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BOOST REDPAPER - *Winter 2017/2018*

Everything an I.T. Channel Partner Needs To Know When Selling Into *The Insurance Sector*

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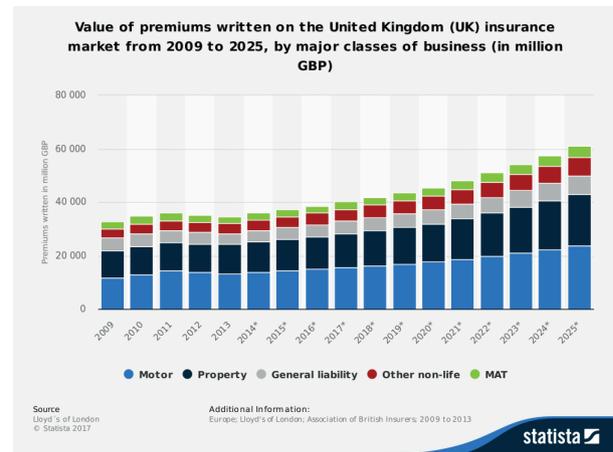
Fraud is one of the biggest threats facing the insurance industry, as unscrupulous criminals try ever more imaginative ways to falsely claim money for bogus accidents, along with intense industry competition, consolidation, and a constant demand from customers for cheaper prices. In this [Redpaper](#), we examine the issues keeping insurance bosses awake at night, and how technology innovation is the way these firms will stay ahead of the curve.

About the Insurance Sector

Because the insurance industry is such a huge target for fraudsters, the Association of British Insurers (ABI) estimate that fraud costs insurers around £200m a year to combat, some of which will fall on the shoulders of consumers to cover in the form of higher premiums. Obviously, that extra charge is unwelcome with customers, so insurance firms often find themselves in a catch-22 situation where they take the hit themselves, to avoid losing business. It is more vital than ever that they have the most efficient and up-to-date IT systems to ease the pressure on corporate finances.

According to ABI figures, there were 125,000 dishonest insurance claims in the UK valued at £1.3bn during 2016. Although in more promising news, this number was down on 2015 and the value has fallen by three per cent. The level of organised fraud fell by around 30 per cent on 2015, with 15,000 frauds valued at £174m detected. But £1.3bn is still a lot of money to lose in such a cutthroat industry.

Motor insurance is the most taken out policy in the UK, with Lloyd's of London figures revealing customers forked out £15.6bn on their cars; closely followed by property insurance at £12.6bn for 2017. By 2025 it is estimated the UK will spend £23.6bn on motor insurance and £19.2bn on property insurance.



