

Insurers told NTT DATA that in order to compete in this evolving ecosystem, they would focus on three strategic priorities for the next 12-36 months:³

- Enhancing product agility
- Developing hyper-personalization
- Cutting costs and improving margins

Insurance Executives Look to the Future⁴

- **99%** believe in the need for transformational digital change
- **98%** say that integration of core and distribution systems into a digital business platform is important to stay competitive
- **84%** say that a digital business platform is an opportunity to reposition their company

“In an era of interconnected companies, insurers need the right ecosystem and partners to accelerate time to market and to make the customer experience seamless between channels.”

– Mercedes Concepcion Gray,
Head of Growth and Innovation,
NTT DATA

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Address Strategic Priorities with a Component-Based Digital Business Platform

A component-based digital business platform (DBP) allows insurers to address all three of these strategic priorities. Although only 12% of insurers have a working DBP that provides business benefits, many are recognizing that a DBP is critical and are beginning to invest in these platforms: 35% of insurers have made investments and another 21% have completed parts of a digital platform. Another 30% are in the early stages of investment.⁵

The greatest challenge that insurers face in executing a digital business platform is their existing technology architecture, with 50% of insurers saying that their legacy architecture is a major obstacle in supporting an evolving insurance ecosystem.⁶

A DBP allows multiple participants to connect and do business with each other. This interconnectedness creates an ecosystem where insurers can easily retool their business model to compete in a more fluid, dynamic environment. Cloud platforms such as NTT DATA's Global Insurance Digital Platform (GIDP) can deliver a componentized architecture encompassing the front, middle, and back-office and address insurers' need to improve product agility and hyper-personalized customer products and services. This type of platform consists

“The new virtualized world has forced a digital operating model on life insurers and many of them, along with solution providers, are taking the digital challenge as a must to survive and thrive.”

– Keith Raymond,
Senior Analyst, Celent⁷



of modular building blocks connected through APIs. The platform supports newer technologies such as cloud-native application architecture and Agile and DevOps development methodologies that allow insurers to reduce up-front costs and launch applications much faster than before. Insurers find that the platform propels them toward a minimum viable product (MVP) approach to development.

Here are just a few of the most compelling benefits of a component-based approach to insurance:

- Ecosystem partners can easily integrate into the platform.
- The platform blurs the lines between the front, middle, and back office, allowing insurers to rethink and streamline end-to-end processes.
- Since a component-based approach is policy administration system agnostic, insurers can free themselves from the maintenance and integration headaches of legacy policy systems.
- Insurers can focus their resources on better customer experience and improving retention and cross-sales.
- It is easier to incorporate emerging technologies.

“Omnichannel is evolving into intelligent multichannel in which all channels must work in concert to deliver the best customer experience.”

– Lisa Woodley

VP, Customer Experience,
NTT DATA



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- The platform provides insurers with better business intelligence through access to a myriad of data sources.
- Insurers gain the ability to innovate the product manufacturing value chain.

Insurers Speak Out: The Top Benefits of a Digital Business Platform⁸

1. Better customer experience
2. Increase in customer retention
3. Product improvement
4. Faster response to market needs
5. Increasing revenue

5 Questions to Ask When Selecting a Partner for Digital Ecosystem Acceleration

Most insurers recognize that a componentized digital business platform delivers immense value to their business, but few are willing to go it alone. In fact, almost 100% of insurers work with a service provider to develop their digital business technology platform, according to Gartner.⁹

Partnerships can be visible or invisible. Examples of visible partnerships are joint ventures or distribution agreements. Invisible partnerships are not apparent to the policyholder, but provide features and functions such as fraud detection or automated underwriting with artificial intelligence (AI). The pandemic has accelerated invisible partnerships as insurers scrambled to adapt to digitization quickly. Selecting the right partner can mean the difference between a long, drawn-out transformation or one that delivers fast incremental value.

“There is a lot of data trapped in our administrative platforms and back-end systems. We need to liberate that data to leverage it within our ecosystem and internally so we can make better decisions and provide better advisory and customer experience.”

– Dev Ganguly
COO of Jackson



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1. Who owns the customer experience?

Regardless of how you define your customer—policyholder, agent, or third party manufacturer—you likely are increasingly focused on customer experience. In fact, three times as many insurers listed customer experience as a competitive differentiator in 2021 compared to 2019.¹⁰ You want to continue to own the customer experience despite changing distribution models. Your branding should always be front and center, while the partner should fade into the background. Look for a partner with a technology architecture that separates back and middle office service execution from the customer-facing front end and one that applies data analytics to help you meet the personalized experience your customer's demand.

2. What development methodologies are used?

It's critical to go live with products and services quickly while limiting your spend. It's notoriously time-consuming and expensive to develop and launch new products and services on traditional monolithic technology platforms. A partner with a component-based platform that uses methodologies like DevOps and Agile, creates low- or no-code APIs, leverages continuous

“To succeed in ecosystems, insurers will have to take a hard look at their traditional roles and business models and evaluate opportunities to partner with players in other industries.”