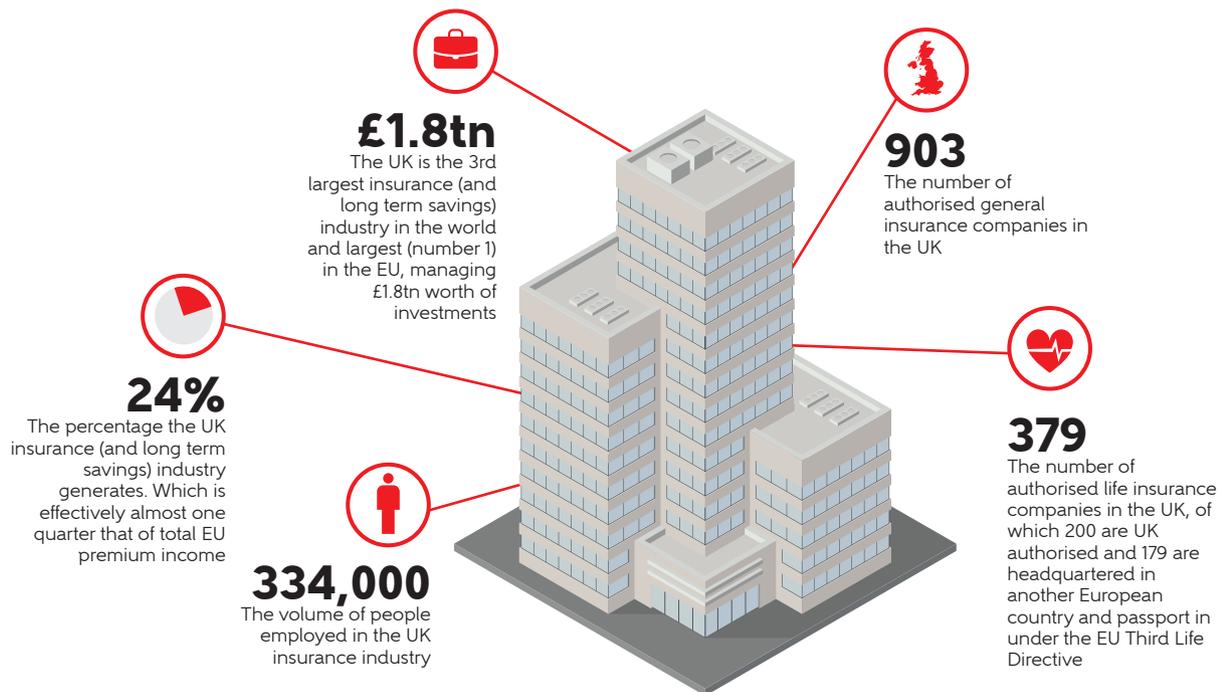


The UK is actually the third largest insurance and long-term savings industry in the world (see graphic), and the largest in the European Union. But customer loyalty is definitely not a guarantee in this sector, and insurance bosses are faced with the constant challenge of keeping existing customers happy while attracting new ones.

Price is the biggest negotiator for these firms, but the existence of aggregator sites such as **GoCompare.com** and **Comparethemarket.com** make keeping up with the competition very difficult.

As a result, these firms rely on technology to help

Insurance industry general stats (source: ABI)





streamline their systems, save them money, keep customers happy and keep their systems secure. According to an article on *ThinkAdvisor (Source 1)*, the main concerns keeping insurance bosses awake include ongoing macroeconomic sluggishness, the disruptiveness of technology innovation and where to actually invest to stay ahead; retaining and finding the talent and skills to run a profitable business in an era where insurance is not seen by new entries to the workforce as a 'sexy' industry; and constantly evolving regulation, which cannot be ignored for fear of falling foul of the law.

The industry, like many others, is also facing a period of unprecedented consolidation. The large oil-tanker incumbents, which are struggling to keep up with technology trends, are under threat by the smaller and more nimble newcomers entering the market. As a result, they are snapping up these firms, but in turn this means help is needed with system integration, and ensuring the technology can scale and benefit the newly-enlarged enterprise.

An article by *Insurance Time (source 2)* spoke to some leading insurance industry figures to discuss the main issues they felt were facing their industry in 2017 and beyond.

Vincent Vandendael, chief commercial officer at Lloyd's of London was quoted as saying there were too many players operating in a 'low growth' environment.

"The Industry faces the risk of a race to the bottom on rates, a risk that is accelerated by changing distribution models and new technology," he said. "But where there is risk, there is opportunity. Innovative insurance solutions like cyber, IP rights or reputation to name a few."

**But where there is risk,
there is opportunity.**



Mark Platten, chief underwriting officer at AXA Corporate Solutions, said in the same article, that the industry needs to wake up to the reality that its business model needs a 'complete overhaul'.

"That means investing in the right type of talent, understanding and utilising technological advances in data, analysis and Artificial Intelligence (AI), and a willingness to pool our resource, knowledge and expertise with both clients and brokers to enter a partnership where the whole is greater than the sum of its parts," he said. "I believe that we have started down this path, but there's still a long and difficult journey ahead."

The good news for the channel and the IT industry is that there is a wide recognition from insurance industry bosses that they need to make changes, and investing in technology is the way they are going to keep ahead of the competition and actually grow, despite the challenging economic conditions.



Investing for success

As we have seen above, the willingness and appetite to invest in technology advancement is definitely there.

Insurance, like many established verticals, suffers from outdated legacy systems that are in need of either updating or retiring and the firms that get ahead have invested or are investing in mobile apps, analytical capabilities and better data integration. To keep up with consumer demand, these firms need a 'mobile first' mentality.

According to PwC's 2017 CEO Survey (source 3), 67 per cent of insurance respondents see creativity and innovation as very important to their organisations, actually ahead of other financial services sectors. And in positive news for the channel, the area they would most like to strengthen according to PwC's report is digital and technological capabilities, followed by customer experience. But because the pace of technology change is so rapid, these firms need a guiding hand to ensure they are investing in the right areas, and not just pouring money into the wrong type of technology.

The role of the Channel

So, what are the main technology areas that insurers will be looking to invest in? The good news is that there are multiple areas where channel players can

help their insurance customers invest for success and stay ahead of the curve. We examine some of the key areas below.

Unsurprisingly security is high up on the wish list - are insurance firms definitely protected against the very real threats that are facing them? For firms in this vertical, they have a two-way battlefront. Firstly, from a cybercriminal standpoint and the increasingly complex wave of threats targeting firms that hold a lot of sensitive financial data, but secondly a fraud perspective. As mentioned earlier, fraud is a huge problem for the insurance industry and the threat is from their own customers as well as externally. The right security solution will not only help them fight cybercriminals, but also unscrupulous fraudsters that are trying to extort money.

There is no escaping the onset of General Data Protection Regulation (GDPR) either, insurance companies are responsible for millions of peoples' most private data, and they need to be prepared for this legislation - which comes into force in May - and tighten security accordingly, or they will face crippling fines and could risk going out of business.