—McKinsey¹¹

integration and continuous delivery (CI/CD), and can remove legacy system barriers. Data intelligence will become increasingly important, and insurers will need access to more customer data to provide personalized and customized policies that improve customer engagement. The insurers that can capture data intelligence will be the ones that uncover business opportunities.

3. Does the partner offer a comprehensive solution and component solution?

A few insurers are well on their way to building a componentized digital business platform, while others are just beginning to assemble an ecosystem. Perhaps you are already working with partners, for example, to replace a standalone policy administration system. A DBP partner should provide you with the flexibility to leverage the components you have already invested in and that makes sense to your business model. However, keep in mind that engaging with multiple partners increases not only cost and headaches, but also risk. You'll want the option to have a one-stop shop for a digital business platform across all business lines and products.

4. Does the partner integrate with best-of-breed vendors?

Most solution providers are monolithic and rely on their own intellectual property when driving innovation, which can stunt insurer growth. A partner with a deep bench of third parties can integrate best-of-breed vendors that meet your needs today and as your ecosystem evolves. These best-of-breed vendors deliver the best customer benefits on a digital platform that is agnostic and capable of integrating with existing or third-party policy admin systems. It's critical that carriers can successfully host a variety of vendors and that these vendors can integrate and work in harmony. Best-of-breed vendors are well versed in technology integration. Top vendors feature highly parameterized,

“The meaning of life is connection. It’s human connection; it’s business connection; it’s connecting customers to insurers. Even if you have fewer touchpoints or customers use self-service, you must focus on the customer experience.”

– Rose Hall
VP of Innovation
AXA XL

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cloud-based technology solutions that allow carriers to stand up DBPs and extended ecosystems without having to extract core systems. As a result, carriers can go to market faster and mitigate technology debt.

5. Is the partner compatible?

While technology is critical, don't underestimate the importance of cultural alignment with your partners. Are there commonalities between your organizations that you can leverage? Ask how your potential partner shares best practices. Can you see yourself bouncing ideas off each other and giving constructive feedback about what's working and what needs tweaking? You should be looking for a long-term relationship rather than a transactional vendor/insurer relationship. Evaluate the trade-offs of working with a startup and working with longstanding industry players. A partnership with an insurtech will look very different from a partnership with a legacy insurer. A startup typically lacks capital and may not fully understand—or underestimate—the regulatory environment that insurers must work within. However, the advantage of partnering with a startup is that these firms tend to embrace disruptive innovation.

Conclusion

As the insurance business model changes, so have insurance executives' priorities. Today, insurers are focusing on improving product agility and meeting customer demands for personalization, along with the perennial need to reduce costs and improve margins. Insurers recognize that an interconnected ecosystem will keep up with industry best practices and meet customer

“We’re starting to see unconventional partnerships or unconventional ways to put those partnerships to work. Some companies are becoming or are considering becoming a utility company where they manufacture the product and someone else distributes it. And then you have a situation where some manufacture and distribute.”

– Juan Mazzini
Sr. Analyst,
Celent

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expectations. Traditional legacy technology architectures simply can't deliver what insurance executives know they need to remain competitive and profitable. As a result, many are turning toward a componentized digital business platform that significantly quickens the time-to-market of new products and services, allows insurers to partner with insurtech and digital insurers in new and innovative ways, and delivers elevated customer experiences. In a digital-first environment, insurers that underinvest in technology and innovation will be left behind. Customers will always choose the insurer that deeply understands who they are, what they want, and can meet these demands as quickly as they evolve.

Learn more about related topics:

- [On-Demand Webinar: How Insurers Can Own The Customer Experience In 2022](#)
- [On-Demand Roundtable: The New Era of Interconnected Companies](#)
- [Research Paper: Insurers Shift Their Digital Transformation into High Gear](#)
- [Blog: 4 Lessons for Insurers Navigating the New Era of Interconnected Companies](#)

“In this era of interconnected companies, time is of the essence. Partnerships accelerate getting to a componentized digital platform.”

– Mercedes Concepcion Gray
Head of Growth and Innovation,
NTT DATA



[On-Demand Roundtable: The New Era of Interconnected Companies](#)

¹ Cover Genius-<https://www.covergenius.com/wp-content/uploads/2021/06/CG-PYMNTS-Embedded-Insurance-Report-061121.pdf>

^{2-6, 8, 10} High Gear Paper-<https://us.nttdata.com/en/-/media/assets/white-paper/LA-Insurers-Shift-Their-Digital-Transformation-Into-High-Gear-Research-Paper.pdf>

⁷ NTT DATA Press Release-<https://www.nttdata.com/global/en/media/press-release/2021/september/ntt-data-introduces-global-insurance-digital-platform>

⁹ Gartner-<https://www.gartner.com/smarterwithgartner/how-to-build-a-digital-business-technology-platform>

¹¹ McKinsey-<https://www.mckinsey.com/industries/financial-services/our-insights/insurance-beyond-digital-the-rise-of-ecosystems-and-platforms>

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