Physical solutions such as drones, will also make assessing any insurance claims, particularly in remote locations, or difficult to reach locations, a lot easier and can also be used for surveillance - it is probably an avenue many insurance firms haven't even considered. And, of course they will need the



recording equipment to go with it, along with storage and security. In the same vein, sensor technology is being used in the automotive and other insurance industries to collect data and ensure claims are accurate. As well as the physical products needed to supply that side of the business, it is where the Internet of Things (IoT), machine learning and AI all come together to benefit the industry it serves.

Because of its data collection and analysis abilities, AI can also spot unusual algorithm activity much earlier than perhaps humans can, and is able to recognise potential fraudulent claims before any money has actually changed hands and lost forever. It can turn a reactive industry into a proactive one. It can also warn other systems within a network and be prepared if the fraudsters try again on a different track. The decision process can be instant, which whether it works in the customers' favour or not, means a once lengthy, time-consuming process can be eliminated and allow for better use of human resources.

On another level, AI can help personalise the customer experience and ensure they keep coming back for more by giving them customised premiums. If a customer is receiving a unique quote/premium based on their individual circumstances, and the technology used by the insurer has remembered their details and sped up the process, then it is a win-win situation for both the insurance firm and its customer.

Another important aspect of AI is automation, which

is also a technology set in its own right. Of course, automation is seen as a threat to human jobs, but at a time when firms are desperate to save money yet retain key talent, automation is the answer. It takes care of the fiddly and time-consuming jobs that require no human input whatsoever. In an era where customers are crying out for a quicker, more efficient service and in all honesty would rather not deal with a human being when a machine can save them time, automation is a no-brainer for insurance firms.

Blockchain is yet another technology that could be lucrative for those supplying IT solutions to insurance firms - still in early stages and very much associated with crypto-currency - if adapted to suit the back office needs for the demanding and complex world of wholesale, commercial and reinsurance, it could be a rewarding revenue stream for the right supplier.

With all the above technologies, it is the trusted IT advisor who will be able to help insurance firms invest in the right solutions. Obviously, technology is not the core business of these firms, so they are going to need guidance so they can continue to focus on their actual business. But how do you convince them to make that investment?

Parting with money

As with all customers, encouraging them to actually invest in a technology can take months of hard work and patience. It can feel like an uphill struggle.



Established industries such as insurance will have tried and tested legacy systems that means they are reluctant to part with them because they have served them well over the past few years. Yet they know these same systems are often slowing them down. They will need convincing of the benefits of the technology, and as such, the only way to handle them is through outcome-based selling rather than confusing them with speeds and feeds.

Once they understand how the technology will work and how it will streamline their business processes, save them money, attract new customers, beat fraudsters, and allow them to focus on their core business, they will willingly part with their cash. As we have seen earlier, the appetite to invest in tech innovation is definitely present in the insurance space.

It may seem obvious, but listen to their needs and understand their challenges. Charging into a customer and telling them what they should and shouldn't be doing, is probably the quickest way to get their back up. Working with them, and addressing their very real needs, means they will turn to you again and again. If they know their IT supplier actually understands their business, the relationship is likely to be a long one.

Keep in regular contact with them. If they are unsure about investing in a particular technology at one point in time, it doesn't mean they won't in the future. Just by showing willing, and keeping regular dialogue

going, it could mean they will invest a little further down the line.

Finally, encourage them to settle for monthly billing. As with many companies, the thought of an eye-watering upfront charge for a new technology solution, could put many off, but if they are able to pay smaller amounts on a regular basis, they are more likely to take the plunge. The era of cloud computing and everything-as-a-service has made this payment mode so much more attractive and affordable and offers the flexibility that has perhaps been missing in the past. And of course it means a welcome recurring revenue stream for IT suppliers.

Conclusion

The insurance industry is, like many established markets, going through a period of intense, technology-driven change. To keep their customers satisfied, these firms have to invest to have state-of-the-art, cutting edge systems. They are aware that they have to invest in innovation. They are willing to invest.

But they can't do it alone. The opportunity is definitely there for the channel to get the conversations going and bring these firms bang up-to-date. It will take time and patience. But the rewards will definitely be lucrative for those that are prepared to make the first move.



About Boost Performance

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- **Sales Enablement**
- **Salespeople-as-a-Service – our people, trading as yours**

To learn how Boost can help you improve your business performance, contact us today.

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Sources:

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Source 2 - <https://www.insurancetimes.co.uk/the-biggest-challenges-facing-the-insurance-industry/1421855.article>

Source 3 - <https://www.pwc.com/us/en/industries/insurance/library/top-insurance-industry-issues-2017.html>

Source 4 - <https://www.the-digital-insurer.com/blog/10-insurtech-trends-insurance-2018/>



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